



Review Article

## THE ROLE OF SOCIAL CAPITAL IN MAINTAINING THE OPTIMIZATION OF LOCAL AGRICULTURAL INSTITUTIONS IN THE PROVINCE OF BALI – INDONESIA

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### ABSTRACT

Developing countries, such as Indonesia, in general, is an agricultural country. Agricultural development is a prerequisite for economic growth and national development. In addition, the agricultural sector can also absorb a lot of manpower and opening of the employment, as well as foreign exchange saver. The purpose of this review is to determine the role of social capital in maintaining the optimization of local agricultural institutions in the province of Bali. Social capital consists of three main elements, namely trust, norms, and networks. *Subak* is an agency in Bali that handle agricultural irrigation systems. To increase the capacity of farmers and the level of adoption of agricultural innovations is needed revitalization of social capital, especially in the development and strengthening of social capital and institutional farmer. A high social capital would open the possibility of resolving the complexity of the problems more easily, so that the social capital could encourage the emergence of institutions and modern organizations with the principles of openness, and networks based on the norms and trust to achieve common goals.

**KEYWORDS:** Unequal distribution of income among regions, the natural resources of labor absorption, agglomeration, economic growth

### INTRODUCTION

In general, developing countries such as Indonesia is an agricultural country, where most of the population works in the agricultural sector. The agricultural sector given a main priority in the development of developing countries, most of economists regard that the agricultural sector is a positive supporting sectors in economic development. Some experts have noted the importance of the agricultural sector in economic development. Todaro (2003) suggests that the development of agriculture as a prerequisite for national development, especially in third world countries. Todaro saw about two-thirds of the poor nation dependent

on an agriculture sector, most of the poor people live in rural areas.

Jhingan (1990) states that the role of agriculture in economic development are: a). Provision of groceries. b). Sources of income and taxes. c). Source of foreign exchange earnings required to import capital, raw materials, and others. d). The domestic market to accommodate the production of the processing industry and other agricultural materials sector. The role of the agricultural sector in the development of an economy by Johnston and Mellor in Daryanto (2009), among other things:

- i. The agricultural sector to produce food and raw materials for industry and services sectors. If the



increase in food can be met domestically, it can push down the rate of inflation and labor costs, which in turn is believed to further spur economic growth;

- ii. The agricultural sector can generate or conserve foreign exchange from export or import substitution products. Foreign exchange earnings from agricultural exports could eventually be used to pay for their imports of goods and technology to modernize and expand the agricultural sector. Through this contribution, the development of the agricultural sector can facilitate the process of structural transformation;
- iii. The agricultural sector is a potential market for the products of the industry, so that when the agricultural sector can grow and develop healthy, there will be the stimulation of demand for the products produced by the industrial sector;
- iv. Transfer of surplus labor from the agricultural sector to the industrial sector is one of the sources of economic growth. Fast-growing economy could stimulate the transfer of labor force in large numbers and are continuous from the agricultural sector to the industrial sector; and
- v. The agricultural sector can provide capital for the development of other sectors.

Meanwhile, according to Kuznets in Tambunan (2010), there are four forms of agricultural sector contribution of economic growth and development, namely:

- i. Contribution of the product or output. The contribution of agricultural products to Gross Domestic Product (GDP) could be through market output (consumer demand side) or via the input markets (supply side) market. By market output means: workers in non-agricultural sectors mean they can eat for healthy and able to perform well or can increase the productivity, which at last means is able to increase the output in these sectors. While via of the market input means is a supply of agricultural output as an input for non-agricultural sectors.
- ii. Contributions market. Spending of farmers for industrial products, both consumer goods (food, clothing, housing or building materials, transportation, furniture and other household appliances) and goods intermediaries for production activities (fertilizers, pesticides, tools agriculture) shows one aspect of the contribution of the agricultural sector market towards economic development through its effect on growth and diversification sector.
- iii. Contributing factors of production. There are two factors that can be transferred from agricultural to non-agricultural sectors, without having to reduce the volume of production (productivity) in the agricultural sector. The first, labor force: in theory of Arthur Lewis said that at the time of the agricultural labor surplus (when the marginal product of the addition of one worker is close to or equal to zero), which causes the level of productivity (the ratio of output to labor) and real income per workers in the sector is low, there will be a transfer of labor from agriculture to industry (or other non-agricultural sectors). As a result, the

capacity and production volume in the industry increased. The second, capital: surplus market, namely when the difference between the sales proceeds and the cost of production is greater than zero, in the agricultural sector could be one source of capital investment or in other sectors; and

- iv. The contribution of foreign exchange. Agricultural sector contribution to the increase in foreign exchange is through two main channels: first, through increased exports and/or second, through a reduction in the level of the country's dependence on imports of agricultural commodities.

The agricultural sector obviously cannot stand alone, especially if you have to be a political-economic burden of non-agricultural sectors such as manufacturing, service industries, and others who've grown and developed in the context that very apparent and tend distorted. There should be concrete efforts to restore agricultural policies in the national interest. Policies that can affect the agricultural sector, because the agricultural sector is a typical production process based plant growth processes carried out by the farmer in a farm as a company. Thus the agricultural element consists of the production process, farmers, farming, and farming as a company (Mosher, 1966).

Agriculture has the potential not only to a footstool in employment and open up the field of business, but it can also be assumed as a producer and at the same time foreign exchange saver. The importance of the development of agriculture has been giving out the contribution to the resident population either rich or poor, but strategic policy measures and practical is still not quite clear (Hariyadi et.al.2000).

Agricultural policy according to Snodgrass and Wallace in Hanafie (2010), defined as the government's efforts to achieve economic levels better and well-being of a higher gradually and continuously through the selection of commodities that are programmed, the production of food and fiber, marketing, structural improvements, politics abroad, provision of facilities, and education. Meanwhile, according Mubyarto (1983), the agricultural policy is a government policy to facilitate and accelerate the pace of agricultural development, which not only concerning the activities of farmers, but also agricultural enterprises and estates, companies transporting, shipping, banking, insurance, and government institutions and semi government agencies associated with the activities of the agricultural sector.

Agricultural policy has closely linked with the development of human resources, increased efficiency, as well as rural development that involves all aspects of economic, social, political, and culture of the rural population, that the politics of agriculture is part of the economic policy in the agricultural sector, as one sector in the economic life of a community, agriculture is the political attitudes and actions of the government or government policy in the agricultural life. Agriculture Wisdom is a series of actions that have been, are, and will be implemented by the government to achieve certain goals, such as promoting agriculture, see to it that agriculture becomes more productive, efficient production

and rising production, higher levels of farmers living and well-being to be evenly distributed. The same opinion was also expressed by Sharma (1985). Further noted that the general purpose of agricultural policy in Indonesia is to promote the agricultural sector, which in terms of further includes:

- i. Increased productivity and efficiency in the agricultural sector
- ii. Increased agricultural production
- iii. Improved living standards and welfare of farmers, and the distribution of income level.

According Monke and Pearson (1989), the politics of agriculture is government intervention in the agricultural sector with the aim to increase the efficiency regarding the allocation of resources to be able to generate national output are maximized and spread income, that is allocating profits agriculture intergroup and between regions, the security of long-term supplies, In this case, the agricultural policy is divided into three basic policies, among others:

- i. Commodity policy which includes policy commodity price, commodity price distortions, commodity price subsidies, and export policies.
- ii. Policy factors of production which includes the minimum wage policy, taxation and subsidy factors of production, the price policy of the factors of production, and repair production factors quality.
- iii. Macro-economic policies are divided into policy budget, fiscal policy, and improving exchange rate.

Mubyarto (1987) states that the political farming is basically a government policy to facilitate and accelerate the pace of agricultural development, which not only concerning the activities of farmers, but also companies transportation, shipping, banking, insurance, as well as government institutions and semi-government related to the activities of the agricultural sector. Agricultural Politics has closely linked with the development of human resources, increasing efficiency, as well as rural development that involves all aspects of economic, social, political, and culture of the rural population. That the sphere of agriculture political, include:

- i. Short-term political stability
- ii. Increased agricultural growth
- iii. Regulating and directing the trading
- iv. Direction and increased mobility of factors of agricultural production
- v. Politics in the field of science and technology, and human resource development in agriculture.

Institutional farming has the potential to improve productivity and increase farm income and welfare actors (in Dina Nurul Fitria Viswanathan, 2013). However, facts on the ground stated that there is gap between institutions formed in *top down* by the Government, with the institutional needed by farming actors (Dina Nurul Fitria, 2013). During this institutional approach has also been a central component in the agricultural and rural development. However, institutional farms, especially a group of farmers tend to be positioned as a mere tool to

implement the project, not as an attempt to empower more basic (Wahyuni, 2003).

According Dimiyati (2007), the problem is still attached to the figure of the farmer and farmer institutions in Indonesia are:

- i. Lack of insight and knowledge of farmers on management issues in production and marketing network.
- ii. Farmers don't fully involvement of in agribusiness activities. Farmers activities are still focused on production activities (on farm).
- iii. The role and function of institutional as a farmers organization are not running optimally.

In outline, this political deal with the minimum income, stability, and opportunities is a key element in the problems of farming. Therefore, allows for a deeper understanding of the problems of instability. In national development, the agricultural sector occupies an important priorities. For agricultural commodities, food is one of the very basic human needs, is considered strategic, and often include things that are emotional and even political. Fulfillment of food in quantity and quality is very important as a foundation for the entire Indonesian human development in the long term.

## MATERIALS AND CONCEPTS

### The Definition of Institutional

Institution, generally more directed to the organization, container or institutions. The organization serves as a container or place, while understanding the institute includes the rules, ethics, ethics code, attitudes and behavior of a person or an organization or a system. Institutional generally widely discussed in sociology, anthropology, law and politics, organization and management. In the field of sociology and anthropology are emphasized existing institutional norms, attitudes and customs. In the field of institutional political science much emphasized on rules of play and collective activities common interests. Science confirms the importance of the institutional law of the corner of laws, rules and enforcement as well as the instruments and processes of litigation (Djogo, et al, 2003), in addition to it also that the general definition of the institution includes the concept of social behavior entrenched and ongoing or recurring.

According Uphoff (1986), the institutional and organizational terms are often confusing and is interchangeably. In science, social institution and social organization are on the same level, to refer to what is known as a social group, groups, social forms, and others which are relatively similar. However, in the recent developments, the term of "institution" is used for meaning which includes both. There are several reasons why people prefer the term. Institutional preferred because the word "organization" refers to a social formal form and lately more and more likely to get a negative image. Said institutional also preferable because it gives the impression of a more "social" and appreciate the local culture, or more humanistic.

Of the various concepts raised by some experts that the definition of institutional can be interpreted as an order and patterns of relationships between community members or organizations that bind to each other to determine the shape of the relationship between people or between organizations housed within an organization or network and is determined by factors barrier and binder in the form of norms, codes of conduct formal and informal roles to control social behavior and incentives to work together and achieve common goals.

### The Role of Institutional in Economic Development

Institution development aims to direct the flows of investment effectively, ensure the process of investment transactions and according to the contract, and prevent the *incredible* commitment. There are two areas of concern (Williamson, 1995). At the macro level, the *institutional environment*, the rules that concerning to aspects of the social, political, and other legal aspects of the underlying system of production, consumption and distribution, should be upheld by all parties on an equal footing before the law. At the micro level, the *institutional* arrangements, rules or mechanisms between economic units that to control the operation, coordination and competition participation and emphasized the utility to achieve the transaction by *de facto*. The passage of an effective institutional mechanism requires the unity of the legal system between higher with the one below it. This disharmony will be able to create legal uncertainty and havoc (*chaos*) as a result of the collision system. It required seriousness, honesty, and wisdom to appreciate *indigenous institution, property rights*, and the rules of the contract in order to develop the economy and to increase social capital in it.

An important role in the economic institutions are as a means to reduce / minimize uncertainty or turn it into a minimal risk. Reduce uncertainty, thus making the transaction costs will be lower, thus the market or trade transactions will be increased. As has been widely understood that trade benefits for the culprit, the advantage would be increased if the trade of products that are specialties. Specialization will increase productivity, and ultimately will improve the welfare of society and economic activity will move.

Institutions to support the market, understand what they were doing in the first stage of building effective institutions. According to the World Bank (2002), the institution does three main things, namely: (1) distribute information about market conditions, goods, and principals; (2) formulate and enforce property rights and contracts; (3) increased or decrease competition in the market.

Development institutions that support the market are very important to stimulate economic growth and poverty reduction. Because access to the market is a key for the public can make a cheap transaction, thus increasing specialization. Specialization increases the productivity and economic activity.

Institutional agriculture is the norm or customs are a structured and patterned and practiced continuously to meet the needs of the community members closely related to the livelihood of agriculture in the countryside. In the life of the farming community, farmers' position and institutional functions are part of social institutions that facilitate social interplay in a community. Institutional of farm also has an *entry point* in moving the agribusiness system in the countryside. For that all available resources should be directed at the rural/prioritized in order to increase the professionalism and the bargaining position of farmers (farmer groups). Currently farmers and institutional portraits of farmers in Indonesia are still not recognized as expected (Suradisastra, 2008). Institutional role in establishing and developing the agricultural sector in Indonesia is particularly noticeable in the activities of food crops, especially rice.

Agricultural institutions has eight types of institutions, namely 1) institutional input providers, 2) institutional capital providers, 3) institutional providers of labor, 4) institutional providers of land and water, 5) institutional farms, 6) institutional processing of farm produce, 7 ) institutional marketing, 8) institutional information providers (Basuki in Dina Nurul Fitria, 2013) in the agricultural system, also known as Institutional term supply chain relationship management or system that is systematic work and mutual support among the institutions of a commodity supply chain partnerships. Institutional component of supply chain partnership includes actors from across the supply chain, existing mechanisms, patterns of interaction between actors, and their impact on the business development of a commodity as well as to the welfare of actors in the supply chain. The institutional form of the agricultural supply chain consists of two patterns, namely general trade patterns and partnership. The bond between farmers and traders generally subscribed bond, the absence of a binding contract between the two and just rely on trust. Farmers and traders in this pattern are too often bonding capital loans. While the patterns of the agricultural supply chain partnerships are a working relationship among multiple actors supply chain mechanisms written agreement or contract within a specified period. The contract made agreements that will be the rights and obligations of the parties involved (Marimin and Maghfiroh, 2010).

### Subak Institutional in Bali

Based on Provincial Regulation of Bali No. 2 / DPRD / 1972 on the irrigation area is mentioned that *Subak* is a traditional law community who are socio-agrarian religious historically established from time immemorial and continue to grow as an organization ruler of the land in field water regulation and other rice fields from a source within an area. Sutawan, et al. (1989) say that *Subak* as an irrigation system is an organization of farmers' water managers who distribute and allocate irrigation in farming wetlands that have a source of water, has one or more temples, have the autonomy to set their own organization as well as having a wide range of rules created together and obedient shared by all its members. Furthermore, it states that there are some functions *Subak*, namely (1) distributing and allocating irrigation water; (2) the operation and maintenance of irrigation networks; (3) the mobilization of resources; (4) the handling of conflicts

### Institutional In Agricultural Sector

faced by water control system; and (5) held ritual / religious, according to the FGD Windia in Gianyar Regency government on 22-4-2016, that the functions of social-agrarian *Subak* as there are about 15 pieces of ritual performed by farmers/*Subak* from start planting until after harvest.

Further Sutawan (in Pitana and Setiawan, 2005) revealed that *Subak* is a farmer-managed irrigation systems independently for crops, especially rice and has several interrelated elements. These elements are as follows: (1) irrigation water management organizations; (2) irrigation facilities and infrastructure; (3) food production; (4) of irrigated land ecosystems; and (5) religious rituals relating to rice cultivation.

Ambler (1990) also mentions that irrigation water management organizations including *Subak* is not an organization that manages a purely technical aspect, but more loaded on socio-cultural aspects. Rachman (2009), revealed that in an effort to create a water resources management efficient and equitable in its allocation, the necessary institutional adjustments both for government institutions, private as well as farmers. At the level of the farmer, for example, efforts are needed to develop the capacity of water user associations into an organization capable of dual role, which is not solely as a manager of an irrigation system, but also capable as a business manager economical.

### The Definition of Social Capital

Economics and sociology is a branch of social science have some differences that are considered unable to make both integrated in a joint concept. Bourdieu defines social capital as a whole resource either actual or potential associated with the ownership of the fixed network of institutional relations on the basis of know each other and recognize each other. In other words, to become a member of a group of people will receive support from a collectively owned capital. Furthermore it is said that the amount of social capital owned by a member of a group depends on how much quantity and quality of the network of relationships that can be created, and how much the volume of economic capital, cultural and social possessed by each person in the network connection (Bourdieu, 1986 ).

From some of the concepts the components of social capital, there are three categories, as follows.

- i. Norma is a set of rules that are expected to be obeyed and followed by members of the public in a particular social entity.
- ii. Trust is a form of willingness to take risks in their social relations are based on feeling confident that the others will do something as expected and will always act in an action pattern of mutual support, at least the other will not do harm ourselves and group.
- iii. Network is a social relations between groups or individuals. Social capital is not built only by a single individual, but rather lies in the growing trend in a group to socialize as an important part of the inherent values.

## DISCUSSION

### The Role of Social Capital in Economic Development

Studies that ever conducted of experts on different groups of people in several countries found that social capital plays an important role in achieving their economic success (Gittel et.al.2001). This study shows how social capital plays a role in the cooperation between the community and financial institutions are expected to help the community development efforts.

This social capital approach is an alternative to the economic development strategy of the economically disadvantaged who has received support from the government. The success of the construction of many supported by the basic principles of the social capital that emphasizes the importance of maintaining good relations and trust between fellow human beings as citizens as well as with the donor. By using the social capital that had for instance borrow money to expand its business, economically then the lender would ask for collateral / guarantee in the form of material, but social capital has been able to replace the collateral in the form of collateral which is a standard regulation in bank lending in general. In other words, strong social capital is a "collateral" reliable. This alternative collateral acceptable to the bank for the communities themselves have found an agreement to assume joint responsibility and mutual control among fellow citizens.

Putnam (2001) argues that the use of social capital in development is very important. This is because (1) the social capital allows citizens to resolve collective problems more easily, (2) social capital as wheels that allow people to move more smoothly, and (3) social capital refers to people's lives. The same thing was delivered by Coleman (1988), that social capital is an important resource for individuals to be able to affect an individual's ability to act and provide a good quality of life. Therefore, social capital will form a community to be strong and personality that could solve the problems quickly without having harmed. Darmayanti, (2010) argues that there are four things social capital is considered important, namely (1) social capital allows communities to solve the problems together easily, (2) social capital facilitate community efforts to be developed, (3) social capital can foster solidarity and (4) social capital allows the achievement of common goals. Therefore, social capital should be distributed among individuals within a social structure.

### Social Capital in Agricultural Community

of John (2016) found that social capital is a major factor that needs to get a dominant treatment in the dissemination of innovation and institutional empowerment of farmers in adoption of agricultural innovations. Social capital is the decisive factor of farmers exemplary to get innovation, human capital, and the promotion of innovation. Therefore, to increase the capacity of farmers and the level of adoption of agricultural innovations is needed revitalization of social capital, namely the strengthening of social capital. Mawardi (2007) in his research on community empowerment suggested that community empowerment will fail without realizing the importance of involving the cultural dimension and harness the growing role of social

capital in the community. Social capital is containing of trust, mutual exchanges, social norms, and ethical values as a supporting foundation that will determine the development and sustainability of diverse business activities in various sectors of life. Rustanto research results, (2007) showed that the strengthening of social capital that grows and develops in the form of social groups is one that needs to be developed approach to addressing poverty. In this approach individuals as members of a group undergoing a process of social learning to develop the potential and resources available. In addition, each individual will be involved in learning to develop pro-social behavior to address the issues and needs.

### The Role of Social Capital to Optimize Local Institution Agricultural

Development of institutional, in local term is difficult to define. At the macro level is the opposite of the global local. So that the term can be used locally to refer to a global civilization of a country is to call civilization at the level of the interstate (regional and international). Based on the understanding of the Law No. 22, 1999, on an area where local government can be defined at the micro level local term for a level area of the region / province, the second level region / district or city, and it is possible to refer to a more locally-specific, namely districts and villages. So local institutions is an association of local communities that are responsible for the process of local development activities (Esman and Uphoff, 1982), as *Banjar* and *Subak* (Bali), gathering, prayer groups, vigilantes and the like. The clear institutions provide benefits to the community and local government.

In the community, the local institutions should be seen as a system that *cross cutting affiliation* and local institutions have been providing a social safety net when local communities experiencing a problem. The presences of local institutions are generally not as personal but on the common interest. So that the local institutions are gradually occupy the important position in the local government administration. At the local community social bond is very high due to lack of trust between community members raised and honed through these institutions are increasingly coveted as social capital. Local institutions are able to become a local community ethics frame (Purwo Santoso, 2002). Local institutions are basically the regulation of collective behavior, where the back support is social ethics, so that local institutions capable of generating self-management of normative glasses. Local institutions is one of the social capital so that local institutions anywhere it will still have a positive value for communities, local institutions used as rationale local communities therefore social capital can develop and eroding and weakening and the strengthening of social capital in the community can be photographed through local institutions.

- i. Images Positive social capital can be described in the formulation of trust which include social cohesion, empathy, transparency, militant(inclusive),all of which would impact on the controls to appear new social revitalization of social capital now need to build cooperation with external parties, democracy and decentralization. Norms should be realized in the form of equality and partnership so that it does not appear the

difference in treatment between residents, in this allocation will appear outside the cultural constraints, anomalous primordial and the vested interests that need to be prepared to answer against future challenges that will arise.

- ii. Negative Images of social capital can be described in the formulation of the weakening of social capital thus eroding social capital in the form of: social interaction, characterized by the violation of norms, the leadership crisis, social estrangement. This condition is caused by weak social control, group or individual sentiment, the growing spirit of individualism and decrease of material cultural values. If this condition is left will result in anomalous, disobedience, conflict and deviant behavior. The community, there is a new attitude of the community in the form of apathy, pragmatic, and cultural denial. This attitude comes as caused by the no confidence, low self-awareness, self-interest, to do anything to get something. If this condition is not immediately anticipated, then that arises is a stagnation, decreases participation, social values and possible violations occurred CCN.
- iii. If the erosion of social capital in social and community interactions actually occur, then local institutions will lose social trust which is marked by a sense of suspicion, insecurity, declining sense of community, insubordination, and will cause low openness so that the intensity of communication is low, the high manipulation of public and the most severe impact is social disintegration.

Local institutions and social capital turned out to have an enormous influence on local communities therefore there needs to be a strengthening of the local institutions. Fertilization local institutions and social capital can be done through some of the following alternatives:

- i. Develop a frame of mind for re-linking the action is directed to reconnect the intersection of formal dimension to the dimensions of NFE within society.
- ii. Infrastructure improvements in religious and cultural atmosphere.

### Social Capital and Human Capital in Agricultural Institution

Social capital focus on the networks that is an interpersonal relationships, mutual trust and norms governing cooperation networks (Putnam, 1995). Networking will be facilitated communication cooperation and interaction, allowing the growth of mutual trust and strengthen cooperation (in Ruslan Fukuyama, 2007). Individual or groups of farmers who have a network of more extensive communication and interaction with the group, as well as other relevant institutions, will be more frequent exchange of information so as to have high social capital and have the opportunity to increase productivity, income and welfare. The ability to use this social capital is largely determined by the ability of human capital (education, knowledge, motivation, and (attitude) as a mental process in making the decision to increase farm productivity.

Ability on communication and cooperation are two competencies in individuals who recognized the potential in building information networks and collective decision making. A high human capital in farming activities will increase the interaction, communication and cooperation network so that it can affect social capital. The strong social capital will strengthen the human capital so that the two have a mutual relationship. Social capital through a network of cooperation can also write means to adopt, taking advantage of innovation and creating economic capital, allowing activities to survive and sustainable adoption. Dissemination of information, capacity building or group of farmers, farm management and innovation needs to be done through the adoption of approaches based 'social capital'. Institutional micro level (institutional farmer) is the basis for the development of social capital from below, so that needs to be strengthened because of the potential to fuel social development and economy in the countryside. In the implementation of agricultural extension then a counselor needs to gain a better understanding of the affection of the farmers as a basis to provide confidence and trust to the farmers on the innovations delivered using method that most preferred by farmers. In connection with that the agricultural extension is necessary to approach social capital as the main instrument to improve farmers' access to information and strengthen the network structure of cooperation in innovation adoption.

To increase the capacity of farmers and the level of adoption of agricultural innovations is needed revitalization of social capital, especially in the development and strengthening of social capital and institutional farmer, agricultural sector development cannot be done autonomously because it has relation by subsector and other sectors. So, we need a policy in the development of various sectors of cooperation networks, therefore, social capital has a strategic position in the development of cooperation networks of social and economic development of micro and macro. The availability information by type of quantity, quality, and timely when it needed by farmers is able to improve the technology adoption.

The value of the economic benefit does not affect the rate of innovation adoption because it is not the dominant factor considered the main farmers' decision-making, but the availability of farming costs. This is because of the certainty of the market, the level of sales price, financing capabilities, social capital and price stability is an indicator of underlying planning and decision farmers in choosing the type of farming and the use of innovation. Human capital is defined as the value of knowledge, motivation, and attitudes held by individuals that are relevant to the activity increase farm productivity. The exposure of farmers to information covering access to information, communication frequency and intensity of communication can affect social capital and the rate of adoption for farm productivity through communication networks, information exchange, and cooperation. There is a reciprocal relationship between the exposure information with social capital.

Communities that have a high social capital will open up the possibility of resolving the complexity of the problems more easily. With mutual trust, tolerance, and they can build networks of cooperation both within the community

groups as well as with other community groups. In traditional society, it has been known to have an informal associations are generally strong and has the values, norms and ethics collectively as a community interconnected. It is the social capital that can encourage the emergence of modern organizations with the principles of openness and informal networks within the community that can autonomously develop knowledge and insights with the aim of improving the welfare and quality of life together in community development framework.

## CONCLUSIONS

In developing countries such as Indonesia, the agricultural sector is still a very important sector in development, as this sector can provide a substantial contribution to Gross Domestic Product (GDP), as a provider of food for the majority of the population, can produce a foreign exchange by exporting agricultural products, providing jobs in rural employment and preservation of the environment. Social capital focus on the network, namely the relationship between individuals, mutual trust and norms governing cooperation networks. People who have social capital high would open the possibility of resolving the complexity of the problems more easily, so that the social capital could encourage the emergence of institutions and organizations modern with the principles of openness, and networks based on the norms and trust to achieve common goals.

To increase the role of social capital in development (economic and agriculture), network elements in a society need to be increased community involvement in all activities, especially in the agricultural sector, while the element of trust is need for disclosure of information in the management of anything done by a group of people and elements norms need to be arranged in writing the rules and agreements. Institutional transformation, especially in the agricultural sector should be able to encourage the development of a network system of democratic economy in rural areas in line with the globalization of the economy and the expected economy of the people in the countryside can be integrated into the market both locally, regionally, and globally towards people's economy productive, efficient and competitive.

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