



The Indonesia Implementation of National Policy for Rural Community to Business Development in Banyumas Regency Central Java Province

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Abstract: *One of the alternatives, the national program for rural community empowerment was regarded the most effective way by the government of Banyumas Regency. The implementation of the program in extending credit had hit the accurate target, but was not successful in terms of opening new employment and increasing the income of woman's business groups because of relatively small amount of entrepreneurial loan, relatively high interest of 17% per year, and short repayment period of 1 year. Poor traders encounter tight competition, lack of information, lack of skills and low motivation to thrive. As a supporting factor, the implementation of physical development was not effective because the poor as the target group were not involved much in development planning discussion represented by recognized local figures, representatives of several villages and village apparatuses who had authority to take the initiative for designing the program. The decision regarding the physical development was preferably designated for their own interest rather than the business orientation of poor housewives group in rural areas. In addition, low education and low social status of the poor business group cause the tendency to inferiority, which lead to be apathy and passiveness in planning and supervision of the rural community empowerment program.*

Keywords : *policy, increase, income, poor, rural areas*

I. INTRODUCTION

The 1945 Constitution of the Republic of Indonesia mandates that the state has obligation to realize a social welfare system through sustainable, fair and civilized development for the poor.

The Act number 32 of 2004 regarding regional autonomy mandates that regional government is entitled to implement and regulate various programs from the central government in accordance with each local situation and condition. Accordingly, the government of Banyumas Regency is responsible for increasing the quality of life and reducing poverty of the people in the region.

The government of Banyumas Regency runs an income generating program for the poor called Sub-district Development Program since 2000 until 2006. In 2007, there was a transition from the previous program to a new program so as to be more effective, efficient and accountable [1]. In response to reducing poverty rate, the decree of Banyumas Regent Number 23 of 2008 was issued regarding the implementation guideline for rural community empowerment program. The government of Banyumas participated in the form of fund assistance, human resource and direct involvement in distributing the stipulated fund allocation. The implementation of direct assistance program to the community was in the form of loan. The amount of revolving loan was determined as follows: new borrower between Rp1,000,000 and Rp2,000,000; old borrower categorized good a minimum of Rp1,000,000 and a maximum of Rp5,000,000; repayment period of 1 year and interest of 17% per year. The borrowers should be organized in a group. If one of the group members did not pay the loan, all members of the group had to be responsible for paying it. If it was not settled, the implementation of the program would be frozen until all debt were paid off. Some villages were forced to pay extra so that various assistances from the implementation of the program could be continuously given. The Implementation of National Program for Rural community empowerment is currently regulated in the decree of Coordinating Minister for People's Welfare of the Republic of Indonesia number B.200/MENKO/KESRA/X/2012. In the budget year of 2013, the National Program for Rural community empowerment covers 5,146 sub-districts throughout Indonesia. This policy is a realization of government's commitment which serves as the basis and reference of the policy in implementing community-empowerment-based poverty alleviation program. In accordance with the report of Banyumas

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Regency regarding the national program for rural community empowerment on March 2010, the number of recipients was 19 sub-districts consisting of 246 villages. The working report of the government of Banyumas Regency of 2013 mentions that the number of the poor was relatively huge, numbering 31597 people from the total population of 1823893 people. Therefore, after the central government implements the poverty empowerment program by procuring a relatively enormous amount of fund, the government of Banyumas Regency was highly concerned about participating in the poverty alleviation program. Based on the aforementioned explanation, this research wants to explain the implementation of rural community empowerment policy in terms of the effectiveness in extending loan so as to increase income, developing business, participation and effectiveness of physical development in supporting the business of the poor in the villages of Banyumas Regency.

II. MATERULAS AND METHODS

A. Research Objectives

In order to focus on the topic, it is necessary to firmly and clearly formulate the research objectives. This research consists of several objectives, namely to describe, to analyze and to interpret the implementation of the national policy for rural community empowerment. It analyzed the data from 2009 until 2013 in Banyumas Regency, Central Java Province, regarding: 1) The effectiveness of extending the revolving loan assistance to the poor so as to increase profit and develop trading activities; 2) Development of physical facilities in order to facilitate and support various trading activities; 3) Active participation of the poor community groups starting from the planning, implementing, supervising, sustaining program and developing business.

B. Literature Review

Since the fall of the New Order government until the present time, the government has encountered and resolved various complex problems. Such problems are inheritance of depravity of the New Order Government in various aspects of the life of the nation such as social, economic, political and legal problems as well as human right violations and environmental damage and so on. It is such a basic transformation from authoritarian to democratic government [2][3]. The democratic government is considered to have relatively fewer mistake levels than that of dictatorial government. The democratic government appreciates differences of views, so that citizens have more courage to demand, especially regarding the improvement of welfare, justice and poverty alleviation. Such complex poverty problem is relatively large in number spreading throughout the country and not well-monitored. In response to such crucial problem, the government issued a policy called the national program for rural community empowerment [4]. The implementation of the policy has been put into effect since 2008 for which the central government pours an enormous amount of fund prevailing throughout Indonesia and carried out until the present time. The implementation of operational technique is regulated by the decree of Director General of Rural Community Empowerment number 414.2/3717/PMD

of 2008 based on the principle of human development, which means that the government must refer and choose the types of development which have direct impact on the improvement of people's welfare. The development is autonomous, which means that people have authority to regulate themselves free from external interventions which may disadvantage. It should emphasize on decentralization, which give broad opportunities to people to manage various development activities. The development policies should be oriented to the poor; all decisions should side with the interest of the poor in order to prevent food insecurity and economic inequality at a national scale. People participate actively in exerting all material and immaterial belongings from planning until implementation. Democratic means that decision making should be based on deliberation and consensus. Transparency and accountability, the management of the activities should be morally, legally and administratively transparent and accountable. Priority, people have rights to choose productive economic activities particularly advantageous for poverty alleviation. The locations of community empowerment program in rural areas include rural areas in all sub-districts throughout Indonesia which is implemented gradually and those sub-districts are not in trouble with the previous national program for rural community empowerment. This program is planned, implemented and funded together in accordance with the agreement between central government and regional government. The decree of Coordinating Minister for People's Welfare of the Republic of Indonesia number B.200/MENKO/KESRA/X/2012 mentions that the determination of direct assistance location list of the national program for rural community empowerment involves intensive coordination and consultation of several minister offices and other state institutions such as the National Development Planning Agency, Ministry of Finance, and regional governments including provinces and regencies under the coordination of Working Group for Controlling the national program for rural community empowerment under the direction of the Poverty Alleviation Acceleration National Team. The amount of the budget for each sub-district is determined based on the poverty level and number of population in each sub-district and village as well as the central and regional financial ability. According to the decree of the coordinating minister for people's welfare, if the number of the poor is less than 10%, the sub-district is classified into low poverty. If the number of the poor is between 10% - 20%, it is classified into the medium poverty. If the number of the poor is more than 20%, it is classified into a very poor area. Based on such criteria, Banyumas Regency is classified into a very poor area because there are 31597 poor people out of the total population of 1823893. An individual is said to be poor if he cannot meet the basic needs such as clothing, food, housing, education and health normally. The national program for rural community empowerment is properly implemented in the region of Banyumas Regency to reduce the massive number of poverty. The detail of fund sources of the national program for rural community empowerment since 2009 until 2013 is presented as follows.

Table- I. The Detail of Fund for Rural Empowerment Program Implementation

No	Year	Central Fund	Regional Fund	Total
1	2009	Rp40,000,000,000	Rp1,273,000,000	Rp41,273,000,000
2	2010	Rp43,100,000,000	Rp2,100,000,000	Rp45,200,000,000
3	2011	Rp37,471,630,000	Rp7,500,000,000	Rp44,971,630,000
4	2012	Rp37,471,630,000	Rp7,500,000,000	Rp44,971,630,000
5	2013	Rp33,898,841,000	Rp1,685,000,000	Rp35,583,841,000

Source: Report Book of Rural empowerment program of Banyumas Regency 2013.

Twenty five (25)% of the fund is allocated to non-physical activities such as trainings, business capital extension, administration fees and so on, while the remaining 75% is allocated to physical renovation and construction in order to support business activities of the poor groups. If a non-performing loan occurs, the empowerment program will be postponed until it is settled. The previous decree is then responded by the Decree of Banyumas Regent Number 213 of 2013 regarding the allocation of direct assistance for the poor designated for various productive economic activities as much as Rp35,583,841,000 and the operational fund as much as Rp2,003,841 to support several activities of the empowerment program. Valid until the present time, the 2009 sub-district development deliberation guidebook explains that the deliberation in sub-district is aimed at discussing and making plan for development activities and deciding the types of activities which will be funded by the national program for community empowerment. The chairman of the inter-village deliberation at the sub-district level is chosen based on the inter-village deliberation. The time is allotted according to mutual needs and agreement as well as location at the sub-district office. The deliberation consists of 6 village representatives, 1 village head, 1 from activity management team, 4 recognized local figures, and general people who wish to come. The governmental elements consist of the head of sub-district, person in charge of operating the activities, sub-district facilitator, regency facilitator and coordination team of the national program for rural community empowerment. The coordination team functions to deliver suggestions, questions and rectification. A quorum is present if 50% of the participants attend the meeting and a decision is legal, valid and binding if it is approved by 50% of the participants. The priority of the program assistance is determined based on the quality of proposal made by the village. The proposal is discussed in the meeting to reach an agreement. Otherwise, a voting will take place to obtain the most vote. The rotation system is applied, those who have received will not be included in the next year program. The assistance recipients are determined through deliberation and consensus rather than voting system. Bureaucrats, recognized figures, local figures play important roles in making the decision of fund allocation for rural community empowerment. Poor community generally tend to be inferior because they have low education, have less experience, cannot express aspiration [5], have a motivation of only being followers, just take it for granted although they have a strategic position as the policy target for the improvement in their quality of life. The culture of poverty involves a fatalistic attitude as argued by E.M Rogers [6][7] that is an apathetic and passive attitude towards the possibility of improving their life condition. Such fatalistic attitude makes the improvement of life difficult because they do not have a plan of spirit and vision for a better future. The poverty

cycle keeps moving without ending, from parents until children and grandchildren. The poverty cycle can be cut off if there is an intervention of external power such as mentoring, protection and empowerment for the poor. The economic inequality will never be resolved if the rulers do not make a fair policy based on integrity and sincerity siding with the poor. The poor in Indonesia are currently conditioned to be powerless, that they do not have adequate capital, capability and access to information, but they have to compete with indigenous and Chinese entrepreneurs. The Chinese-descent entrepreneurs have had a strong root, that their businesses belong to a broad, large business network system which is difficult to be entered by other ethnic groups. The Chinese traders create their own social economic class; they unite against the competition of other ethnic groups [8][9][10]. Such condition may invite deep social jealousy; the potential conflict may cause riot at any time, destroying supplies and stores belonging to the Chinese. Social conflict, unfairness, poverty can be resolved if the bureaucrats and politician can create a policy which can protect the entire citizens. Merilee Grindle [11] argues that in order to succeed a policy, almost all policies are influenced by various issues such as executor's interest, rulers, quality of human resources involved, amount of fund sources allocated to public policies, and so on. It also frequently occurs that a policy is accompanied with objectives with a very high expectation (Hall, 2008) but lack of resources. Consequently, it makes the policy implementation complicated and difficult. Monitoring and evaluation system should be supported with adequate resources and funds, and the apparatuses of government should be honest and transparent. This condition leads to the selection of inappropriate and unfair public policy, i.e. the public policy becomes different from the determined objectives after being implemented. In practice, the public policy could be intentionally diverted so that it deviates from the initial objectives, with certain intentions from the actors of formulation and implementation of public policy.

C. Research Method

C.1. Research Approach and Type

This research employed qualitative approach, focusing on the implementation of national program for rural community empowerment in a attempt to increase income and to develop business activities of the poor in Banyumas Regency. The perspective of a qualitative research should be able to comprehensively explain various problems [12] which become the focus of the research [3][12]. This research can be categorized as a qualitative study if the researcher in his findings can explain completely, elaborate comprehensively about various problems as the focus.

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C.2. Research Focus

The determination of the research focus has two objectives; (1) The determination of the focus limits the study, which means to select more appropriate research type. (2) The determination of the focus effectively define the size in order to filter the entering information. The data are possibly interesting, but if they are considered irrelevant to the research focus, the data may be neglected. The implementation of the national program for rural community empowerment in Banyumas Regency which serves as the focus of this research includes: 1) The effectiveness of the recipients of the revolving loan assistance to the poor in order to increase income and to develop trading activities. People who receive loan must be really poor people, do not have adequate capital to support the running business. It is expected that the capital assistance from the government directly affect the business scale and profit to increase so that business activities can thrive; 2) Physical infrastructure development in order to facilitate and support various trading activities include procurement, construction, maintenance of various forms of physical building so as to increase various business activities, to give occupational opportunities, and increase living standard of the poor; 3) Active participation within poor community groups starting from planning, executing, supervising and sustaining business development program. It is an involvement, active role, initiative starting from formulating, implementing, supervising and sustaining the entire national program for rural community empowerment. Based on the data of finding from the field as the materials to be analyzed in this research, the research focus becomes the reference to identify several problems serving as the focus will be explained and analyzed comprehensively in the finding of this research result.

C.3. Research Site

The selection of location is a very important thing and should meet various requirements as proposed by Straus (2003), namely (a) matching with the substance of research because location can provide the substance of the problems of the research studied. (b) being able to provide feedback according to the research objectives; the location can provide adequate data related to the problems of the implementation of national program for rural community empowerment in Banyumas Regency. (c) the location selection makes the researcher easy to obtain information related to various research problems and the researcher has sufficiently recognized the location and makes it easy to uncover various emerging problems.

C.4. Types and Source of Data

Based on the type, the obtained data can be classified into two, namely Primary data and Secondary data. A) Primary Data. The primary data are obtained directly through interview from the source or the data obtained directly from the field by the researcher. Accordingly, the researcher has started from government institutions and people competent in relation to this research; and b) Secondary Data are data obtained indirectly which strengthen or support the primary data taken from various documents and archives related to the objectives and title of the research.

C.5. Data Analysis

The data analysis consisted of several activities, namely reviewing data, classifying data, finding what is important based on the relevance of the research focus, studying and deciding what have been reported. It is expected that this analysis could identify what kind of data should be further sought, what questions should be answered, what method should be improved regarding the data which have been obtained and analyzed by the researcher. In analyzing data, this research refers to the ideas proposed by Miles and Huberman [7] which include several stages and processes as follows, a) Data collection, a researcher should be able to collect data as many and complete as possible to answer the problems being investigated in a research. Data obtained by a researcher can be either qualitative or quantitative, in which unnecessary information can be removed after being processed; b) Data reduction. Because the data were still overlapping, it was necessary to reduce and summarize them. In this stage, data have been classified and simplified into relevant main problems, focusing on the important problems and finding the pattern. By doing so, data composition will be more systematic and able to provide the profiles of reality. Meanwhile, unnecessary data are removed so as to make it easier in showing, presenting and drawing interim conclusion; c) Data presentation, that is to see the entire or particular part of the research. The classified data are then grouped into similar category so as to be presented based on the problem encountered. In addition, it can also be used as the basis of making numbers in table, including drawing interim conclusion which is obtained while the data are being reduced; and d) Drawing conclusion that is a process to draw conclusion from various data categories which have been reduced and presented to reach the final conclusion that is able to answer, explain about various problems related to the implementation of the National Program for Rural Community Empowerment in Banyumas Regency, Central Java Province.

C.6. Data Validity

Every research requires a standard to see the confidence level or truth towards the research result. In a qualitative research, according to Sutopo [13], the validity standard of the data can employ several techniques which support each other, namely: a) Participation; The researcher is an instrument in a qualitative research, so that the researcher's participation will determine the quality of data collection, data validity, and can employ the concept of validity in the field. Accordingly, the researcher would directly participate in the field, so that the obstacles found in the field could be immediately identified, resolved and anticipated; b) Diligence of Observation, that is a diligence to find the characteristics and elements in a relevant situation, and, of course, is really subjective, which depends on the ability and sensibility of the researcher in catching the appearing social phenomena; c) Triangulation; this technique uses something other than data in order to check or compare the result of data findings in the field with the data obtained from other sources in various research in the field.

It is a process of comparison and checking at different period of times and using different methods. ; d) The researcher should discuss with other people who have knowledge about the subject matter of the National Program for Rural Community Empowerment, in naturalistic or qualitative research. The existence of the discussion is aimed at obtaining criticism, questions which are incisive, useful and challenging in order to produce better quality research; and e) Double-check; this process is carried out at the end of interview by double-checking in general about things given by the informants, especially data regarding the implementation of National Program for Rural Community Empowerment in Banyumas Regency. The activity of double check is carried out on every party who becomes the data

source and informant in this research, either key informant or other informants.

III. RESULTS AND DISCUSSION

Banyumas Regency Government is deeply concerned about realizing the improvement of income for the poor as the realization of commitment to alleviate poverty and to open new employment. The poverty alleviation is significantly difficult to realize due to the limitation of the available resources, so that it is far from expectation. The outstanding credit frequently occurs, whose number is increasing year by year, as can be seen in the following table,

Table- II.Number of Villages, Performing Loan and Non-Performing Loan

No	Year	Villages with Performing Loan	Villages with Non-Performing Loan	Total Villages
1	2009	150 villages	7 villages	157 villages
2	2010	146 villages	11 villages	157 villages
3	2011	144 villages	13 villages	157 villages
4	2012	137 villages	10 villages	157 villages
5	2013	138 villages	19 villages	157 villages

Source: 2013 Rural Community Empowerment Program Banyumas Regency Fund Report Book

Non-performing loan frequently occurs on the revolving loan program, so that several village governments had to pay the villagers’ debts in order that the rural community empowerment program can be continuously given. The assistance is in the form of small business loan and village physical construction assistance. Non-performing loan frequently occurs because the loan is too small, that is between Rp1,000,000 until Rp2,000,000 for new debtor, between Rp1,000,000 until Rp5,000,000 for previous debtor with good category, while the interest of 17% per year. In addition, they start to pay the installment until 12 times in the following month after receiving the loan so that they have not used it as a working capital. Poor traders are generally tangled in debt and the loan from government is eventually used paying for the previous debt. Business capital loan is largely used to meet the need of household so that it does not add the business capital. Since it has been started until now, the National Program for Rural Community Empowerment in cooperation with Banyumas Regency is continuously carried out by building support from many parties until the corners of rural areas. The quality of service and the success in implementing the National Program for Rural Community Empowerment include:

A. The Effectiveness of the recipients of the revolving loan assistance to the poor in order to increase profit and to develop trading activities

The implementation of the rural community empowerment in terms of extending credit is effective for poor business group. The amount of loan is relatively small; the interest is relatively high at 17% per year; and small traders could not compete with bigger traders. Most of non-performing loans are settled using village chest fund. 80% of debtors in Banyumas Regency did not use loan for their business capital, but for other needs, causing their business scale stagnant, profit did not increase, and could not improve the living standard of the poor. As expressed by Mr.

Handoyo, Head of Tipar Village, Ajibarang Sub-district, and Head of Banyumas Village Head Association,

There are many cases of non-performing loan in the rural community empowerment program in Banyumas Regency in 2013. It happened in my village that last year I paid extra for Rp.12,000,000 taken from the village government’s chest. This year we have another outstanding loan of Rp17 million and we are not able to pay the debt anymore. As a result, the empowerment program assistance this year is frozen, and the debtors move to loan sharks whose process is easy and fast. According to the information that I obtained, about 80% of the loan in Banyumas Regency is not allocated for business capital, but to meet the needs of life, departing from the objectives of the community empowerment program. The physical development is also inappropriate, for example constructing bridge, drinking water which is not related to the small business empowerment. The poor, the object of the program, are apathetic and passive.

The policy on increasing the poor’s incomes in rural areas will encounter many obstacles because of many things, such as a very rigid system of power which does not side with the poor. In fact, the policy of the state give more benefits to the rich such to get a good quality education which requires expensive cost. Education itself has a significant influence on the improvement of income and quality of life of the people.

B. Physical infrastructure development in order to facilitate and support various trading activities

As a supporting factor, the implementation of physical development are mostly ineffective because the group target of the poor did not largely involved in discussing the development planning in the sub-district office, only represented by the local figures from various villages and government apparatuses.



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It is in the sub-district development planning discussion meeting that the program is processed and decided. Those local figures and village apparatuses then have power to propose a program design, show initiative and decide. The decision of physical development types is designated more on their interests who represent than those of business interest of the poor. As expressed by Mr. Sunaryo, Head of Technical Implementing Unit of Banyumas Regency that,

Currently, the implementation of the rural community empowerment is less effective because the policy is only raised by the local figures and apparatuses, while the poor are not involved in the discussing the development planning in sub-district office. They have their own interest to realize, so that many physical development projects are matched with their interests, without having any direct relation to support small business such as making sewage, asphalt road, and so on. Credit for woman mostly did not match with the objectives of the program; the interest is relatively high at 17% per year and the amount of loan is between Rp1 million – Rp2 million. The debtors used it to meet the needs of their households and finally they could not pay the debt. As a result, the community empowerment program is paid using the village chest and then frozen by the government.

From the process of making until the implementation, public policy is always influenced by those who are in power and have various hidden interests. Evaluation and monitoring are generally not carried out well and properly because the rulers have various interests, so that they do not want to be controlled. Improper evaluation and monitoring lead to the low success rate of the rural community empowerment program.

C. Active participation within poor community groups starting from planning, executing, supervising and sustaining business development program

The implementation of the policy of rural community empowerment program is open; every decision making supervising, planning and implementing the program should involve the poor the target group. This is intended that the poor in dealing with business activities are in line with their need, capability, and desire and will not be ineffective. The poor are generally passive because their activities are mostly for taking care of household; earn a living and fulfilling immediate needs. Low education and low social status of the poor business group cause the tendency to inferiority, which lead to be apathy and passiveness in every planning and implementation of the development. In the long term, the sustainability and success of the rural community empowerment program will fail to meet the expectation, as expressed by Mr. Edy, head of coordination and management of rural community empowerment at the office of community development planning of Banyumas Regency,

To achieve the objectives of the implementation of the rural community empowerment is not easy, especially to sustain the program in the long term. A relatively huge fund from government could be wasted so that every competent party must think about it. Active participation from small traders is so little and have apathetic attitude [14]. Poverty and ignorance make them less confident so that business development program for poor women groups encounters many obstacles. Loan assistance from government is not used for business capital, but to meet other needs. Small traders

have low competitive ability against the traders, especially Chinese- decent who are stronger, more experienced and established. In order to achieve the objectives of rural community empowerment program, the rulers, leading figure and local figures have to participate in maintaining and sustaining the program so that the billions of fund assistance will not be pointless.

Living in poverty for such a long time makes the mentality of the poor not to worry about the condition they experience. A poor household feel safe and secure if their surrounding people are also equally poor. Eventually, the poverty cycle occurs and becomes never ending cycle until children and grandchildren, while inferiority leads to apathetic and passive in participating in the poverty empowerment program.

IV. CONCLUSION

The implementation of the national program for rural community empowerment is effective in terms of extending credit, but less successful in terms of opening new employment and increasing the income of woman business group. This is because the loan is relatively small; the previous good debtor receive between Rp1,000,000 and Rp5,000,000; new debtor receive between Rp1000000 and Rp2000000 with a relatively high interest at 17% per year. The following month after they receive the loan, they have to start to pay installment plus the interest for one year. Poor traders mostly use the loan for fulfilling the household needs, instead of adding business capital, they therefore cannot develop their business scale. The poor traders have to face tight competition; they usually lack of information, lack of skills, lack of persistence, have low motivation to thrive, and do not unite against indigenous and chinese traders who are very strong.

As a supporting factor, the implementation of physical development is mostly not effective because the target group of the poor is not involved in discussing the development planning at the subdistrict office. They are represented by government apparatuses, village apparatuses and several local figures from various village representations. It is in the subdistrict development planning discussion meeting that the program is processed and decided. Those local figures and village apparatuses then have power to propose a program design, show initiative and decide. The decision of physical development types is designated more on their interests who represent than those of business interest of the poor. Eventually, various physical development in the village less support the business world of the poor.

Every decision making, supervision, planning and implementation of the rural community empowerment program should be involved the poor as the target group. This is intended that the poor in dealing with business activities are in line with their need, capability, desire and will not be ineffective. In reality, the poor are difficult to get rid of their poverty because their time are mostly for fulfilling immediate basic needs of their household. In addition, low education and low social status of the poor business group cause the tendency to inferiority, which lead to be apathy and passiveness in planning and supervision of the rural community empowerment program

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