

## **THE ROLE OF GOVERNMENT, TRADITIONAL INSTITUTION, AND SOCIAL CAPITAL FOR EMPOWERING SMALL AND MEDIUM INDUSTRIES**

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### **ABSTRACT**

*There are some factors which are deemed to have an effect in empowering the small and medium industries (SMIs). This study determines the roles of government, traditional institutions, and social capital for the empowerment of SMIs. Purposive Sampling method was used to determine the district/city in the sample. Sample units in each selected district/city were used Stratified Random Sampling method as many as 204 people. Structural Equation Modeling (SEM)-based variance is used as analysis technique aided by program Partial Least Square (PLS). The results showed that: 1) the role of government through the relevant agencies has not been able to directly influence the empowerment of SMIs. 2) The role of traditional institutions through social roles, cultural, economic and financial has a positive effect for the empowerment of SMIs. 3) Social capital has a positive effect on the role of government to empower SMIs. 4) Social capital has a positive effect on the role of traditional institutions for the empowerment of SMIs. 5) Social capital is not directly affecting the empowerment of SMIs. 6) The role of government through the relevant agencies has a positive influence on the role of traditional institutions for the empowerment of SMIs.*

**Key words:** *the role of government, traditional institutions, social capital, and empowerment.*

## **PERAN PEMERINTAH, LEMBAGA ADAT, DAN MODAL SOSIAL UNTUK PEMBERDAYAAN INDUSTRI KECIL DAN MENENGAH**

### **ABSTRAK**

*Penelitian ini bertujuan untuk mengetahui pengaruh peran pemerintah, lembaga adat, dan modal sosial terhadap pemberdayaan industri kecil dan menengah (IKM). Metode purposive sampling digunakan untuk menentukan kabupaten/kota sebagai sampel. Jumlah sampel pada tiap kabupaten/kota terpilih menggunakan metode Stratified Random Sampling, sebanyak 204 orang. Structural Equation Modeling (SEM) berbasis variance digunakan sebagai teknik analisis yang dibantu program Partial Least Square (PLS). Hasil penelitian menunjukkan bahwa: 1) Peran pemerintah melalui instansi terkait belum mampu secara langsung mempengaruhi pemberdayaan IKM. 2) Peran lembaga adat melalui peran sosial, budaya, ekonomi dan keuangan berpengaruh positif terhadap pemberdayaan IKM. 3) Modal sosial berpengaruh positif terhadap peran pemerintah untuk pemberdayaan IKM. 4) Modal sosial berpengaruh positif terhadap peran lembaga adat untuk pemberdayaan IKM. 5) Modal sosial tidak secara langsung mempengaruhi pemberdayaan IKM. 6) Peran pemerintah melalui instansi terkait berpengaruh positif terhadap peran lembaga adat untuk pemberdayaan IKM.*

**Kata Kunci:** *Peran Pemerintah, Peran Lembaga Adat, Modal Sosial, Pemberdayaan.*

## INTRODUCTION

Recently, it has been noted that the small and medium enterprises have become interesting. Their role in economy is very important. However, the government policies and regulations that support it have not been up until now shown in well manner. It can be identified from the measures taken that it tends to be excessive but unfortunately it is ineffective, until the policy becomes less comprehensive, less directional, and it is just a patchwork (Adiningsih, 2011). When the government policies especially with regard to coaching program are not optimal, it will affect the delays in the process of empowerment (Primiana, 2005). When there is strong support, comprehensive and targeted by the government to facilitate development of small and medium enterprises, in the long run could increase the empowerment of Small and Medium Industries (SMIs).

The programs of coaching for SMIs in the Province of Bali have been carried out continuously, but the results have not been optimal. This is indicated by the data of 2003-2007 on the development of SMI productivity which is declining, with an average decline rate of 2.03 percent per year. The next three-year period, 2008-2010, although there has been a gradual increase in productivity by an average of 21.98 percent per year (Disperindag Bali Province, 2010), but can not conclude there has been increased independence in the province of Bali handicraft industry. Given the number of SMIs who need to get coaching is very large compared to the fiscal capacity of the relevant agencies have very limited, will result in delays in the process of empowerment.

The persistence of internal problems from year to year can be seen from the ability of the resulting product market control which is in fact lacking. Beside, it can be indicated by a very weak product innovation, slow technology absorption capability, weak financial capital, and human resource capacity in the form of human capital (Disperindag Bali Province, 2009). It also signifies yet successful coaching program for the

empowerment of SMIs that had been done. Weak managerial capacity and human resources has led to small entrepreneurs can not afford to run their business well.

Both the existence of social capital and the role of economy are important. The capital/ financial and human capital are critical to improving business productivity and efficiency (Coleman, 1988). Institution for Rural Credit (LPD) which is a traditional village's local knowledge (Pakraman village), believed to be able to participate in providing financing services needed by the SMI participants who are in the area of the village. History of Bali shows that the traditional village has been a very important role in managing and developing the traditional village community life, and in the development process (Isna, 2007). The LPD of Pakraman property has a strategic role in the response to the powerlessness of the people through improved social function. Improved social functioning is not only to strengthen LPD objectives, namely to increase the welfare of members, but also increase the commitment and togetherness of the members of the LPD and among the members (Murjana 2009).

Now then, the importance of linking the existence of traditional institutions in development can be seen from the vision and mission of the LPD. Some LPD founding mission, not only aims to empower rural economy, especially micro, small and medium enterprises in order to become strong and independent, but also simultaneously increase rural incomes, increasing environmental awareness LPD village especially for the social, cultural and religious, to realize equality opportunities and expand employment opportunities for rural community members, and help develop rural businesses through the utilization of the funds collected in the LPD.

Some efforts to empower the rural community economy especially micro, small and medium enterprises should be made strong and independent. In that, LPD's mission was not fully realized, especially after

the Bali bombings. From interviews while on a few craftsmen and backed by research Saefuloh (2008), that after the Bali bombing, it was noted that the impact on small and medium businesses. A decline in production and sales show their difficulty to sell their performance. Bali bomb in a short time has caused handicap to the economy of Bali which grew well before that time.

The gap between expectation and reality is the underlying importance of this research.

In reference to the above issues that have been outlined, the researcher raises the research problems as the following: 1) how does the role of government to empowerment SMI? 2) How do the views of the role of traditional institutions of social, cultural, economic and finance for SMIs empowerment? 3) How does social capital influence on the role of traditional institutions for the empowerment of SMIs? 4) How does social capital influence toward role of government to empower SMIs? 5) How does social capital influence the level of empowerment of SMIs? 6) How does the role of government to the role of traditional institutions for the empowerment of SMIs in the province of Bali?

As described above, it is now the researcher asserts the purpose of this study as the following: 1) the influence of the government's role to empower SMI, 2) the influence of traditional institutions viewed the role of social roles, culture, economics and finance to SMIs empowerment, 3) the influence of social capital on the role of institutions customary for SMI empowerment, 4) the effect of social capital toward role of government to empower SMI, 5) the influence of social capital to empower SMI, 6) the influence of the government's role to the role of traditional institutions for the empowerment of SMIs.

## **THEORETICAL FRAMEWORK**

Public policies for a series of economic transformation, social and institutional conditions have a positive impact on society as a

whole (Todaro, 2000). As stated by North (1981) quoted Yu, TF (2000) that having the government as a coordinating body is essential for economic growth. Beside that, the government's role is crucial in economic affairs; both micro and macro associated with traditional public finance and also plays an important role in the development of competition. The government also allocated the lead role of entrepreneurship (Deliarnov, 2005). For that reason, the existence of government as an institution is essential for the coordination of economic growth. Similarly, in case of market failure, the government should be responsible (Quddus et al., 2000). Therefore, the government and the market should work are complementary, mutually overcome weaknesses and build on each other strengths to each other (Stiglitz, 2006).

Again, as stated in Socio-economic outlook from a social perspective, the action oriented toward others has the underlying norms and supported by institutional arrangements. This statement was quoted by Yu, TF (2000), from the view Abolafia and Biggart (1992), that market participants have a close relationship with each other. Economic competition is understood as a structured social action with the political, economic and cultural context. Therefore, the market is competitive arena of social structure in accordance with the principles of organization of legitimacy. In this perspective, competition is a form of conflict. In this case, Gomez and Luciana (2009) explained that the local government is advisable to create mechanisms to involve stakeholders in their activities, creating a mechanism to manage the relationship with them.

So far, government of Indonesia has run multiple programs to encourage the development and growth of SMIs (Tambunan, 2010). It is commonly known that the most important concern for businesses is to increase efficiency and productivity in a tight competitive environment. Therefore, this problem requires serious efforts from the government and the business unit to become internationally competitive by creating a

conducive environment for fair competition and eliminate factors that distort production efficiency, the challenge to prepare the necessary facilities to the era of building a high-tech human resources to strengthen competitiveness (Goeltom, 2007), Kuncoro (2009). In the spirit of regional autonomy, the role of local government in the promotion and development of SMIs is vital (Aziz, 2010). Government through the relevant agencies has a lot to make efforts in empowering small and medium enterprises to improve competitiveness (Prawirokusumo, 2001).

Tesfayohannes (2006) and Quddus et al (2000) suggest that the Institute of Industrial Research and Development (IRDIs) is indispensable in the development of an industry among academia, industries, and government in the various dimensions of new forms of research. They could also build social capital in national research. Han, W. P. and Leydesdorff (2010), that the indicators of relationship-Industry-Government University (IGU is useful to examine the effectiveness of the agent in the individual scientific work together across institutional boundaries and the resulting state of the infrastructure of knowledge based on interactions. Local governments actually play an important role in taking social and economic policies Rodriguez-Pose et al. (2001), Blakely and Bradshaw (2002)).

Gomez and Luciana (2009) explained that local governments need to create mechanisms to involve stakeholders in their activities, as well as create a mechanism to manage the relationship with them. Institutionalism aimed at understanding the changes in the understanding of human impulses and desires and beliefs, norms and rules that they created in the pursuit of these rules (Menard and Mary (2005), referring to North (1990) and Williamson (2000)), stressed that the new institutional economics (NIE) research institutions and how institutions interact with organizational arrangement. Institutions are the written and unwritten rules, norms and pressures used by humans to reduce uncertainty and control envi-

ronment.

For example, Khan and Saghir (2008), state that the majority of qualitative and quantitative studies are related to the role of institutional development in the process of finding a strong positive correlation between the qualities of the performance of institutions on the one hand and development on the other side. Another example is Quddus et al (2000), citing Fukuyama (1995) stating that reminiscent of the role of government is good in enhancing social capital. Strong social capital will stimulate the growth of various sectors of the economy because of the high level of confidence and cohesion relationships in a wider network of economic growth among fellow actors. Hughes and Robert (2010), quoting Inkpen and Tsang (2005), social capital feature the company's ability to profit from the network.

The advantages encapsulated in such efforts include access to knowledge, resources, and technology, markets and business opportunities. Putnam (1995) in Adhikari (2009) that social capital refers to features of social organization, such as networks, norms and trust that facilitate coordination and performance for mutual benefit. Through relationships with colleagues, friends and clients attempt to grab an opportunity to transform the financial and human capital into profits (Burt, 1992, in Furubotn and Rudolf, 2005). In this case, Yustika (2008) describes social capital, which is based on the beliefs and expectations, a person who is considered honest and has a good reputation for being easier to gain an appreciation of the individual who has no credibility.

It is reiterated that the role of financial institutions is expected to help smooth the activities of small and medium industries. Studies have been done Tae, H. M. and So, YS, (2005), that various forms of government funding has been awarded to small and medium enterprises in Korea, but its effects are still not effectively evaluated. For example, Marri et al (2002) suggest that the government support SMI arises from the fact that SMIs are treated unfairly because of a

weak negotiating position with the larger corporations, limited access to conventional financial institutions as well as technology development, and large gaps of income and productivity. Madill et al (2002) also indicates that the SMI satisfaction of their main bank is related to the satisfaction of the bank's management of the relationship.

Ibbotson et al (2003) provide clarification that consumers have a business point of contact when they feel that they need and are viewed by the bank manager as a key benefit for small business consumers. Otherwise, it can not make market access of small firms bearing a high debt level (Hasweed and Holmes, 1989, Van Auken, 2001 in Akyuz et al 2006). Akyuz cited as an explanation of Timmons (1997), Barton and Matthews (1989) that, the characteristics of small and medium enterprises have had an important impact on their ability to raise capital. The study of the phenomenon of microfinance institutions (MFIs) in Rural Economic Perspectives has been done by Hendayana and Bustaman (2007), that the community has recognized the existence of an MFI's strategic role as an intermediary for economic activity that is not affordable public services or conventional banking institutions.

Culture also shows ideal cultural elements, in which a variety of elements indicate values, attitudes, beliefs, or sometimes it is a norm (Brooks, 2008). In addition, culture involves the physical elements, and this aspect is variously referred to as the action, reaction, practices, and conventions how to act. In simple way, culture may be regarded as the views of community life, or as a system of symbols and values prevailing in the community (Ismail, 2003). High cultural respect and appreciate the work of low unemployment, always produces a very high morale as such person is said to have more advantages than others (Leksono, 2009). Specifications of LDP has close cultural and psychology with its customers, favorable location, as well as a flexible business character of the institution that is the strength to survive and have a competitive edge against

similar institutions.

In that, LPD is expected to become effective financing institutions villagers will have positive impact on rural community development. Some communities will be helped in funding to develop the business potential in the region that would make rural areas competitive in the global economic order.

Local institutional role in rural development was also examined by Imron et al (2002), that the development program will be run when involving the community in totality. Hidayat and Herlambang (2009), Madura SMI proposed that development is done through state aid and loans. Bank credit has been channeled by banks and has been accepted by the SMI less bring change better performance and significant or even worsen the performance of SMIs.

Entrepreneurship training and education were provided and carried out by the government through several government agencies. These efforts were not successful because it was proved unable to improve the performance of SMIs. Harefa (2008) argued that many policies are made is not known to the continuation and implementation for SMIs in need. In this case, it is required to have understood that empowerment is a concept that involves comprehensive or holistic values in society. People who are in a position to be fully untapped potential through empowerment are expected to increase not only economic, but also the dignity, the dignity, self-confidence, and pride. Empowerments are not just growing and developing value-added economy, but also the added value of social and cultural added value. Empowerment is establishing community, and building the ability to advance them toward a better life is continuous.

Through empowerment, the public will have greater confidence in the ability of him (Kartasasmita, 1996). In addition the concept of empowerment is also referenced Nauman et al (2009), Harris et al (2009), Nielsen and Christian (2003). Elmes et al. (2005), has been conceptualizing empower-

ment as a construct based on the deployment of superior-subordinate authority and modern construct that meets the individual desire for self determination and ability.

IKM independence in the attempt on the side affected by human capital and financial capital is also determined by social capital. The social capital is productive, which makes possible the achievement of certain non-existence is achieved if non-existent.

Functions identified by the concept of social capital are the values of the aspects of social structure to resources that are used to achieve its goals (Coleman, 1988). Social capital is not the physical form as on two other capitals. There is a reciprocal relationship between social capital, civil society organizations, and social networking. Social networks and civil society organizations provide resources that can be used to facilitate action. Social capital in turn generates more resources that contribute to community social organization and social network resources. In this case the subjective aspects of social capital is emphasized, the norms and beliefs (Voydanoff 2001).

As referred to the above arguments, the research objectives are expressed as the following. (1) The alleged role of government has a positive effect on the empowerment of SMIs. (2) Presumably the role of traditional institutions has a positive effect on the empowerment of SMIs. (3) Anticipated social capital has a positive effect on the role of government to empower SMIs. 4) Anticipated social capital has a positive effect on the role of traditional institutions for the empowerment of SMIs. 5) Anticipated social capital has a positive effect on the empowerment of SMIs. 6) Anticipated role of government has a positive effect on the role of traditional institutions for the empowerment of SMIs in the province of Bali.

## RESEARCH METHOD

The purposive sampling method was employed based on the number of the largest business unit of each district. The districts selected cover Gianyar regency, Bangi,

Karangasem, Klungkung, and the city of Denpasar, with a population of about 220 973 people, representing the number of sample units in the population of each county> besides that, this study uses the Stratified Random Sampling. With the Slovin formula (Simamora in Husain, 2008), it took the minimum number of samples obtained with the total number of 204 people. The method was used to determine the sample unit of the craftsmen by interviewing them accidentally. On the other hand, for the officials and traditional leaders, they were chosen especially those who were considered competent in their respective fields.

This study uses quantitative analysis approach, using Structural Equation Modeling (SEM)-based on variance calculation process aided by the application program Partial Least Square (PLS), forming SmartPLS software version 2.0 M3. PLS is a powerful method of analysis, because it assumes no measurement data must be a certain scale, can be used on a small sample size and also to confirm the theory. The construct of a path diagram, the inner design of the model and subsequent models outset were expressed in the path diagram (Ghozali, 2008; Hair et al 2010).

## DATA ANALYSIS AND DISCUSSION

### Measurement Evaluation Model (Outer Model).

First, convergent validity was evaluated to determine whether the indicators used are really able to define or reflect a latent variable. From the analysis of all the outer loading can be seen to be significant. Discriminant validity was evaluated by looking at the cross loading a set of indicators. Based on the analysis, a cross loading values of each indicator was conducted on a latent variable in questioning whether it higher than the cross loading on other latent variables. Thus, it can be identified that these indicators are valid. The analysis shows that AVE latent variable value is higher than 0.5. In addition to test construct validity, construct reliability test was also conducted and then the test can

be performed by two criteria, composite reliability and cronbachs alpha to measure the constructs. From the analysis, it can measure that the value of construct reliability is above 0.70.

### Structural Model Evaluation (Inner Model)

Structural model testing was done by looking at the value of R<sup>2</sup> which is a test of goodness of fit model. Testing the model can be identified from the inner value of R<sup>2</sup> on the equality between the latent variables. Based on the value of R<sup>2</sup> which resulted by PLS program, the value of Q<sup>2</sup> as follows:

$$\begin{aligned} Q^2 &= 1 - (1 - 0.690) \times (1 - 0.813) \times \\ &\quad (1 - 0.519) \\ &= 1 - (0.310) \times (0.187) \times (0.481) \\ &= 0.972 \end{aligned}$$

The value of Q<sup>2</sup> = 0.9722 can interpret that the model is good that is able to explain the phenomenon of empowerment for 97.22 percent of SMI. This also means that the variation of the rate of 97.22 percent of SMI's empowerment can be explained by a latent variable role of government, the role of traditional institutions and social capital, and the remaining 2.78 percent which is explained by other variables not included in the model.

### Hypothesis Testing

In testing the hypotheses, the researcher did it by using a significant level of  $\alpha = 5$ , and 1.96 critical t count. For example, when testing the first hypothesis (H1), it indicates that the government's direct role has not been able to increase the empowerment of SMIs. As noticed a marked positive coefficient, it represents a positive influence on the relationship of two variables with the latent role of government SMI empowerment, but it has not shown a significant degree of influence. When testing the second hypothesis (H2), it suggests that the coefficient value of 0.488 has a magnitude of 2.579 t count. Thus, statistically, it can be said there is a positive and significant role of traditional views of the role of social, cultural, economic, and

financial empowerment of SMIs.

When testing the third hypothesis (H3), it indicates that a coefficient of 0.720 t count the total value of 11.248, meaning social capital has positive and significant impact on the role of government to empower SMIs. Testing the fourth hypothesis (H4) showed that the coefficient value of 0.479 had a magnitude of 5.179 t counts. Thus, statistically it can be said of social capital has positive and significant impact on the role of traditional institutions for the empowerment of SMIs in the province of Bali. Testing the fifth hypothesis (H5), shows the value of the coefficient of 0.097, with the amount of t statistic 0.9517, meaning that social capital is not significant effect on the empowerment of SMIs in the province of Bali.

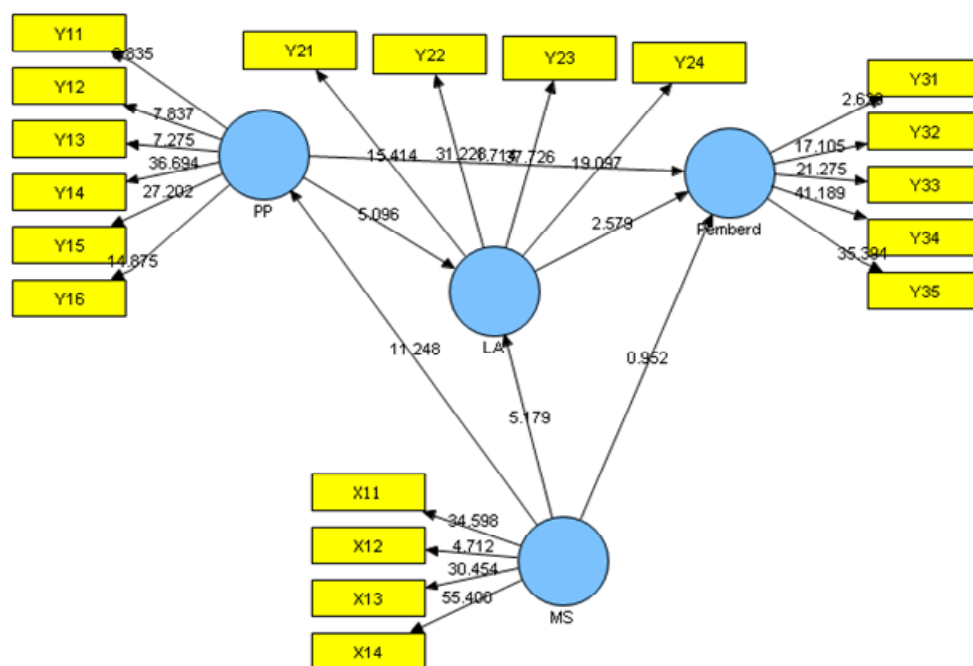
The sixth hypothesis testing (H6), shows the value of the coefficient of 0.493, with a magnitude of 5.096 t count, then H6 is accepted, so there is statistically significant and positive impact on the role of the government's role traditional institutions for the empowerment of SMIs in the province of Bali. The results of analysis using the PLS is shown in Figure 1.

### The Role of Government Influence on SMI Empowerment

The role of government through the relevant agencies are approached by means of an indicator of involvement in providing training, technical guidance to improve the quality of products, technical guidance for design upgrades, and information about marketing. The information for the following trade shows and provides relief from the financial aspect. It has not been able to directly enhance the empowerment of SMIs in the province of Bali. Coaching program provided by the relevant agencies for this seems unable to find the best solution to all internal problems faced by SMIs in the province of Bali. This is due to the frequency of coaching which is done but has not been evenly distributed throughout the craftsmen.

In another case, the construction materials were delivered by craftsmen, interpreted

**Figure 1**  
**Full Structural Model**



as a basic material and has not touched the real problems faced by them. Although the coaching program has been tried and extent of government intervention has also been done to empower small and medium enterprises in general and SMIs, in particular these all have not been able to fully enhance the empowerment of SMIs. This situation is indicated by the relatively low level of average productivity of labors of the craftsmen and the weak level of innovation that marks the weak competitiveness.

Beside, comprehensive evaluation to determine the effectiveness of the training program that has been done to measure the success of a policy of the relevant agencies to empower SMIs has not been done. During the local government through the relevant agencies have been facilitating artisans to participate in trade fairs to introduce handicraft artisans, both domestically and abroad. However, it has not been touched all over the studied by the craftsmen. Only a fraction of the craftsmen of the Association of Indonesian business men (HPI) has successfully followed the trade show which was facilitated by the relevant agencies. Similarly,

local governments organize the Bali Arts Festival (PKB) ever year. This is aimed at providing an opportunity for artisans to sell their craft. However, CLA is a very strategic event as a promotional activity, followed by only a relatively small portion has been established artisans.

These studies have not supported the Goeltom (2007) and Kuncoro (2009), due to low competitiveness shown by the low levels of productivity and lack of innovation. This study supports the statement Tambunan (2008), that the research conducted APEC SMI innovation center indicates that the SMI Indonesia including its low competitiveness. Similarly, an explanation supporting BI (2008), that the SMIs have not shown that optimal results. Harefa Research (2008) showed that after the policy in the form of Law Number 9 of 1995 on Small and Medium Enterprises for the Province of Bali is significantly not having a major impact on the development of SMIs. Tambunan (2010) argues, the Asian Development Bank survey found a wide range of programs that have been taken by the government and the private sector the results are not satisfactory.



The results Ningtias (2009) showed, that the government district of Sambas, West Kalimantan, provide assistance, promotion and training, but the benefits have not been fully felt by the craftsmen. This study reinforces research done by Hidayat and Herlambang (2009), that entrepreneurship training and education provided by the government and conducted by several government agencies were not successful because it proved unable to improve the performance of SMIs in Madura.

Again, this study also strengthens the research that has been done Marri et al. (2002), that only a fraction of about 8 percent of the SMI receives good support from the government. Similarly, research Abdullah (1999), shows the government's SMI support policy in Malaysia is said to be effective and have limited reach. Inability of the government has not directly enhance the empowerment of SMIs in the province of Bali is not that the role of government is not required. SMI craftsmen in the province of Bali are still in great need and hope for sustainable development. Apparently most of the craftsmen responded very well the role of relevant institutions to empowerment business, shown by the mean value of all the indicators are very large and the outer loading meaningful.

### **The Role of Traditional Institutions for SMI Empowerment**

The factors of social role and traditional institutions are understood as social activity that can animate people's behavior in general and craftsmen in particular in the tranquility of business activity. Perceiving these rules seems to be difficult to break because it will be subject to social sanctions. If mutually agreed, the rules go well and they should avoid any disputes among their manners by avoiding unfavorable relationship so that the environment becomes conducive. This constructive environment will certainly reduce the stress of the job.

When producing handicrafts, all should be related to customs and culture, and for

religious activities. In a physical form of handicraft items produced are always associated with the efforts made to maintain the physical culture. Because of handicrafts produced should be related to indigenous peoples and cultural activities, by maintaining the business activities to produce goods means a craft the handicraftsmen have made efforts to maintain cultural activities. The responsibility for the development of manners is that they worked together to implement the customs and cultural activities, obey the rules of *awig-awig* (social rules) agreed upon and the involvement of the Institution of Rural Credit (IRC) to capital producers is the other side of the role of social, economic and traditional financial institutions.

The involvement of craftsmen to maintain good relations with the LPD because of the mutual attachment, always use LPD services, saving and depositing the excess income in a financial institution owned by the village of *Pakraman*, a synergy between the traditional institutions of concern to the manners and etiquette entanglement with traditional institutions. Thus, this study supports Voydanoff (2001) proposing that there is a relationship among the patterns of social organization and function of the interaction between the individual and the group as well as structural relationships among individuals and groups in different positions. Likewise, this study expands the statement by Snaw et al. (2003), which examined the role of social support in relation to the stress on the job. Therefore, indirectly, this reduces the likelihood of negative outcomes of psychological symptoms.

This study also supports the theory of culture expressed Brooks (2008), Ismail (2003) and Leksono (2009). This study supports research Harefa (2008), that the activity remains oriented SMIs Bali culture and tourism activities and not a large industry. This study supports a theory of empowerment expressed Kartasasmita (1996), Nauman et al. (2009), Elmes et al. (2005).

## CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATIONS

In general, it can be concluded as the following. First of all, the government role can empower the SMIs. Secondly, the role of social, cultural, economic and financial institutions are really important empowers the indigenous SMIs. Thirdly, it is proved that social capital can enhance the role of government to empower SMIs as well. Besides that, it can also be inferred that the social capital, in turn, enhance the role of social, cultural, economic and financial institutions for boosting the indigenous SMIs.

Another conclusion is the fact that the higher the norms, beliefs, and expectations in the network, the higher the social capital for increasing the role of traditional institutions. It is also said that the social capital cannot directly enhance the empowerment of SMIs in the province of Bali. For that reason, the craftsmen should be empowered not only by means just having a high confidence of social capital, but also strengthening elements from outside. In concerning the role of government through the relevant agencies, it is found that this factor increases the role of social, cultural, economic and financial institutions for empowering the indigenous SMIs in that area.

By considering the above evidences, it is advisable that the government through the relevant agencies should prioritize and facilitate groups of the traders who have not joined the activities of trade shows in Bali Arts Festival (PKB) or other exhibitions. Therefore, they should be able to introduce and promote their handicrafts in that occasion. Another suggestion is that they should understand the customs and culture which should be continuously delivered by custom society so that they have widest opportunity to produce handicrafts which shows their cultural and religious activities as well as support the tourism industry in the province of Bali. Finally, it is advisable that there boost the harmonious relationship among themselves to obtain sustainable development, information about the credit they need.

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