

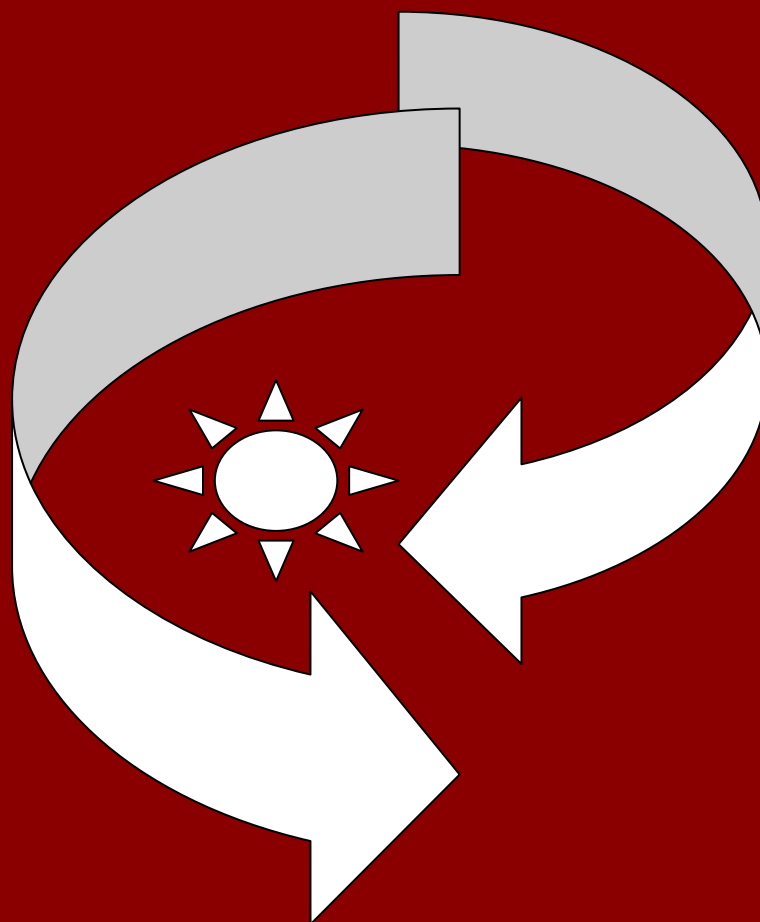
Vol. 9 No. 6 , January – February 2022
International peer-reviewed journal

ISSN: 2338-4603 (print)
2355-8520 (online)



Jurnal Perspektif Pembiayaan dan Pembangunan Daerah

(Journal of Perspectives on Financing and Regional Development)



Master Program in Economics
Universitas Jambi



Jurnal

Perspektif Pembiayaan dan
Pembangunan Daerah

Accreditation Decree (SINTA S2), valid from Vol. 6 No. 2 (September – October 2018) based on the Decree of the Director General of Development and Research Enhancement, Ministry of Research, Technology & Higher Education of the Republic of Indonesia, Number 10/E/KTP/2019

Published by Master Program in Economics, Graduate Program of Jambi University

Editor Address: Jurnal Perspektif Pembiayaan dan Pembangunan Daerah. Program Magister Ilmu Ekonomi, Pascasarjana, Universitas Jambi, Kampus Telanaipura Jambi, Indonesia

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Jurnal Perspektif Pembiayaan dan Pembangunan Daerah (Journal of Perspectives of Financing and Regional Development)

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The development of halal food industry in Bangka Belitung Island: an analytic network process

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DOI: 10.22437/ppd.v9i6.14434	Received: 18.08.2021	Revised: 18.02.2022	Accepted: 23.02.2022	Published: 28.02.2022
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Abstract

This study analyzes the development of the halal food industry in Bangka Belitung Island. Development is measured by innovation strategy, product strategy, promotion strategy, pricing strategy, and collusion strategy. The data used are primary data obtained from in-depth interviews with five experts and practitioners with competent considerations in the field of the halal food industry—the analysis technique applying the Analytic Network Process. The findings indicated that the most superior aspects in the behavioral cluster are innovation strategy, product strategy, promotion strategy, price strategy, and collusion strategy. Meanwhile, the result from the benefit, cost, opportunity, risk (BOCR) cluster, the order of aspects that best describes the condition of the halal food industry in Bangka Belitung, is an opportunity, benefit, cost, risk. It is hoped that there will be a joint commitment from policy-makers in supporting and encouraging efforts to develop the halal food industry in Indonesia. It is expected that industry agents can further optimize industrial behavior, especially promotion and collaboration strategies.

Keywords: *Analytic network process, Halal food, Halal industry*

JEL Classification: L25, L52, O38

INTRODUCTION

The development of the halal concept, which is no longer limited to the food and beverage industry sector, has made the halal industry a potential new growth sector in the global economy (Ambali & Bakar, 2014). This industry is growing 20 percent per year with an estimated value of US\$560 billion and an estimated total value of US\$2.3 trillion (Mubarok & Imam, 2020). Recognizing the importance of the halal industry and its impact on the global economy, Food and Agriculture Organization (FAO) has also compiled guidelines for the use of the term halal for adoption by its member countries (Ager et al., 2015). Projections from the compound annual growth rate (CAGR), the halal industry will increase to 6.2% from 2018 to 2024. The total funds spent by consumers of the halal industry will also reach USD 3.2 trillion in 2024 (Thomson

Reuters, 2020). From these data, it can be seen that the halal industry has relatively good prospects.

Halal refers to everything permitted according to Islamic law (Abdelali & Ngah, 2019). Consumption, one of the main pillars of Islamic economic activity, must adhere to the halal concept (Insani et al., 2019). The concept of halal, according to Islamic law which means it is not prohibited, while haram means prohibited or not justified according to Islamic law (Fauzi et al., 2020). Meanwhile, the term haram can be viewed from two aspects: (1) in terms of its limitations and essence, and (2) in terms of its form and nature (Fauzi et al., 2020). In addition, Islamic law also recommends that every food and drink be consumed to meet the *Thayyib* element, which is quality and does not endanger health (Nafis, 2019). However, some prohibited things can be allowed (Rohman, 2012). In addition, in some instances, halal products can become haram if consumed in excess (Yani & Suryaningsih, 2019). The term halal in food or beverage products means something a Muslim consumes (Ambali & Bakar, 2014).

The halal concept is related to the *Maslahah* concept as taking advantage and rejecting harm (danger) to maintain the goals of *syara'* (Islamic law) (Harun, 2009). Five things must be maintained in achieving *maslahah*: religion, soul, mind, lineage, and property. In relation to the *halal-thayyib* concept, taking care of everything consumed by the body, both food, and drink, is very important in maintaining the soul (maintaining the soul) and mind (*hifdzul 'aql*) as in the consumption of *khamr* (something intoxicating), which has been mentioned as haram in the *Qur'an* because of its intoxicating nature and can damage the mind. Ibn Qayyim in (Jauhar, 2009) says that even if someone is forced to drink it, they are still prohibited from drinking it.

Discussions related to halal industry studies have increased in recent years. Like the concept-based study on halal food conducted by Bohari et al. (2013) using SWOT-ICT analysis and Othman et al. (2009); Yusof & Shutto (2014); Rahman et al. (2011); Alqudsi (2014); Yunus et al. (2014) used a review analysis and literature study. Other studies related to the halal food manufacturing industry were also conducted by (Yunus, Rashid, Ariffin, & Rashid 2014). Yunus et al. (2014) analyzed halal awareness and buying interest, Muslim brands, and purchases. The study conducted by Ambali & Bakar (2014) on public awareness and concern for halal food and products. Several researchers also analyzed the determinants of consumption of halal products, namely Briliana & Mursito (2017), Asnawi et al. (2018), and perceptions of halal by consumers (Said et al. 2014; Rios et al. 2014; Rahim et al., 2016). Furthermore, the study discusses the halal industry development, such as the study that focuses on halal tourism (Battour & Ismail, 2016; Olya & Al-ansi, 2018).

The study by Secinaro & Calandra (2020) findings that there are five study clusters, namely halal food and the role of certification, halal food and public awareness, production and quality of halal food, halal food in tourism management, and halal food and supply chain supplies (Alqudsi, 2014). The study conducted by Purwanto et al. (2020) discusses a sequential mixed methodology to examine the effects of the purchase intention of halal food on the perceptions of non-Muslim consumers in Indonesia, the quality of halal food, and knowledge regarding halal food safety (Mukhtar, 2012).

The growth of the halal industry also contributes positively to the Indonesian economy. The Islamic economy in Indonesia has been proven to contribute to a GDP of USD 3.8 billion annually (Indonesian Ministry of National Planning, 2019). The contribution to GDP is reflected in the consumption of Indonesian people and export

and import activities for halal products (Fathoni, 2020). It was recorded that in 2017 the total consumption of halal products in Indonesia was USD 200 billion or more than 36% of total household consumption. This amount is also equivalent to 20% of Indonesia's GDP (Indonesian Ministry of National Planning, 2019). Consumption of halal products continues to grow with an average growth of 5.3%. In 2025, it is estimated that the consumption level of Indonesian halal products will reach USD 330.5 billion (Fathoni, 2020). Bappenas stated that most of this large total consumption came from imported products (Fathoni, 2020). However, Indonesia can reduce the deficit in the trade balance if it increases production in the halal industrial sector (Indonesian Ministry of National Planning, 2019).

The Bangka Belitung Islands Province is one of the provinces that cares about the halalness of micro, small and medium enterprises (MSMEs) products. It is the first province in Indonesia to receive the 2017 Halal Award from the Institute for the Study of Food, Drugs, and Cosmetics, the Indonesian Ulama Council (Pemerintah Provinsi Kepulauan Bangka Belitung, 2017). The Indonesian Ulema Council (MUI) wants the Bangka Belitung Islands Province as a role model for the halal industry in Indonesia because Bangka Belitung offers many halal tourist destinations so that promotions will be profitable. For the Indonesian region and nation in advancing tourism and foreign tourist visits (Roanisca et al., 2020). In 2020, there are 1,155 halal certificates in Bangka Belitung Province. dominated by snack and food businesses, but restaurants and slaughterhouses are also (LPPOM MUI Babel, 2021).

Bangka Belitung Islands Province is trying several things to encourage MSMEs products to have high competitiveness, one of which is halal certification. First, about 89.4% of the people of Bangka Belitung are Muslim. Second, the characteristics of the Bangka Belitung area are dominated by the ocean, so it produces many marine biota products that can provide advantages and characteristics to support the prospects for the halal industry. It is undeniable that conventional marketing can no longer support halal industry business players in Bangka Belitung. Therefore, business actors must be aware of and understand technology, especially in marketing products (Majelis Ulama Indonesia, 2020).

The difference between this study and previous studies, such as that investigated by Soesilowati (2010), investigated the behavior of Muslim consumers and consumption of halal food in the context of business opportunities for halal products in the global market. Nurrachmi (2017) focuses on the existence of the halal food industry in developed and developing countries in increasing the presence of halal products in non-Muslim communities. Adiba (2019) investigates the effect of halal knowledge and Islamic religiosity on consumer behavior mediated by consumer attitudes. Al-Kwifit et al. (2019) investigated the brain response of Muslim consumers to Halal and non-Halal products using functional magnetic resonance imaging technology. Hanim et al. (2021) investigated the behavior of Muslims in making decisions to buy a halal product to optimize the halal industry. Djunaidi et al. (2021) analyzed the factors influencing consumer perceptions of buying halal products.

This study is pioneering for focused on analyzing the behavior of the halal industry of Bangka Belitung Island in Indonesia. The behavioral analysis to be studied is based on the theory of industrial organization. Baye (2010) stated that industrial behavior refers to how individual firms behave in the marketplace. This definition includes decisions related to pricing, advertising, investing in research and development activities, and several other behaviors. The novelty of this study to investigate the

behavior halal food industry, in this case, can be seen from pricing strategy, promotion strategy, innovation strategy, product, and collusion strategy.

An in-depth study of the behavior of the halal food industry is still very much needed. A problem in this study is how the behavior of the halal industry in the Bangka Belitung Islands as a role model for the halal industry in Indonesia by using the Analytic Network Process (ANP) approach. Behavior is measured by innovation strategy, product strategy, promotion strategy, pricing strategy, and collusion strategy.

METHODS

Data

The data used are primary data obtained from in-depth interviews with experts and practitioners, who understand the problems discussed and are accompanied by filling out questionnaires. The selection of respondents in the study was carried out by considering the respondents' understanding of the problems in the halal industry in Bangka Belitung Island. The number of respondents in this study consisted of five experts and practitioners with competent considerations in the halal food industry. The requirements for valid respondents in the Analytic Network Process (ANP) do not need many. The important thing is that they master or are experts in their fields. Therefore, the respondents selected in this survey are experts/researchers of the halal industry and practitioners working in the halal industry.

The ANP approach

Analytic Network Process (ANP) is also a mathematical theory that can analyze the effect using assumptions to solve the problem. This method is used in the form of a solution by considering the adjustment of the complexity of the problem by analyzing the synthesis accompanied by a priority scale that produces the greatest priority effect. ANP can also explain the model of dependence factors and their feedback systematically. Decision-making in the ANP application is by considering and validating empirical experience. The network structure used is a benefit, opportunities, cost, and risk (BOCR). This method allows identifying, clarifying, and compiling all the factors that affect the output or the resulting decision (Saaty & Vargas, 2006).

The ANP method is developing the Analytical Hierarchy Process (AHP) method. The ANP method can improve AHP's weaknesses in accommodating the interrelationships between criteria or alternatives (Saaty & Vargas, 2006). There are two types of linkage in the ANP method: the relationship within a set of elements (inner dependence) and the relationship between different elements (outer dependence). The existence of this relationship causes the ANP method to be more complex than the AHP method. The advantage of ANP over other methods is its ability to assist decision-makers in measuring a number of factors in a hierarchy or network. In addition, the concept is simpler. Therefore, the ANP method is more common and easier to apply in various qualitative studies.

According to Saaty & Vargas (2006) and Kadoić et al. (2017), the ANP method is used to solve problems that depend on alternatives and existing criteria. ANP uses pairwise comparisons on project alternatives and criteria in its analysis technique. In the AHP network, there are levels of objectives, criteria, sub-criteria, and alternatives, where each level has an element. Meanwhile, the levels in AHP are called clusters in the ANP network, which can have criteria and alternatives in them, which are called nodes.

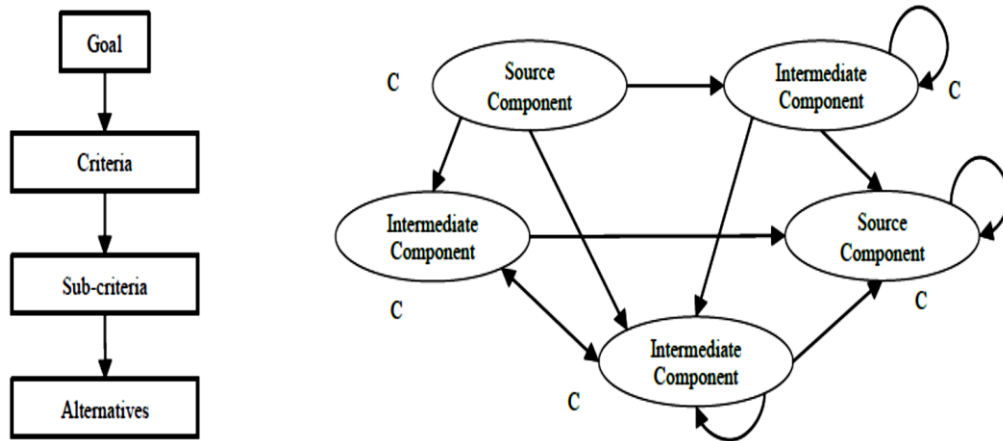


Figure 1. The structural difference between hierarchy and network
 Source: Kadoić et al. (2017)

Figure 1 shows the analysis approach of structural differences between hierarchy and network. Hierarchy is a fundamental tool of the human mind in identifying the elements of a problem. Then these elements are grouped into homogeneous groups (components) and formulated in the form of different levels. There are no standard rules in the preparation of a hierarchical network. However, the arrangement of a hierarchical network must still be adapted to the decisions taken. In addition to using a hierarchical network, decision-making can also be done by creating a feedback network. This network more accurately describes a very complex research problem (Kadoić et al., 2017).

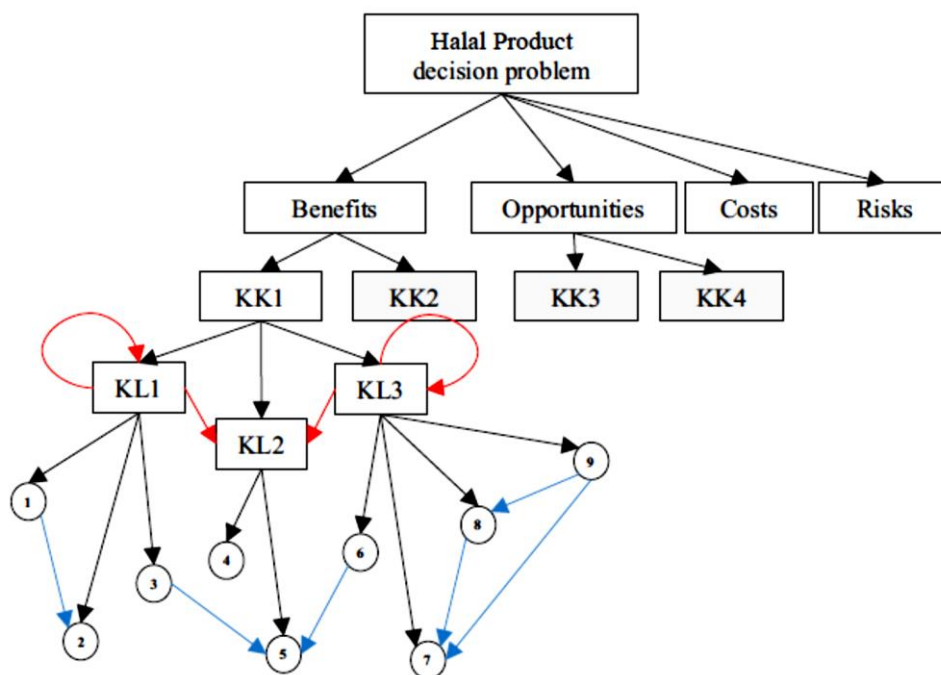


Figure 2. Structure of decision-making problem (evaluation of halal product)
 Source: Kadoić et al. (2017)

Structuring the problem in decision making is a step that has been structured through benefits, control criteria, sub-criteria, clusters, and criteria. These elements are presented in Figure 2, ANP general decision-making problem. First, we have to decide

which (good) network of problems to examine. For each merit selected, we must define a control criterion (and sub-criteria, if the decision-making problem is more complex), KK for each control criterion. We must identify the clusters and elements of the clusters of criteria. In addition, dependencies between criteria must be identified in the blue arc. Automatically, dependencies between clusters are created in the red arc (Kadoić et al., 2017).

The structuring process is highly dependent on the decision-making method to be applied. The selection of criteria and sub-criteria is important in applying the decision-making method. The criteria and influences/dependencies selected should realistically represent the problem area. Decision-makers should include all relevant criteria for a particular problem. Different agencies have similar or even the same decision-making problems, but the list of relevant criteria is not necessarily the same. Within the ANP, it is also important to identify all influences/dependencies between criteria. It is desirable to include experts relevant to the problem area and experts in decision-making using appropriate methods (Kadoić et al., 2017; Saaty & Vargas, 2006).

Research design stages

This study is a qualitative-quantitative analysis that aims to capture a value or view represented by experts and practitioners of the halal industry about the behavior of the halal industry in Bangka Belitung. The analytical tool refers to a study by Kadoić et al. (2017; Saaty & Vargas (2006) utilized is the ANP method and is processed using the "Super Decision" software.

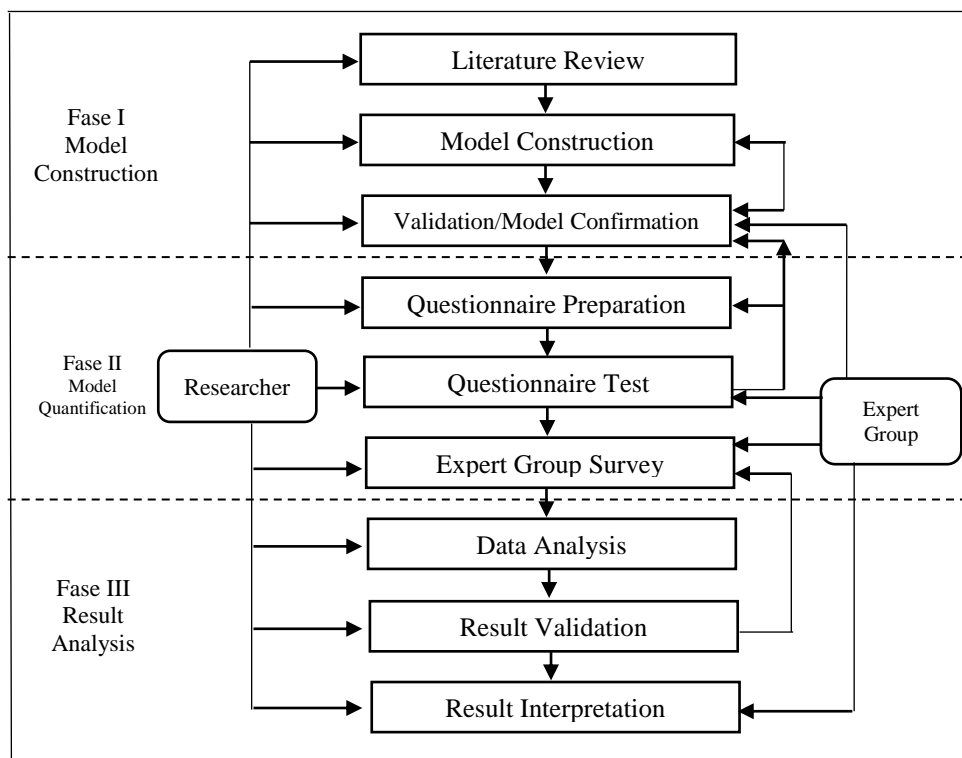


Figure 3. Research design stages

The study stages are divided into three phases. The first phase is constructing the ANP model based on a theoretical and empirical literature review and asking questions to experts and practitioners of the halal industry and through in-depth interviews to examine information more deeply to get to the real problem. The second phase is the

quantification of the model using questions in the ANP questionnaire in the form of pairwise comparison between elements in the cluster to find out which of the two has the greater influence (more dominant) and how big the difference is through a numerical scale of 1-9.

The ANP methods

The data from the assessment is then collected and inputted through super decision software to be processed to produce outputs in the form of priorities and supermatrixes. The results of each respondent will be inputted into a separate ANP network (Ascarya, 2015). The third phase is synthesis and analysis based on geometric mean and rater agreement. Geometric mean to find out the results of individual assessments of the respondents and determine the results of opinions in one group, an assessment is carried out by calculating the geometric mean (Saaty & Vargas, 2006). Questions in the form of comparison (Pairwise comparison) from the respondents will be combined to form a consensus. The geometric mean is a type of average calculation that shows a certain tendency or value which has the following formula (Ascarya, 2015):

$$(\prod_i^n = 1 a_i)^{1/n} = \sqrt[n]{a_1 a_2 \dots a_n} \dots\dots\dots (1)$$

Rater Agreement Rater agreement is a measure that shows the level of conformity (approval) of the respondents (R₁-R_n) to a problem in one cluster. Kendall's Coefficient of Concordance (W; 0 < W ≤ 1) is the tool used to measure rater agreement. W=1 indicates a perfect match (Ascarya, 2015). To calculate Kendall's (W), the first is to rank each answer and add them up.

$$R_i = \sum_j^m = 1 r_{i,j} \dots\dots\dots (2)$$

The average value of the total ranking is:

$$R = \frac{1}{2} m (n + 1) \dots\dots\dots (3)$$

The sum of the squares of deviation (SSD), is calculated by the formula:

$$SSD = \sum_i^n = 1 (R_i - \bar{R})^2 \dots\dots\dots (4)$$

So that Kendall's (W) is obtained, namely:

$$W = \frac{12S}{m^2 (n^3 - n)} \dots\dots\dots (5)$$

If the test value of W is 1 (W=1), it can be concluded that the judgments or opinions of the respondents have a perfect match. Meanwhile, when the W value is 0 or is getting closer to 0, it indicates a discrepancy between the respondents' answers or varied answers (Ascarya, 2015).

RESULTS AND DISCUSSION

Result

Industry behavior refers to decisions related to pricing, advertising, invest in research and development activities, and a number of other behaviors. The behavior usually refers to companies' behavior (actions or actions) in a market, their decisions, and how they are made. Well-known behavioral models include price-leadership, cartels, average cost pricing, and limit pricing. The behavior of one industry with another industry is different. One of them is caused by differences in the market

structure of several industries. Behavior, in this case, can be seen from Price strategy, product strategy, promotion strategy, innovation strategy, and collusion strategy. The ANP-BOCR framework shows the behavior model of the halal food industry in Bangka Belitung in Figure 4.

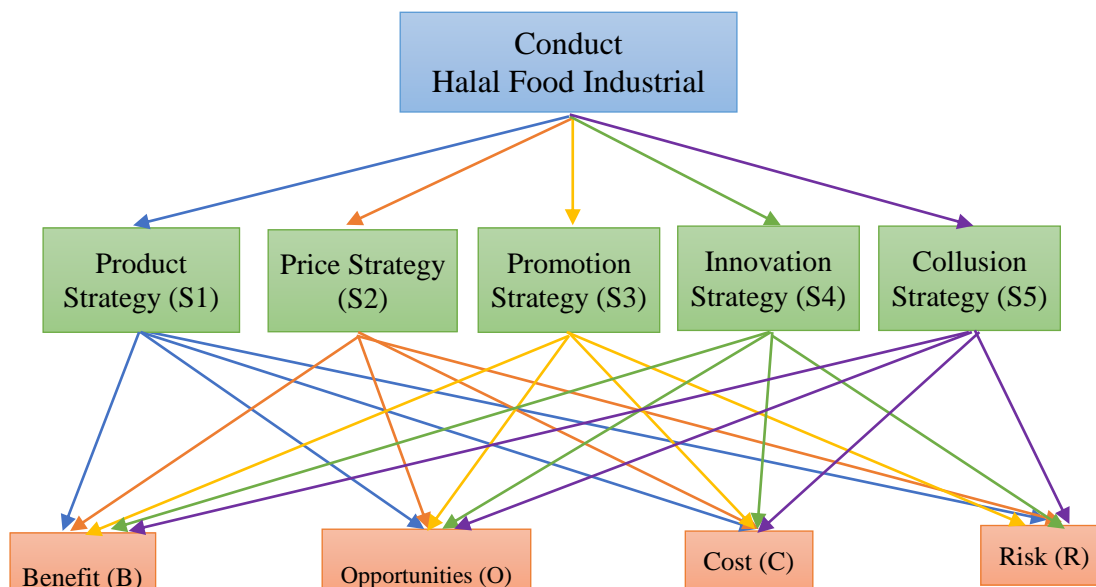


Figure 4. ANP-BOCR framework

The ANP network is formed where each element in one cluster is interconnected and interdependent with all elements in other clusters so as to form circular causation that resembles the interactive, integrative and evolutionary process orientation (IIE) of the ANP. Choudhury & Hoque (2004) proposed the circular causation and continuity model.

Table 1. Concordance Kendall's coefficient of priority conduct

Strategy	Wp	We	Conduct	SSD	Max SSD	W
Price	0.039	0.061	7	441	729	
Innovation	0.148	0.164	2	676	676	
Collusion	0.022	0.038	9	361	625	
Product	0.136	0.164	4	576	576	
Promotion	0.116	0.035	6	484	529	
			28	2538	3135	0.810

Note: W is Kendall's coefficient of concordance; Wp is Kendall's coefficient practitioner; and We is Kendall's expert coefficient

The results obtained show the statistical consensus of experts and practitioners. Table 3 shows that the expert results show that product and innovation strategies are two equally superior behaviors, with a fairly large rater agreement ($We = 0.825$). As for practitioners, the behavior that most supports the success of the halal food industry in Bangka Belitung is the innovation strategy, while the product strategy follows, with a lower rater agreement value ($Wp = 0.802$).

Overall, the innovation strategy is the leading behavior followed by the product strategy. The promotion strategy, then the price strategy, and the lowest in the collusion strategy, with a rater agreement level ($W = 0.810$).

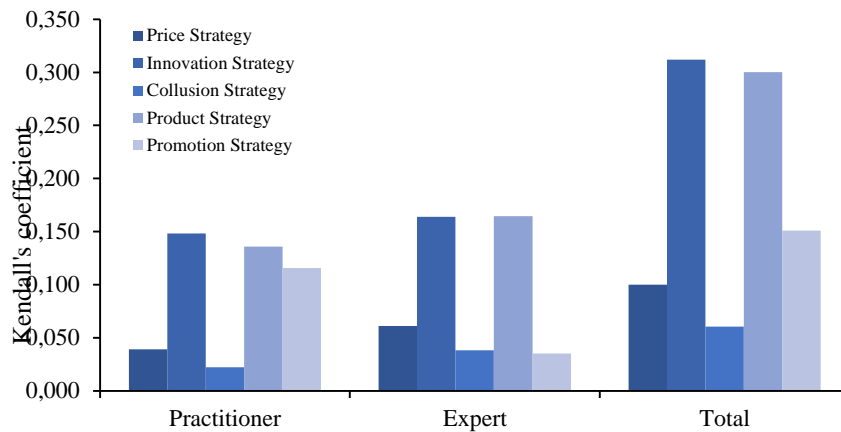


Figure 5. Priority conduct of halal food industry

Table 2. Result of Concordance Kendall's Coefficient of BOCR Priority

Priority	Wp	We	BOCR	SSD	Max SSD	W
Benefit	0.107	0.139	5	361	529	
Cost	0.044	0.033	8	256	484	
Opportunity	0.212	0.190	1	529	441	
Risk	0.019	0.026	10	196	400	
			24	1342	1854	0.724

Note: W is Kendall's coefficient of concordance; Wp is Kendall's coefficient practitioner; and We is Kendall's expert coefficient

In the BOCR cluster, as shown in Table 2, both experts and practitioners agree that the halal food industry in Bangka Belitung Belitung has a very high opportunity to become a role model for the halal food industry in Indonesia, with a high rater agreement of (Wp=0.722) and (We=0.718). After opportunity, overall respondents showed high benefits with minimal costs and risks, with a high rater agreement value of 0.724.

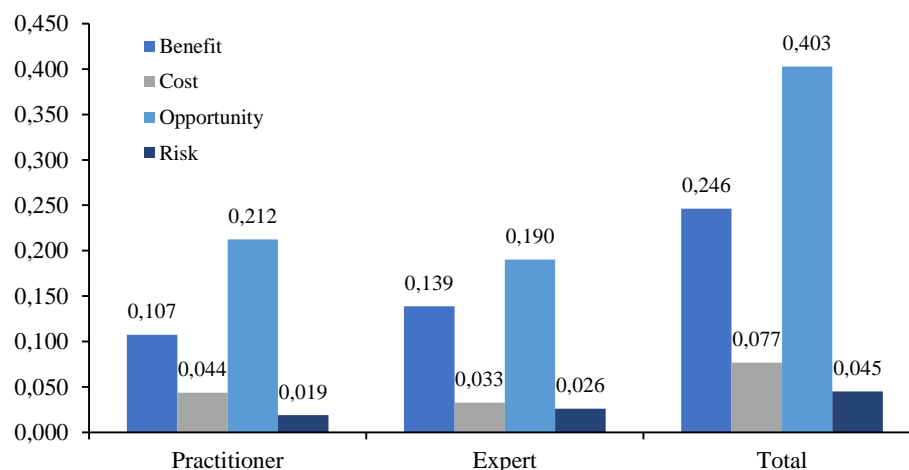


Figure 6. The BOCR priority of the halal food industry

Discussion

The findings of this study are relevant to the increasing number of Halal-certified food companies in Bangka Belitung. In 2017, the Institute for the Study of Food, Drugs,

and Cosmetics of the Indonesian Ulema Council (LPPOM MUI) awarded the Halal Award, one of which was won by the Province of the Bangka Belitung Islands with the title of Best Halal Province. In 2016 there were 151 halal certificates issued by LPPOM MUI, a significant increase in 2020 as many as 1,155 halal certificates were issued, there was an increase of 66.30 percent during that period. Dominated by food and beverage products, there are also restaurants and abattoirs in Bangka Belitung Province (LPPOM MUI Babel, 2021).

Table 3. Number of food companies in Bangka Belitung halal certified

City/District	2016	2017	2018	2019	2020
Pangkalpinang	59	106	156	189	287
Bangka	5	41	87	112	146
West Bangka	5	11	23	45	69
Central Bangka	41	65	103	146	225
South Bangka	5	12	87	106	167
Belitung	24	38	62	93	151
East Belitung	12	33	56	87	110

Source: *Majelis Ulama Indonesia (2020)*

Table 3 shows that food companies in Bangka Belitung that have halal certificates continue to increase every year. The number of food establishments in the table above is not evenly distributed, which dominates as the places most visited by tourists, in line with the research results conducted by Nawawi et al. (2019), which was conducted in Thailand with a non-Muslim majority. The study results indicate that Thailand's strength in the global halal industry scene is because the tourism industry is very crowded, which helps to improve the country's halal branding.

From the Network Process analysis on the behavioral cluster, the innovation strategy ranks first in describing the advantages of the halal food industry in Bangka Belitung Island. The innovation strategy provides great benefits for the halal food industry in Bangka Belitung, such as processed fish food that does not have waste because the waste is processed into products worth selling. Utilization of waste into salable value products is part of the product strategy aspect, namely creating unique and diverse product differentiation and diversification.

The next aspect is the promotion strategy which ranks third in the behavioral cluster. Promotional strategies in the halal food industry in Bangka Belitung still affect cost and risk. According to respondents, currently, the world's most sought-after promotion is digital promotion, but that is what is still lacking in the halal food industry in Bangka Belitung. Strategy Promotion is very closely related to cost and risk because when a promotion increases production costs, it will cause a risk, namely reduced profits. Meanwhile, the halal food industry in Bangka Belitung has not increased product prices due to high raw material and operational prices.

Price strategy ranks fourth in the behavioral cluster. Respondents agree that there is no suitable pricing strategy for the halal food industry in Bangka Belitung. The prices of halal food products in Bangka Belitung are still higher than similar products in other regions in Indonesia, even though it costs nothing to get the halal label. With the existing prices, Bangka Belitung can compete by choosing its market segmentation because the price given is by the quality of the product. Bangka Belitung has a wealth of quality seafood, so it greatly affects the taste of its halal food products.

The collusion strategy is the lowest ranking aspect in the behavior cluster of the halal food industry in Bangka Belitung. The aspect of collusion strategy can be a solution to existing problems if it functions optimally. According to Bohari et al. (2013)

collusion is a strategy used by companies that avoid competition, both price and non-price. In this case, firms in the market work together to reach mutual agreements regarding prices, levels of output produced, advertising activities, or budgeting for research and development.

The discourse of the Indonesian Ulama Council (MUI) wanting the Province of the Bangka Belitung Islands as a role model for the halal industry in Indonesia was supported by the geometric mean results in the BOCR cluster. According to respondents, the highest assessment of the halal food industry in Bangka Belitung, namely opportunity, was the highest value because Bangka Belitung is a tourism area and a Muslim-majority area.

The benefits aspect ranks second in describing the halal food industry in Bangka Belitung. The high benefits are in line with research conducted by Valeriani, Hidayati, & Wulandari (2020), namely the large number of Muslim tourists who travel to the province of Bangka Belitung, the tendency of the community to uphold Islamic culture and values in customs in Bangka Belitung, local government support for MSME products to be halal certified. Furthermore, the analysis of cost and risk aspects which have a value below 10%, is considered not to affect the halal food industry in Bangka Belitung.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The conclusion of this research is a behavioral cluster. The most superior aspects are innovation strategy, product strategy, promotion strategy, pricing strategy, and collusion strategy. While in the BOCR cluster, the order of aspects that best describes the condition of the halal food industry in Bangka Belitung is an opportunity, benefit, cost, risk. The results of the ranking in the BOCR cluster, the opportunity, and benefits aspects are at the top, indicating that the behavior of the halal food industry in Bangka Belitung can be used as a role model in Indonesia. Based on Kendall's coefficient cluster behavior, the level of conformity or agreement between respondents shows Kendall's coefficient value (W), which is relatively large in expert respondents compared to practitioners. This shows that expert opinion has a greater degree of agreement. Thus, to set a behavioral strategy, expert opinion is more considered.

Recommendations

The recommendations in this study, among others (1) there will be a joint commitment from policy-makers in supporting and encouraging efforts to develop the halal food industry in Indonesia; (2) industry agents are expected to be able to optimize industrial behavior, especially promotion and collusion strategies; and (3) future research to be able to expand academic research studies related to halal food industry instruments with the number of subcategories in the network process analysis.

ACKNOWLEDGMENT

We would like to thank various parties who have helped so that this research can be completed properly. Special thanks go to the Department of Development Economics, Faculty of Economics, Sriwijaya University, and Bangka Belitung University for granting this study permission.

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Trends of organizational branding strategies- systematic review and research agendas

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DOI: 10.22437/ppd.v9i6.15294	Received: 27.10.2021	Revised: 25.02.2022	Accepted: 27.02.2022	Published: 28.02.2022
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Abstracts

Branding is among the activities that seek new ways to balance competition in the business environment to sustain organizational competitive advantage. Hence, this study aims to identify how the concept has been considered in the literature and its evolution in the marketing literature. To achieve the objectives of the systematic study review was conducted from 2010 to 2021 years and identified 98 articles. The collected data were documented in Microsoft Word and retained in Mendeley referencing software. The study revealed that brand and product management lacks conceptual clarity, which influences their measurement and subsequently their management. The review also demonstrates as economic, identity, consumer-based, personality, relational, community, cultural, and sensory approaches, respectively, are the respective evolutions of the concepts.

Keywords: *Branding, Brand management, Brand strategies, Systematic review*

JEL Classification: G24, M13, O15

INTRODUCTION

Within this competitive business environment, unique means are expected from the organization to survive. It shows no longer a firm's ownership of resources and capabilities that matter but rather how it aligns with customer needs and differentiates in the market (Tajeddini & Ratten, 2020). The undefined and changeable customer preferences and needs in the business environment (Chan et al. 2019) forced organizations to develop and maintain product usefulness (Bhuiyan, 2011 & Gupta, 2015) through differences in production methods, features, quality, and branding (Dirisu et al. 2013).

Also, Alano et al. (2015), Choi & Lee (2019), Tijssen et al. (2019) detailed that currently, introducing a new product is the best means of achieving differentiation and enhancing identity in a business environment. Despite this, existing researchers focus on conceptualizing brand equity (Chen et al. 2016; Brodie et al. 2017), the role and importance of brands from the firm and consumer perspective (Shaari, & Hussin, 2012; Kanagal, 2015; Aksoy, 2017).

Since this new form of economy is associated with globalization, the proliferation of services, fragmentation, the breakdown of boundaries, liberalization, and

democratization based on the foremost result of digitalization, brands are becoming more important for all stakeholders and even for national economies of those brands. In this respect, with the higher level of competitiveness and interrelations, businesses compete to create more powerful brands to support their national economies in worldwide markets. Nevertheless, the growing national economies with more valuable brands accepted by global consumers are more powerful than others.

Besides, managing the product or service is expected from the concerned body of the organization (Aurich et al. 2010) as well as the product or services should be supported by having a unique and strong brand that brings a notable reputation and good image to its organization (Pinar et al. 2016). However, the products or services offered by organizations should get attention from the customers (Younus et al., 2015) to achieve the aimed performance.

The concept of branding, scope, and potentialities are examined and explored from the middle of the 80s, both by researchers and practitioners. It shows the availability of a vast pool of perspectives on product brand conceptualization, development, and management. The existence of this wide collection of distinct perspectives thus presents the need for a clear definition and periodic review of existing literature to obtain a clear and updated overview of the field from time to time. Therefore, the review aims to clarify the brand management concept and identify its evolution in the marketing literature.

METHODS

A systematic literature review was used as a review technique to achieve the basic research questions since it attempts ‘to identify, appraise and synthesize all the empirical evidence that meets pre-specified eligibility criteria to answer a given research question’ (Munn et al., 2018). Hence, the literature selected for review purposes should fulfill the following inclusion and exclusion criteria (Tables 1 and 2) and the search strategies.

Table 1. Inclusion criteria

No.	Criteria	Reasons for inclusion
1	Academic publication	Peer-reviewed journal articles
2	Articles in English	To avoid language barriers
3	Quantitative / qualitative / conceptual	To consider both empirical and conceptual evidence
4	Brand and product management	Topic understudy
5	Marketing or strategic marketing management	To limit the subject
6	Journals in the area of product and branding	Area related to the topic under study
7	Scopus, Emerald, EBSCO, Wiley Online Library, and Science Direct Databases	The databases reputability

Table 2. Exclusion criteria

No.	Criteria	Reasons for exclusion
1	Pre-2010	Consider the recent articles on the topic
2	Organizational branding / Employee branding	The review is concerned with product branding

The search strategies used for all databases were ("Brand" OR "Branding OR Brand management" OR "Branding strategies") AND ("Product" OR "Product

management") AND ("customers performance") AND ("brand and product management" OR "brand management and customers performance" OR "product management and customers performance" [Title/Abstract/keyword]). Based on the inclusions and exclusions criteria and the search string used as the initial filter, we obtained a total of 2,109 publications. Subsequently, different filters were used, limiting the number of academic publications to 98 studies for review purposes.

The collected data from systematic searches were documented in Microsoft Word, presented in a summary table, and retained the references in the Mendeley referencing software. As summarizing and integrating different studies on a topic or research questions is the purpose of a systematic review (Tranfield et al., 2003), the collected data were synthesized narratively, as it is the simplest and most popular (Tranfield et al., 2003). The themes are identified and organized as Clarke & Braun (2013) recommended.

RESULTS AND DISCUSSIONS

This section begins with an analysis of the reviewed articles' fit. The section then describes the conceptualizations of brand and product management as proposed by previous studies and finds empirical support and theoretical arguments for the research question of this review.

Analysis of reviewed articles fit

Articles related to the issues were found to be published in 72 reputed peer-reviewed journals (See Table 3). Numerous journals are considering the concept. The dominant outlet of research has been the Journal of business research, Procedia-Social and behavioral sciences, and the European Journal of Marketing. Also, the variety of journals that have published articles demonstrates the widespread interest and applicability of the concept. Articles were classified based on their year of publication from 2010 to 2021 to identify the longitudinal pattern of academic research. As a result, 41%, 40%, and 19% of the literature were published between 2010 and 2013, 2014-2017, and 2018-2021, implying slightly decreasing trends in the concepts.

Articles were classified based on the number of authors publishing to understand the composition of the ideas used to conduct the studies. Surprisingly, the majority (82%) of reviewed papers were multiple-authored pieces, with the mean being 2.37 authors, while 18% were sole-authored. This portrayed that the review was conducted using ideas from different authors. Methodologically, most papers reviewed (84%) were drawn on some form of empirical evidence. 52% of articles considered for review utilized the quantitative approach, 21%, and 27% qualitative and mixed approaches, respectively. This implies a slightly higher proportional use of quantitative data, which is surprising that there wasn't a greater use of qualitative data given the nature of the field.

Additionally, about 98% of the articles made significant use of cross-sectional analysis, which tended to be based on data collected simultaneously. In comparison, only a small percentage of the papers (2%) were based on longitudinal studies. This may affect the conclusion made by the reviewed studies as the nature of the concepts needs time to identify problems that come across. Yet 42% of articles were from Asian countries (focusing on China and India), 31% from Europe and Africa, 18% from the US context, and 9% from unknown countries. Further, 78% and 22% of the articles are private and public organizations. As well as 82% and 18% of it based on large and SMEs respectively.

Table 3. List of journals with number of published papers

Journal Name	Number of Papers
Journal of business research	6
Procedia-Social and behavioral sciences	5
European Journal of Marketing	4
Journal of the academy of marketing science	4
Journal of Strategic Marketing	3
Food quality and preference	2
Journal of Marketing	2
Industrial Marketing Management	2
International Journal of Bank Marketing	2
Journal of Retailing and Consumer Services	2
Management Science	2
Psychology & Marketing	2
Work	2

Journals published one are: Administrative Sciences, Advances in Business Research International Journal, African Journal of Economic and Management Studies, Annual review of anthropology, *A holistic and practical approach to uncertainty reduction*; Applied ergonomics, Asia Pacific Management Review, Athens journal of business and economic, BMC medical research methodology, British journal of management, Culinary science and hospitality research, *CIRP Journal of Manufacturing Science and Technology*, Design Studies, Decision Sciences, Economic Review: Journal of Economics and Business, EurOMA, Cambridge, European Management Journal, European Journal of Business and Management, *European Scientific Journal, Expert systems with applications*, Fashion and Textiles, In *Journal of Physics: Conference Series*, In *Managing Innovation: What Do We Know About Innovation Success Factors? International Conference on Innovation Management and Technology Research*, International Journal of Business and Society, International Journal of Economics and Management Sciences, International Journal of Hospitality Management, International Journal of New Technology and Research, International Journal of Production Economic, International Journal of Quality & Reliability Management, International Journal of Research in Marketing, Industrial Management & Data Systems, IOSR Journal of Business and Management, *IUP Journal of Brand Management*, Journal of Asia Business Studies, Journal of Basic and Applied Scientific Research, *Journal of Brand management*, Journal of CENTRUM Cathedra: The Business and Economics Research Journal, Journal of Consumer Marketing, Journal of Customer Behavior, Journal of Economics, Business and Management, Journal of Global Marketing, Journal of Global Strategic Management, *Journal of Industrial Engineering and Management*, Journal of International Studies, Journal of Islamic Studies and Culture, International Journal of Innovation Science, *Journal of Marketing Research*, Journal of Northeast Agricultural University, Journal of Place Management and Development, Journal of Product & Brand Management, *Journal of Product Innovation Management*, Journal of Research in Marketing and Entrepreneurship, *Journal of Retailing*, Journal of software: Evolution and Process, Journal of Sociological Research, Journal of wine research, Jurnal Komunikasi, Management Decision, Malaysian Journal of Communication, Marketing Intelligence & Planning, Marketing Theory, Mediterranean Journal of Social Sciences, Oradea Journal of Business and Economics, Project, *Procedia CIRP*, Springer, Berlin, Heidelberg, *Swot, Sumedha Journal of Management, Sustainability*, Transportation Research: Logistics and Transportation Review, Technology in Society, *Technovation*, The Journal of Asian Finance, Economics, and Business, *The psychologist*

The concept of branding and brand management

The majority of the reviewed literature (e.g., Ahmad et al. 2016; Janoskova & Kliestikova 2018; Dessart et al. 2019; Mao et al. 2020) related the term branding with the 1960 classic definition proffered by the American Marketing Association, which linked brands to the identity of a product as well as its differentiation from its competitors by the use of a clearly distinguishable name, term, visual signs, and symbols (see Table 4). These attributes represent the promise made by a business to consistently provide its customers with a certain defined set of product features, benefits, and services (Ahmed et al., 2014). Therefore, the fundamental objective of branding is creating and developing a deep group of positive points that will enable customers to hold favorable brand associations in their minds.

Managing the brands of products or services provided by the organizations is one of the techniques for developing a good relationship with target markets (M'zungu, et al., 2010). Branding is considered as a communication function in marketing, which incorporates investigation and planning for how the brand is positioned in the market, identifying who the brand is targeted at, and maintaining the expected status of the brand in the business environment (Takalkar, 2014). Janoskova & Kliestikova (2018) concluded that brand management is a continuous process that integrates all activities, procedures, and tools applied to increase brand value. Huang & Tsai (2013) state that the management of a brand is a strategic and widespread activity of the entire company.

Table 4. Branding and brand management concepts

Author(s)	Descriptions
Dessart et al. (2019)	Brand management studies how a brand is perceived, planning how it should be perceived in the business environment, and confirming that it is perceived as planned and acquires the pre-stated aims.
M'zungu et al. (2010)	Brand management develops better ways to build and maintain a continuing and good relationship with customers.
Takalkar (2014)	Brand management is a communication function in marketing used to analyze and plan to ensure the appropriate brand positioning in the market, identify target customers, and preserve the brand's current status.
Paul (2019)	Effective brand management allows for building loyal customers and improves the value of products in the business environment due to positive brand associations and images or strong brand awareness.
Dolbec & Chebat (2013)	Strategic brand management helps clarify and communicate the brand's identity, personality, and associations. The brand communicates concerning its history and to the current competitive environment.
McDonalds & Wilson, (2011)	The involvement in new product development, exploring alternative modes of marketing communications, building customer relationships, and ensuring equity between brand price and consumer value enhances the brand management activities.
Huang & Tsai (2013)	Brand management is a strategic and comprehensive activity rather than a tactical or functional activity of the entire company.
Janoskova & Kliestikova (2018)	Brand management is a continuous process that integrates all activities, procedures, and tools applied to increase brand value.

Hence, to properly understand the developed brands of the organization and their target customers, brand management is required to maintain the firm's brand equity. Since brand equity measures customers' attachment, association, and beliefs, the consumer has about the brand (Dolbec & Chebat 2013). Paul (2019) concluded that effective brand management enables the building of loyal customers, better brand associations, positive images of the brand, and better awareness.

Then, the importance of the brand gradually disappears; it is no longer a significant attribute of customer buying decisions because the product is no longer unique concerning competitive offers. The brand owner can not apply a high trading margin and lose its position in this situation. Thus, it is expected of a brand manager to oversee all aspects of branding to be competitive (M'zungu et al., 2010). It can be realized from the above-stated concept of brand management as it circulates around an analysis of current perceptions of customers towards a brand, proceeds to plan how to safeguard better brand images, and lasts with certifying that the brand is supposed as

prearranged and acquires its objectives. Simply, Dessart et al. (2019), the definition of brand management is the most comprehensive one.

Evolutions and development of brand/product management

From the extensive review of the kinds of literature, Table 5 (appendix) presented the identified brand/product management approaches sequentially with the focus areas, assumption followed, and theoretical base and methodology disparity.

The economic use approach

The income-based or economic use approach is the valuation of future net earnings directly attributable to the brand to determine its value in its current use (Liu et al., 2017). This method is extremely effective as it shows the future potential of a brand that the owner currently enjoys. The value is useful compared to the open market valuation as the owner can determine the benefit foregone by pursuing the current course of action (Rahinel & Redden, 2013). According to these premises, the primary purpose of brand management is to produce, promote, and distribute goods that are attractive to consumers.

The economic approach explores how changes in one or more marketing mix factors (Sheth & Koschmann, 2019). These premises make the utility attributes the brand has to offer judged against its price relative to competitors, level of awareness and recognition, and last but not least, the accessibility of the brand essential for whether or not a brand will be successful. Hence, Brand managers are assumed to control consumers' brand choice behavior by ensuring an optimum mix between the four main marketing mix elements (Deleersnyder & Koll 2012). Hence, the marketing mix is a key instrument for understanding and facilitating transactions between the company and the market.

The logic is that a brand will succeed only if the manufacturer of that brand is able to produce a product that delivers high utility benefits, then sells it at the right price, in the right places, and promotes it to such an extent and in such a way that spurs consumer awareness (Ataman et al., 2010). Most research literature characterizing the economic approach era was directed at exploring and understanding how different marketing mix factors affect the consumers' brand choice. Generally, this approach sees the brand as part of the traditional marketing mix. The literature examined within this approach (like Mehta & Ma, 2012; Stahl et al., 2012) revealed that consumers are assumed to make rational brand choice decisions, focusing on products that maximize usefulness.

The approach focuses only on product-level activities. Examining literature during the economic approach era revealed that the most predominant methodologies adopted were quantitative and concentrated on understanding the impact of one or more elements of the marketing mix on consumer brand choice behavior. Predominantly derived from scanner panel data, the data are usually factual and statistically measurable. Thus it is generally accepted that an economic approach is still a suitable tool for planning and execution in brand management. But this alone is not enough to create or build a very successful brand in modern times. Hence, the need for newer approaches that consider how and why modern consumers consume brands.

The identity approach

The study of Hatch & Schultz (1997) titled "Relationship between organizational culture, identity and image" was the most influential literature that contributed to the identity approach. Few of the most recent studies by Balmer (2012); Chattopadhyay (2016); Fajardo et al. (2016); Wheeler (2016); Balmer & Chen (2017); Otubanjo & Adegbile (2019) consider the brand as having links to corporate identity with some

modifications of Hatch & Schultz, (1997) study. The general thinking of the identical approach as collected from literature is built on the assumption that a strong and coherent brand identity is necessary to create brand value. Thus, to create one coherent identity that meets all stakeholders' expectations, the brand must answer the vital question 'who are we?' as an organization.

Additionally, reviewed literature stated identity approach as the second oldest for brand management with some changes. A shift from focusing on the product-level activities to corporate-level branding activities is noticed in this approach, as managers focus more on how organizational behavior affects identity, image, and reputation instead of focusing solely on the visual attributes of the product alone. In this approach, the consumer's initial assumption and perception as a passive recipient of identity messages also changed as managers discovered that identity could not be effectively linearly communicated to the consumers but by interactive negotiation among all stakeholders involved.

Further, the theoretical foundations behind the core concept of brand identity are corporate identity. Organizational identity theories pertain to the internal aspects of the branding process, while image and reputation are two supporting thematic theories that cater to the external aspects. As gathered from literature, each of these four supporting themes is aligned together for a coherent brand identity to be created and believed to be important in the construction of brand identity.

Furthermore, a review of existing literature revealed that literature on the identity approach usually adopted a mix of research methodologies that depended on which of the four supporting themes was under examination or study. Studies that examined corporate identity data usually applied a heuristic methodology; those which studied organizational identity often applied methodologies with firm foundations in anthropology and cultural studies. A mixture of qualitative and quantitative methodologies drawn from cognitive and social psychology was applied for image and reputation due to their suitability. Thus, the approaches nevertheless are still relevant today. Still, the need for subsequent approaches is documented to have arisen out of a need to better understand consumer behavior both in brand choice and purchase quantity.

The consumer-based approach

The study of Keller (1993) titled *Conceptualizing, Measuring and Managing Customer-based Brand Equity* was founded on an entirely new approach to brand management. Based on this study, numerous pieces of literature are found. A few of those studies are Sweldens et al. (2010); Meyvis et al. (2012); Datta et al. (2017); Chan et al. (2018); Milberg et al. (2019) and Wu et al. (2019) those considered the brand as linked to consumer associations. The reviewed literature indicated that in this approach, the brand is assumed first to be a cognitive construal in the minds of consumers and secondly that consumers hold strong, unique, and favorable associations for a strong brand.

It also assumes that although the brand resides in the consumer's mind, the marketer can still control brand value creation linearly. Also, the cognitive consumer perspective, the information-processing theory of consumer choice, and the theory of customer-based equity are the three distinct theories that form the building blocks of this approach. The three major research methods were common in most literature based on this approach. From the methodological aspects, the Input-output methodologies help understand how customer decisions change when stimuli are changes; process

tracing methods help analyze the process of brand choice among consumers and methods for measuring consumer-based brand equity.

The personality approach

The other new approach to brand management had been born with the study of Aaker (1997) when he published his research study into brand personality. His study showed that consumers tended to view and attribute human-like qualities to brands. The study was conducted by Das et al. (2012); Ivens & Valta (2012); Choi & Winterich (2013); Ahmad & Thyagaraj (2014); Klipfel et al. (2014); Orth & Rose (2017) and Luffarelli et al. (2019) are among the recent few of the studies based on the work of Aaker (1997) and considered the brand as a resembling a human character.

The reviewed literature indicated that the human-brand perspective and the symbol-consuming consumer focused on this approach. The approach assumed that personality traits are important drivers of the emotional bonding between a brand and its consumer. Personality, consumer self, and brand-self congruence are the guiding theoretical frameworks in studying brand personalities. Examining existing literature revealed scaling techniques and other relevant mixes of quantitative and qualitative research methods to uncover brand personality in the data collection and analysis processes.

The relational approach

The reviewed literature indicated that this approach was popular when Consumers and their brands: developing relationship theory in consumer research by Susan Fournier was first published in the Journal of Consumer Research (March 1998). Since then, a lot of studies have been conducted few of them that are used for this review purpose are the following: Donovan et al. (2012); Miller et al. (2012); Sela et al. (2012); Travail et al. (2016); Wang & John. (2019). This literature considered the brand as a viable relationship partner and built on the human brand metaphor of the identity approach.

The examined studies concluded that this approach indicated a significant shift from the positivistic paradigm to a more interpretive stance. As earlier approaches assumed, the consumer is an existential being, not a passive one. It also assumed that brands were dyadic, capable of having a relationship with the consumer. A literature review reveals that theories of animism, human relationships, and theories of brand relationships shaped literature under this approach. Further, the most commonly observed research methodologies adopted were in-depth interviews and life story methods of data collection and analyses.

The community approach

The study conducted by Muniz & O'Guinn (2001) on the title of Brand community influenced and popularized this approach. The works of Kahr et al. (2016); Kupfer et al. (2018); Shen & Sengupta (2018); Herhausen et al. (2019); Ordenes et al. (2019) are among the few studies that conducted on this approach and considered for this review. Those studies consider the brand a focal point of social interaction.

The reviewed studies indicated as this approach is based on the observation that consumers form communities around brands, thus making the brand a focal point of social interaction among enthusiastic users of a particular brand. Further, the approach is based on two assumptions: a triadic brand relationship and the brand's perception as a social brand. The latter is a new concept added to brand management by this approach. The community theory, theories of subcultures and consumption, and the brand community theory are all theoretical frameworks that shaped literature based on this

approach. A literature review also showed that Ethnographic and Netographic methods are some of the most prominent research methods used in studies in this approach.

The cultural approach

The reviewed literature reveals that just like the community approach, the cultural approach emanated somewhere around the millennium but was made more prominent and popular with the work of Holt (2002) titled: ‘Why do brands cause trouble? A dialectic theory of consumer culture and branding’. Thus, it can be concluded that this study introduced the cultural brand perspective to brand management literature. A few of the studies that based on the work of Holt (2002) are Holt & Cameron (2010); Luedicke et al. (2010); Torelli et al. (2012); Jutterström & Norberg (2013); Andersen et al. (2019) which considered for this review purpose as well as the assumptions of brand to be a cultural object giving rise to both a very strong anti-branding discourse as well as a now prominent theory on how to build an iconic brand.

Further, theories that form the building blocks of this approach include the theory of cultural branding, the No Logo movement and its resistance to branding, and the citizen-assist brand prospect. The authors note that this approach borrows a lot from the scientific tradition of cultural studies and uses a wide variety of qualitative methods, the most prominent of which is the application of macro-level analytical methods to micro-level data.

The sensory approach

Like other approaches, the Sensory approach was made more prominent and popular with Dauce & Rieunier (2002) titled: Point-of-sale sensory marketing. Few of the study that considered for review those base on this study are Bouzaabia (2014); Hulten (2015); Fajardo et al. (2016); Jiang et al. (2016); Rahinel & Nelson (2016); Krishna et al. (2017); Rodrigues (2018); Huang et al. (2019). Those kinds of literature considered the product brand as experienced through our senses.

The reviewed literature indicated that the previous approaches focused only on two senses (hearing and sight) to distinguish their products or services from the competitors. However, using only audiovisual impetus is not sufficient for distinguishing a brand to the customer in the contemporary condition. Therefore, branding has become very popular in recent times due to the contribution of five senses - taste, touch, hearing, sight, and smell. Sensory branding allows the company to use new communication channels. The main aim of sensory branding is to simultaneously combine all the five senses to build five-dimensional know-how for the consumers. To identify the brand, consumers must use more than one sense to recognize a brand.

The importance of the five senses in the transmission of perceptions and generation of experiences depends on the nature of the product or service and the stage of buying behavior in question. Research has shown that the involvement of multiple senses can have a multiplier effect on perceptions when the senses in question communicate synergistic messages. In other words, each sensory stimulus reinforces the messages conveyed by all the others, giving rise to stronger, more consistent, and more holistic perceptions. Multisensory perceptions, therefore, facilitate faster product recognition and attribution in response to stimuli, higher processing speeds, and better assessment of the message. The sensory approach defines itself clearly in opposition to the information-processing consumer perspective.

The exchange is perceived as linear and co-created but is primarily individual in both cases. The sensory approach acknowledges the interplay between sensory and mental systems in creating brand responses. The core theme of the sensory approach is that brands offer consumers and customers sensory experiences, which lead to stronger

brand affiliation. The product is merely an artifact; the brand is a collection of symbolic meanings around which it is possible to build the sensory experiences individual consumers strive for. Hence the product itself is no longer the ultimate goal. The brand's purchase and consumption are also strongly driven by the self-fulfillment that the sensory experience of the brand provides. Further, the most commonly observed research methodologies adopted were in-depth interviews and life story methods of data collection and analyses.

Practical implications

In summary, the article progresses the idea that successful branding is about smart, creative brands and well-planned and executed brand management. Strong brands need to be well articulated, communicated, developed internally, and delivered consistently. Intangible resources such as brands not only need to be recognized but also safeguarded through well-designed brand management methods, and not simply by legal means.

Over time, the historical reality of brand and product management research trends tells us that no form of management is- or should be permanent. The continued presence of name brands testifies to the overall effectiveness of brand management over long periods through all three of the major historical forms that have been elucidated here. The historical reality that three distinct forms of brand management have existed over the past century should tell us that no form of management is- or should be permanent. Though the brand manager system as we know it could come to an end, brand management itself almost certainly will continue to thrive.

Managerial implications

As the current research shows brand and product management's importance, managers need to formulate effective and efficient marketing strategies to build, manage, and maintain a connection between consumers and brands and products in a highly competitive, globalized, and dynamic business environment. The review benefits the marketing practitioners the most, especially those involved in planning strategies in brand and product management. Effectively, managing is fundamental to securing a competitive edge. Hence, the findings expose valuable insights for marketers to identify the cause of brand and product management that affect brands and products values that affect the next purchase.

The identified approaches of brand and product management make the managers ensure that consumers and stakeholders alike experience a very strong and coherent identity in all of their contacts with it; create and manage personality by using both direct and indirect sources; aware that brands/products had to act as true friends if they were to create a bond in the minds of consumers; being facilitator and view that the management of an iconic brand requires the ability to think and act like a cultural activist and also a careful consideration of corporate social responsibility.

Strength, limitations, and further research

The strength of this review is that it is the first time study to conduct a comprehensive, systematic literature search to identify frameworks and empirical studies describing the current focus of marketing activity of organizations. Hence, this review provides a strong basis for future marketing researchers. Further, this review aimed to clarify, associate, and identify brand and product management evolutions by linking the existing theoretical and empirical paths. The present review cannot be ruled out that some concepts were missed because the reviewed literature searched for the

terms in their title or abstract, which may exclude studies presenting those terms in their abstract and title sections.

The potential consequences concerning the combined use of these marketing aspects are theoretical and need to be evaluated through empirical studies. Further research, however, is required in this area to identify additional variables that could add to the explanatory power of the concept. As this study takes a qualitative perspective with a research journal analysis, additional empirical research is needed, such as quantitative data, to identify branding and product management strategies comprehensively. The lack of conceptual clarity regarding brand and product management leads to future scholars' clear-cut solutions.

CONCLUSIONS

In reviewing the brand and product research trends over time, it was clear to see eight different brand and product management approaches identified since the concept's inception to 2021. These approaches include the economic approach, the identity approach, the consumer-based approach, the personality approach, the relational approach, the community approach, the cultural approach, and the sensory approach, respectively, from oldest to latest approaches. It was noted that all of these approaches are different in their focus areas. The first period emphasized product-related activities, followed by corporate-related activities, consumer associations activities, human-like character activities, viable relationship partnerships, social interaction activities, cultural fabric activities, and Multisensory insights. As well as, all of these approaches are different in terms of assumptions followed to achieve the objective and the based theoretical themes.

It was also noted that a major paradigm shift occurred at the birth of the relational approach in 1998, and this shift brought with it an important shift away from a more quantitative research methods era to more qualitative methods and also the realization and acceptance by product managers that the customers own the brand and product as well as the involvement of multiple senses to build five-dimensional know-how for the consumers. Accordingly, effective use of brand equity and brand management offers marketers one route for enhancing the initial selection probability, developing loyalty, retaining customers, and building or enhancing relationships.

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APPENDIX

Table 5. Approaches of brand/product management

Approaches	Focus	Assumptions	Methodology	Theoretical themes	Authors
Economic approach	Product level activities	Market forces are responsible for allocating and distributing scarce resources through the principle of the ‘invisible hand’	quantitative in nature	Marketing mix concept and the transaction cost theory	Ataman, et al. 2010; Deleersnyder, & Koll, 2012; Mehta & Ma 2012; Stahl et al. 2012; Liu et al. 2017; Rahinel & Redden 2013; Sheth & Koschmann 2019
Identity Approach	Corporate level activities	To create brand value, a strong and coherent brand identity is absolutely necessary.	the mixture of qualitative and quantitative	Corporate Identity, Organizational identity, image and reputation theories	Balmer 2012; Chattopadhyay, 2016; Fajardo et al. 2016; Wheeler 2016; Balmer & Chen 2017; Otubanjo, & Adegbile 2019
Consumer-based Approach	Consumer associations activities	Although the brand resides in the consumer's mind, the marketer is still able to control brand value creation linearly.	Input-output, Process tracing, and methods for measuring consumer-based brand	cognitive consumer perspective, information-processing theory of consumer choice, and theory of customer-based equity	Sweldens et al. 2010; Meyvis et al. 2012; Datta, et al. 2017; Chan, et al. 2018; Milberg et al. 2019; Wu et al. 2019
Personality Approach	Human-like character activities	Personality traits are important drivers of the emotional bonding between a brand and its consumer.	Mix of quantitative and qualitative	personality, consumer self and brand-self congruence theories	Das et al. 2012; Ivens & Valta, 2012; Choi & Winterich 2013; Ahmad & Thyagaraj 2014; Klipfel et al. 2014; Orth & Rose 2017; Luffarelli et al. 2019
Relational Approach	Viable relationship partnership	the consumer is an existential being, and brands are dyadic in	in-depth interviews and life story methods	animism, theories of human relationships and theories of brand	Donovan , et al. 2012; Miller et al. 2012; Sela et al. 2012; Travail et al. 2016; Wang &

Approaches	Focus	Assumptions	Methodology	Theoretical themes	Authors
		nature capable of having a relationship with the consumer		relationships	John 2019
Community Approach	Social interaction activities	Consumers form communities around brands thus making the brand a focal point of social interaction among enthusiastic users of a particular brand	Ethnographic and Netographic methods	community theory, theories of subcultures and of consumption and the brand community theory	Kahr et al. 2016; Kupfer et al. 2018; Shen & Sengupta 2018; Herhausen et al. 2019; Ordenes et al. 2019
Cultural Approach	Cultural fabric activities	The brand is perceived as a cultural artefact and a cultural brand perspective is hence introduced in brand management	macro-level analysis is applied to micro-level data	No Logo movement and its resistance to branding and the citizen-assist brand prospect	Holt & Cameron 2010; Luedicke, et al. 2010; Torelli et al. 2012; Jutterstrom & Norberg 2013; Andersen, et al. 2019
Sensory approach	Multisensory insights	Brands offer consumers and customers sensory experiences which lead to a stronger brand affiliation	Qualitative methods	in opposition to the information-processing consumer perspective	Bouzaabia 2014; Hulten 2015; Fajardo et al. 2016; Jiang et al. 2016; Rahinel & Nelson 2016; Krishna et al. 2017; Rodrigues, 2018; Huang et al. 2019



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Moderating effect of social capital on community empowerment and economic well-being

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DOI: 10.22437/ppd.v9i6.15325	Received: 01.11.2021	Revised: 13.02.2022	Accepted: 25.02.2022	Published: 28.02.2022
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Abstract

Improving community economic well-being based on community empowerment plays an important role in rural development. This study aims to determine the ability of social enterprises in Indonesia (Village-Owned Enterprises/*BUMDes*) to improve the community's economic well-being through empowerment programs and the role of social capital in rural community development. At social conditions at the basic level, very little attention is paid to the development of deprived communities. Starting from the experience of rural community economic empowerment programs through the establishment of Village-Owned Enterprises (*BUMDes*) in Indonesia, this study will test three hypotheses: (1) whether there is an effect between community empowerment and the economic well-being of rural communities; (2) is there an effect between social capital and the economic well-being of rural communities; and (3) is the effect between community empowerment and economic well-being mediated by social capital? Multiple regression analysis is used to examine the effect between community empowerment and community economic well-being. This analysis highlights the central role of social capital in mediating the effect between community empowerment and economic well-being. Community empowerment is significantly related to social capital. These effects between social capital, community empowerment, and economic well-being apply to theories and measures of rural community empowerment.

Keywords: *Economic well-being, Rural community, Social capital*

JEL Classification: I38, M21, O18

INTRODUCTION

Social capital can be a useful concept for practitioners, researchers, and policymakers in bringing about the lost social sense. The most important feature of social capital is that trust, norms, and reciprocal effects arise from repeated and regular interactions limited by space and time in a community (Kay, 2005). In many communities, social capital with an interactional approach to community development can be a useful alternative (Bridger & Alter, 2006)). In line with Theodori (2008), like society, the element of sustainable community development is social interaction. Therefore, the success of the rural community development process relies heavily on the willful actions of people in local meetings and social interactions to solve their local

problems, improve their quality of life, and shape their future. Trigillia (2001) states that social capital is an important aspect of local economic development.

Social capital is the ability of actors to benefit from relying on membership in social networks and other social structures (Portes, 1998). Meanwhile, according to Woolcock (1998), social capital is the level of social cohesion in society. It refers to the process between people building networks, norms, and social trust and facilitating coordination and cooperation. Fukuyama (1995) conceptualizes social capital as an informal norm that encourages mutually beneficial cooperation. Putnam (1993) defines social capital as a collection of horizontal associations between people that affect the productivity of local communities. Associations, including citizen engagement networks and social norms. Lang & Hornburg (1998) argue that social capital generally refers to mutual trust in society, norms, and networks that society can use to solve common problems. Putnam (2000) further suggests that social capital is a stock of social beliefs, networks, and values that people can take to improve their livelihoods and pursue common goals.

The concept of social capital needs to be understood in terms of systems and aspects of relations. Criticism of social capital originates from the understanding of the concept of social capital, which only focuses on aspects of relations as written by Harriss (2002). Esser (2007) has reminded that social capital also includes aspects of the system. It is possible because social capital as social relations, shared beliefs, and norms in development is about what the community knows and how people know, discuss, and build arguments (Berkes, 2009). Most of the work on social capital arguably focuses primarily on resources as capital but has demonstrated the importance of all kinds of social association in negotiating the ups and downs of daily life and with subjective assessments of well-being (Helliwell & Putnam, 2004).

Social capital is a social resource that can be seen as an investment in obtaining new resources in society. Therefore, social capital is believed to be one of the key components in mobilizing togetherness, mobility of ideas, mutual trust, and mutual benefit to achieve mutual progress, especially in the development of rural communities. Fukuyama (1999) states that social capital plays a very important role in the functioning and strengthening of society. On this basis, social capital can refer to norms or networks that allow people to take collective action (Fine & Lapavitsas, 2004). It should be remembered that social capital in question should not be separated from the capital in a literal economic sense and lose power relations (DeFilippis, 2001). Social capital is a condition that must be met to develop rural communities. So to evaluate the success of rural community development, social capital is considered a representation of the success of rural community development in improving the quality of life.

The empowerment of rural communities can be realized through active community participation facilitated by empowerment actors. The ultimate goal of the rural community empowerment process is to make community members independent to improve their family's standard of living and optimize their resources. According to Sarjiyanto (2017), in a broader sense, community empowerment is a process to facilitate and encourage people to position themselves proportionally and become the main actors in utilizing their strategic environment to achieve long-term sustainability. Empowerment is a value orientation for working in society and a theoretical for understanding the processes and consequences of efforts to control and influence decisions that affect a person's life, organizational functions, and the quality of people's lives (Zimmerman, 2000). Empowerment can have a different meaning in a given context in other contexts. In addition, as long as it can be developed in a study, it may

not be suitable for other contexts. It must be culturally appropriate to measure the increasing strength of community members (Hombrados-Mendieta & Gómez-Jacinto, 2001).

Community Empowerment is an effort to develop the potential and power of society by encouraging, motivating, and raising awareness of its potential and striving to develop it. Based on Zimmerman (2000), empowerment theory suggests ways to measure constructs in different contexts, study the empowerment process, and distinguish empowerment from other constructs, such as self-esteem, self-efficacy, or locus of control. A universal measure of empowerment may not be possible, but comparative research reveals that some empowerment indicators are more universal than others (Malhotra et al. 2002).

Labonte & Laverack (2001) define a capacity building as a form of increasing community empowerment and following up on issues related to community members. Community capacity has also been described as the combined influence of community commitments, resources, and skills, increasing community power and addressing local community problems. Civil society participation refers to society's individual and collective actions to identify and address local problems of concern to society (Peterson & Hughey, 2004). Butterfoss & Kegler (2002) explains that members' previous experiences with social problems will increase the level of commitment of each member.

The level of member participation varies in intensity, depending on the type of community coalition. Brakel et al. (2006) categorized these participants as active, occasional, and supportive community development programs. They suggest that flexible participation is needed when volunteering and working for social change in society. Cameron et al. (2010) observed that the core community group should consist of members committed to the same or similar problems and can solve problems, as in the organization of Village-Owned Enterprises (BUMDes). Meanwhile, Khwaja (2004) explains that organizational participation can be an important means of encouraging decision-makers to take community participation seriously and integrate their decisions according to community needs. Soler et al. (2014), the Participatory Empowerment Process has been relevant for the people involved: (a) it has made it possible to create a strong steering group; (b) better self-knowledge; (c) to identify evaluation tools and group activities; and finally, (d) provides visibility into the work being done and the forces behind community development projects.

Helping communities to gain expertise, confidence, and control over events and local development, as argued by Bebbington et al. (2006), is an example of community empowerment. Community empowerment is one of the advances most often associated with psychological and social development. It thus has become the center of attention for local development engagements and programs driven by local communities (Mansuri & Rao 2003). Abundant literature is available on community involvement and participation in rural studies (Mark 1998; David 1999; Ruth 2000; Jiggins 2007; Sally 2008; Berkhout et al. 2010; Steyaert & Beeton & Lynch. 2012), but the effect between community empowerment and social relations as a form of social capital is still limited to be investigated. Therefore, the empowerment process consists in recognizing the benefits that individuals and communities derive from the social interactions of community members in planning activities and decision-making operations, enhancing their abilities (Narayan & Shah 2000). This study is important to see whether there is a significant effect between community empowerment and its various dimensions on improving community well-being, especially on economic well-being in rural

communities as objects of empowerment.

Rural community development aims to improve well-being by strengthening communities consistent with the core principles: collective action, empowerment, social justice, participation, equality, anti-discrimination (Winterton et al., 2014). According to Mansari & Roa (2004), newer community-based development must be increased because it is the fastest-growing mechanism for assisting development. Community-driven development is an umbrella term for projects that actively involve community members in their design and management. And community-based development highlight community-driven development projects in which rural communities have direct control over key project decisions, as in the working mechanism of Village-Owned Enterprises (BUMDes). The success of rural community development, Gallardo (2015) provides a framework for the concept that economic development is often associated with two objectives: (1) creating jobs and wealth and (2) increasing community well-being. Community as a mechanism to address well-being at individual, social, and ecological rankings (Larson et al., 2015). Wiseman & Brasher (2008) states that people's well-being is a combination of social, economic, environmental, cultural, and political conditions identified by individuals and their communities as important for developing and fulfilling their potential well-being. Raphael et al. (2001) argued that the community well-being approach focuses on understanding community members about what makes them good or bad. Rural well-being directs attention to how the lives of individuals determine these indicators by considering whether and how basic human needs are met in society.

McCrea et al. (2014) rural communities strive to build prosperity and resilience in their local areas. The public well-being assessment aims to measure what is being experienced to take action in the public and social sectors and private partners to achieve the desired goals. However, since public well-being is a relatively new idea in social science, it still lacks a theoretical structure for explanatory purposes (Sung & Phillips, 2018). Well-being is also a double concept, depending on who uses the term (Gasper, 2010). Here, it is aligned with Atkinson (2013), who uses well-being to imagine the outcome of the complexity of effects. The countryside is often described as a homogeneous space, as reflected in the place-based policies enforced at the local-based level (Ray, 2000). At the same time, the indicators of well-being in the economic dimension are economic conditions based on data on; economic conditions, how adequate production and consumption are, business conditions, cost of living, income, and distribution (Attwood, 2013 and Musa et al., 2019).

Law No. 6/2014 on Villages provides legal protection for Village-Owned Enterprises as economic actors who manage the collective potential of villages to improve the well-being of village communities. Village-owned enterprises are one of the pillars of economic activity in the village that function as social and commercial institutions. Village-owned enterprises are social institutions that side with the community's interests by contributing to social services. Meanwhile, as a commercial institution, it aims to profit by offering local resources (goods and services) to the market (Law No. 32/2014). BUMDes can function as a mediator between community empowerment and individual change. With community empowerment through BUMDes in several villages in Indonesia, it is hoped to accelerate the improvement of rural communities' quality of life and well-being.

Empowerment is a process of increasing personal, interpersonal, or political power so that individuals, families, and communities can take action to improve their situation (Gutierrez, 1995). Community-based and grassroots organizations are

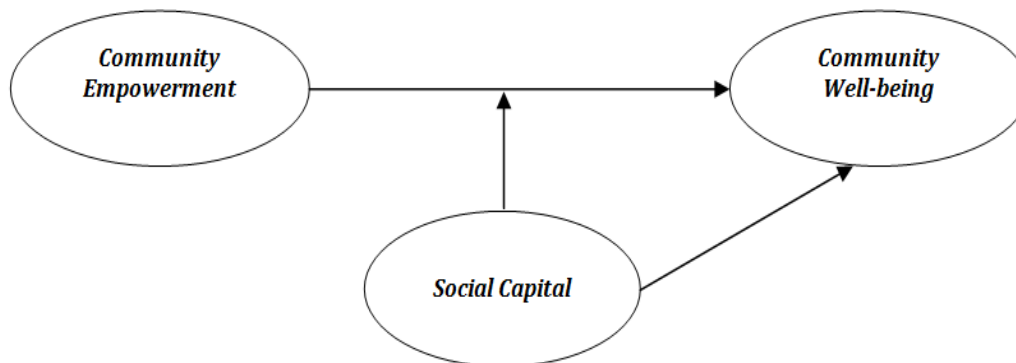
considered key actors in individual and collective efforts to change attitudes. One of the organizations in rural areas to increase well-being and quality of life is Village-Owned Enterprises (BUMDes). Indonesia has implemented a new approach to encourage and drive the rural economy by establishing economic institutions managed by rural communities through BUMDes. The notion of community empowerment, in all formulas, has become an increasingly important component of urban and rural development policies (Adamson 2010; Phillips et al., 2010). The term empowerment becomes meaningful when the private agency impacts society (Soler et al., 2014).

Meanwhile, Dhesi (2000) social capital has become an important component of many community development strategies. BUMDes that are successful are certainly those that can forge synergistic cooperation both within and within its members, including forging social effects outside the community. Following the concept of Dale & Newman (2008), social capital is a necessary condition for realizing sustainable community development because it increases ties that increase access to resources outside the community. So based on this conception through this research, it will be explored to what extent the role of social capital as a binder in rural communities, empowerment as a capacity building process in rural communities, and its effect to the level of community well-being as the goal of rural community development can be achieved.

Community well-being has been linked to other policy objectives such as social capital, community resilience, capacity, sustainability, and development (Dabson, 2011; Goldenberg, 2008; Randall, 2010). Through this research, the economic well-being of rural communities due to the economic development process through the Village-Owned Enterprises (BUMDes) program will be linked to community empowerment and social capital. So in this study, three research hypotheses will be answered and will be statistically tested to see the effect of the variables and the theoretical implications for the rural community development. The three hypotheses are compiled based on problems and empirical considerations as well as in-depth theoretical studies, namely:

- Hypothesis 1: Community empowerment has a positive effect on the economic well-being of the community
- Hypothesis 2: Social capital has a positive effect on the economic well-being of the community
- Hypothesis 3: Social capital moderates the effect of community empowerment on community well-being

Based on the theoretical background and research hypothesis, the conceptual research can be described in Figure 1.



Graph 1. The conceptual research

METHODS

Data collection, sampling techniques, and samples

Data collection was carried out by survey using a questionnaire. The sample in this research is BUMDes management in industrial areas and rural areas. The sampling technique used purposive sampling. Members of the population who can meet the requirements determined by the researcher, who have been active members or administrators for more than three years and are willing to be the sample, will be selected as samples in the study. The distribution of the samples in this study came from 6 districts across provinces, namely Central Java and East Java. Of the six districts the sample originates, 3 BUMDes represent industrial areas, and 3 BUMDes represent rural areas. From 300 questionnaires distributed to respondents, 249 respondents gave complete and feasible answers for data analysis. Thus, the response rate in this study was 83%.

Variable measurement

To measure each variable, set indicators through a list of questions that respondents must answer using a Likert scale (1-7). The Social Capital variable uses a contour that has been built by Onyx & Bullen (2000) by looking at indicators; participation in the local community (sc1), proactivity in a social context (sc2), feeling of trust and safety (sc3), neighborhood connection (sc4), tolerance of diversity (sc5), and value of life (sc6) to measure social capital in the community. The Community Empowerment variable uses the constructs of Ahmad & Talib (2014) and Soler et al. (2014) by looking at indicators; community capacity building (ce1), community participation (ce2), community access to information (ce3), community identity (ce4), community knowledge (ce5), and community organization (ce6). Meanwhile, the community well-being variable in this study is focused on economic well-being using the construct of Musa et al. (2019) by measuring indicators in the subjective well-being dimension, namely; family income (cwb1), cost of living (cwb2), residents income gap (cwb3), accessibility (cwb4), access to job /employment (cwb5), business activity (cwb6).

Data analysis

Descriptive analysis is used to analyze data to describe or describe the data that has been collected. Of the 249 respondents participating in the survey, 69% were male, and 31% were female. Based on education level, the majority of graduates from elementary to junior high school (47.6%), followed by middle and above level (43%) and tertiary education (5.6%). It was furthermore tested the validity, reliability, and hypothesis testing. The validity test was carried out by factor analysis using the KMO approach, the Measure of Sampling Adequacy, and the anti-image correlation value. At the same time, the reliability test is measured by looking at the Cronbach's Alpha value. Hypothesis testing in this study was carried out using hierarchical regression analysis techniques to determine whether to reject or accept the proposed hypothesis. Hierarchical regression analysis is used to examine the effect of community empowerment and social capital on community well-being and then examine the effect of the interaction between community empowerment and social capital on community well-being. The hierarchical regression formula in this study is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3(X_1 * X_2) + e$$

Notes:

- Y = community well-being
- X1 = community empowerment
- X2 = social capital
- β0 = Intercept
- β1, β2, β3 = coefficient of each variable
- ε = Random Error

RESULTS AND DISCUSSION

The validity test in this study was carried out by factor analysis using the KMO approach, Measure of Sampling Adequacy, and anti-image correlation values. The validity test shows that all indicators in the variables in this study are declared valid and worthy to be continued in the next analysis.

Based on Table 1 shows that the KMO MSA value is 0.739 (> 0.5) with a significance level of 0.000, so it can be concluded that the variables in the study as a whole are declared valid. Meanwhile, the anti-image correlation matrix presents the correlation between indicators in the variables used.

Table 1. Value of KMO MSA, Chi-Square, Degree of Freedom, and Level of Significance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.739
Bartlett's Test of Sphericity	Approx. Chi-Square
	3681.473
	df
	153
	Sig.
	.000

Meanwhile, Table 2 shows that the correlation value between indicators in the variable shows the value that meets the minimum criteria for the KMO MSA value of 0.5. Thus all indicators in the variables in this study were declared valid.

Table 2. Anti Image Correlation

	ce1	ce2	ce3	ce4	ce5	ce6	sc1	sc2	sc3	sc4	sc5	sc6	cwb1	cwb2	cwb3	cwb4	cwb5	cwb6
ce1	.759 ^a	-.562	-.232	-.098	.125	-.242	.029	-.088	-.223	.085	.052	.241	-.257	-.089	.099	.083	-.105	.164
ce2	-.562	.758 ^a	-.201	-.280	-.193	.291	-.185	.145	.133	-.005	.042	-.120	-.083	-.144	.085	.134	-.016	-.029
ce3	-.232	-.201	.804 ^a	-.212	-.021	-.407	.149	-.091	-.324	.047	.003	.253	.129	.094	-.167	-.028	.102	-.046
ce4	-.098	-.280	-.212	.761 ^a	-.342	-.017	-.024	.054	.266	-.431	.181	-.082	.247	.059	-.050	-.234	.165	-.108
ce5	.125	-.193	-.021	-.342	.681 ^a	-.185	.050	-.329	-.198	.349	-.307	.097	-.036	.074	-.016	.050	-.244	.200
ce6	-.242	.291	-.407	-.017	-.185	.578 ^a	-.276	-.011	.325	.008	-.025	-.432	.190	.010	.036	.081	.042	-.228
sc1	.029	-.185	.149	-.024	.050	-.276	.702 ^a	-.286	-.155	.097	.008	.119	-.360	.058	-.064	-.026	-.025	.186
sc2	-.088	.145	-.091	.054	-.329	-.011	-.286	.741 ^a	.183	-.258	.082	-.144	-.022	.131	-.005	-.115	.008	-.049
sc3	-.223	.133	-.324	.266	-.198	.325	-.155	.183	.598 ^a	-.639	.133	-.475	.229	.052	-.076	.116	.062	-.157
sc4	.085	-.005	.047	-.431	.349	.008	.097	-.258	-.639	.596 ^a	-.462	.099	-.018	-.173	.129	-.108	-.094	.125
sc5	.052	.042	.003	.181	-.307	-.025	.008	.082	.133	-.462	.799 ^a	-.407	-.195	-.006	.064	-.020	-.134	.126
sc6	.241	-.120	.253	-.082	.097	-.432	.119	-.144	-.475	.099	-.407	.717 ^a	-.361	.277	-.133	.231	.089	-.039
cwb1	-.257	-.083	.129	.247	-.036	.190	-.360	-.022	.229	-.018	-.195	-.361	.587 ^a	-.292	.030	-.151	.147	-.172
cwb2	-.089	-.144	.094	.059	.074	.010	.058	.131	.052	-.173	-.006	.277	-.292	.766 ^a	-.358	.075	-.087	.024
cwb3	.099	.085	-.167	-.050	-.016	.036	-.064	-.005	-.076	.129	.064	-.133	.030	-.358	.851 ^a	-.227	-.143	-.353
cwb4	.083	.134	-.028	-.234	.050	.081	-.026	-.115	.116	-.108	-.020	.231	-.151	.075	-.227	.871 ^a	-.258	-.182
cwb5	-.105	-.016	.102	.165	-.244	.042	-.025	.008	.062	-.094	-.134	.089	.147	-.087	-.143	-.258	.815 ^a	-.518
cwb6	.164	-.029	-.046	-.108	.200	-.228	.186	-.049	-.157	.125	.126	-.039	-.172	.024	-.353	-.182	-.518	.783 ^a

As for the reliability test in the study using the Cronbach Alpha value, Cronbach's Alpha value of 0.712 (> 0.6) indicates that the indicators used in the variables in this study are declared reliable, as in Table 3. Thus, the data collected from this study is suitable for processing at a later stage.

Table 3. Reliability test results

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.712	.723	18

The next stage is data analysis in this study using multiple regression analysis. The results of multiple regression analysis are presented in Table 4.

Table 4. Results of data analysis with multiple regression

Variable	Model 1			Model 2		
	Coeff. (β)	t- stat	Sig.	Coeff. (β)	t- stat.	Sig.
Constanta	0.334	4.122	0.000*	-0.205	-0.511	0.610
Community Empowerment (CE)	0.920	44.634	0.000*	0.404	3.911	0.000*
Social Capital (SC)	-	-	-	0.728	6.519	0.000*
CE \rightarrow SC	-	-	-	-0.018	-0.694	0.488
R ²	0.890			0.956		

Dependent Variable: Community Well Being

**) Significant level 0,01*

The results of data analysis using multiple linear regression indicate that community empowerment has a positive effect on community well-being (0,920; 44,634). These findings support hypothesis 1, which proposes that community empowerment positively affects the community's economic well-being. Social Capital also positively affects community well-being (0.728; 6,519). This finding clouded hypothesis 2 that social capital has a positive effect on the economic well-being of society. In connection with the role of social capital as moderator, in this study, there was no moderating effect of social capital in adhering to community empowerment in community well-being (-0.018; -0.694). This finding does not support hypothesis 3, which is proposed that social capital moderates the influence of community empowerment on community well-being.

This study attempts to better understand rural development, the role of social capital in the community empowerment process, and its impact on community well-being. This study examines the contribution of social capital and empowerment to community well-being in rural community development. By selecting participants from community members who are already members of one of the community empowerment programs through BUMDes, this study finds several findings that expand the literature on rural development, particularly those related to empowerment and the role of social capital in rural community development. This study found that community empowerment affects the level of well-being. These results support the hypothesis that empowerment has a positive effect on the economic well-being of society. These results are consistent with research conducted by Theodori (2005), which found that community development is the concept of community interaction which can be seen as a process of building, strengthening, and maintaining community unity within the framework of empowerment. This meeting supports the concept of Green & Haines (2002) and Phillips & Pittman (2009) that community development is a planned effort to generate assets through increasing the capacity of communities to improve their well-being. These assets include several forms of public capital: physical, financial, environmental, human, and social.

Regarding the role of social capital, this study shows that social capital positively and significantly affects the well-being of society in rural community development.

These results support the hypothesis that social capital positively affects community well-being. In other words, the effect of collectivism and high social cohesion strengthens community well-being in the development of rural communities. High collectivist culture is characterized by strong ties and social interactions within a group. This culture means that group interests are above personal interests, and common goals are considered more important than individual achievement.

Meanwhile, the findings of this study state that social capital does not moderate the effect between community empowerment and community well-being in rural community development. This condition results in an orientation to the role of social capital as an active empowerment partner that contributes to prosperity. The addition of social capital strengthens the ability to explain community well-being.

In general, this study proves that together the aspects of empowerment and social capital affect community well-being in the rural community development. This study shows that social capital positively and significantly affects community well-being but does not moderate the effect between empowerment and well-being in rural community development. This finding confirms the concept of the role of social capital in development by DeFilippis (2001) that social capital should not be separated from the capital in a literal economic sense and lose power relations. Social capital must be inspired by the assumption that social networks are mutually beneficial because individuals' benefits, interests, and benefits are identical to those of groups. Strong social capital, organizations, or community groups can more easily determine what they want to do and how to manage other capital needs. Social capital cannot replace the more significant forms of capital, but it can help. The findings of this study are also in line with Labonte's (1999) study. Social capital and community development are many national interventions used to prevent market imbalances.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Improving community economic welfare based on community empowerment plays an important role in rural development. Departing from the experience of rural community economic empowerment programs through the establishment of Village Owned Enterprises (BUMDes) in Indonesia, multiple regression analysis was used to examine the effect of community empowerment on community economic welfare. The results of data analysis using multiple linear regression indicate that community empowerment has a positive effect on community welfare. This finding supports the theory that community empowerment positively affects the community's economic welfare. Social Capital also has a positive effect on people's welfare. This finding hypothesizes that social capital positively affects the community's economic welfare. Regarding the role of social capital as a moderator, in this study, there was no moderating effect of social capital in participating in community empowerment in community welfare. This finding does not support the proposed hypothesis that social capital moderates the effect of community empowerment on people's welfare.

Community empowerment is closely related to social capital. The effect between social capital, community empowerment, and economic well-being applies to theories and measures of rural community empowerment. This study tries to better understand

rural development, the role of social capital in community empowerment, and community welfare. This study examines the contribution of social capital and empowerment to community welfare in rural community development. This study finds several findings that need to be developed regarding rural development, especially those related to empowerment and the role of social capital in the development of rural communities. This study found that community empowerment affected the level of welfare.

This research proves that together the aspects of empowerment and social capital affect the community's welfare in the development of rural communities. This study shows that social capital has a positive and significant effect on community welfare but does not moderate the influence between empowerment and welfare in rural community development. The findings of this study also prove that social capital and community development are among the many national interventions used to prevent market balance. Social capital can be a separate independent variable useful for practitioners, researchers, and policy makers and a sense of lost community.

Recommendations

Based on the study results, the role of social capital does not provide a moderating effect between economic welfare and community empowerment. However, partially and simultaneously, the role of social capital and community empowerment positively affects the community's economic welfare. So the recommendations from this study are; every empowerment program that is carried out aims to improve economic welfare and the need to empower non-economically, such as social capital in the community. Together, social capital can maintain the purpose of community empowerment programs, which ultimately is to increase economic and social welfare sustainability.

So that although the role of social capital does not directly affect economic welfare, the presence of social capital is very much needed in every community empowerment agenda. Further researchers need to conduct in-depth studies on the relationship of social capital, community empowerment, and economic welfare with qualitative and quantitative approaches.

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The role of digital technology in people-centered development: the basic needs approach in the *Kampung Marketer* Program

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DOI: 10.22437/ppd.v9i6.15340	Received: 03.11.2021	Revised: 08.02.2022	Accepted: 20.02.2022	Published: 28.02.2022
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Abstract

The *Kampung Marketer* program is a youth empowerment program specializing in digital marketing. The basic needs approach is used to evaluate community development. This approach states that it is necessary to have greater job opportunities, increase economic growth, and guarantee the community's basic needs for a better quality of life. This research aims to determine how digital roles are implemented in people-centered development and measure its impact with the basic needs approach. A qualitative approach uses a triangulation model that combines in-depth interviews, observations, and documents from *Kampung Marketers*. From the research results, it was found that digital resources aided people-centered development by increasing employment opportunities. In the 18 existing branches, the *Kampung Marketer* Program has accumulated 700 customer service and advertising skills. As a result of the program, the economic growth of communities with *Kampung Marketer* programs had increased, as indicated by the amount of income received by the empowered community of around IDR 1,000,000 to IDR 3,000,000 and the total income that was distributed being 1.3 billion. It impacts meeting the basic needs of society and increasing the younger generation's enthusiasm for continuing their studies. The members of *Kampung Marketer* also could now pay for their children's tuition and even bought houses and land. The older generation who did not have technological skills were also supported and empowered by the program by establishing a business called "Saung Makaryo." They were trained to produce goods in their respective homes, and *Kampung Marketers* marketed them.

Keywords: *Digital technology, Kampung Marketer, People-centered development*

JEL Classification: O14, O33, O35

INTRODUCTION

Kampung Marketer exists because of the problem of a large number of unemployed, village youths migration or urbanization, the lack of employment opportunities in the village, the lack of young entrepreneurs in the village, and the lack

of competence or skills of the villagers as well as the potential of human resources. *Kampung Marketer* is a village that empowers the community in digital marketing technology. *Kampung Marketer* has the vision to realize and increase people's income and build villages through technology. Companies need a lot of human resources who have competence in technology. Moreover, during the pandemic, all elements of the business community using online media, one of the elements of technology, in carrying out activities. *Kampung Marketer* is also an organization that trains and educates people about technology and further empowers people who already have the skills and expertise in digital marketing technology. The following are some of the awards received related to the programs carried out by *Kampung Marketer*:

Table 1. List of awards obtained by *Kampung Marketer*:

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1. Winner of 2018 Liputan 6 Awards SCTV in Innovation Category.
 2. Winner of the 2018 Central Java Province Pioneer Youth Education Sector.
 3. Winner of the 2018 NET TV Independent Young Entrepreneur.
 4. The Favorite Winner of Independent Young Entrepreneurs in 2018.
 5. Runner-up Driving Youth from the Ministry of Youth and Sports Affairs.
 6. Winner of the 2019 Sustainable Development Goals – Pemuda Indonesia Penggerak Perubahan (SDG PIPE)
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Source : *Kampung Marketer*

Community development through an empowerment approach is People-Centered Development. This development is a planned and directed effort to improve the community's welfare (Suherman, 2017). This effort is made in ways that follow the basic principles of participation and justice. The results must apply to human survival (Sjahrir, 1988) states that the concept of People-Centered Development views creative initiatives from the people as the prime development resource and as a goal material and spiritual welfare.

Therefore, we formulate three approaches in evaluating community development, namely The Basic Need Approach, which consists: (1) creating job opportunities; (2) increasing economic growth; (3) fulfilling the basic needs of the community. Then this approach expands to include several elements of non-material basic needs for measuring the quality of life of community groups below the poverty line (Nasdian, 2015). Policy Implications of the Basic Needs Approach suggested that this approach be applied comprehensively and involve people in rural and informal sectors by developing the community's potential, trust, and ability to organize themselves and build according to the desired goals (Soedjatmoko, 1979).

Previous research related to community empowerment conducted by Suaedi & Hariani (2018), Sari et al. (2020), Simamora (2020), Fianingsih (2020), Chasanah (2021), Muafani (2021) shows that the use of technology is significant in community empowerment activities for all sectors and the digital economy. Community empowerment also contributes to creating skilled human resources in digital technology. In addition, community empowerment has a positive impact on the socio-economic conditions of the community. In different contexts and sectors of community empowerment, it shows that there is no need for a person who has knowledge and thoughts of the community to empower the community. The community is enough to be the subject of public activities that can affect the community in it. Based on the research, we can see that community empowerment which is part of community

development, has a significant role in the output of human resources and institutions. Therefore, community empowerment must continue to be developed and applied in various sectors to support government programs for better community development. However, most of them only evaluate community empowerment dimensions from previous research. In contrast, it is still rarely studied related to community development and empowerment through people-centered development by evaluating it using the basic needs approach, so this is a gap in this research.

Based on the previous research gap and problems as stated above, the purpose of this research is to know the role of digital technology in people-centered development: the basic need approach in *Kampung Marketer*?

METHODS

Field research with a qualitative approach was conducted where the researcher went to visit the *Kampung Marketer* program in Purbalingga. According to Bogdan & Taylor (1975), the qualitative method is a research procedure that produces descriptive data that contains spoken or written words by the subjects and observed behaviors. Qualitative research emphasizes the understanding of problems in social life based on a comprehensive, complex, and detailed level (Moleong, 2012). Moreover, qualitative research does not use the term population and sample but social situations and informants (Sugiyono, 2005). The informants in this study were the administrators of *Kampung Marketer* in Purbalingga.

This study used both primary and secondary data. Primary data were obtained directly from the informants of the *Kampung Marketer* program in Purbalingga. In contrast, secondary data were obtained indirectly through the program's documentation, the official media accounts of *Kampung Marketer*, and previous research. Data were collected through systematic observation and recording of the phenomena studied. Primary data were also collected through structured or unstructured interviews done face-to-face or by telephone. Different forms of documentation that recorded past events were also collected in writing, pictures, and monumental works (Sugiyono, 2011).

The data analysis techniques used in this research were data reduction, data presentation, drawing conclusions, and verifications. Data reduction was conducted through summarizing, selecting, and focusing on important aspects of data. This was done to provide a clear picture of the findings and help the researchers to collect more data. Then, data was presented in narrative text or short descriptions charts, and the relationships between categories were shown. The last step was concluding and conducting verifications based on valid and consistent evidence (Sugiyono, 2005). To test the validity of the data, triangulation was used by checking the data against multiple sources (Sugiyono, 2011). The data will be analyzed using descriptive statistics presented in a percentage chart.

RESULTS AND DISCUSSION

People-Centered Development or Community Development is a movement designed to promote better living for the whole community with active participation and, if possible, on the community's initiative. It includes the whole range of development activities undertaken by government or unofficial bodies in the district. Community development must use the cooperative movement and be put into effect in the closest association with local government bodies (Brokensha & Hodge, 1969). In

addition, according to (Nasdian 2015), community development is a movement designed to promote better living for the whole community with active participation and on the initiative of the community. (Christenson et al., 1980) in (Nasdian 2015) states that community development is a group of people working together in a community setting on a shared decision to initiate a process to change their economic, social, cultural, or environmental situation.

The community development must be launched to improve the standard of living of society as a whole (holistic) through encouraging the community to play a more active role and also continuing to try to open up opportunities for community development carried out based on or born from the initiative of the community itself. In other words, community development must be a community movement that includes various community development work programs from the district level, whether driven by the local government or by non-governmental institutions. The understanding that community development is development born of community initiatives is further emphasized by Dunham (1958). His statement stated that community development is an organized effort to improve the conditions of community life and the capacity for community integration and self-direction. Community Development seeks to work primarily through the enlistment and organization of self-help and cooperative efforts on the part of the community's residents, but usually with technical assistance from government or voluntary organizations.

The paradigm of the community development approach can be narrowed into two camps (Nasdian, 2015). The first camp is Production Centered Development. At the same time, the second camp is People-Centered Development which consists of decentralization, participation, empowerment, preservation, social networking, territorial, local self-sufficiency, and sustainability. Community-oriented community development through the empowerment of digital marketing technology means that the community is empowered to market products online for Small and Medium Enterprises (SMEs) throughout Indonesia.

The concept of using digital technology in People-Centered Development evaluates the basic needs approach. The use of digital technology in the *Kampung Marketer* is reflected through a community empowerment program (Kampung Marketer, 2021).

Education or learning division. Provide education and training to residents who enter the *Kampung Marketer* to become skilled human resources in the field of digital technology in terms of online marketing. Education and training related to digital marketing knowledge, product research, copywriting, Instagram and Facebook ads, cash on delivery transactions, team building and KPI (Key Performance Indicators), and financial literacy. Some of the skills taught in *Kampung Marketer* will shape up against them into:

- a. Customer Service, a skill to handle prospective buyers through chat applications using WhatsApp and Facebook applications so that they are expected to be able to convert potential buyers to become real buyers.
- b. Advertisers, a skill in using digital media to create advertising strategies for product and service offerings to prospective buyers, including training to make interesting copywriting using Facebook, Instagram and Google ads media.
- c. Social Media Admin, a skill in fully utilizing digital media in managing audience interactions and producing content.
- d. Content Writer, a skill to produce interesting content on a blog or sales page.

- e. Social Media Admin, Order Admin, and Marketplace Admin are services from Commerce that focus on store optimization in marketplaces such as Shopee, Tokopedia, Bukalapak, Lazada, etc. Marketplace optimization is needed for those of you who want to scale up your business during increasingly fierce competition.
- f. Input data is to record, manage, and input order or transaction data and other data.
- g. Based on demand, providing competent human resources following the skills that business people need.

Empowerment division. The task of this division is to empower selected human resources who have gone through training under the guidance of the education team. Human resources empowered by *Kampung Marketer* can work in Advertising and Customer Service. Empowerment is carried out based on SME partnership requests through the administration division. Currently, the number of community members *Kampung Marketer* has empowered has increased every year. In 2017 there were 60 members to 481 members in 2018. The increase continued to 721 members in 2019 and 777 members in 2020.

The number of SMEs that have collaborated with the *Kampung Marketer* is 260. *Kampung Marketer* currently has 18 branches, and by 2020 it will become 21 offices spread across the Karangmoncol sub-district (Selyn, Staf of *Kampung Marketer* Empowerment, 2021). A total of 26 residents' houses are used for activities carried out by the *Kampung Marketer*. The turnover earned, which is distributed to talents, is 1.3 billion per month.

In general, community development practitioners and theorists indicate it through development variables and community development goals based on their approaches. According to (Korten & Klauss, 1984), The Basic Needs Approach measures community development. The Basic Needs Approach is a measurement of the progress of community development as indicated by an approach from the theory of basic needs that emphasizes 3 (three) development goals, including created job opportunities, increased economic growth, and fulfilling the basic needs of the community. However, it was later expanded to meet non-material needs, which indicate the quality of life. Empowerment theory was also submitted by Zimmerman, M. A. (2000).

Created job opportunities. Most of the youth who joined *Kampung Marketer* was from the Senior High School or Vocational High School education level, amounting to 80%. At the same time, the rest came from the Junior High School, Bachelor, and Diploma levels. This condition illustrates that *Kampung Marketer* has a very large contribution to creating jobs. *Kampung Marketer* trains young people so that they have expertise in technology. In addition, the role of *Kampung Marketer* is also suppressing the level of urbanization. Most of the human resources backgrounds empowered by the *Kampung Marketer* come from a factory background, and they choose to join the *Kampung Marketer*. This shows that the role and contribution of *Kampung Marketer* in creating employment opportunities has a significant impact on the surrounding community. On average, the number of talented human resources in *Kampung Marketer* has increased yearly. Besides that, it can also be seen from the number of partners who join the *Kampung Marketer*, which will automatically need more human resources.

Figure 1 shows that the average number of talented or members in *Kampung Marketer* has increased each year. Besides, that can also be seen from the number of partners who join the *Kampung Marketer* also has increased each year. A result shows

that digital technology's role in people-centered development can create jobs and reduce unemployment. It is in accordance with Sari et al., 2020 which states that it could reduce the rate of urbanization. The fact is, digital technology can create job opportunities, Safira et al. (2019). Iyengar et al. (2017) in Enablers for digital empowerment in technology using interpretive structural modeling (ISM) and MICMAC analysis can job creation.

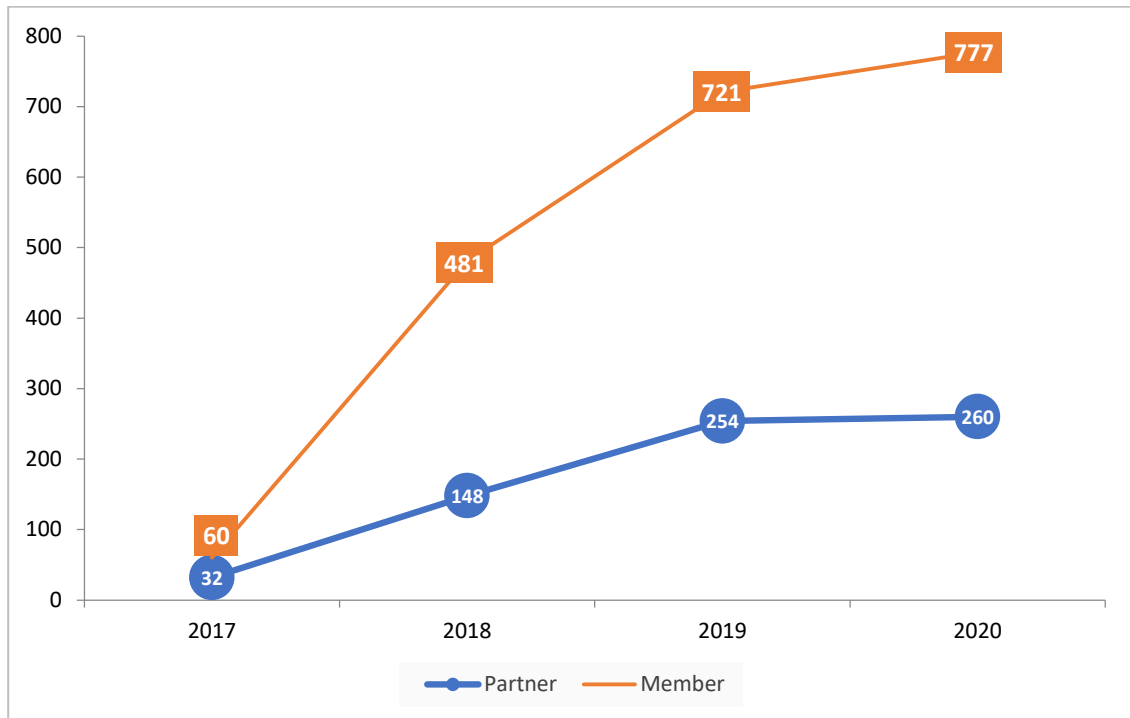


Figure 1. Number of talent (member) and partner of *Kampung Marketer*

Increased economic growth. The existence of *Kampung Marketer* agreed with the vision and mission of establishing. *Kampung Marketer* is expected to improve the community's welfare and advance the area. The total income distributed to empowered human resources reaches 1.3 billion in one month, with an average income of 1 million to 3 million per month. It depends on the performance, effort, and skills of the empowered human resources in their ability in online transactions. The more jobs produced by human resources, the more salaries and bonuses from business partners, in this case, SMEs, who utilize or empower human resources in *Kampung Marketer*. The increase in income received impacts reducing the level of urbanization. Young people choose to stay working in the village. This achievement agreed with *Kampung Marketer*'s tag line or slogan, "*Dari Desa Kita Berdaya,*" which means "From Our Village, We Empowered".

One of the reasons *Kampung Marketer* was established was that young people would not flock to find work in the city. According to the founder of *Kampung Marketer*, what would be a village without the youth who would be the successors to develop the village? One of the reasons why young people go to the city is that the income they receive in the village is lower than in the city. Therefore, *Kampung Marketer* can answer the challenges of this explanation. *Kampung Marketer* has 18 branches, then in 2020 was become 21 branches spread across the region, those all exist to absorb labor. *Kampung Marketer* also creates business opportunities for the

community around the *Kampung Marketer* by creating restaurants, catering businesses, lodging, laundry, and so on so that it can increase economic growth It can be seen from the number of *Kampung Marketer* as shown in the image below:

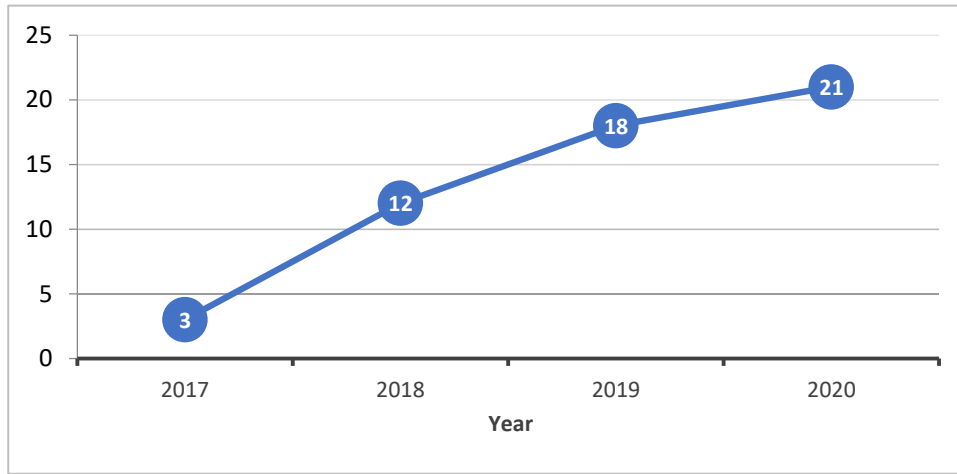


Figure 2. Number of branch offices in *Kampung Marketer*

Figure 2 shows that the number of branch offices in *Kampung Marketer* increases every year. With the increasing number of business branches, it is hoped to increase economic growth. *Kampung Marketer* also creates business opportunities for the community around the *Kampung Marketer* by creating restaurants, catering businesses, lodging, laundry, and increasing economic growth. Sari et al. (2020) stated that the development of entrepreneurship positively impacts the socio-economic conditions of the community. Figure 3 shows the average salary received by talent or members in the *Kampung Marketer*.

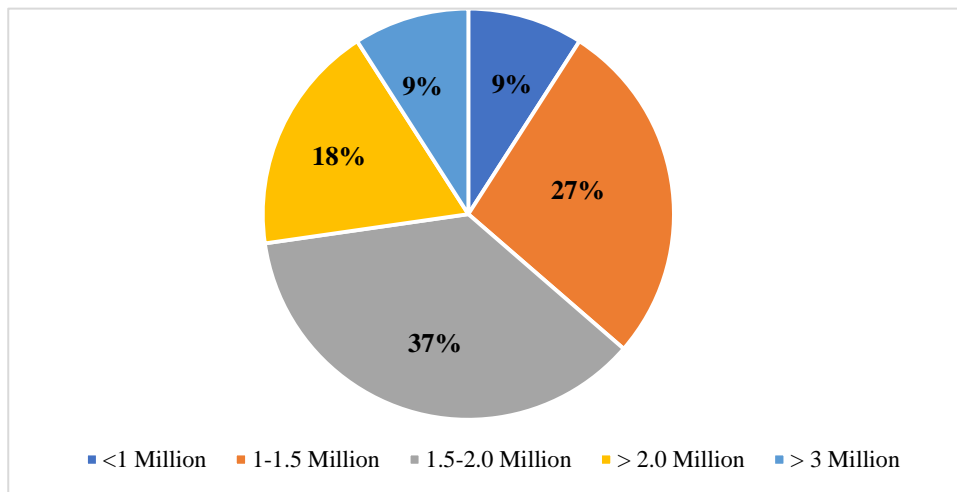


Figure 3. The salary range for talent or members of *Kampung Marketer*

Figure 3 shows that the salary range for talent or members of *Kampung Marketer* averages 1.5 - 2 Million, and there are 3 million with a total of 9% above the average district minimum wage. This shows economic growth with the presence of the role of digital technology in people-centered development. This proves that the

existence of *Kampung Marketer* has a positive impact on the community. The income that each community has creates the economy of the citizens experience a dramatic increase if we compared to unemployment or farmers. This condition is in line with the research carried out by Murti et al. (2017) in Sari et al. (2020) about increasing the assessment of the people around Cavinton Hotels, and Tentrem Hotels that come from food stalls and shops due to the existence of the two hotels stated that the increase in income could improve the welfare of the community because considerable employment opportunities would reduce the unemployment rate of the surrounding community. This is in line with the research conducted by Safira et al. (2019), this opportunity to earn income with the help of digital technology.

Apart from being seen from the increase in the number of *Kampung Marketer* branches which have an impact on economic growth where the business is established, it can also be seen from the average salary received by talent or members who join the marketer village, and it can also be seen from the large amount of turnover generated from empowerment in the *Kampung Marketer*. In 2019, the total turnover was IDR 13 million, increasing to IDR 15 million in 2020. The increase in turnover shows economic growth, as in Sari et al.'s (2020) research.

Fulfilled the basic needs of the community and a better quality of life. Based on the increase in income received by empowered human resources in *Kampung Marketer*, *Kampung Marketer* had fulfilled the community's basic needs and improved the quality of life for the surrounding community. The existence of *Kampung Marketer* by conducting people-centered development through the use of digital indirectly fulfilled basic needs, one of which is the need for better education. As previously explained, the education level of the Marketer Village's human resources are on average Junior High School and Senior High School education, Bachelor's Degree is still minor. The increase in income received is agreed with the high enthusiasm of the younger generation who want to continue their higher education by setting aside their earned income. Along with the parents involved in activities formed by *Kampung Marketer*, they could finance their children's education and even buy houses and land.

Besides the younger generation, the elderly who did not have technological skills were also concerned and empowered by establishing a business called "*Saung Makaryo*". They were trained to produce goods in their respective homes, and *Kampung Marketer* marketed the products. One of the products is sandals. Parents can work while carrying out their obligations as housewives because everything is done at home. The existence of *Kampung Marketer* affected changes in the socio-economic conditions of the surrounding community. For the better, changes in the economy have a positive correlation, although they have not spread evenly. *Kampung Marketer* itself accepts everyone who wants to learn seriously, is willing to be given digital technology training, has the kindness to build a commitment, and is consistently willing to be empowered regardless of education level or age level.

Based on the income theory proposed by Soeratmo (2003), family income is each family member who works at work age for the welfare of his family. Family members such as wives and children contribute to various activities both in housework and earning a living. The income of the family of the community empowered by *Kampung Marketer* was obtained from the husband or wife who worked in *Kampung Marketer* and obtained income from other businesses. This is in line with the research conducted by Hazel Maxwell et al. (2019), which revealed that empowerment through digital could contribute to the surrounding environment.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The *Kampung Marketer* is a forum for community empowerment through digital marketing technology. The use of technology in the *Kampung Marketer* is reflected through the programs carried out in the *Kampung Marketer*.

Kampung Marketer provides education and training to residents who enter the *Kampung Marketer* to become skilled human resources in the field of digital technology in terms of online marketing. Education and training related to digital marketing knowledge, product research, copywriting, Instagram and Facebook ads, cash on delivery transactions, team building and KPI (Key Performance Indicators), and financial literacy. Some of the skills taught in *Kampung Marketer* will shape him into an advertiser, social media admin, content writer, etc.

The existence of *Kampung Marketer* is as part of community development efforts through the people-centered development paradigm approach by evaluating using the basic needs approach. The basic needs approach is a measurement of the progress of community development as indicated by an approach from the theory of basic needs that emphasizes 3 (three) development goals, including created job opportunities, increased economic growth, and fulfilling the basic needs of the community or a better quality of life.

The success of *Kampung Marketer* in utilizing technology as an effort for community development with empowerment is agreed with the basic needs approach. This could be seen in the creation of job opportunities is that every year there is an average increase of 25% for the number of talents who joined *Kampung Marketer*. The increase in economic growth evidence another success of *Kampung Marketer*. Apart from the amount of income and turnover distributed of 1.3 billion per month, it could also be seen from the many branches of *Kampung Marketer* spread across the Regency where *Kampung Marketer* was established. Finally, the fulfillment of basic needs in the education sector with the increasing number of human resources who continue their education to a higher level.

Recommendations

The implication of this research showed the importance of creative digital done by *Kampung Marketer* to build a community by empowering it to improve a better economic life for the younger generation and the surrounding community. For the achievements of *Kampung Marketer*, following previous research, people-centered development through empowerment by utilizing technology in the 4.0 era has a positive impact, and there is a need for sustainability and attention from the government so that later it can be further developed and collaborated with government programs.

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Local government financial performance: the effects of capital expenditure and intergovernmental revenue (The case of South Sumatra Province, Indonesia)

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DOI: 10.22437/ppd.v9i6.11364	Received: 14.12.2020	Revised: 16.05.2021	Accepted: 31.10.2021	Published: 28.02.2022
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Abstract

The main purpose of this study is to examine the effects of capital expenditure and intergovernmental revenue on local government financial performance in South Sumatra Province, Indonesia. The result is expected to extend the knowledge about local government financial performance and different relevance of financial performance factors. Data on seventeen districts/cities in South Sumatra Province during 2014-2018 were used to test the research model. The data is sourced from the financial reports of the district/city government of South Sumatra province and the Central Statistics Agency. The analytical results showed that capital expenditure is statistically positive and has a significant effect on the financial performance of local governments. Meanwhile, the intergovernmental revenue is negative and significantly affects local government financial performance. Future studies should consider various variables that may influence the financial performance of local governments. Future studies could also use different methodologies such as focus groups and interviews.

Keywords: Local government, Financial performance, Capital expenditure, Intergovernmental revenue

JEL Classification: H72, H77

INTRODUCTION

One of the reform agendas and improvement of the local government performance in Indonesia is to encourage delegation as the central government's authority for financial management to local governments. The objective is for the local governments able to finance development and services on a financial basis. In addition, local governments must also provide services that are more oriented towards satisfaction and the needs of the public regarding the performance of local governments (Patrick, 2007; Pirade, Mus, Mas'ud & Nur, 2018).

The decentralization and local government autonomy policies stipulated in Law No.32/2004 article 1 point 5 states that local government autonomy is the right, authority, and obligation of an autonomous region to regulate and manage government affairs and the interests of local communities under statutory regulations. Local

governments are given the discretion to explore revenue sources that come from the potential that exists in their area.

To support the implementation of national development, the Indonesian government provides the opportunity to implement local autonomy by issuing Law Number 12 of 2008 concerning the second amendment to Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning the financial balance between the central government and local government. The main objective is to provide the local government with rights and obligations to organize and manage government affairs and the local community's interests under statutory regulations.

In the preparation of the local government budget, capital expenditures must be adjusted to the needs of the local government by considering the local own-source revenue. Thus, if the local government plans to increase capital expenditures for public services and welfare, the local government must explore local own-source revenue as much as possible (Pirade et al., 2018; Sularso & Restianto, 2012).

According to the Regulation of the Minister of Home Affairs Number 13 of 2006 concerning guidelines for local financial management, it explains the classification of regional expenditures, which states that regional expenditure groups according to programs and activities consist of direct expenditure and indirect expenditure. The direct expenditure group is the expenditure budgeted directly related to the implementation of local government programs and activities comprised of three components, namely: (1) Personnel Expenditures, (2) Goods and Services Expenditures, and (3) Capital Expenditures.

Halim & Kusufi (2014) state that capital expenditure is local government expenditure. Its benefits exceed one fiscal year, increase local assets, and add routine expenditures such as maintenance costs in the general administration expenditure group.

High capital expenditure is a reflection of the many infrastructure and facilities built. Thus, a widely implemented development will improve services to the public and the performance of local governments (Siregar, 2012; Wong, 2004). High capital expenditure will improve financial performance (Sularso & Restianto, 2012). In terms of the local government size, the size of the regional area indicated by the large population, it is expected that the performance of the local government will be higher. Therefore, the large size of the local government will also improve the financial performance of the local government (Sularso & Restianto, 2012; Susilowati & Kristianto, 2016).

Local governments receive intergovernmental revenue from external sources and do not require repayment (Setyaningrum & Febriyani 2012). Intergovernmental revenue is commonly known as fiscal balance transfers from the central government to regions (Simanulang, 2013). The fiscal balance transfers result from the central government's policy in the fiscal decentralization for fiscal balance between the center and the regions, which consists of the revenue sharing fund, general allocation fund, and special allocation fund.

The fiscal balance transfers also aim to reduce the gap in government funding between regions and increase local capacity in exploring regional economic potential (Simanullang, 2013). The central government will monitor the distribution of fiscal balance transfers. Thus, the high fiscal balance transfers will increase the supervision of the central government, so it will make local governments more careful in implementing their work programs. It will encourage local governments to improve their performance as a form of accountability for their financial management since the source of finance comes from external parties (Sasotyningtyas, 2012).

Intergovernmental revenue may affect the financial performance of local governments. High intergovernmental revenue will increase the central government's

control (Marhawai, 2015). Thus, local governments will be more careful in implementing their work programs. Therefore, the greater the intergovernmental revenue will make the performance of local government finances better.

Government Regulation Number 29 of 2014 concerning the performance accountability system of government agencies reveals that performance is the output/result of activities/programs that have been or are about to be achieved in connection with the use of a budget with measured quantity and quality. Halim and Kusufi (2014) state that to ensure that the programs and activities that have been determined are carried out properly and follow organizational goals, a management control system is necessary. Performance control consists of evaluating the performance of programs and activities that have been implemented under predetermined performance benchmarks. Performance measurement systems are needed to formulate appropriate performance benchmarks. Performance measurement is a tool for management to assess the organization's success (Halim & Kusufi, 2014; Rahmawati & Putra, 2016). In public sector organizations, organizational success is measured by the ability of the organization to provide the best and quality public services. The benefits of performance measurement for government organizations are Monitoring and evaluating performance achievement, comparing it with performance targets, and taking corrective action to improve performance. And also as a communication tool between subordinates and leaders to improve organizational performance (Mardiasmo, 2002).

As a party with more information, especially financial information, the government is expected to realize transparency towards the people's expectations and trust (Nosihana & Yaya, 2016). Stewardship theory can explain the existence of local government (steward) as an institution that can be trusted and accommodate community aspirations. And provide good information and services to the public and generate financial accountability so that economic objectives can be achieved and the community's welfare can be increased. If the local government achieves this goal as the steward, then the community as the principal will be satisfied with the government's performance (Nosihana & Yaya, 2016). Stewardship theory views that there is no situation where management is motivated for individual goals but more focused on the organization as the main goal (Donaldson & Davis, 1991)

Several earlier studies have been carried out on capital expenditures and intergovernmental revenue on financial performance. However, the results showed inconsistencies. Previous studies from several countries such as Slovenia (Pevcin, 2012), Turkey (Aydın, Akıncı, & Yılmaz, 2016), Ghana (Frank & Ishmaell, 2014), and Nigeria (Patricia & Izuchukwu, 2013) found a significant effect between government expenditure and revenue on performance. Meanwhile, different results were found from studies conducted by Fasoranti (2012), Egbetunde and Fasanya (2014), and Adefeso (2016), where government expenditure and revenue do not affect the performance.

Moreover, previous studies found that capital expenditure and intergovernmental revenue significantly affect financial performance in Indonesia (Ilmiyyah, Dewata, Sartikadarwati 2017; Istia & Hardiyanto, 2015; Marhawai, 2015, Sari, 2016). However, the results of previous studies such as Malendra, Meihendri, and Yunilma (2015), Retnowati (2016), and Sasotyanningtyas (2012) indicate that the capital expenditure and intergovernmental revenue have no significant effect on financial performance.

The inconsistency of previous studies related to financial performance triggers further research. Therefore, the current study aims to re-examine the effect of capital expenditure and intergovernmental income on local government financial performance, particularly in South Sumatra Province.

METHODS

The method used in this study is quantitative research methods. The sample used in this study is all of the population, namely all regency and municipal governments in South Sumatra Province, totaling 17 regencies/municipals between 2014-2018. The data processed in this study are the Report on Local Government Finances of the regency/municipal government of South Sumatra Province and data from the Central Bureau of Statistics. The data analysis technique is multiple regression analysis, with the following models:

$$\ln FP = \beta_0 + \beta_1 CE + \beta_2 IR + \epsilon_i$$

Where:

FP = Local Government Financial Performance

CE = Capital Expenditure

IR = Intergovernmental Revenue

Capital Expenditure is Expenditures for the acquisition of fixed assets and other assets that benefit more than one accounting period. Capital expenditures include, among others, capital expenditures for the acquisition of land, buildings and buildings, equipment, and intangible assets. It is presented in Log natural (Ln).

Intergovernmental Revenue is measured through the General Allocation Fund divided by Total Revenue. Furthermore, Local Government Financial Performance is measured through Local Own-source Revenue divided by Central Government Assistance/Provincial Government + Loans.

RESULT AND DISCUSSION

The Capital Expenditure from the regional government in the regency/municipal of South Sumatra Province with the lowest expenditure is in Pagaralam City, Rp 25.25 billion (Table 1). The highest value is in Musi Banyuasin of Rp 27,95 billion. Regency/municipal experienced increased capital expenditure per year is 7 regencies/municipal. Meanwhile, the 10 regency/municipal that experienced a decrease in capital expenditure per year.

Table 1. Regency/city capital expenditure in South Sumatra Province, 2014 - 2018

No	Local Government	Low (billion Rp)	High (billion Rp)	Mean (billion Rp)	Growth/ year %
1	Banyuasin	26.31	27.21	26.68	-1.46
2	Empat Lawang	26.02	26.62	26.25	-1.00
3	Lahat	26.46	26.88	26.64	0.91
4	Muara Enim	27.00	27.18	27.08	-0.20
5	Musi Banyuasin	26.74	27.95	27.30	-4.35
6	Musi Rawas	26.61	26.75	26.67	-0.05
7	Musi Rawas Utara	26.36	26.60	26.51	-0.43
8	Ogan Ilir	26.13	26.57	26.45	0.11
9	Ogan Komering Iir	26.43	27.05	26.82	0.24
10	Ogan Komering Ulu	25.85	26.52	26.29	-1.00
11	Ogan Komering Ulu Selatan	26.40	26.51	26.53	0.50
12	Ogan Komering Ulu Timur	26.06	26.40	26.30	-0.54
13	PALI	26.19	27.16	26.62	1.05
14	Lubuk Linggau	26.05	26.41	26.16	-1.18
15	Pagaralam	25.25	26.44	26.05	-0.34
16	Palembang	27.08	27.48	27.27	0.06
17	Prabumulih	25.51	26.58	26.10	-0.60

Source: Local Government Budget Reports Year 2014-2018

Table 2 shows that the ratio of intergovernmental revenue from regency/municipal governments in South Sumatra Province with the lowest percentage is in Palembang, 50.9%, while the highest is in Musi Banyuasin at 90.7%. The regency/municipal that experienced an increase in the intergovernmental revenue per year are 4 regencies/cities. Meanwhile, regency/municipal that experienced a decrease are 13 regencies/cities.

Table 2. Regency/city intergovernmental revenue in South Sumatra Province, 2014 - 2018

No	Local Government	Low %	High %	Mean %	Growth/year %
1	Banyuasin	69.67	77.64	72.71	-0.62
2	Empat Lawang	76.03	82.37	77.92	-1.82
3	Lahat	61.42	75.63	68.13	-0.69
4	Muara Enim	70.97	82.07	76.89	-3.40
5	Musi Banyuasin	79.46	90.73	85.90	-3.15
6	Musi Rawas	74.82	81.83	78.89	-1.86
7	Musi Rawas Utara	77.89	84.46	81.84	-1.38
8	Ogan Ilir	74.08	85.57	75.94	-3.08
9	Ogan Komering Iir	70.45	81.09	74.79	-2.83
10	Ogan Komering Ulu	72.96	82.01	76.47	-2.73
11	Ogan Komering Ulu Selatan	71.29	88.58	76.95	-4.95
12	Ogan Komering Ulu Timur	69.38	80.26	74.08	-2.28
13	PALI	66.27	85.23	79.40	6.64
14	Lubuk Linggau	70.86	81.45	76.36	1.06
15	Pagaralam	69.55	83.76	76.85	3.36
16	Palembang	50.90	57.10	55.26	2.39
17	Prabumulih	71.15	79.43	76.22	-0.49

Source: Local Government Budget Reports Year 2014-2018

Based on Table 3, the lowest value of the financial performance of regency/municipal governments in South Sumatra province is in Pali, which is 2.8%, while the highest value is in Palembang of 47.3%. Meanwhile, the regency/municipal that experienced an increase in the financial performance are 14 regency/municipal. Those experiencing a decrease in financial performance are 3 regencies/municipal.

Table 3. Regency/city local government financial performance in South Sumatra Province, 2014 - 2018

No	Local Government	Low %	High %	Mean %	Growth/year %
1	Banyuasin	5.70	7.20	6.50	1.48
2	Empat Lawang	2.92	8.24	4.59	22.04
3	Lahat	6.42	13.07	10.33	-7.01
4	Muara Enim	8.60	12.40	10.47	11.44
5	Musi Banyuasin	5.90	9.83	7.98	15.24
6	Musi Rawas	6.64	11.90	8.78	-6.88
7	Musi Rawas Utara	3.47	7.93	4.92	12.15
8	Ogan Ilir	4.00	11.00	6.74	23.14
9	OKI	6.81	14.80	11.02	16.26
10	OKU	8.24	14.09	10.92	15.42
11	OKU Selatan	3.65	9.83	5.18	23.63
12	OKU Timur	5.47	6.46	5.94	-1.73
13	PALI	2.80	7.01	4.70	29.04
14	Lubuklinggau	6.60	13.36	10.56	21.80
15	Pagar Alam	6.20	10.58	8.01	15.77
16	Palembang	34.68	47.30	38.74	4.67
17	Prabumulih	7.90	15.39	10.79	12.23

Source: Local Government Budget Reports Year 2014-2018

Table 4 shows that the average financial performance of regency/municipal government in South Sumatra Province as measured by the independence ratio is 9.77%, with a standard deviation of 7.99448. Based on the criteria for the independence ratio with a value between 0%-25% is very low, 25% - 50% is low, and more than 50% is considered good. Thus, based on the criteria, the financial performance of the regency/municipal government in South Sumatra Province is considered very low. Based on table 4, the average capital expenditure of regency/municipal government in South Sumatra Province for 5 years is 26.5724, and a standard deviation is 0.44469. In Table 5, the intergovernmental revenue of the regency/municipal government in South Sumatra Province has an average value of 75.56%, with a standard deviation of 7.604%.

Tabel 4. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Capital Expenditures	85	25.25	27.95	26.5724	.44469
Intergovernmental Revenue	85	.51	.91	.7556	.07604
Financial performance	85	2.80	47.30	9.7753	7.99448
Valid N (listwise)	85				

The test results based on One-Sample Kolmogorov Smirnov show that the K-S value is 0.200 with data (N) 85 (Table 5). Samples with a significant value above 0.05 or 5% indicate that the residual value is normally distributed and may proceed to the following analysis.

Table 5. One Sample Kolmogorov Smirnov Normality Test Results

		Unstandardized Residual
N		85
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	5.49930481
	Most Extreme Differences	
	Absolute	.084
	Positive	.084
	Negative	-.043
Test Statistic		.084
Asymp. Sig. (2-tailed)		.200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Based on the coefficient analysis (Table 6), it can be shown that the Capital Expenditure variable has a regression coefficient of 2.839, with a significance of 0.040. So, it can be explained that capital expenditure has a positive and significant effect on the financial performance of local governments. This means that for every increase in capital expenditure by one unit, the financial performance of the local government will also increase by 2.839% with the assumption that other independent variables have a fixed value.

Meanwhile, the Intergovernmental Revenue variable shows a negative regression coefficient of -41.212 with a significance of 0.000. Then, it can be explained that intergovernmental revenue has a significant negative effect on the financial performance of local governments. This means that for every increase in intergovernmental revenue by one unit, the financial performance of the local government will also decrease by -41.212%, assuming other independent variables have a fixed value.

Tabel 6. Coefficients analysis

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-17.108	15.341		-1.115	0.268
Capital Expenditures	2.839	1.358	0.184	2.091	0.040
Intergovernmental Revenue	-41.212	6.902	-0.504	-5.971	0.000

Capital expenditure has a positive and significant effect on local government financial performance. The results are supported by previous studies, such as Frank & Ishmaell (2014), Udoka & Anyingang (2015), Aydin et al. (2016), and Kayode, Kuranga, & Lukman (2015). (2015), the overall expenditure made by the government has a positive impact on the performance. In contrast, Egbetunde & Fasanya (2014), Adefeso (2016), and Amuka, Ezeoke, & Asogawa (2016) found that not every government expenditure can increase performance.

Based on the results, it shows that capital expenditure has contributed to the performance of local government. Capital expenditures of local governments are used to finance programs, activities, and projects to improve public services and interests. The implemented capital expenditure activity is a form of investment by local governments. The allocation of high capital expenditures may help the public develop and obtain financial sources that are useful for increasing local income. The availability of good infrastructure can create efficiency across various sectors, increase public productivity, and increase welfare. Meanwhile, if the local government implements more developments, it can also increase the growth of local government financial performance.

The intergovernmental revenue has a negative and significant effect on local government financial performance. The results differ from the previous studies, among others Pevcin (2012), Rao (2017), and Masaki (2018), where intergovernmental has a positive and significant impact on improving performance and also has a role in providing public services.

The statistical analysis results indicate that the financing of regency and municipal government activities in South Sumatra Province still relies on funding from the central government. Regency and municipal governments in South Sumatra Province are still unable to explore and utilize the existing regional potential to increase local own-source revenue. It is based on the number of local own-source revenue of regency and municipal governments in South Sumatra province, which are still lower when compared with the general allocation fund.

This condition must be corrected immediately because the emergence of decentralization or regional autonomy gives local governments an obligation to manage and organize the management of their respective local governments. The general allocation fund aims to equalize financial capacity among regions in implementing decentralization. However, this does not mean that the general allocation of funds transfer from the central government can be used as the main regional funding source, especially for regency and municipal governments in South Sumatra Province. Thus, regency and municipal governments in South Sumatra Province also receive demands to explore the local potential and increase local own-source revenue to implement government independently.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The capital expenditure variable has a positive and significant effect on the financial performance of local governments. It can be concluded that the regency and municipal governments in South Sumatra Province have optimized capital expenditure as a source of contribution to the performance of local government management. The intergovernmental revenue has a negative and significant effect on local government financial performance. Thus, the high value of intergovernmental revenue held by regency and municipal governments in South Sumatra Province will reduce financial performance as measured by the level of local government independence.

Moreover, the findings show that the financing of regency and municipal government activities in South Sumatra Province tends to rely on the central government and has not been able to explore existing regional potentials to increase local revenue.

Recommendations

This study indicates that the allocation of capital expenditures can improve local government performance because the absorption of capital expenditures affects development and community welfare. Therefore, it is suggested that the contribution of capital expenditure should be increased to improve development and community welfare in South Sumatra Province.

Capital expenditure and intergovernmental income are key factors that can affect the financial performance of local governments. However, intergovernmental revenues have a negative effect on local government financial performance. Thus, it is necessary to develop instruments that can increase the regional potential to increase the performance of local governments.

Future study is suggested to use other independent variables that may influence the financial performance of local governments, increase the period and the object of study to improve the accuracy of the quality of results. Future studies could also use different methodologies such as focus groups and interviews.

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