

**EFFECTS OF SOCIAL CAPITAL ON THE PERFORMANCE OF A CHURCH-  
BASED COOPERATIVE IN PEMATANGSIANTAR CITY,  
NORTH SUMATRA, INDONESIA**

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The dissertation attached hereto entitled, “**EFFECTS OF SOCIAL CAPITAL ON THE PERFORMANCE OF A CHURCH-BASED COOPERATIVE IN PEMATANGSIANTAR CITY, NORTH SUMATRA, INDONESIA**” prepared and submitted by **TONY LISTON HUTAGALUNG**, in partial fulfilment of the requirements for the degree of **DOCTOR OF PHILOSOPHY (COMMUNITY DEVELOPMENT)**, is hereby accepted.

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## **BIOGRAPHICAL SKETCH**

The author was born in Desa Parsingkaman, North Tapanuli Regency, North Sumatra Province, Indonesia on February 13, 1970. He is the third of four children of the late Mr. Amirhuddin Hutagalung and Mrs. Epeima Hutabarat. He completed his Bachelor of Theology from the HKBP Theological Seminary Pematangsiantar City, North Sumatra in 1993. He has been a pastor in the Indonesian Christian Church (Huria Kristen Indonesia-HKI) since 1994.

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He is happily married to Umie Dorty and has been blessed with three children, Frinsen Johny, Otniel M. Santosa, and Dany Hans Bright Hutagalung.

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## TABLE OF CONTENTS

<b><u>CHAPTER</u></b>	<b><u>PAGE</u></b>
Title Page	i
Approval Page	ii
Biographical Sketch	iii
Acknowledgments	iv
Table of Contents	v
List of Tables	viii
List of Figures	x
List of Appendices	xi
Abstract	xii
<b>I. INTRODUCTION</b>	
Background of the Study	1
Problem Statement	6
Objectives of the Study	8
Significance of the Study	9
Scope and Limitation of the Study	10
<b>II. REVIEW OF LITERATURE</b>	
Origin of Social Capital	12
Social Capital	14
The Components of Social Capital	19
Social Networks	23
Social Norms	27
Trust and Reciprocity	30
Social Capital and Cooperatives	40
Relationship of Cooperative and Community Development	47
Relationship of Cooperative, Social Capital and Church Programs	50
Performance Indicators of Cooperatives	53
Sound Business Practices	54
Strong Membership Participation	55
Support of Cooperative Apex Organization	58
Facilitating Economic Environment	60
Theoretical Framework	62
Conceptual Framework	64
Operational Definition of Terms	68

**CHAPTER****PAGE****III. METHODOLOGY**

Locale of Study	75
Research Design	77
Respondents of the Study	77
Sample and Sampling Design	78
Research Instrument	79
Data Collection	80
Key Informant Interview	80
Review of Documents	80
Data Analysis	81

**IV. RESULTS AND DISCUSSION**

Description of the Cooperative Under Study	82
History of the Sample Cooperative	82
Growth and Development	84
Characteristics of the Respondents	90
Socio-Demographic and Economic Characteristics	90
Organizational Participation	96
Components of Social Capital	100
Social Networks	100
Bonding Network of the Members of Cooperative	100
Bridging Network of the Members of Cooperative	103
Linking Network of the Members of Cooperative	107
Social Norms	110
Trust and Reciprocity	112
Performance Indicators of Church-Based Cooperative	117
Sound Business Practices	117
Membership Participation	119
Support of Cooperative's Apex Organization	122
Facilitating Economic Environment	124
Relationship of Variables	129
Relationship between Respondents' Socioeconomic Characteristics and Components of Social Capital	129
Relationship between Respondents' Components of Social Capital and Performance of Church-Based Cooperative	138

<b><u>CHAPTER</u></b>	<b><u>PAGE</u></b>
Relationship between Respondents' Socioeconomic Characteristics and Performance of Church-Based Cooperative	142
Development of Performance Indicators Matrix	146
<b>V. SUMMARY, CONCLUSIONS, IMPLICATIONS, AND RECOMMENDATIONS</b>	
Summary	153
Conclusions	160
Implications and Recommendations	163
Recommendations for Further Research	164
<b>LITERATURE CITED</b>	165
<b>APPENDICES</b>	178

## LIST OF TABLES

<b><u>TABLE</u></b>		<b><u>PAGE</u></b>
1	Distribution of cooperatives at the national level	43
2	Distribution of cooperatives in North Sumatra Province, Indonesia	43
3	Distribution of cooperative membership in local congregation GKPS Siantar II	84
4	Number of participants who attended training and education on cooperative	87
5	Financial report of the Cooperative, 2007-2014	90
6	Socio-demographic characteristics of the respondents	91
7	Organizational participation of the respondents	97
8	Mean score of the respondents' perceptions of bonding networks	101
9	Mean score of the respondents' frequency of meeting	104
10	Forms of communication in the Cooperative	105
11	Topics that members of the Cooperative consulted about	106
12	Mean score of the respondents' perceptions on access to information and communication	107
13	Mean score of the respondents' perceptions of social capital on linking networks	108
14	Mean score of the respondent's perceptions of social norms	111
15	Mean score of the respondents' perceptions of social capital on trust and reciprocity at the individual level	113
16	Mean score of the respondents' perceptions of trust and reciprocity at the organizational level	115
17	Mean score of the respondents' perceptions of sound business practices	119
18	Mean score of the respondents' perceptions of membership participation	120



<b><u>TABLE</u></b>		<b><u>PAGE</u></b>
19	Respondents' perceptions of support of the cooperative's apex organization	123
20	Mean score of the respondents' perceptions of facilitating economic environment	125
21	Relationship between respondents' socioeconomic characteristics and components of social capital	131
22	Relationship between components of social capital and performance of the church-based cooperative	139
23	Relationship between respondents' socioeconomic characteristics and performance of the church-based cooperative	145
24	Matrix of performance indicators of cooperatives based on social capital	149

## LIST OF FIGURES

<b><u>FIGURE</u></b>		<b><u>PAGE</u></b>
1	Conceptual framework on social capital and the performance of a church-based cooperative in Pematangsiantar City, North Sumatra Province, Indonesia	67
2	Map of Pematangsiantar City, North Sumatra Province	76

## LIST OF APPENDICES

<b><u>APPENDIX</u></b>		<b><u>PAGE</u></b>
A	Questionnaire for Individual members of Cooperative	179
B	Guide Questions for the Key Informant Interview	192

## ABSTRACT

**HUTAGALUNG, TONY LISTON.** University of the Philippines Los Baños, June 2016. **Effects of Social Capital on the Performance of a Church-Based Cooperative in Pematangsiantar City, North Sumatra, Indonesia.**

Major Professor: **Dr. Josefina T. Dizon**

Social capital is one of the important concepts in social science today. The central premise of social capital is that social networks have value that complements the economic capital for economic growth of an organization. This study looked into a cooperative as a community-based organization. Its specific objectives are: 1) find out the socio-economic characteristics of members of the Cooperative; 2) describe the social capital of members of the Cooperative; 3) determine the relationship between socio-economic characteristics and social capital of members of the Cooperatives; 4) determine the level of performance of a church-based Cooperative; 5) analyze the relationship between social capital and the performance of a church-based Cooperative; and 6) design a performance indicator matrix to strengthen the Cooperative based on its social capital.

Key informant interviews with the officers and Board of Directors of the Cooperative, church ministers managing the Cooperative, church leader, and government officials in the Cooperative Department and Small and Medium Enterprises of Indonesia were conducted. Review of secondary data provided information on the general membership, organizational structure, processes involved in the Cooperative transaction, and the products and services it offers.

Utilizing quantitative and qualitative research methods, the study collected data from 122 members of the church-based cooperative CU Riahta located in Pematangsiantar City, North Sumatra, Indonesia. The CU Riahta is one of the most successful church-based cooperatives in the city.

Non-parametric Chi-square test was used to determine the relationships between the social capital as independent variable and quality performance of the Cooperative as dependent variable. The social capital components in this study consist of social networks, social norms, and trust and reciprocity. Social networks were categorized into bonding network, bridging network, and linking network. Trust and reciprocity was analyzed both at the interpersonal and organizational levels. The performance indicators of the successful cooperative were sound business practice, membership participation, support of apex organization, and facilitating economic environment.

Social capital affected the Cooperative's performance in terms of sound business practices that generated a high financial profitability and performance. The effects on membership participation could be seen through the high commitment and loyalty among the members to participate in the meetings, savings movement, loans availment, general assembly, and other social programs. The performance in support of the cooperative apex organization can be seen through the presence of apex organization that facilitates the education and training of the Cooperative's Board and members. The performance in facilitating economic environment can be seen through the programs which provide the line of business for members that produce income for them.

# CHAPTER I

## INTRODUCTION

### Background of the Study

The term “social capital” is one of the important concepts in social science. Basically, social capital comprises the value of social networks that complement the economic capital for economic growth of an organization. Social networks in an organization have deep correlation with trust among the members, the satisfaction level with the services, and also the quality of communication especially in the cooperatives as the community-based organization. In other words, the social capital concept stresses the importance of social networks. Although different social sciences emphasize different aspects of social capital, they tend to share the core idea that social networks have value. Therefore, social networks affect the productivity of individuals and groups.

A cooperative is an autonomous association of people who voluntarily cooperate for their mutual social, economic, and cultural benefits (ICA, <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>). This organization is owned and run jointly by its members, who share the profits or benefits. The cooperative is established when there is a similarity of problems and needs among the people in a specific area. Through establishing the networks, people communicate with each other and agree to work together to address their problems. Through this network, they organize themselves and create norms to manage and coordinate their activities. At the same time, these

relationships create trust among the members, or there will be more trust when the members commit to keep the norms that prevail in their community. Simply, the quality of performance of cooperatives is in the hands of the members. Therefore, measuring the performance of a cooperative can be started by analyzing the participation of its members.

The spirit of cooperation in most of the Asian countries especially in the Indonesian society is actually rooted in the culture that still exists today. For instance, in the Indonesian society, “gotong royong” means working together or cooperation. In the Philippines, this similar activity called “bayanihan” which implies a spirit of communal unity and cooperation. Cooperation as a value becomes the people’s asset in establishing network and trust to achieve their purposes. Because of this deep value for social capital in Asian countries, there will be a small chance of failure among cooperatives when people apply social capital as their organization model to address their problems. In the church communities, on the other hand, cooperation is really a fundamental value because they hold strongly to the principle of “loving thy neighbors as loving oneself”. However, based on the data released by the Indonesian Department of Cooperatives and Small and Medium Enterprises (SMEs) there are many cooperatives in this country that fail to achieve their goals and objectives. Henley (2007) says: “many cooperatives in Indonesia failed to achieve either economic viability or sustained popularity among the public at large”. The cooperatives are not actively performing their programs as shown through the absence of periodic financial report to the members, absence of savings and loan transactions, failure of the cooperative to hold annual members’ meeting. The Indonesian government refers to this situation as “passive cooperative”.

A study on cooperatives in Indonesia conducted by Jakiyah (2011) also mentioned that many cooperatives are categorized as passive cooperative because the cooperative could not hold annual members' meeting and there was low members' participation. However, this happens not only in the secular cooperatives. Based on the researcher's observation who has experienced working in the church community for more than 20 years, many church cooperatives fail to achieve the objectives and goals that the members have decided since the of establishment of their cooperative.

Undoubtedly, the roles of social capital for the community are essential in bringing about high performance of church-based cooperatives. The more individuals invest in these resources, the more they are likely to receive benefits in the future. Social relationships are considered capital because they can be productive and help improve the well-being of members and people in the surrounding community.

The history of cooperative movement in Indonesia shows that the movement has a long history in the country. Cooperatives have been part of the Indonesian economy since the colonial times (Masngudi 1990). The Indonesian government has fully and actively implemented the cooperative movement particularly in the rural areas in 34 provinces in order to support the local cooperatives which may be able to compete with private businesses. This spirit was encouraged by Article 33 of Indonesia's 1945 Constitution that says: "the national economy is to be organized according to cooperative and family principles". This Article was supported by Act of the Republic of Indonesia Number 25 of 1992 concerning the Basic Principles of Cooperatives which explains that the role and function of the cooperative is to develop the economic potential and capability of



members and society, to strengthen the economy of the people, and to promote economic development nationwide (Sitio and Tamba 2001).

Cooperatives have played important roles in Indonesian communities, and the number of cooperatives always increased every year in the national and provincial level. In 2013, however, there were only 35,258,176 (15%) of the total population of Indonesia who were members of 203,701 cooperatives (Department of Cooperative and Small Medium Enterprises 2014). This membership is low compared with other countries like Malaysia, where 27 percent (6.78 million) of the total population in December 2009 were members of cooperatives. Out of 4.8 million people in Norway, 2 million are members of cooperatives. Four out 10 Canadians are members of at least one cooperative. In Quebec, approximately 70 percent of the population is members of a cooperative. More than half (56%) of the population in Saskatchewan are members of cooperatives. Around 50 percent of the population in Singapore is members of cooperatives (ICA, <http://ica.coop/en/co-op-facts-and-stats>).

According to the National Bureau of Statistics of Indonesia for North Sumatra Province, the population of Pematangsiantar City, which is the locale of study, is 237,434 in 56,262 households in 2013 (BPS, <http://siantarkota.bps.go.id/frontend/linkTabelStatis/view/id/5>). There are 338 cooperatives with 46,940 members registered in the Municipal Office of the Department of Cooperatives and Small and Medium Enterprises in Pematangsiantar, North Sumatra. It means that only about 20 percent of the total population is registered members of cooperatives in this city.

The government, NGOs and even religious institutions endeavoured to help the people solve the economic problem as most of the people in this country believed that a cooperative is one of the best models to operate enterprises for economic development. The participation of church members in church-based cooperatives could be seen through the establishment by local churches in Pematangsiantar City and in other places. There are 13 cooperatives owned and operated by the local churches in Pematangsiantar City. One of them belongs to the church parish of GKPS Resort Siantar II named “CURIAHTA”. In 2014, this parish consisted of 1,215 households. However, according to the Annual Report of this Cooperative, until December 2014 there were only 428 members of the Cooperative. Even though there was an increasing number compared with the membership in 2013, from the 1,208 households there are 418 members of the Cooperative. The officers realized that the participation of the church members was still low compared with the total number of church members.

One study conducted by a researcher in North Sumatra State University, Indonesia (undated) mentioned that low members’ participation was one of the classical problems of cooperatives. Another problem was the weaknesses in decision-making process. In most cases, decision-making processes took a long time such as the management meetings followed by the members’ meeting. Therefore, all these problems affected the trust and participation of the members, and inevitably brought significant effect on the performance of the cooperative.

According to the Committee for the Promotion and Advancement of Cooperatives (COPAC), lack of membership participation was one of the issues in the cooperative movement. If members did not fully participate and perform their duties, (whether it be

voting or carrying out daily operations), the business could not operate at full capacity. If lack of participation becomes an ongoing issue for a cooperative, it could risk losing its member (COPAC 1999).

The central premise of social capital is that social networks have value. Social capital refers to the collective value of all "social networks" and the inclinations that arise from these networks to do things for each other as the social norms of community. Most of the studies found the significant roles of social capital in community-based organizations particularly in the cooperatives. The members were united because there was cooperation, trust, and mutual relationship in order to achieve success. Based on the essential meaning of social capital in cooperatives, the researcher wanted to determine the effects of social capital on the performance of church-based cooperative in Pematangsiantar City, North Sumatra Province, Indonesia.

### **Problem Statement**

In the Cooperative, social capital contributes in enhancement of members' participation in the programs. Social capital is not only about cognition, interaction, and shared perceptions; it is also related to fallible investment of efforts. Both theory (Bourdieu 1986) and limited empirical work (Fairbairn et al. 1995) indicate that cooperatives appear to create social capital that improves access to or accumulation of other forms of capital. Cooperatives are expected to cooperate with other cooperatives and pursue goals that are beneficial to the community.

Cooperative promotes interaction which enables members to use their knowledge about of each other and of the cooperative to engage in peer monitoring in their conduct of business. All these processes will help to build more trust among and between members with the board members which in turn strengthen the business. Therefore, there is a need to explore the roles and the level of networks, norms, and trust that support members' participation. This can be interpreted as the cooperative's social capital. The strength of a cooperative lies in its ability to cultivate a feeling of trust and confidence among its members with a strong commitment. This is the spirit of cooperatives. Looking back to the birth of cooperatives, early cooperativists designed the cooperative system based on the power of collective actions of the economically weak. They operated under the cooperative principles of trust and reciprocity among the members to maintain collective actions and to create the networks.

The effects of social capital can be assessed in the performance of cooperatives to achieve their objectives. The latter can be provided by the members in terms of economics such as the increased volume of own capital, loan capital, business volume, value-addition of cooperatives, and other programs for helping the society to expand the cooperative organizations, establish the facilities for economic environment such as road, bridge, market, etc. In terms of social relationship, it can be seen in the active participation of members in the programs.

This study analyzed the effects of social capital on the performance of a church-based cooperative in Pematangsiantar City, North Sumatra Province, Indonesia. The study sought to provide answers to the following questions:

1. What are the socio-economic characteristics of members of the Cooperative?

2. What are the components of social capital among members of the Cooperative?
3. What is the relationship between socio-economic characteristics and social capital of members of the Cooperative?
4. What is the level of performance of the church-based Cooperative?
5. What is the effect of social capital on the performance of the church-based Cooperative?
6. How can the performance of the church-based Cooperative be improved?

### **Objectives of the Study**

The study generally aimed to determine the effects of social capital on the performance of church-based cooperative in Pematangsiantar City. Specifically, the objectives of the study were:

1. Find out the socio-economic characteristics of members of the Cooperative;
2. Describe the social capital of members of the Cooperative;
3. Determine the relationship between socio-economic characteristics and social capital of members of the Cooperative;
4. Determine the level of performance of a church-based Cooperative;
5. Analyze the relationship between social capital and the performance of a church-based Cooperative; and,
6. Design a performance indicator matrix to strengthen the Cooperative based on their social capital.

### **Significance of the Study**

Cooperatives managed by the secular and the churches have existed in Indonesia for a long time. However, there is a paucity of studies conducted on the social capital of the members of cooperatives as part of the community development. Most of the studies focused on management and governance of cooperatives. Hence, there is a need to study the effects of social capital on the performance of church-based cooperatives. The findings of the study will be helpful among the cooperatives in increasing the membership and members' participation in the cooperative programs. Furthermore, it can give ideas for the successful operation of cooperative for community development in the country.

The church members as part of the cooperative may also benefit from this study. They can be aware of the importance of social capital to undertake the primary tasks, to coordinate resources, and to supervise the activities by applying the principles of cooperativism to avoid the occurrence of problems. The church workers as leaders may be inspired to formulate development programs as part of their ministry to mobilize the communities to take action to solve common problems that affect the community.

The study will contribute to the body of knowledge particularly in the fields of community development, development communication, development management, and strategic planning. Research gaps can be addressed and more related studies can be identified.

The findings from this study will serve as an avenue to determine the impacts of cooperatives on their members and on the community towards poverty alleviation. Thus,

the government will have the strong push through the Department of Cooperatives and SMEs to promote cooperatives as a program for poverty alleviation in the country.

Future researchers can benefit from this research by studying other concepts associated with cooperatives and community development that do not form part of this study, thereby filling in the research gaps.

### **Scope and Limitations of the Study**

There are many definitions of social capital formulated by the experts based on their empirical study. Bourdeau (1986) defines social capital as network-based resources, or "the aggregate of actual or potential resources linked to possession of durable network". For Coleman (1990), social capital includes: 1) trustworthiness of social environment, which makes possible reciprocity exchanges, 2) information channels, 3) effective sanctions, and 4) appropriable social organizations, or associations that are established for a specific purpose but can later appropriate for broader uses. Putman (1993) defined social capital as "the features of social organizations such as networks, norms and social trust that facilitate the coordination and cooperation for mutual benefit" (Putnam 1993, 2000 in Schneider 2006). It means that the concept of social capital refers to the resources that individuals can access through their social networks. The researcher applied the definition formulated by Putnam which refers to social capital as the features of social organization such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions (Putnam et al. 1993).

For measuring the performance of successful cooperatives, the study applied the criteria defined by Mellor (2009) in his study on “Measuring Cooperative Success” which was supported by United States Overseas Cooperative Development Council (OCDC) and United States Agency for International Development (USAID). The criteria are: 1) sound business practices; 2) strong membership participation; 3) support of cooperative apex organizations or efficient apex organizations that provide oversight and services; and 4) facilitating economic environment.

Out of the four registered church-based cooperatives having 100 members and above, only CU Riahta was covered by the study. This Cooperative was established on May 5, 2007 with the office located in Jalan Sisingamangaraja. At the end of 2014, its total membership was 428. In 2011, CU Riahta was categorized as one of the most successful cooperatives in 11 provinces in Indonesia based on the evaluation conducted by the Indonesian Ministry of Cooperatives and Small and Medium Enterprises. In 2012, it was categorized into the top 10 most successful cooperatives in Pematangsiantar City among 314 cooperatives. Thus, the church-based CU Riahta served as the sample cooperative in this study. From now on, it will be referred to as the Cooperative.

The study was conducted from February 2015 until April 2015. It used research methods such as survey, key informant interview, and secondary data analysis.



## **CHAPTER II**

### **REVIEW OF RELATED LITERATURE**

#### **Origin of Social Capital**

The central premise of social capital is that social networks have value. Most authors agree that the first to use the term “social capital” was L.J. Hanifan in 1916. He used the term social capital to refer to goodwill, fellowship, mutual sympathy, and social interaction among a group of individuals and families (MacGillivray and Walker 2000; Woolcock and Narayan 2000; Claridge 2004). For Hanifan, social capital is referred to as:

...those tangible substances (that) count for most in the daily lives of people: namely, good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit. The individual is helpless socially, if left to himself. If he comes into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentially sufficient to the substantial improvement of living conditions in the whole community. The community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbors. (Putnam 2000)

In 1970s and 1980s, a French sociologist Pierre Bourdieu used the concept of social capital to describe the social networks used by elites to protect their position in the class system, and to explain how the system is reproduced across succeeding generations that social capital became a focus of sustained debate and research. Bourdieu defined the term as “the aggregate of the actual or potential resources which are linked to the

possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Bourdieu 1986; Mclean et al. 2002).

At around the same time as Bourdieu was developing the idea of a social form of capital, James Coleman in the United States was using the term but not in similar way as Bourdieu, to explain why some children from disadvantaged backgrounds succeeded at school while others, apparently equally placed, dropped out of the system. Coleman initially described social capital as a resource available to actors – whether persons or corporate actors – within a social structure. For him, social networks, trustworthiness, norms and sanctions facilitate the achievement of goals that otherwise would have been achieved only at a higher cost. These different forms of social capital facilitate cooperation within groups to provide collective goods (Coleman 1990).

During the 1990s, political economist Robert Putnam took up many of Coleman’s ideas to explain differences in civic behavior in the North and South of Italy, and in 2000 further developed these ideas into a large monograph examining the decline of community in the US over the second half of the 20th Century. Putnam, in his book “Bowling Alone” made the argument that social capital is linked to the decline in American political participation (Putnam 1995).

The modern development of the concept of social capital came from three key authors namely, Bourdieu, Coleman and Putnam, with many other authors contributing to the current multidisciplinary theory. Very broadly, social capital refers to the social relationships between people that enable productive outcomes (Szreter 2000). The stocks of social trust, norms, and networks can draw upon to solve common problems. Social capital represents a very important conceptual innovation for inter and trans-disciplinary

theoretical integration, especially between sociology and economics (Adam and Roncevic 2003).

However, Woolcock and Narayan (2000) provided a more detailed description of Hanifan's work identifying that the term social capital was used in explaining the importance of community participation in enhancing school performance. It was a tangible substance that counts for most in the daily lives of people, namely, good will, fellowship, sympathy and social intercourse among the individuals and families who make up a social unit. Further, they explained that if an individual comes into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community.

Heywood (2008) provides a simplified version of social capital, defining it as "the levels of trust and sense of social connectedness that help to promote stability, cohesion and prosperity"; what turns the "I" into "we". Thus, it incorporates social networks and a sense of trustworthiness and collective responsibility, which allows people and society to act effectively. This is in fact social capital in its simplest form.

### **Social Capital**

The term "capital" according to the Merriam-Webster Dictionary refers to (1) accumulated goods devoted to the production of other goods, and (2) accumulated possessions calculated to bring in income. However, Oxford Dictionary defined it as

“wealth/money/property that may be used for the production of more wealth”. These two definitions delineate that the capital can be used for production of other goods to produce more wealth to which the capital belongs. In this study the researcher focused on the discussion on the idea of ‘social capital’ in order to explore on how it can produce more wealth or to strengthen the organizations to be able to achieve their goals and objectives.

The various definitions of social capital depend on whether their focus is primarily on (1) the relations an actor maintains with other actors, (2) the structure of relations among actors within a collectivity, or (3) both types of linkages (Adler and Kwon 2002). Definitions which focus on the external relations is called as ‘bridging’ (Woolcock 1998) or ‘communal’ capital (Oh et al. 1999), and a focus on internal relations is called ‘bonding’ or ‘linking’ social capital. Similar categorization could be done according to other criteria such as strong or weak ties, horizontal or vertical, open or closed, structural or cognitive, geographically dispersed or circumscribed, and instrumental or principled.

Bourdieu defined social capital in terms of economics. He said that there are three basic kinds of capital occurring in a society: economic, cultural, and social. These three capitals can be converted into one another using transformation labor (e.g. money/economic capital are exchanged for pictures/objectified cultural capital). Specific goods and services can be gained directly with economic capital, others only with the capital of social relations or of social commitment or social capital (Hauberer 2011). He defines social capital as the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less

institutionalized relationships of mutual acquaintance and recognition (Bourdieu and Wacquant 1992).

According to Coleman (1988), social capital can be characterized as a property of the community and is usually defined in terms of reciprocity and mutual trust. It was defined by its function and not a single entity but a variety of different entities having two characteristics in common: they all consist of some aspects of social structure, and they facilitate certain actions of individuals who are within the structure (Coleman 1994). Social capital is always an element in the social structure favoring actions of actors that are members in this structure. Therefore, social capital remains in relations that are based on mutual trust and norms of reciprocity.

Robert Putnam, a political scientist popularized the concept of social capital through the study of civic engagement in Italy (Boggs 2001). Putnam defined social capital as the features of social organization such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions (Putnam 1993). Social capital consists of social networking among individuals and the norms of reciprocity and trustworthiness, which implies that social capital is a vital component within a cooperative to ensure coordinated and cooperative actions.

After studying American civil society, Putnam modified his definition of social capital to “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit”. Networks, norms, and trust enable participants to act together more effectively to pursue shared objectives. In his book *Bowling Alone*, Putnam (2000) argued that “the core idea of social capital is that social networks have value, social contacts affect the productivity of individuals and

groups.” He referred to social capital as “connections among individuals, social networks and the norms of reciprocity and trustworthiness that arise from them” (Putnam 2000). Social capital is the store value that individuals have accumulated in their networks. People must continue to participate in their networks if they want to maintain the social capital.

Social capital can be both a private good and public good; therefore, the meaning and consequences of social investment are different in the level individual and collective realms (Putnam 2000). The definitions provided by Bourdieu and Coleman emphasize the role of individual and organizational social ties in predicting individual advancement and collective action. By contrast, Putnam has developed the idea of association and civic activities as a basis for social integration and well-being. Edwards et al. (2001) says: "Bourdieu and Coleman focused on individuals and their roles and relationships with other individuals within a network as their primary unit of analysis of social capital".

In the history of studying social capital, Bourdieu, Coleman, and Putnam have made great contributions to define the term. These three writers have been described as having created “relatively distinct tributaries” in the literature on social capital (Edwards and Foley 1999). All three of these scientists argue that social capital inheres in personal connections and interpersonal interactions, together with the shared sets of values that are associated with these contacts and relationships. Through the very different work of Pierre Bourdieu, James Coleman, and Robert Putnam, the social capital construct has evolved rapidly into a complex account of people’s relationships and their values.

Social capital can be considered an asset that contributes to the development of other forms of community capital such as human, financial, physical, political, cultural,

and environmental. Social capital also may directly affect individual well-being through its effects on health and happiness, education, and children's welfare (Putnam 2000). Meanwhile, Beard (2005) emphasized the positive impact of social capital for the community. For him, social capital is a type of social relationship characterized by trust, reciprocity, and cooperation associated with positive community development outcomes.

The roles of social capital for economic and community development were emphasized by Grootaert and Bastelaer (2002) as they defined social capital as institutions, relationships, attitudes, and values that govern interactions among people and contribute to economic and social development. In details they said that the effect of social capital in economic development is mainly by facilitating transactions among individuals, households, and groups in developing countries. This effect can take three forms; first, participation by individuals in social networks increases the availability of information. Second, participation in local networks and attitudes of mutual trust make it easier for any group to reach collective decisions and implement collective action. And finally, networks and attitudes reduce opportunistic behavior by community members.

Gupta (2008) explained the benefits of social capital for the individual as well as for society at large which he called as resource comprising beneficial social connections and relationships. The individual is helpless socially if left to himself, but if he comes into contact with his neighborhoods, there will be an accumulation of social capital which may immediately satisfy his societal needs.

Norms of reciprocity create a willingness to help others, generating good will, fellowship and sympathy among individual of a social unit. Social capital can improve the quality of life via psychological and biological process; also can improve individual

awareness of ways in which the human fate is linked, allowing people to become more tolerant, less cynical and more empathetic to the needs of others. Meanwhile, for regional or community development, social capital can create self-help groups in society for durable and sustainable regional development. In terms of economics, the civic values created by it influence socio-economic performance and thereby reduce transaction cost in the market, increase trust, minimize burdens of enforcing agreements and hold down the diseconomies of fraud and theft.

### **Components of Social Capital**

Social capital shapes the quantity and quality of interactions of people and how well they can act collectively to tackle issues of their lives. The idea of social capital has allowed scholars to assess the quality of relationships among people within a particular community and depict how that quality impacts their ability to achieve shared goals. According to Siisiainen (2000), social capital is general moral resources of the community. However, Putnam defined social capital as the features of social life such as networks, norms, and trust that enable participants to act together more effectively to pursue shared objectives. Therefore, he divided social capital into three main components: first, trust (and more generally 'positive' values with respect to development); second, social norms and obligations; and third, social networks of citizens' activity, especially voluntary associations (Siisiainen 2000).

Putnam also discussed another important distinction in considering social capital. He indicated two main components of the concept: bonding social capital and bridging



social capital. Bonding social capital refers to the social network of closely related individuals such as families, friends, or neighbors that all know and trust each other. Especially for the poorest in society, bonding social capital provides the daily safety net that helps out with smaller and larger problems (Jansens 2006). Bridging capital brings together people or groups who did not previously know each other with goal of establishing new social ties to provide new information, access additional social networks, and fill the “structural holes” in the system of networks in the community (Burt 1992).

As Putnam has categorized social capital into two categories, further Green and Hainess (2012) said, bonding capital refers to bringing people together who already know each other with the goal of strengthening the relationships that already exist. Granovetter (1974) also made a distinction between strong and weak ties. Strong ties involve large investments of time and energy, whereas weak ties are basically acquaintances. Strong ties may be helpful for gaining access to emotional support and help in the case of emergencies. Weak ties may be especially aid in finding jobs or housing.

Szreter and Woolcock (2004) in their study on social capital concluded that bonding social capital occurs amongst people who are alike ‘in important respects’, and is characterized by strong binds, e.g., ties among family members or among members of a minority group. On the other side, bridging social capital brings together people who are unlike one another and is characterized by weaker, less dense but more cross-cutting ties e.g. with business colleagues, acquaintances, or with other groups. Linking social capital is characterized by norms of respect and networks of trusting relationship between people who are interacting across explicit, formal, or institutionalized power or authority

gradients in society such as connection between those with differing levels of power or status e.g. between councilors and the general public (Campbell and Sacchetti 2014).

According to Halpern (2005), bonding social capital refers to networks that are "inward looking and tend to reinforce exclusive identities and homogeneous groups". Bridging social capital refers to networks that are "outward looking and encompass people across diverse social cleavages". Linking social capital links people across asymmetric power relations and "may be provisionally viewed as a special form of bridging social capital that specifically concerns power, it is a vertical bridge across asymmetrical power and resources". He said that these three functionalities exist simultaneously to varying degrees. For example, a black church may bond black people together, bridge sexual divisions and link with powerful politicians. Heterogeneity of network to a member is said to enhance the bridging capabilities of social capital (Halpern 2005).

Grootaert and Bastelaer (2002) categorized social capital with different criteria. They categorized social capital in three types: (1) structural and cognitive forms, which are divided based on whether social capital involves socio-economic institutions and networks or relates to individual states of mind; (2) macro (national), meso (regional and community), and micro (household or individual) levels, which are categorized based on the level of economic structure that social capital affects; (3) bonding, bridging, linking and bracing types, which are based on functions that social capital works inside one community or between several organizations and/or individuals in different. However, according to Woolcock (1998), linking capital is a tie between people in communities and their local organization.

At the micro-level, social capital consists of close ties to family and friends. Meso-level social capital refers to communities and associational organizations. Macro-level social capital consists of state and national-level connections such as common language and traffic customs. Some functional equivalence between the different levels and declining social capital on one level can sometimes be compensated for increases on another level. For example, if people in a society begin to have weaker ties to their family (declining micro-level social capital), this loss could be functionally offset by an increase in participation in community organizations (meso-level) or more fervent nationalism (macro-level) (Halpern 2005).

Onyx and Bullen (2000) claimed that they have developed a reliable and valid measure of social capital that is relatively easy to apply. Ideal indicators recognize that social capital can be expressed through attitudes and expectations; through reported, recorded and observed actions and activities; and by comparing people's interpretations of how things happened or are expected to happen (Cox and Caldwell 2000).

This study wanted to explore the effect of social capital in church-based cooperative as one of the community-based organizations. The researcher applied the definition formulated by Putnam who defined social capital as "the features of social organization such as trust, norms and networks that enable participants to act together more effectively to pursue shared objectives". It means that the study wanted to measure the level of social networks, social norms and trust among the members of Cooperative and between members and the organization.

Conceptualizing social relations as networks enables one to identify the structure of social relations (for example whether people know one another, and what the nature of

their relationship is) as well as their content (for example, flows of goods and services between people, as well as norms governing such exchanges) (Nadel 1957 in Stone 2001). Network analysis is appropriate for the study of relational data and social network methodologies focus upon the contacts, ties, connections, group attachments and meetings which relate one actor to another actor(s). Classical social network analysis in sociology and anthropology as in many ways concerned with those aspects of networks which are necessary to understand social capital, and forms a rich reference for the study of networks in social capital research.

### **Social Networks**

The term “network” refers to the systematic establishment and use (management) of internal and external links (such as communication, interaction, and co-ordination) between people, teams or organizations in order to improve performance (Aalst 2003). Another definition of networks was provided by Campbell and Sacchetti (2014) which says that networks refer to the groups of people linked by a number of different types of ties. Based on these two definitions it can be concluded that a network is a systematic establishment and use of internal and external links of the people linked by a number of different types of ties with the purpose to improve performance. In short, networks mean the interconnecting relationships between people.

According to Putnam, networks can be divided into two types: informal and formal networks, or what he terms formality of civic engagement (Putnam 1998). For him, informal networks refer to the relationship between family, kin, friends and

neighbors, whereas formal ties include ties to voluntary associations and the like (Stone 2001). Informal ‘communities of interest’ beyond family and kin include friendships and other intimate relationships as well as bonds among neighbors. However, the formal networks of social relations concern those aspects of life most often described as civic (Baum et al. 2000) or institutional. These include associations with formally constituted groups, as well as non-group based activities.

There are many manifestations of networks. Networks may function horizontally which means the networks between institutions from the same or different sectors, between firms and research centers, or between competing firms. Or, they may be vertical arrangements between clients and suppliers. Networks may have a regional or a global character (Aalst 2003).

Understanding the community and networks enables people to access resources and collaborate to achieve shared goals is an important part of the concept of social capital. From the formal group one can find the informal networks which manifested in spontaneous and unregulated exchanges of information and resources within communities, as well as efforts at cooperation, coordination, and mutual assistance that help maximize the utilization of available resources. This network can be connected through horizontal and vertical relationships and are shaped by a variety of environmental factors, including the market, kinship, and friendship (Jones and Woolcock 2007).

Jones and Woolcock explained the effectiveness with which groups and networks fulfill their roles depends on many aspects of the groups, reflecting their structure, membership and the way they function. Key characteristics of formal groups that need to be measured include density of membership, diversity of membership, extent of

democratic functioning, and extent of connections to other groups (Jones and Woolcock 2007).

Communities are not single entities, but rather more characterized by various forms of division. According to Putnam (2000), different types of social capital can be described in terms of different types of networks: 1) Bonding social capital refers to closer connections between people and is characterized by strong bonds, e.g., among family members or close friends; it is good for "getting by" in life; 2) Bridging social capital refers to a more distant connections between people and is characterized by weaker, but more cross-cutting ties e.g. with business associates, acquaintances, friends of friends; it is good for "getting ahead" in life; and 3) Linking social capital describes connections with people in positions of power and is characterized by relations between those within a hierarchy where there are differing levels of power; it is good for accessing support from formal institutions. It is different from bonding and bridging in that it is concerned with relations between people who are not on an equal footing (Harper and Kelly 2003). In other words, linking social capital means, links to people or groups further up or lower down the social ladder.

At the level of households, the density of membership is measured by the average number of memberships of each household in existing organizations. This basic indicator can be cross-tabulated by location or socio-economic characteristics of the household to capture the distribution of memberships. Using information on memberships, organizations can also be classified as to whether they represent primarily bonding, bridging, or linking social capital (Woolcock and Narayan 2000).

One of the positive manifestations of a high level of social capital in the community is the occurrence of frequent everyday social interactions. This sociability can take the form of meetings with people in public places, visits to other people's homes or visits from others into one's own home, and participation in community events such as sports or ceremonies. In order to distinguish whether these daily social interactions are of the bonding or bridging variety, questions are asked whether the people with whom one meets are of the same or a different ethnic or linguistic group, economic status, social status, or religious group. The diversity of social interactions can usefully be compared to the diversity of the membership of associations.

Social network in various levels of human society is an important form of social capital, providing network members with social gains. Social networks influence individuals and groups. Strong ties are relations where the actors communicate frequently with one another. In the process of sound interaction of management in cooperative, social capital management, the availability of information and counselling services in production could be important for a successful result (Putnam 2000). Lack of consultation services and absence of awareness and required skills resulted in the failure of start-ups and entrepreneurial businesses. It is through experiences of face-to-face interaction with people from different backgrounds that one learns to trust. The voluntary association represents one of the main arenas for interaction of this type. Associations create networks that allow social trust to spread throughout the society.

In order to identify the social capital in this component, there is a need to explore if there are occurring disagreements in the networks of groups, or even demonstrated conflict, the patterns of differentiation and exclusion exist with respect to opportunities,

markets, information, and services, what prevents public services and expenditures from reaching the poorest and most vulnerable groups which may be related to ethnicity, gender, a political agenda, or geographic isolation, the triggers for everyday conflict among members of a network and/or group (Jones and Woolcock 2007).

### **Social Norms**

Halpern (2005) in his study on social capital defined social norms as the rules, values and expectancies that characterize the community (or network) members. Many of these rules or if not all of them, are unwritten. He observed that some norms have a behavioral component (requiring one to do certain things) and other may be more affective in nature (concerning how people feel about the community or group). In modern neighborhood, these norms might include helping neighbors where possible; being courteous and considerate-avoiding making loud noise at night; keeping our property and garden in a good state, etc.

Norms spread through social interaction. Norms are often transmitted by non-verbal behavior, for example with 'dirty looks' when people act outside the norms. They may also be transmitted through stories, rituals and role-model behavior. Communication is directly relevant to “formulating perceptions about norms” (e.g., people judge from what they see in the media how prevalent a behavior is). It is also reasonable to argue that the very basis of norm adoption is communication.

A better approach to using legal norms as instruments for development is to empower the citizens, to inform them of their new rights and to encourage them to claim



and defend such rights (private law approach). This can only be brought about by information and life-long education, being one of the co-operative principles. It furthermore requires that people unite to fight for their right, that they form associations, federations, pressure groups and co-operatives to exercise legitimate.

Community norms are mostly informal and tacit but sometimes codified into neighborhood codes or contracts, and are occasionally even written into the deeds or leases of properties. The rules or social norms can clearly be made out, some kind of common understanding of how to behave that ends up facilitating everyone's actions.

Cooperatives as community-based programs form networks and cooperate with one another in accordance with the norms, rules, values and expectations of their constituents. People who organize themselves into cooperatives, most of them come with different background, work together to achieve their purposes tied by norms, rules and values. These in turn are also seen to provide the linkages between members of the community who use these norms, rules and values to bridge divisions that exist in civic society. Lewis (1969) cited by Durlauf and Blume (undated) say: "Social norms are customary of behaviors that coordinate our interactions with others". Once a particular way of doing things becomes established as a rule, it continues in force because people prefer to conform to the rule given the expectation that others are going to conform. A social norm operative in one social system may not be operative in another. The function of a social norm is to coordinate people's expectations in interactions that possess multiple equilibriums. Norms govern a wide range of phenomena including property rights, contracts, bargains, forms of communication, and concepts of justice.

Social science researchers have made various attempts to study and change perceived norms, whether to bring them more in line with actual norms so that people are better informed or to persuade people to avoid risky behavior, such as binge drinking or illicit drug use. The researchers in social science come to the conclusion that there are two types of norms which are particularly effective in efforts toward changing people's attitudes and behavior which they call injunctive and descriptive norms (World Bank, CommGAP n.d.).

Similar with the category provided by World Bank, Berkowitz (2004) also categorizes two different types of norms. One kind of norm refers to attitudes or what people feel is right based on morals or beliefs (called injunctive norms). A second type of norm is concerned with behavior, i.e. what people actually do (called descriptive norms). Injunctive norms refer to people's beliefs about what "ought to be done." Individuals act in accordance. It is no surprise that human action is guided, in large part, by perceptions of the popularity of certain behaviors. Key determinants of whether an individual will engage in a behavior is whether others also engage in that behavior (descriptive norm) and/or whether others believe one should engage in the behavior (injunctive norm).

According to the International Cooperative Alliance (ICA) Statement of cooperative identity, cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, members of Cooperative believe in the ethical values of honesty, openness, social responsibility and caring for others. There are seven principles of cooperative as the guidelines by which cooperatives put their values into practice:

*First, Voluntary and Open Membership* means cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of

membership, without gender, social, racial, political or religious discrimination; *Second, Democratic Member Control*: Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. *Third, Member Economic Participation*: Members contribute equitably to, and democratically control, the capital of their cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership; *Fourth, Autonomy and Independence*: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy; *Fifth, Education, Training and Information*: Cooperative provides education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation; *Sixth, Cooperation among Cooperatives*: Cooperatives serve their members most effectively and strengthen the Cooperative Movement by working together through local, national, regional and international structures; *Seventh: Concern for the Community*: Cooperatives work for the sustainable development of their communities through policies approved by their members.

The cooperatives as community-based organization and as autonomous associations formed and democratically directed by people who come together to meet common economic, social, and cultural needs. They applied the values and principles as mentioned above in doing interactions to achieve the objectives and goals for the better life of the members. As a social norm operative in one social system may not be operative in another therefore a social norms in a cooperative association which coordinate people's expectations in interactions that possess multiple equilibriums will based on the norms exist in the cooperative itself as it was provided to govern all the stakeholders.

### **Trust and Reciprocity**

Ostrom and Walker (2003) as quoted by Walker and Ostrom (2009) define trust as the willingness to take some risk in relation to other individuals on the expectation that

the others will reciprocate. The act of trusting to act of "cooperating, contributing, sustaining some cost in view of a future advantage that depends on the other's conduct, and it restricts the expectation of reciprocation. The core foundation of cooperation is an understanding of the foundations of trust and reciprocity. Another meaning of trust provided by Campbell and Sacchetti (2014) is that trust is the expectation that other members of a community will be honest and cooperative. Both Coleman (1988) and Putnam (1993) define trust as one key component of social capital. Trust also plays an important role in Fukuyama's (1995) concept of social capital as he defines social capital as a capability that arises from the prevalence of trust in a society or in certain parts of it. He describes trust as 'the expectation that arises within a community of regular, honest and cooperative behavior based on commonly shared norms on the part of other members of that society'.

The level of trust in a society strongly influences its economic success. "Trust makes cooperative endeavors happen" (e.g., Arrow 1974; Deutsch 1973; Gambetta 1988). Trust is a central component in effective working relationships (Gabarro 1978 in McKnight and Chervany n.d.). Rackham, Friedman and Ruff (1996) emphasize that "without trust, there is no basis for partnering". When an individual trusts someone, he/she is often willing to go out of the way to work with that person, rather than work with someone he/she does not trust. When one does not trust someone, he/she involves oneself in certain activities that show lack of trust. This is usually also the case when the level on which one trusts others is relatively low.

Adequately defining trust in a given social context is a prerequisite for understanding the complexities of human relationships (Dudwick et al. 2006). There are

several types of trust like: 1) trust within established relationships and social networks; 2) trust extended to strangers (often on the basis of expectations of behavior or a sense of shared norms); and 3) trust in the institutions of governance (including fairness of rules, official procedures, dispute resolution and resource allocation) (World Bank 2011).

Most of social capital research has measured social capital as generalized trust. The thin trust has been associated with inclusive networks and provision of collective good that is bridging social capital. Generalized trust of this nature is normative and related to morals and faith in strangers rather than to information, because people trust above and beyond what their rational calculations tell them is appropriate (Mansbridge 1999; Svendsen and Svendsen 2009).

Scholars have long emphasized the importance of trust to families, societies, organizations and countries (Coleman 1994; Fukuyama 1995; Putnam 1993; Stone 2001; Uphoff 2000; Majee 2007). Trust is developed through social interactions. Trust is a relational notion; it is generally developed among the people. Bryk and Schneider (2002) explain how relational trust develops: trust grows over time through exchanges where expectations held for others are validated in actions. Thus, trust can be interpersonal or can be viewed as an organizational resource. It means that there is trust among people and trust between people and institutions. Therefore, there is a need to explore whether individuals trust their workmates or whether they consider their business a place where people help each other and others in need.

Maintaining and enhancing the trust as one component of social capital depends critically on the ability of the members of a community to communicate among each other, and with other communities. If an area of low social capital is found to have poor

access to information and communication, a further inquiry into possible causality might be warranted. Increasing community social capital is widely viewed as one of the benefits of the deployment of information and communications technologies (Dudwick et al. 2006).

Increasing access to information is recognized as a central mechanism for helping poor communities strengthen their voice in matters that affect their well-being (Dudwick et al. 2006). In the social capital dimension, there is a need to explore the ways and means by which households receive and share information regarding such issues as the community at large, market conditions, and public services, as well as the extent of their access to communications infrastructure. Thus, it is necessary to investigate the inventory the existing communication sources, their actual and perceived reliability, veracity, availability, and the extent to which these sources are used in practice; the preferred local sources and channels of information; the informal sources of information exist in the community. It is necessary to know also whether communities with a high density of organizations and/or high levels of trust also display higher levels of collective action (Jones and Woolcock 2007).

Dobrohoczki (2006) said that the members and non-members cooperatives are more apt to trust cooperatives owing to their democratic structure and concern for community. Cooperatives are trusted as a means of supporting the local community and economy, fostering community development and sustaining employment. Cooperatives often market themselves as locally owned, community minded, and ethical alternatives. Cooperatives may be seen as empowering local communities vis-a-vis large corporations

since their decisions, unlike corporations, are made in quasi-public and democratic fashion.

Sociological treatise of trust discusses two types of trust: interpersonal trust and institutional trust. Interpersonal trust is the belief and expectancy that interacting parties have toward their partners that the partners will behave trustfully. Interpersonal trust can be divided into two categories: particular trust which refers to a private trust because it resides only in personally close relationships, and general trust which refers to the trust which operates in relationship with general social others (others in society or strangers one casually meets on the street). Institutional trust is the belief or trust of individuals place upon the various institutions such as police, government, banks, school authorities, etc. (Han and Choi 2012). This category also includes the trust of individuals with the cooperative institution.

Interpersonal trust encourages the joining of groups. It means the individuals who trust others tend to join more groups, and individuals who belong to more groups tend to trust others. The thick trust within family, kinship groups and networks of close friends, or bonding social capital, has been associated with the provisions of private goods, where excessive bonding leads to negative societal outcomes (Putnam 2000). Such particularized trust is link to information and experience with specific other people (Uslaner 2000) and ties in with economic concepts of rational trust (Patulny 2004).

Interpersonal trust is defined as the perception one has that other people will not do anything that will harm one's interest. There are two types of trustor, the low trustor and the high trustor. If an individual is a low trustor, he/she has the tendency not to trust others until there is clear evidence that they can be trusted. On the other hand the high

trustor is seen as more likely to be fooled. The high trustor has the degree of willingness to believe a stranger in absence of clear data (William n.d.).

Similar with Han and Choi, Fu (2004) in his study on the Relationship of Trust, Social Capital, and Organizational Effectiveness mentioned that the level of trust can be divided into individual level and collective level. On the individual level, people trust an individual to do something based on what they know of his/her disposition, ability, reputation and so forth not merely because he says he/she will do it. In addition, individuals consider the background, culture, and social system of another person when seeking to determine whether to trust him/her. It is the interconnectedness that suggests how building trust on the micro-level contributes to the determinant of a more abstract form of trust on the macro-level (Luhmann 1988). On the collective level, Fu quoted Dasgupta (1988) who said that if one does not trust an agency or organization with which the individual is affiliated, he/she will not trust that individual to fulfill an agreement.

Trust is enhanced when individuals are trustworthy, are networked with one another and are within institutions that reward honest behavior. Trust allows the trustor to take an action involving risk of loss if the trustee does not perform the reciprocating action (Walker and Ostrom 2009). Finally, trust acts as a lubricant that makes any group or organization run more efficiently (Fukuyama 1999).

The various forms of social capital contribute to successful collective action, almost always, by enhancing trust among the actors. Trust becomes a core link between social capital and collective action. This category explores whether and how household members have worked with others in their community on joint projects and/or in



response to a crisis. It also considers the consequences of violating community expectations regarding participation.

According to Powell (2011), in the context of leadership, trust appears at many levels such as the organizational or managerial, and manifested in terms of the frequency, and quality of interaction between employees and managers, or between officers and members of the organization. Trust is a basic element of functioning relationships in organizations. Employees in organizations create trustworthiness by their daily behaviour and actions. Feelings of insecurity appearing in workplaces may be often a reason for atmosphere-related problems such as teasing, conflicts, and disputes. Mental well-being is largely sustained by emotional support such as appreciation, respect, openness, and feedback.

Trust has been a frequently cited determinant of group performance. Trust increases the ability of group members to work together. Since work groups require that individuals work together, trust is expected to increase the performance of the group, both in terms of effectiveness and efficiency. Effectiveness is expected to be positively related to trust, as the latter may improve cooperation and the motivation to work jointly (Larson and LaFasto 1989; Dirks 1999).

Cooperation is frequently associated with trust – particularly when cooperation puts one at risk of being taken advantage of by a partner (Mayer et al. 1995). According to Dirks (1999) trust will positively affect two components of cooperation: coordination and helping. The ability to harmoniously combine actions (i.e., be coordinated) is likely to be contingent upon the extent to which individuals can depend upon their partners and can predict their partners' behaviors.

Since trust is an abstract concept therefore it is difficult to measure it in the context of a household questionnaire, in part because it may mean different things to different people. Jones and Woolcock (2007) further suggested related questions in elaborating this component of social capital like the definition of trust, the duration of people living in the community, how well do they know each other, have new groups recently entered the community, to what institutions (formal or informal) do people turn when they have individual or family problems, on whom do people rely for different kinds of assistance, how is trust distributed in the community, and do patterns of mistrust and suspicion exist between households or among groups.

According to Reece et al. (2011), trust is a complex emotion that combines three components: caring, competency, and commitment. When trust level in organization is low, the consequences are a culture of insecurity, high employee-turnover, marginal loyalty, and often damaged customer relations. Lack of trust is the most common and the most serious barrier to self-disclosure. Without trust, people usually fear revealing their feelings because the perceived risks of self-disclosure are too high. Therefore, when trust is present, people no longer feel as vulnerable in the presence of another person, and communication flows more freely. Based on the literature reviews, Fairholm (in Cheung and Wong 2007) found that "Under conditions of high trust, problem solving tends to be creative and productive. Under conditions of low trust, problem solving tends to be degenerative and ineffective".

Trust can be examined at different levels. Trust at the level of organizations refers to a collective commitment and cooperation in order to achieve organizational goals. At the individual level, trust affects the willingness to cooperate and to commit to

organizational changes. Trust is an essential element in constructive human relationships. It creates togetherness and gives people a feeling of security (Mishra and Morrissey 1990).

Tan and Tan (2000), as quoted by Puusa and Ulla (2006), said that organizational commitment and turnover intentions are the salient outcomes of trust in an organization. Commitment has commonly been characterized as the psychological strength of an individual's attachment to the organization (Maranto and Skelly 2003) or as the relative strength of an individual's identification with the organization and involvement in a particular organization.

Paine (2003) in his study on Trust in Organization mentioned that trust is a multi-dimensional concept. Trust dimensions include:

- 1) *Competence* means the belief that an organization has the ability to do what it says it will do. It includes the extent to which we see an organization as being effective; that it can compete and survive in the marketplace;
- 2) *Integrity* means the belief that an organization is fair and just;
- 3) *Dependability/Reliability* means the belief that an organization will do what it says it will do; that it acts consistently and dependably;
- 4) *Openness and Honesty* means it is not only the amount and accuracy of information that is shared, but also how sincerely and appropriately it is communicated;
- 5) *Vulnerability* means the organization's willingness, based on its culture and communication behaviors in relationships and transactions, to be appropriately vulnerable based on the belief that another individual, group, or organization is competent, open and honest, concerned, reliable, and identified with common goals, norms, and values;
- 6) *Concern for employees* includes the feelings of caring, empathy, tolerance and safety that are exhibited when we are vulnerable in business activities;
- 8) *Identification* measures the extent to which we hold common goals, norms, values and beliefs associated with our organization's culture. This dimension indicates how connected we feel to management and to co-workers;
- 9) *Control mutuality* means the degree to which parties agree on who has rightful power to influence one another;

10) *Satisfaction* means the extent to which one party feels favorably toward the other because positive expectations about the relationship are reinforced. Satisfaction can also occur when one party believes that the other party's relationship maintenance behaviors are positive;

11) *Commitment* means the extent to which one party believes the relationship is worth spending energy to maintain and promote. Two dimensions of commitment are continuance commitment, which refers to a certain line of action, and affective commitment, which is an emotional orientation.

Cheung and Wong (2007) in their study on the Trust Factors in Cooperative Contracting give a simple explanation for the bases of trust. They quoted Hartman (2003) who mentioned that there are three bases of trust that explain why people place their trust on another, namely: 1) the Competence Trust, 2) Integrity Trust, and 3) Intuitive Trust. In detail they said that Competence Trust is based on the perception of other's ability to perform the required work. It can be gained by observable proofs like track record, experience or connections with professional bodies. Integrity Trust is based on perception of other's willingness to protect the interest of their counterparts. The level of integrity trust is highly affected by the values, morals, ethics, and cultural backgrounds of the parties. Therefore, open communication is critical to enhance or gain partner's Integrity Trust. However, the Intuitive Trust or Emotional trust is founded upon the party's prejudice, biases or other personal feelings towards the counterparts. Intuitive Trust is the perception which is hardly affected by the instant performance of the parties but the long term relationships among them. Therefore, "the presence of conflict in a community or in a larger area is often an indicator of the lack of trust or the lack of appropriate structural social capital to resolve conflicts, or both" (Grootaert et al. 2003).

In this study, the researcher wanted to study the effects of trust which prevail in the relationship among the members of cooperative and trust of the members with the

cooperative organization when they are working together to achieve their purposes through the business entrepreneur.

### **Social Capital and Cooperatives**

Social capital, which consists of social networks among individuals and the norms of reciprocity and trustworthiness, is a vital component within a cooperative to ensure coordinated and cooperative actions (Putnam 2000). When people start to establish a cooperative, there is a network, commitment and cooperation based on mutual trust among the members.

The word ‘cooperative’ is derived from the French word ‘cooperari’ which means to work; from ‘opus’, ‘operis’, work which delineates the concept of “working together”. The social concept shows a process of working together and thinking together to achieve and enjoy the best of life. Therefore, cooperative is the dynamic form of business enterprise that embodies the philosophy of cooperation (Onagan et al. 1977). A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

A cooperative is both an association and a business. The members of a cooperative are at the same time customers and /or suppliers, and/or employees, and owners of the cooperative. Cooperatives exist in all sectors of the economy. Cooperatives can be classified in two categories: those offering services to their members (credit unions, customer cooperatives, housing cooperatives, agricultural cooperative, etc.) and

those whose aim is to provide jobs for their members, the worker cooperatives (producer cooperatives and labor cooperatives).

Cooperatives promote interaction of members to use their knowledge in order to achieve the objectives of their cooperative. These processes help to build more trust among the members of cooperatives, between members and their customers which in turn strengthens the business. Therefore, social capital is essential in cooperatives, and cooperatives create social capital that could be used as a tool by the cooperators.

Social capital can help enable and sustain collective action among potential members and community to establish a cooperative. Social capital can help to enhance the trust on the decision of the product quality. This is one of the organizational advantages of cooperatives with the superior communication and information flow. Social capital can contribute to the economic performance or as the critical factor in business activities and source for the success of the cooperatives (Hong and Sporleder n.d.).

The significant roles of social capital are essential in cooperative. Ramos-Pinto (2006) cited that social capital provides access to resources that can be activated for cooperative action. If groups work together easily and productively, they will have the capacity to manage conflicts and tensions as they arise and open to criticism, new ideas, and new entrants. Further, he indicated the positive effects of social capital on cooperatives such as network development, identity and sense of belonging, increase of knowledge or understanding, increase of confidence in community, capacity to achieve goals, community resilience, satisfactory locus of control, and conflict resolution (Ramos-Pinto 2006).

Due to the involvement of varieties of individuals, groups, organizations and communities in cooperatives, there should be participation among the involved sectors. It is a continuum process that involves members in all stages from planning, decision making, execution, supervision, to evaluation and sharing interests (Agahi and Karami 2012).

Cooperatives as community based entrepreneurs focus on promoting members' participation in economic and social opportunities. The participation of members to support the cooperative is meaningful for the success of programs, and also will bring the impact for the members themselves. The concept of participation in cooperative among its members is essential. It is one of the defining features of cooperative societies, and constitutes the Rochdale Principle in the ICA's (International Cooperative Alliance) Statement on the Cooperative Identity.

People participation in cooperative could be seen through the increasing number and business volume of the cooperative itself as seen in Indonesia. According to the data released by the Department of Cooperatives and Small and Medium Enterprises in 2014, at the national level there were 209,488 units of cooperatives with a total membership of 36,443,395; business volume of 189,858,671.87 Million Rupiahs (US\$15,038.31 Million) and net income of 14,898,647.12 Million Rupiahs (US\$1,180.09 Million). There were 147,249 units (70%) which can be categorized as active cooperatives and 62,239 (30%) as passive cooperatives. In 2013, at the national level there were 203,701 units of cooperatives with a total membership of 35,258,176; business volume of 125,584,976.19 Million Rupiahs (US\$9,947.32 Million) and net income of 8,110,179.69 Million Rupiahs (US\$642.39 Million). However, based on this data, the government and community

leaders still need to improve the membership participation since only 143,117 units (70%) can be categorized as active cooperatives, and the rest of 60,584 units (30%) are passive cooperatives.

The distribution of cooperatives at the national level and North Sumatra Province, Indonesia in 2010, 2013 and 2014 is depicted in Tables 1 and 2.

Table 1. Distribution of cooperatives at the national level

<b>YEAR</b>	<b>TOTAL</b>	<b>ACTIVE</b>	<b>PASSIVE</b>	<b>MEMBERS</b>	<b>BUSINESS VOLUME</b> (IDR. Million)	<b>NET INCOME</b> (IDR. Million)
2014	209,488	147,249 (70.29%)	62,239 (29.71%)	36,443,395	189,858,671.87 (US\$15,038.31 Million)	14,898,647.12 (US\$1,180.09 Million)
2013	203,701	143,117 (70.26%)	60,584 (29.74%)	35,258,176	125,584,976.19 (US\$10,465.41 Million)	8,110,179.69 (US\$675.85 Million)
2010	177,482	124,855 (70.35%)	52,627 (29.65%)	30,461,121	76,822,082.40 (US\$6,401.84 Million)	5,622,164.24 (US\$468.51 Million)

Data were tabulated from the data released by Department of Cooperatives and Small & Medium Enterprises

Table 2. Distribution of cooperatives in North Sumatra Province, Indonesia

<b>YEAR</b>	<b>TOTAL</b>	<b>ACTIVE</b>	<b>PASSIVE</b>	<b>MEMBERS</b>	<b>BUSINESS VOLUME</b> (IDR. Million)	<b>NET INCOME</b> (IDR. Million)
2014	12,286	6,708 (54.60%)	5,578 (45.40%)	2,116,386	5,048,516.27 (US\$ 399.88 Million)	500,512.93 (US\$ 39.64 Million)
2013	11,754	6,678 (56.81%)	5,076 (43.19%)	2,097,344	4,233,117.84 (US\$ 352.76 Million)	373,120.63 (US\$ 31.09 Million)
2010	10,622	6,222 (58.58%)	4,400 (41.42%)	2,084,117	3,509,931.55 (US\$ 292.49 Million)	266,586.77 (US\$ 22.22 Million)

Data were tabulated from the data released by Department of Cooperatives and Small & Medium Enterprises

Cooperatives bring people together to meet a shared need through operation of a democratically control business likes savings and loan, marketing, supply, and insurance, etc. by which at the same time provide training and educating the members, and creating employment opportunity. Hong and Sporleder (n.d.) in their study on agricultural



cooperatives come concluded that cooperatives may create social capital among their members at a greater rate than among shareholders of investor owned firms (IOF). The amount of social capital within the cooperative organization theoretically will enhance economic efficiency and enhance long term success.

According to the ICA statement of cooperative identity, values and principles, cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, members of Cooperative believe in the ethical values of honesty, openness, social responsibility and caring for others. There are seven principles of cooperative: 1) Voluntary and open membership, 2) Democratic member control, 3) Member economic participation, 4) Autonomy and independence, 5) Education, training and information, 6) Cooperation among Cooperatives, and 7) Concern for Community (ICA, <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>).

The principle of 'self-help' was founded by Rochdale. The members are aware of their individual limitations and weaknesses, but they also know that by pooling their strength together they can achieve their goal (Onagan et al. 1997). Cooperatives are democracies and such depend on the active participation of all constituents. The most important obligation of members is participation in the governance of the cooperative. They are responsible for establishing the purpose of the cooperative and defining how those goals should be achieved. They approve the articles of incorporation; approve the bylaws, which establish the board rules for operating the cooperative.

Cooperatives as business entrepreneurs have created social capital which improves access or accumulate other forms of capital. Cooperatives bring people together

to meet a shared need through operation of a democratically controlled business through training and educating the members, and creating employment opportunity. Cooperatives also promote the interaction of the members to use their knowledge in order to achieve the objectives of their cooperative. These processes will help to build more trust among the members of Cooperative and between members and their customers which in turn strengthens the business (Majee 2007).

Cooperatives provide education and training for their members, elected representatives, manager, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of cooperation. Cooperatives have special communication and education for needs because of their unique ownership and governances structures. Communication within cooperatives must be continuous and effective and involve all agents (members, board, management and employees) (Zeuli and Cropp 2004).

According to ICA (n.d), a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. The members of Cooperative unite themselves based on mutual trust between members, and cooperation. These values are put into practice.

The willingness of people to cooperate and trust is a fundamental building block in a cooperative development strategy. Communities with established networks and relationships (civic communities) build trust and make organizing efforts easier (Tolbert et al. 2002).

“The cooperative spirit is widely accepted as the main force of the cooperative” (Dnes and Foxall 1981). This can be interpreted as the cooperative’s social capital. A set of resources in the cooperative such as values, norms, trust and loyalty that are accumulated over time through social relationships will facilitates the completion of goals (Gabbay and Leenders 2001).

The strength of a cooperative lies in its ability to cultivate a feeling of trust and confidence among its members in a strong commitment. This is the cooperative spirit. When we looked back to the birth of the cooperative, early cooperatives were designed based on the power of collective actions of the economically weak. They operated under the Cooperative Principles of trust and reciprocity among members to maintain collective actions. Although, they might have not known the concept of social capital, they used a similar concept. From the days of the Rochdale Equitable Pioneers Society, they had tried to enhance the cooperative spirit among members through education and training (Luangsangthong and Zhang 2013).

The studies of many scholars as mentioned above show the essential relationship of social capital and cooperatives as a community-based organization that promotes community development in terms of economics and social opportunities. As members of Cooperative unite themselves based on mutual trust and principle of cooperation to achieve the objectives of the organization, they establish networks and norms based on ethical values of honesty, openness, social responsibility, and caring for others.

## **Relationship of Cooperative and Community Development**

A cooperative as a business organization owned and managed by the members for their mutual benefit therefore empowers people to improve their quality of life and enhance their economic opportunities through self-help programs. Since a cooperative applies the democracy system in its governance, it will allow the member-owners to maximize their understanding and involvement in their business.

According to Fajardo and Abella (1997), a cooperative denotes a democratic and voluntary association of individuals with a common bond of interests who join together and pool their resources in order to provide themselves with essential goods and services at cost. In the relationship between cooperative and community development, they noticed that community development at the same time also emphasize working together to attain a common objective. People in the community organize themselves under their own free will and work as a team to solve the problems of their community, and thus create a more desirable place for them and their children. It means that the purpose of community development is to produce assets that may be used to improve the community.

Meanwhile, Zeuli (2002) emphasized the relationship of cooperative and community development as he said that a cooperative is more likely to be interested in promoting community growth than an investor-owned firm controlled by non-local investors. Cooperatives offer a way for a group of individuals to pool their limited resources to achieve a critical mass. Cooperatives combine people, resources, and capital

into larger, more viable and economically competitive units. With local ownership and control, and net profits distributed to those who use the cooperative.

The development of community itself was the main purpose of cooperative and community development programs. Fajardo and Abella (1997) in their study on cooperatives in the Philippines mentioned that the ultimate social objective of a cooperative is community building. This is the same with community development. Both use the principles of self-help. Both also depend on cooperation and team-work in attaining their goals. Cooperatives are primarily concerned with the development of human resources. The same is true with community development. Both consider man as the most important resource and factor of development. Further, they said that the role of cooperative in community development was that the cooperative has been developing its officers and members with proper values and skills necessary for them to perform their duties and responsibilities not only to their cooperative but more important to their community.

The cooperatives have the potential as the vehicles for community development since they can solve local problems by mobilizing local resources into a critical mass. The cooperatives can keep profits and responsibility in the hands of local citizens or members of Cooperative. Zeuli et al. (2013) said that the structure or the very nature of cooperative makes them more community-oriented because they can pursue different objectives than purely profit-oriented firms. The cooperatives and community development both emphasize the roles of community members in solving their problems through mobilizing the local resources.

Concern for the community is one of among the seven cooperative principles. Therefore, community development is implicit in this principle which states that cooperatives work for the sustainable development of their communities through policies approved by their members. Community development involves people and the engagement of the local community. According to Milagres et al. (2014), the main characteristics of cooperatives, i.e. being a company collectively owned and democratically managed where free admission and "we" prevail in a participatory way in building the common good resemble community development.

The concern for the community is what will sustain the cooperative in the future and what will guide the management of its different social, political, cultural, and economic systems. Therefore, the cooperatives could be an important institution in promoting social participation of those involved in the community in order to drive their actions and decisions and promote community development (Milagres et al. 2014).

Community development is a participatory process that involves people and organizations in a joint action that aims to improve the living conditions of the community. Partnership and joint work are essential and can give great support to the community. Compared with the cooperative as community-based organization, it will expand the ability of groups to participate in, negotiate with, influence, control, and hold accountable the institutions that affect their lives. Hoyt (2004) cited that empowerment will be achieved when community members work together and learn that they can rely on themselves and on their ability to act collectively to improve their personal circumstances and the well-being of their community.

Based on the analysis of the relationship between the cooperative and community development as mentioned above, the similarity of the objectives these two programs for development of community can be emphasized. When people work together in a cooperative, they build up community identity, establish community norms, learn to trust each other, and commit to providing benefits for each other. The cooperative programs will enhance the trust and networks among the members. The community development workers could apply the cooperative as a program in doing community development. Community development emphasizes self-help, mutual support, and the building up of neighborhood integration and these principles are similar with the values of cooperatives.

### **Relationship of Cooperative, Social Capital and Church Programs**

In church perspective, the cooperative programs began with individual stewardship. Stewardship encompasses all life. Caring for other's burden is a fulfilment of the law of Christ as mentioned in Galatians 6:2 says: "Carry each other's burdens, and in this way you will fulfill the law of Christ" (NIV). Christians are to bear one another's burdens. This obliges mutual forbearance and compassion towards each other, agreeably to His example. It requires us to bear one another's burdens, as fellow-travellers. Another Biblical passage also emphasized that every Christian should consider loving and act in good deed, also to make relationship through fellowship as it says: "Let us consider how we may spur one another on toward love and good deeds. Let us not give up meeting together, as some are in the habit of doing, but let us encourage one another--and all the more as you see the Day approaching" (Hebrew 10: 24-25 NIV).

Because the church's members do not have equal abilities or access to the resources, therefore the strong must help the weak. A basic role of the church is to call for community development and urge its members to support citizens' efforts that are designed to improve the educational, health, political and the religious systems, so that the strong and the weak are equally benefitted (Mueller 1971).

One way for the welfare of the public (including citizens/people of the church) is through the cooperative. The church uses business cooperatives as one of the nation's pillars of the Indonesian economy to help social and economic well-being of church members since the programs promote the values of togetherness, the spirit of mutual aid, helping the weak or small groups, etc. Shaffer and Marcouiller (2006) said that cooperatives have proven able to survive in the midst of world economic crisis that has ravaged the economy of a country. Cooperatives really emphasize economic justice and are in line with the principles in the Bible.

Cnaan et al. (2003) mentioned that the desire to help others in need is not instinctive but a norm that one acquires through socialization and observation (Keith-Lucas 1972) but it is a religious teaching. All major religions emphasize collective responsibility for the welfare of others and for social justice. One example that can be discussed is the Christianity's mandate to help others as illustrated in the parable of the "Good Samaritan." Wuthnow (1991) as cited by Cnaan et al. (2003) mentioned that most Christians who are engaged in helping others know the parable of Good Samaritan.

The church applies business cooperatives to help the church members in the economic aspect, and at the same time as the way to organize social relationship for the development of the church community. Therefore, the roles of the churches in terms of



community development are for improving the performance of the social systems as a motivational force that moves its members into the citizens' community. It means that the church gives the motivation to its members to support the citizens' efforts to enhance community development.

Kramnick (1997) mentioned that churches have never been purely religious bodies, rather they have traditionally been centers of civic life and prime centers for volunteering. Churches have also given the contribution to community development and there is a long association between religion and social reform.

Coleman in his study on religion in the United States stated that religion generates more social capital than any another American institutions. Further, he mentioned that churches especially local congregations are major sites for the generation of social capital (Coleman 2003; Markeson and Deller 2015).

Faith communities can help those working for regeneration, social inclusion or sustainable development to reach out to many of those who could be defined as "hard to reach" (Northwest Development Agency 2003). On the other hand, religion can be an expression of "negative social capital" but it may also prompt much more positive outcomes (Furbey et al. 2006).

Cnaan et al. (2003), in their study on the Congregational Norm of Community Involvement said that the church is the source of human and social capital. They quoted Coleman (1990) who said that the two critical elements for social capital to be effective are high level of trust among members of the systems and the extent of obligations held. People attend congregations as a manifestation of a religious commitment. They choose the congregation carefully and trust its clergy and members.

Religion disproportionately generates social capital and holds considerable democratic potential. Religion's contribution to democracy is not limited simply to its more communitarian vision. It also provides civic skills among those who participate in its structures (Coleman 2003). The roles of the churches in social capital are implemented in providing a vehicle for social integration and a voice for marginalized groups, provide opportunities to develop civic values and civic skills, and generate trust within communities through beliefs, customs and obligations.

### **Performance Indicators of Cooperatives**

A cooperative as a community-based organization is an association of persons who voluntarily cooperate for their mutual social, economic, and cultural benefits. A cooperative is a legal entity owned and democratically controlled by its members. Harsoyo (2003) mentioned that a cooperative could be categorized as "a healthy cooperative" when there is high level of awareness on cooperative among each member, constitution and by-laws implemented, the magnitude of members and officers who attend regular meetings is high. Cooperative organizing is based on human, openness, honesty and justice, cooperative education programs implemented, resolving conflicts constructively and the cooperative can live independently.

Mellor (2009), in his study supported by United States Overseas Cooperative Development Council (OCDC) and United States Agency for International Development (USAID) on measuring the success cooperatives, found out the criteria as follows: 1) sound business practices; 2) strong membership participation; 3) support of cooperative

apex organizations or efficient apex organizations that provide oversight and services; and 4) facilitating economic environment.

### **Sound Business Practices**

The design criteria of sound business practices consist of three broad categories: 1) financial profitability and performance, 2) financial stability; and 3) financial management (Mellor 2009). Further, Mellor explained that the performance of financial management is the indicator of prudent management and how the members participate in cooperative activities. Therefore, management training is important to ensure good performance, appropriate planning should address business goals with measurable targets and outcomes, leadership, and risk analysis.

Financial profitability and performance could be analyzed through measuring business success of cooperatives which refers to better prices of products or service for the members. Three measures are used to determine profitability and performance, first, gross sales or other measure of the size of the business. It means growth is a prime indicator of success. Second is gross expenses (the difference between sales and expenses is calculated as a measure of profit), and third is the total administrative/operating cost (calculated as a percent of sales and as change over time) (Mellor 2009).

The cooperative achievement in terms of financial stability, according to Mellor (2009), is not only in terms of profitability and efficiency, but also have staying power, particularly to get through hard times. Therefore, there is a need to analyze the aspects of cooperative regarding its total assets, total debts and total equity, and the total reserves

that will indicate “increase” or “decrease”. It can be compared with the rate of inflation in a specific time.

Aside from measuring the total assets (physical and financial), the members and management of a cooperative also have to analyze the debt and equity. Equity means debt subtracted from assets. Equity should be growing over time as a primary means of ensuring the cooperative’s sustainability. Declining equity per member can be a worrisome sign. The effectiveness of financial management of cooperative could be accessed through a dedicated bank account for all funds, and monitoring of that account; outside auditors review the finances once a year; members actively engage in ensuring and reviewing an outside audit.

The Food and Agriculture Organization (FAO) in their study on rural women's cooperative businesses in Thailand concluded that the criteria for successful cooperative in business are as follows: 1) Cooperation among group members; 2) Sharing of work and responsibility; 3) Sharing of information; 4) Maintenance of books/accounts; 5) Sharing of accounts/information with members (transparency); 6) Team spirit: interaction among group members with common purpose; and 7) Business, group management and networking ability in leader (Premchander and Prameela2004).

### **Strong Membership Participation**

One of the variables considered in this study is strong membership participation in the cooperative. In most of social science studies, membership participation is called as “community participation”. Paul (1987) as quoted by Budijanto (2009) defined

participation as an active process by which beneficiaries “influence” the direction and execution of a development project with a view to enhancing well-being in terms of income, personal growth, self-reliance or other values which are cherished. Cohen and Uphoff (1976) defined participation as people's 'involvement' in decision-making processes, in implementing programs, in sharing the benefits, and in efforts to evaluate the programs (Budijanto 2009).

Membership participation and governance are clear indicators of a cooperative's long-term business success as well as how it meets its social objectives. In most of the cases of cooperative failure, many studies have found out the indicators such as the system or management are taken over by the government bureaucrats, political operatives, or a small insider group of the members. The lack of an active membership causes the cooperative to lose not only inclusiveness and democratization but also members' input into efficient operation. The distinguishing feature of a cooperative is members taking an active role in setting the direction of the cooperative. Even the technical aspects of the business have to be handled by a professional manager, but members can determine the basic objectives and strategy of the cooperative.

Osterberg et al. (2009) stated that membership participation, commitment and members' loyalty are important, complex and sensitive issues in the development and progress of cooperatives. Members of Cooperative's commitment and their trust towards their directors are influenced by their economic background, age, and experience in the cooperative.

Participation of members in cooperative affairs can be encouraged with the establishment of an environment and instruments enabling members to express

themselves involved in cooperative affairs. Participation is fundamental for the cooperative's full existence and fulfillment of its mission. Participation contributes towards democratic management of the organization, better supervision and consequent strength and alignment of its internal interest and points to the fulfillment of the member's expectations (Banco Central Do Brasil 2008).

To foster and perpetuate democratic ownership and control, cooperatives have built certain features into their operations such as holding of regular public meetings, and all aspects of the business are open for consideration. Special committees, such as those for supervision and member education have to ensure that there is openness in all matters dealing with the operation of the enterprise and that the participatory skills of members are enhanced (Shaffer 1999).

The active participation of members is possible under the following circumstances, which could be considered as training subjects: 1) democratic structure of members' organization, 2) individual delegation in the cooperative area, 3) election with the exclusive rights of members to propose candidate in their respective cooperative area, 4) regular communication among members of the advisory council, 5) regular information meeting for all members, 6) qualified members counselling by adviser, 7) realization of the corporate identity. These items will guarantee the members' participation in decision-making even in large cooperatives, and it will justify the continuation of the cooperative system (Hunek 1994).

Membership growth is a sign of successful cooperatives. Active participation of women contributes to gender balance and desirable social and economic outcomes. According to Mellor (2009), experiences in many countries have shown that encouraging

the youth to participate in cooperative has increased since there is often a trend in cooperative to be led and managed by an older generation of members. By attracting and developing the skills and experiences of younger members, cooperatives now are trying to ensure a future generation of capable managers.

Active members' involvement in selection of the board ensures better operation of the cooperative by drawing on members' knowledge. This is one of the most basic measures of democratization. A high activity level of members is important to the health of the cooperative. Creating education opportunities for the members contributes to the success of cooperative businesses. Members' involvement, autonomy from government interference, appropriate division of board and staff roles and responsibilities are all important governance principles.

### **Support of Cooperative Apex Organizations**

Cooperatives require a specific legal framework that facilitates their operation. To understand this need for a cooperative-related legal framework and how to fulfill it requires an apex organization. Initially, this function maybe filled by a government, either national or foreign, but in the long run, an apex organization is needed not only to ensure that a legal framework is provided, but also to deal with updating and reformation of the framework (Mellor 2009).

An "apex organization" means a society formed by primary or secondary societies or by both primary and secondary societies to carry out the functions of cooperatives. Typically, it facilitates and coordinates cooperative development in the country. In

Indonesian, the government helps the cooperative movement and organization through the Department of Cooperatives and SMEs. This department helps the cooperatives in the society as a partner through providing training and small capital. In the Philippines, the importance of an effective cooperative enabling environment is demonstrated through a unique partnership between a cooperative governmental body, a multi-national corporation and an international non-governmental agency. The Philippine government agency, the Cooperative Development Authority (CDA), participates to improve the regulatory functions through the development of a nationwide Cooperative Information System (CIS).

According to Mellor (2009) there are three commonly recognized types of apex organizations: the central, national, multi-sector cooperative organization recognized as a national representative of the cooperative movement. These organizations may be at the top of a four- or three-tier cooperative structure and usually are members of international organizations such as ICA. The national cooperative organization represents a specific category of cooperatives whose membership is countrywide. These specialized national organizations usually are formed by primary cooperatives joining a nationwide cooperative union. The national cooperative organization provides a specialized economic service.

Mellor (2009) stressed that ideally apex organizations would provide four sets of services such as to strengthen management, including strong measures to prevent failure, namely: 1) organize appeals to government, 2) provide economies of scale, such as leveraging collective buying power to make equipment, insurance or other products affordable, and 3) facilitate access to large-scale capital markets. However, there are



examples of successful widespread systems that evolved different levels of management without a formal apex organization, such as the Grameen Bank in Bangladesh and the Kaira District Milk Cooperative, which became the massive Amul Dairy Cooperative of India.

Mellor (2009) in his study of successful cooperatives realized that the successful ones are those which often develop training programs for their members and boards. “This is a critical first step toward transparent management, reduction of fraud and outright stealing of cooperative funds. Through this training, boards gain understanding of accounting principles, the division of responsibility between the board and the manager, and principles for creating active member participation for the long-term stability of cooperative”. However, in this study the researcher sees one possible indicator of successful cooperative that is the ability to assist a new cooperative. Cooperative Development Institute (CDI) Madison (1994) stated as one of its principles: “Successful, established cooperatives should assist emerging cooperatives to develop. New and emerging cooperatives should be encouraged to communicate with and learn from successful cooperatives”. The result could be seen through the programs offered to train other cooperatives’ boards or members inside or outside the cooperative office.

### **Facilitating Economic Environment**

Cooperatives are unique compared with other business models since they have shown that in a time of crisis the cooperatives are the source of stability and resilience. This is primarily due to the fact that cooperatives are structured around socially inclusive principles and their potential to empower vulnerable groups. “Cooperatives provide an

important channel for bridging market values and human values” (Cassidy 2013). Members have relationship with their cooperative’s lines of business which can be beneficial to the organization. Effective services become decisive to achieving greater efficiency and applying scientifically validated production and marketing practices as well as management practices.

Mellor (2009) said that cooperatives demonstrated business environment in several ways such as: (1) line of business growth which means that a cooperative will be in a line of business that is growing rapidly, has minimal fluctuations, and modest competition. Therefore, even there is a high competition with others business entrepreneurs, the leaders and members of cooperative have to make endeavor to see opportunities with wide margins, (2) the members’ lines of business means that members in a cooperative should derive income from activities that are growing and have increasing returns, (3) the condition of infrastructure means that in order to achieve success, cooperatives need good roads, electricity, and high technology communication such as internet access, (4) access to business services means access to a variety of business services including research, financial, management, or other forms of technical support. Thus, the access to a variety of business services including research, financial, management, or other forms of technical support is critical for the sustainability of cooperatives.

## Theoretical Framework

The effects of social capital on performance of church-based cooperative in Pematangsiantar City, North Sumatra, Indonesia can be analyzed from the perspectives of the Social Capital Theory since this theory emphasizes the significant roles of cooperation, trust, values and networks as the capital in the community.

Social Capital Theory which emerged in the 1990s reflects that communities with high levels of social participation and strong social bonds will prosper and provide a positive environment in which individuals and families can thrive. The notion of social capital has been developed by Bourdieu (1986), Granovetter (1973), Coleman (1988) and Putnam (1993, 2000) and Midgley (2014).

Bourdieu and Coleman are the founding theorists of Social Capital because they introduced the term social capital systematically for the first time. Although they did so nearly and simultaneously, they introduced the term independently of each other (Hauberer 2011).

Social Capital Theory emphasizes the importance of social relationships rather than individual experience in community life. The strengths of communities do not reside in the capabilities of individual community members but in the intensity and durability of social networks established between these members. This relationship is called bonding tie. The relationship of community members with the people beyond the community boundaries is called bridging tie. This relationship also plays a vital role in promoting social and economic well-being (Midgley 2014). Every kind of social capital depends on

the stability of the social structure or the relations. Disruptions in social organizations or social relations destroy social capital.

Putnam developed his concept of social capital following Coleman's idea. His main idea is that social networks contain value for individuals. Physical, human, and social capital influences the productivity of an individual and groups. Physical capital remains in physical objects, human capital is a property of individual and social capital inheres in relation among individuals (Putnam 2000).

The relations between individuals form social networks, norms of reciprocity and trustworthiness (Putnam 2000). These characteristics of social life are social capital. They allow the participants to act together more effectively to reach collective goals (Putnam 1996). Achievement of collective goals desired by people who trust each other follows the norms and links by networks. Adler and Kwon (2001) said that links with the organizations that enhance cohesiveness and facilitate the pursuit of collective goals can appropriately be described as social capital. Jackman and Miller (1998) added that participation in social organization brings the members to cooperative norms.

According to Putnam, societal quality is highest if a tightly-knit network of reciprocal social relationship exists (Putnam 2000; Hauberer 2011). Putnam in his book entitled "Bowling Alone" stated that core idea of the social capital theory is that social networks have value. Social contacts affect the productivity of individuals and groups. Social capital refers to connection among individuals. It means, the connection among individual's social networks and the norms of reciprocity and trustworthiness that arise from them was called as social capital (Putnam 2000). A key notion is that social capital exists only within relationships (Fukuyama 1999).

All definitions of social capital are based on the principle that social capital provides advantages to those who have access to it. For Putnam, social capital refers to the features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit (Putnam 2000). Therefore, based on his theory, it can be concluded that the central thesis of Social Capital Theory can be summed up in two words: relationships matter. By making connections with one another, and keeping them over time, people are able to work together to achieve things they either could not achieve by themselves. Field (2008) said that people connect through a series of networks and they tend to share common values with other members of these networks; to the extent that these networks constitute a resource, they may be seen as forming a kind of capital.

In this study, social capital would mean social networks, cooperative norms, and trust inherent in the social structure of church based cooperatives. These components could enable the members of cooperatives to do cooperation and coordination in order to achieve the goals and objectives of the cooperatives. These social capital components will be analyzed on how to bring the effect in the performance of church based cooperative in the study area.

### **Conceptual Framework**

In analyzing social capital as a community asset (capital), it can be said that communities with high levels of social participation and strong social bonds will prosper and provide a positive environment for each community member. The social capital

theory emphasizes the importance of social relationships in terms of participation, communication or social contact which influence the productivity of individuals and groups. In terms of the social networks, Grootaert and Bastelaer (2002) categorized social capital in terms of bonding, bridging, and linking types, which are based on functions that social capital works inside one community or between several organizations and/or individuals in different. However, according to Woolcook (1998), linking capital is a tie between people in communities and their local organization.

Achievement of collective goals is the desire of people who trust each other. Community improvement will happen when members initiated the plan and work together cooperatively and inclusively.

Community development as a process for developing and enhancing the ability to act collectively will produce the collective action, and the action for improvement quality performance in the form of physical, environmental, cultural, social, political, economic, etc. It means, societal quality is high if tightly-knit networks of reciprocal social relationships exist.

In this study, the socio-economic characteristics of the members of the Cooperative such as age, sex, educational attainment, civil status, native in the area, occupation, monthly income, monthly expenses, number of children in nuclear family, physical assets such as house ownership and number of vehicles owned by the family, duration as cooperative member, and training on cooperative, position in the church structure, and attendance in worship services were the independent variables. These variables could affect the members' social networks, norms and trust that will bring the

impact into the performance of church based cooperatives in achieving their goals and objectives.

The relationship between social capital with quality performance of church based cooperatives to achieve the objectives was measured based on the criteria like the sound business practices, strong membership participation, support of cooperative apex organizations or efficient apex organizations that provide oversight and services, and facilitating economic environment.

The study analyzed the Cooperative's performance as affected by the quality of networks which apply the social norms, and the trust and reciprocity among the members of the Cooperative, and also the relationship between members and cooperative organization. These were used as the indicators to strengthen the Cooperative. The findings might be useful for the next research and may be for the cooperators who want to apply this type of organization in addressing the problems of the community.

The conceptual framework of the study is depicted in Figure 1.

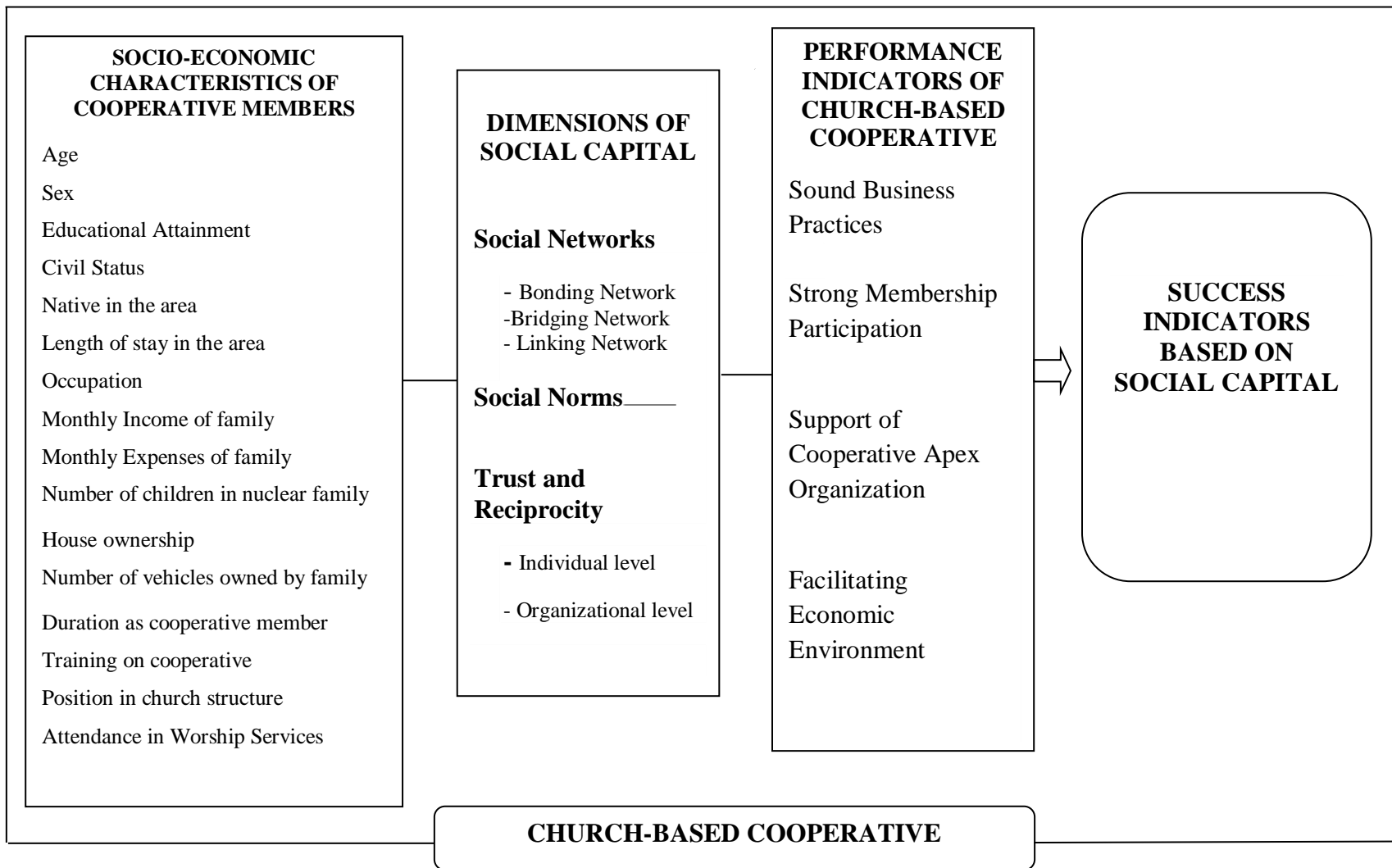


Figure 1. Conceptual framework on the effects of social capital on the performance of a church-based cooperative in Pematangsiantar City, North Sumatra Province, Indonesia



## Operational Definition of Terms

In this study, the socio-economic characteristics of members of the Cooperative and social capital components were considered the independent variables. Meanwhile, the performance of the church-based cooperative measured in terms of the success indicators were the dependent variables. In elaborating the relationship between these two sets of variables, the following are the operational definitions of the terms used in the study:

### **Socio-economic Characteristics**

**Age** refers to the number of years the respondents have lived at the time of interview. This was categorized as early adult (20-39 years), middle age (40-59 years), and old age (60 years and older).

**Sex** refers to the respondents distinguished as male or female.

**Educational attainment** refers to the respondents' formal schooling. This was classified into elementary level, elementary graduate, high school level, high school graduate, college level, college graduate, master's level, master's graduate, PhD level, and PhD graduate.

**Civil status** refers to the marital status of the respondents categorized as single, married, and widow/widower.

**Occupation** refers to the respondents' main source of income or the main economic activities engaged with.

**Monthly income** refers to monthly households' income in Indonesian currency converted into US\$.

**Monthly expenses** refer to the monthly households' income minus the expenses per month.

**Number of children in the nuclear family** refers to number of sons and/or daughters who are still under the parents' responsibility for their daily needs.

**House ownership** refers to the ownership status of the house occupied by the respondents which could be owned or rented.

**Type of transportation** refers to transportation mode usually used by the respondents in attending the activities related to the cooperative programs.

**Training on cooperative** refers to the programs or courses attended by the respondents designed to equip the members specifically for cooperatives, social enterprises in terms of organizing, management, and values and principles of the cooperative.

**Position in church** refers to the structural position in the church in doing ministries such as pastor, elder, deacon, evangelist, member of church council, member of men's choir, member of women's choir, or regular church member.

**Participation in church programs** refers to involvement in the church programs such as Sunday worship services and other regular services in the church. This also

includes attendance in the family worship service usually held weekly in the house of church members.

### **Social Capital Components**

**Bonding network** refers to the quality and quantity of relationship among members of the Cooperative with the closer people such as the family members or close friends in doing the Cooperative's programs which are characterized by strong bonds. Using a 5-point Likert scale, the respondents chose their responses as "Strongly Agree" earning 5 points; "Agree" – 4 points; "Neither Agree nor Disagree" – 3 points; "Disagree" – 2 points; and "Strongly Disagree" – 1 point. These were also measured by computing the composite overall scores classified as to "1.00 to 1.80 - Very weak bonding network"; "1.81 to 2.60 – Weak bonding network"; "2.61 to 3.40 - Moderate bonding network"; "3.41 to 4.20 –"Strong bonding network"; and "4.21 to 5.00 - Very strong bonding network".

**Bridging network** refers to more distant connections between members and officers in doing the Cooperative's programs. Using a 5-point Likert scale, the respondents chose their responses as "Strongly Agree" earning 5 points; "Agree" – 4 points; "Neither Agree nor Disagree" – 3 points; "Disagree" – 2 points; and "Strongly Disagree" – 1 point. This was also measured by computing the composite overall score classified as to "1.00 to 1.80 - Very weak bridging network"; "1.81 to 2.60 – Weak bridging network"; "2.61 to 3.40 - Moderate bridging network"; "3.41 to 4.20 –"Strong bridging network"; and "4.21 to 5.00 - Very strong bridging network".

**Linking network** refers to the quality and quantity of relationship among the people in positions of power or the relations between those within a hierarchy in different levels in the Cooperative. Using a 5-point Likert scale, the respondents chose their responses as “Strongly Agree” earning 5 points; “Agree” – 4 points; “Neither Agree nor Disagree” – 3 points; “Disagree” – 2 points; and “Strongly Disagree” – 1 point. These were also measured by computing the composite overall scores classified as to “1.00 to 1.80 –“Very weak linking network”; “1.81 to 2.60 –“Weak linking network”; “2.61 to 3.40 –“Moderate linking network”; “3.41 to 4.20 – “Strong linking network”; and “4.21 to 5.00 –“Very strong linking network”.

**Social norm** refers to the values, principles, and expectation of members of the Cooperative that characterize their relationships in doing the Cooperative’s programs. Using a 5-point Likert scale, the respondents chose their responses as “Strongly Agree” earning 5 points; “Agree” – 4 points; “Neither Agree nor Disagree” – 3 points; “Disagree” – 2 points; and “Strongly Disagree” – 1 point. These were also measured by computing the composite overall scores classified as to “1.00 to 1.80 –“Very weak ”; “1.81 to 2.60 –“Weak”; “2.61 to 3.40 – “Moderate”; “3.4 to 4.20 – “Strong”; and “4.21 to 5.00 –“Very strong”.

**Interpersonal trust and reciprocity** refers to the belief and expectancy of the individual member of the Cooperative toward other members that behave trustfully. Using a 5-point Likert scale, the respondents chose their responses as “Strongly Agree” earning 5 points; “Agree” – 4 points; “Neither Agree nor Disagree” – 3 points; “Disagree” – 2 points; and “Strongly Disagree” – 1 point. These were also measured by computing the composite overall scores classified as to “1.00 to 1.80 –“Very weak”;

“1.81 to 2.60 –“Weak”; “2.61 to 3.40 –“Moderate”; “3.41 to 4.20 –“Strong”; and “4.21 to 5.00 –“Very strong”.

**Institutional trust and reciprocity** refers to the belief or trust of individual member of the Cooperative towards the cooperative which is represented by the officers who apply the regulations in order to implement the cooperative programs. Using a 5-point Likert scale, the respondents chose their responses as “Strongly Agree” earning 5 points; “Agree” – 4 points; “Neither Agree nor Disagree” – 3 points; “Disagree” – 2 points; and “Strongly Disagree” – 1 point. These were also measured by computing the composite overall scores classified as to “1.00 to 1.80 –“Very weak”; “1.81 to 2.60 –“Weak”; “2.61 to 3.40 –“Moderate”; “3.41 to 4.20 – “Strong”; and “4.21 to 5.00 – “Very strong”.

### **Performance of Church-Based Cooperatives**

**Sound business practices** refer to the performance of the Cooperative as shown by the financial profitability, financial stability, and financial management indicated by the availability of assets; increase in equity in specific term, and availability of the record book and report of all assets and financial statements. Using a 5-point Likert scale, the respondents chose their responses as “Strongly Agree” earning 5 points; “Agree” – 4 points; “Neither Agree nor Disagree” – 3 points; “Disagree” – 2 points; and “Strongly Disagree” – 1 point. These were also measured by computing the composite overall scores classified as to “1.00 to 1.80 –“Very weak”; “1.81 to 2.60 –“Weak”; “2.61 to 3.40 –“Moderate”; “3.41 to 4.20 – “Strong”; and “4.21 to 5.00 – “Very strong”.

**Membership participation** refers to the participation of the members of the Cooperative in the programs such as regular members' meeting, social and cultural activities, active participation in giving ideas (input) during discussion and sharing, electoral, and other cooperative activities. Using a 5-point Likert scale, the respondents indicated their responses as "Strongly Agree" earning 5 points; "Agree" – 4 points; "Neither Agree nor Disagree" – 3 points; "Disagree" – 2 points; and "Strongly Disagree" – 1 point. These were also measured by computing the composite overall scores classified as to "1.00 to 1.80 – "Very weak"; "1.81 to 2.60 – "Weak"; "2.61 to 3.40 – "Moderate"; "3.41 to 4.20 – "Strong"; and "4.21 to 5.00 – "Very strong".

**Cooperative apex organization** refers to institutions like the government or non-government organization which provides cooperative training programs to the members and board. Using a 5-point Likert scale, the respondents will choose their responses as "Strongly Agree" earning 5 points; "Agree" – 4 points; "Neither Agree nor Disagree" – 3 points; "Disagree" – 2 points; and "Strongly Disagree" – 1 point. These were also measured by computing the composite overall scores classified as to "1.00 to 1.80 – "Very weak"; "1.81 to 2.60 – "Weak"; "2.61 to 3.40 – "Moderate"; "3.41 to 4.20 – "Strong"; and "4.21 to 5.00 – "Very strong".

**Facilitating economic environment** refers to the business activities offered by the Cooperative that can produce benefit to the members. These can be done through buying and selling their products, or the cooperative sells the materials from outside which are needed by the members with income benefit to the Cooperative. Using a 5-point Likert scale, the respondents will choose their responses as "Strongly Agree" earning 5 points; "Agree" – 4 points; "Neither Agree nor Disagree" – 3 points;

“Disagree” – 2 points; and “Strongly Disagree” – 1 point. These were also measured by computing the composite overall scores classified as to “1.00 to 1.80 –“Very weak”; “1.81 to 2.60 –“Weak”; “2.61 to 3.40 –“Moderate”; “3.41 to 4.20 – “Strong”; and “4.21 to 5.00 – “Very strong”.

### **Other Terms**

**Social capital** refers to the capability of the members of the Cooperative to foster relationship with other members based on norms, values, and principles that guide the individuals to trust other members of the Cooperative and to trust the Cooperative as an institution.

**Effect** refers to the change resulting from or produced by the present social capital in the church-based cooperative. These effects will be analysed through the performance of the Cooperative to achieve its goal and objectives.

**Church cooperative** refers to a business entrepreneur owned and operated by the church members who voluntarily cooperate for their mutual social, economic, and cultural benefits. This business organization is controlled by the members who at the same time are also members of the church community.

**Mature cooperative** means a cooperative that can demonstrate strong capabilities in solving organizational problems and enhance the quality of cooperative management. It can be manifested through strong partnership with the apex organization that can mutually help each other. In this study, the performance of the cooperative in terms of organizational linkage with other cooperatives or organizations was assessed.

## **CHAPTER III**

### **METHODOLOGY**

#### **Locale of the Study**

This study was conducted in Pematangsiantar City, North Sumatra Province, Indonesia (Figure 2). Pematangsiantar City is the second largest city in North Sumatra Province after Medan City, consists of eight sub-districts. This city is located around 128 km from Medan and 52 km from Lake Toba in Parapat City, with a total area of 79.97 km<sup>2</sup>. The industrial sector is the backbone of the city's economy. Of the total economic activity in 2013 of IDR 1.69 Trillion (US\$1,354,795.26), the industry's market share reached 38.18 percent, or IDR. 646 Billion (US\$517,868.48). Trade, hotels, and restaurants followed in second with a contribution of 22.77 percent or IDR.385 Billion (US\$308,636.79).

In 2014, there were 136 Protestant and five Catholic churches in this city. Some of these local churches operate cooperatives. There are 11 cooperatives operated by the church in Pematangsiantar City based on the data in the municipal office of the Department of Cooperative and SMEs in Pematangsiantar City. There were only four cooperatives that were registered in March 2014. Out of the four registered church-based cooperatives having 100 members and above, only CU Riahta was covered by the study.





Map of Indonesia

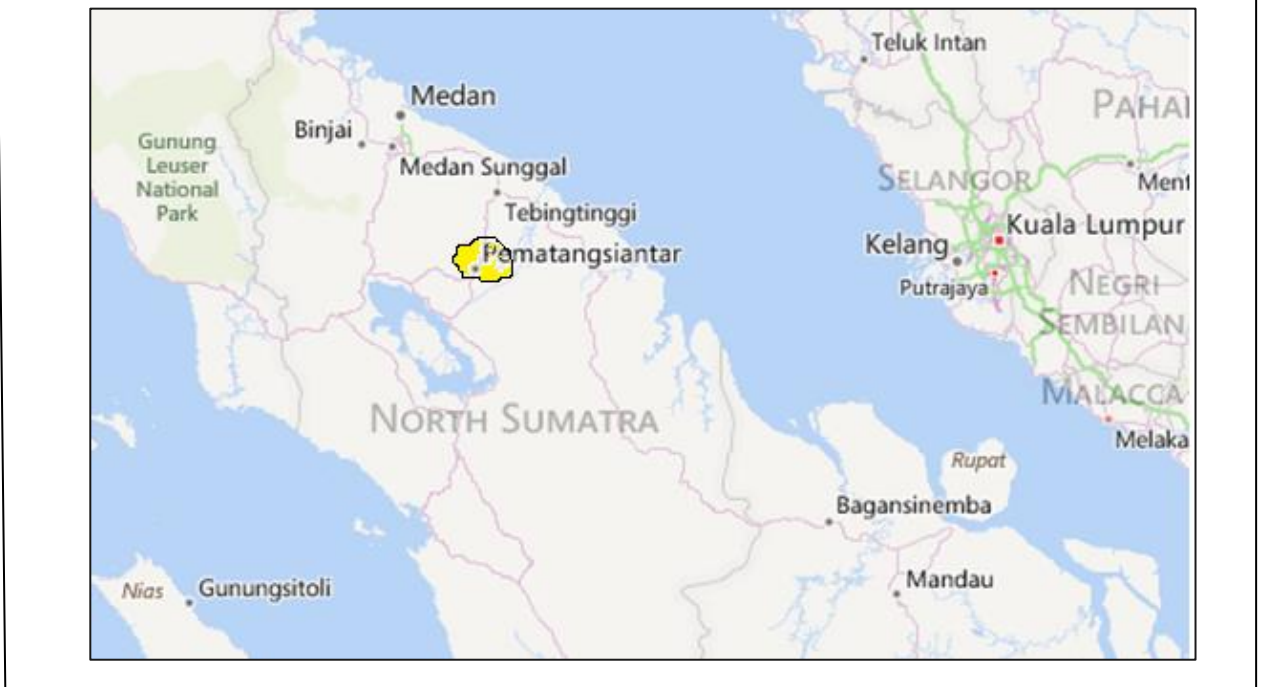


Figure 2. Map of Pematangsiantar City, North Sumatra Province

CU Riahta was categorized as one of the most successful cooperatives in 11 provinces in Indonesia based on the evaluation conducted by the Indonesian Ministry of Cooperatives and Small and Medium Enterprises. In 2012, it was one of the top 10 most successful cooperatives in Pematangsiantar City among 314 cooperatives.

### **Research Design**

The study was a descriptive research utilizing quantitative and qualitative research methods. The survey approach was applied in this undertaking. Survey is used when a researcher wants to collect data from a large population particularly those that cannot be directly observed. Its focus encompasses any measurement procedure wherein the researcher selects a sample of respondents from a population and administers a questionnaire to them (Ardales 2008).

### **Respondents of the Study**

The respondents were the members of a church-based Cooperative in Pematangsiantar City. The respondents were selected randomly among one of the most successful cooperatives. The bases of choosing the sample respondents were their awareness, knowledge, and participation in activities of their cooperation. Thus, they were in the right position to answer the research questions in this undertaking.

## Sample and Sampling Design

The sample population of the study came from one of the most successful church-based cooperatives in Pematangsiantar City. The study applied the simple random sampling in selecting the respondents. Sample size determination using the Relative Error Approach for Simple Random Sampling (Tandang 2014) was applied in this study with the margin of error at 5%. Upon knowing the sample size from the Cooperative, simple random sampling was applied to avoid bias among the members. The sample size for this study was computed with the following formula:

$$\begin{aligned}
 n &= \frac{\left(\frac{Z_{\alpha/2}}{\varepsilon}\right)^2 \frac{S^2}{\overline{Y}_N^2}}{1 + \frac{1}{N} \left(\frac{Z_{\alpha/2}}{\varepsilon}\right)^2 \frac{S^2}{\overline{Y}_N^2}} = \frac{\left(\frac{Z_{\alpha/2}}{\varepsilon}\right)^2 CV^2}{1 + \frac{1}{N} \left(\frac{Z_{\alpha/2}}{\varepsilon}\right)^2 CV^2} \\
 n &= \frac{\left(\frac{Z_{\alpha/2}}{\varepsilon}\right)^2 CV^2}{1 + \frac{1}{N} \left(\frac{Z_{\alpha/2}}{\varepsilon}\right)^2 CV^2} = \frac{\left(\frac{1.96}{0.015}\right)^2 (0.1)^2}{1 + \frac{1}{429} \left(\frac{1.96}{0.015}\right)^2 (0.1)^2} \\
 &= \frac{170.73}{1.397} \\
 &= 122.1309 \approx 122
 \end{aligned}$$

$n$  = number of sample

$N$  = population size

$Z_{\alpha/2}$  = critical value for the standard normal distribution, with  $Z_{\alpha/2}$  for  $\alpha = 0.05$  is 1.96

$\alpha$  = margin of error

$\varepsilon$  = expected relative error in the sampling

$S^2$  = mean square for the population

$\overline{Y}_N^2$  = population mean

$CV$  = coefficient of variation

From the total members of the Cooperative, the resulting sample size was 122 members. Simple random sampling by draw lots was applied to avoid bias in selecting the respondents.

### **Research Instrument**

A self-administered survey questionnaire was used as primary research instrument in this study. The questionnaire consisted of structured and open-ended questions. The instrument asked about the socio-demographic and economic characteristics of the respondents' dimensions of social capital, performance indicators on church-based cooperative and other relevant information.

The questionnaire used of five-point Likert scale. A Likert scale is a rating scale that requires the subject to indicate his/her degree of agreement or disagreement to a statement. The respondents were given five choices in the Likert scale namely, strongly agree, agree, undecided, disagree, and strongly disagree.

The questionnaire was prepared in English and translated into Bahasa Indonesia to be easily understood by the respondents. Further, the instrument was pre-tested among the members and officers of another cooperative to refine the questionnaire. Later it was revised and finalized based on the results of the pre-testing, prior to actual data gathering.

## **Data Collection**

### **Key Informant Interview**

The key informants for this study were the officers and board of directors of the Cooperative, church ministers managing the Cooperative, and church leader who provides the programs and regulations for the local churches. These key informants were assumed to be knowledgeable specifically on the participation of the members in the activities of the cooperative.

Government officials in the Cooperative Department and Small and Medium Enterprises of Indonesia also served as key informants. They were knowledgeable on cooperative management, thus the researcher was able to elicit information useful in analysing the data obtained from the survey.

### **Review of Documents**

The documents of the Cooperative were reviewed by the researcher. These documents served as good avenue to determine the general membership, the organizational structure, processes involved in the cooperative transaction, the products and services offered by the cooperative, and the minutes of the general assembly meeting.

## Data Analysis

The data were encoded using the Statistical Package for Social Science (SPSS) version 20. For this study, both descriptive and inferential statistics were employed. Descriptive statistics included frequency counts, percentages, and means. On the other hand, for the inferential statistics, the non-parametric Chi-square test was used to determine the relationships between the dependent and independent variables. Considering that not all of the contingency tables were large with frequencies lower than 5 in one or more cells, the Fishers exact test p-value (Monte Carlo significance, 2-sided, 99% Confidence Interval) was used for a more accurate value. The relationships of significant variables were determined and interpreted using a relative scale: if  $p \leq 0.001$  = highly significant and if  $p < 0.05$  = significant.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

This chapter consists of the findings and analysis of the study. It is divided into three parts: 1) description of the study site, 2) characteristics of the respondents, and 3) analysis of the relationships between the respondents' social economic characteristics and the components of social capital, and the relationship between the respondents' social capital and the performance of a church-based cooperative.

#### **Description of the Cooperative under Study**

##### **History of the Sample Cooperative**

The sample cooperative, Credit Union (CU) Riahta GKPS Siantar II or Riahta for short, a church-based cooperative registered at the municipal office of the Department of Cooperatives and SMEs in Pematangsiantar City was established on May 5, 2007. The Cooperative is owned and managed by the church GKPS Parish Siantar II to address the economic problems of the church members. The church members organized the cooperative programs; and its office was located on the church compound in Pematangsiantar City.

The youth group of the parish thought of establishing a church cooperative because they noticed how their parents struggled to overcome the economic problems of

the family. Some of the youth members had known business cooperatives in their work place. They also learned about the cooperative through the school programs as part of their curriculum since their elementary and high school days. Moreover, some of them had attended cooperative education and training in a vocational training school owned and managed by the head office of the church GKPS named Panti Karya GKPS located in Pematangsiantar City.

On May 5, 2007 the parish joined the office of Panti Karya GKPS Pematangsiantar to organize a meeting to discuss how to organize, manage, and sustain a cooperative. They also invited an expert from the Municipal Office of the Department of Cooperatives and SMEs as resource person during the meeting. Thirty parish members attended the meeting led by the Minister Sariaman Sinaga.

The participants were enthusiastic to start the cooperative after hearing the presentation from the speakers. All participants committed themselves to establish a cooperative they named Credit Union (CU) Riahta GKPS Siantar II. It was a multipurpose cooperative that would run businesses such as savings and loan, general trading and grocery store, car and motorbike repair shop, home industry, publishing and printing, among others. After formulating the Cooperative's Articles and By-laws, it was decided that the members of the Cooperative would include only the parish members of GKPS Siantar II. In 2007, this consisted of parish members from four local congregations. The first 30 members were 18 males and 12 females; 10 of them were church ministers (2 pastors, 3 lay ministers, and 5 *syamas* (deacon, in charge and responsible for diaconia-ministry of the church). For membership registration, each member paid a membership fee of IDR10,000; principal savings of IDR20,000; and



compulsory savings of IDR10,000/month, or a total of IDR40,000 (US\$3.20). Even though the Cooperative was established as a multi-purpose cooperative, it still focuses on savings and loans program.

### **Growth and Development**

As of December 31, 2014, there are 1,215 family members of GKPS Parish Siantar II in Pematangsiantar City. This parish consists of four local congregations, namely 1) GKPS EFRATA Jalan Sisingamangaraja with 609 families; 2) GKPS BANE with 319 families; 3) GKPS HOSIANNA with 130 families; and 4) GKPS RAMI with 157 families. Table 3 shows in 2014 that the 1,215 family households have 428 individuals registered as members of the Cooperative. The GKPS EFRATA had the highest members at 258 individuals and GKPS RAMI had the smallest number of members at 38 individuals (Table 3).

Table 3. Distribution of membership in Cooperative in the local congregations of GKPS Siantar II

NAME OF CONGREGATION	2012		2013		2014	
	No. of Households	No. of Members	No. of Households	No. of Members	No. of Households	No. of Members
GKPS EFRATA	597	234	610	246	609	258
GKPS BANE	287	57	307	55	319	54
GKPS HOSIANNA	113	55	130	67	130	78
GKPS RAMI	153	44	161	50	157	38
Total	1,150	390	1,208	418	1,215	428

The overall increase in membership can be surmised from the Cooperative's annual report and annual membership report of the parish. In December 2013, the registered members were only 418. There were 26 additional members in 2014; however, there were 16 members who withdrew their membership since some migrated to another place while others had limited time when they got a new job.

The officers together with the members endeavored to develop the management of the Cooperative. They composed the Cooperative Council which consisted of the chairman, vice-chairman, secretary, vice-secretary, and treasurer. Three members are of Board of Supervisors and two members are of Advisory Board. For the daily activities, the Cooperative Council is helped by one office staff. There are also 11 commissaries for each local congregation in the parish to support the staff with the following composition: 1) GKPS EFRATA, 8 commissaries, 2) GKPS BANE, 1 commissary, 3) GKPS RAMI, 1 commissary, and 4) GKPS HOSIANNA, 1 commissary. The Cooperative's progress convinced the evaluators from the related office; therefore, Riahta got the Legal Entity with Registry No. 177 from the Department of Cooperatives and Small and Medium Enterprises on October 21, 2009, two years after its establishment. The Cooperative was also legalized by the City Mayor of Pematangsiantar City with Registry No. 518-005/WK-THN.2010 in 2010.

Since the beginning, the officers of the Cooperative provided the training and education programs for the members and officers as one of the main objectives mentioned in the Articles of the Cooperative. Because the Cooperative still has limited budget and facilities, therefore it collaborated with the office municipal and provincial offices of the Department of Cooperative and SMEs, Directorate General of Taxes,

Department of Social Affairs, and the Provincial Office of the Regional Development and Productivity Board in providing training on cooperative management as a business organization. The data in the Cooperative's documents showed that in 2009 the Cooperative joined with the municipal and provincial offices the Department of Cooperatives and SMEs to provide the training for 65 members. The training programs were held in the Sunday School Hall GKPS EFRATA Pematangsiantar for five days with the following topics: 1) Basic Education of Cooperatives, 25 participants; 2) Strategic Management of Micro, SMEs, 15 participants; 3) Entrepreneurships, 25 participants; and 4) joint program with the provincial office of Regional Development and Productivity Board to provide training on Business Accounting, with 2 participants.

Twenty nine members attended training in 2010. There were on: 1) Business Entrepreneurship with 25 participants; 2) Intellectual Property Rights with 2 participants; and 3) Business Accounting with 2 participants. By 2012, 23 members trained on Cooperative Accounting with 1 participant, Entrepreneurships and Business Management with 22 participants. This was a joint training program with the municipal and provincial offices of the Department of Cooperatives and SMEs, and the provincial office of the Department of Manpower and Transmigration. Five members attended the training on Tax Systems and Management in 2013 conducted by the municipal office of Directorate of General Taxes, Pematangsiantar City. The Cooperative also sent some members to attend the training in 2014 but there are no records on this. From the list of the Cooperative, there were 124 members who have attended training and education on cooperatives since 2009 until 2014. The number of members who attended training and education on cooperatives is shown in Table 4.

Table 4. Number of participants who attended training and education on cooperative.

<b>YEAR</b>	<b>NO. OF PARTICIPANTS</b>	<b>TOPICS</b>	<b>HOST/JOINT PROGRAM WITH</b>
2009	67	<ol style="list-style-type: none"> <li>1. Basic education of cooperatives, 25 participants</li> <li>2. Strategic Management of Micro, SMEs, 15 participants</li> <li>3. Entrepreneurships, 25 participants</li> <li>4. Business Accounting, 2 participants</li> </ol>	Municipal and provincial offices of the Department of Cooperatives and SMEs; Provincial Office of Regional Development and Productivity Board
2010	29	<ol style="list-style-type: none"> <li>1. Business entrepreneurship, 25 participants</li> <li>2. Intellectual Property Rights, 2 participants</li> <li>3. Business Accounting, 2 participants</li> </ol>	Municipal and provincial offices of the Department of Cooperatives and SMEs
2011	*	*	*
2012	23	<ol style="list-style-type: none"> <li>1. Cooperative Accounting, 1 participant</li> <li>2. Entrepreneurships &amp; Business management, 22 participants</li> </ol>	Municipal and provincial offices of the Department of Cooperatives and SMEs; Provincial Office of the Department of Manpower and Transmigration
2013	5	Tax Systems and Management	Municipal office of Directorate of General Taxes Pematangsiantar City
2014	*	*	*

\* Data not available

Over the years, the Cooperative was able to establish its credibility because of increased number of members, savings and loans, and the transparency of financial statements. Hence, the local government and other institutions helped and provided assistance to the Cooperative. In 2010, the Cooperative received material donations from the Department of Cooperative and SMEs such as 10 kg, 60 kg, and 100 kg scales; sewing, braider, hemming, and loom machines; and a display cabinet with a total amount

of IDR 21 Million (US\$2,333.00). In 2011, the Cooperative again received material donations which included one braider machine and two loom machines from the Department of Cooperative and SMEs for Pematangsiantar City. In 2012, the Cooperative received two loom machines from the municipal office of the Department of Social Affairs. In 2014, the Cooperative was granted a soft loan by the municipal office of the Department of Cooperative and SMEs amounting to IDR375 Million (US\$37,000.00).

To stimulate the members to increase their voluntary savings, the officers give one raffle ticket for every IDR750,000 savings. The raffle draw was done during the annual members' meeting at the end of the year. This strategy proved effective in increasing the voluntary savings as shown in the annual report of the officers during the annual members' meeting. In 2012 voluntary savings totalled IDR 428,271,882 compared with 2011 which was only IDR262,912,712 which registered an increase of about 63%. Hence, during the annual members' meeting in 2012, they decided to increase the amount equivalent to 1 raffle ticket to 1 Million IDR.

Despite the achievements of the Cooperative, it met some challenges especially from the members. For instance, in 2012 three members left the city without following the termination process of their membership in the cooperative. They left their unpaid loans with the Cooperative. The same case happened in 2013 when two members moved to another place without repaying their loans fully. In 2014, one member died, one was jailed, and one more member left the city because he had a problem in his work place. In order to solve these problems, the Cooperative allocated of 50 percent for social security,

25 percent for operational cost of office, and 25 percent for transportation fee of commissaries from the service fee of members.

Aside from the increasing number of the members of the Cooperative, another indicator used to show how the Cooperative achieved its goals and objectives is the financial status as reflected in the Cooperative's financial report. The financial report from the starting year of cooperative and the last three consecutive years are presented in Table 5. The data include Current Assets, Total Borrowers, Current Liabilities, Short-term Debt, Members' Equity, Net Income and Total Liabilities and Members' Equity.

In 2008, the total amount of Cooperative fund lent to members was IDR177,985,718 (US\$14,238.86) with 62 borrowers from the total membership of 179. This total amount increase in the succeeding years, and in in 2014, the total amount increased into IDR1,565,795,320 (US\$125,263.63) with 218 borrowers from the total members of 428. In terms of Net Income, the data showed that in 2007, there was only IDR.390,200(USD.31.22). However in 2014, the Cooperative has Net Income with the mount of IDR.85,607,312(US\$6,848.59). The detailed distribution of Current Assets, Total Borrowers, Current Liabilities, Short-term Debt, Members' Equity, Net Income and Total Liabilities and Members' Equity on how the number increased from 2007 to 2014 is depicted in Table 5.

Table 5. Financial report of the Cooperative, 2007-2014

ITEM	2007	2008	2012	2013	2014
Current Assets	*	IDR.177,985,718 (US\$14,238.86)	IDR. 1,176,988,200 (US\$94,159.06)	IDR.1,274,181,721 (US\$101,934.54)	IDR.1,565,795,320 (US\$.125,263.63)
Borrower	*	62 members Total member: 179 (34.64%)	174 members Total member: 377 (46.15%)	196 members Total member: 418 (46.89%)	218 members Total member: 428 (50.93%)
Current Liabilities	IDR.1,189,700 (US\$95.18)	IDR.3,659,050 (US\$292.72)	IDR.284,747,241 (US\$22,779.78)	IDR.396,847,403 (US\$31,747.79)	IDR.479,307,318 (US\$38,344.59)
Short-term Debt	IDR.17,000,000 (US\$13.60)	IDR.117,000,000 (US\$9,360)	IDR.672,000,000 (US\$53,760)	IDR.640,000,000 (US\$51,200)	IDR.729,687,500 (US\$58,375)
Members' Equity	IDR.14,948,000 (US\$1,195.84)	IDR.70,447,150 (US\$5,635.77)	IDR.263,746,693 (US\$21,099.74)	IDR.347,059,355 (US\$27,764.75)	IDR.438,259,771 (US\$35,060.78)
Net Income	IDR.390,200 (USD.31.22)	IDR.13,906,950 (USD.1,112.56)	IDR.65,935,746 (US\$5,274.86) <i>Increased: 19.15%</i> (2011): IDR.55,337,582	IDR.68,071,244 (US\$5,445.70) <i>Increased: 3.24%</i>	IDR.85,607,312 (US\$6,848.59) <i>Increased: 25.76%</i>
Total Liabilities & Members' Equity	IDR.33,137,700 (US\$2,651.02)	IDR.191,301,300 (US\$15,304.15)	IDR.1,220,493,934 (US\$97,639.51)	IDR.1,383,906,758 (US\$110,712.54)	IDR.1,647,254,589 (US\$131,780.38)

\* No data available

Data tabulated from the financial statement of the Cooperative

## Characteristics of the Respondents

### Socio-Demographic and Economic Characteristics

The socio-demographic and economic characteristics of the respondents as members of church-based cooperative in Pematangsiantar City are presented in Table 6. The data shows that majority (55%) of the respondents are aged between 40 and 59 years old and belonged to the early adult age category. Meanwhile, seven percent of the

respondents were 60 years old and above, considered old age. The youngest among the respondents was 21 years old while the oldest was 80 years old.

Table 6. Socio-demographic & economic characteristics of the respondents

<b>CHARACTERISTICS</b>	<b>FREQUENCY</b> (n=122)	<b>PERCENT</b>
<b>Age (in years)</b>		
20-39	47	39
40-59	67	55
60-above	8	6
Total	122	100
Range	21-80	
Mean	42	
<b>Gender</b>		
Male	69	57
Female	53	43
Total	122	100
<b>Civil status</b>		
Single	6	5
Married	112	92
Widow/Widower	4	3
Total	122	100
<b>Educational attainment</b>		
Elementary Graduate	4	3
Junior High School level	0	0
Junior High School graduate	7	6
Senior High School level	2	2
Senior High School graduate	52	42
Diploma	8	7
College level	5	4
College graduate	43	35
Master's Graduate	1	1
Total	122	100
<b>Native born in the area</b>		
Yes	74	61
No	48	39
Total	122	100
<b>Length of stay in the area (years)</b>		
1 – 10	29	24
11 to 20	42	34
21 – 30	33	27
31 – above	18	15
Total	122	100
Range	1-61	
Mean	19	



Table 6. Continued

CHARACTERISTICS	FREQUENCY (n=122)	PERCENT
<b>Occupation</b>		
Teacher	12	10
Farmer	5	4
Pastor	2	2
Student	4	3
Nurse	2	2
Police	1	1
Housewife	3	2
Government officer	15	12
Retired government officer	6	5
Private employee	12	10
Entrepreneur	60	49
Total	122	100
<b>Number of dependent children in the nuclear family</b>		
Non School Age	33	12
Kindergarten	23	8
Elementary School	74	27
Junior High School	48	17
Senior High School	43	15
University	37	13
Searching for job	23	8
Total	281*	100
<b>Approximate monthly household income (in Indonesian Rupiah)</b> <b>(1 Million IDR = US\$.77)</b>		
IDR 1-2 Million	17	14
IDR 2.1 - 3 Million	21	17
IDR 3.1 - 4 Million	23	19
IDR 4.1 - 5 Million	32	26
Above 5 Million IDR	29	24
Total	122	100
<b>Approximate monthly household expenses (in Indonesian Rupiah)</b> <b>(1 Million IDR. = US\$.77)</b>		
IDR 1-2 Million	16	13
IDR 2,1 - 3 Million	39	32
IDR 3,1 - 4 Million	24	20
IDR 4,1 - 5 Million	35	29
Above 5 Million IDR.	8	6
Total	122	100

\*Multiple responses

Table 6. Continued

CHARACTERICTICS	FREQUENCY (n=122)	PERCENT
<b>House ownership</b>		
Owned	87	71
Rented	35	29
Total	122	100
<b>Number of vehicles owned by the family*</b>		
Car	35	29
Tricycle	8	7
Motorbike	102	84
Bicycle	13	11
None	9	7
Total	158	138

\*Multiple responses

The average age of the respondents was 42 years. This implies that members of the Cooperative were in their most productive years. The church members involved in this program included young people and are membership in the Cooperative was not limited by age.

More than half (57%) of the respondents were male. This situation also holds true for the members of the Cooperative. There were 223 males among the 429 members of the Cooperative (52%). This implies high participation of males involved in church programs in terms of economic activities in the study site. This may be attributed to the tradition of Batak tribe which usually assigns the male as the main breadwinner in the family and head of the family (Sediawaty 2007).

Nine out of 10 respondents were married (92%). This finding implies that more married church members tend to join the church cooperative to support the livelihood of the family. Even though the initiators for the establishment of the Cooperative were church youth groups, current members belong to the married groups.

In terms of educational attainment, all respondents have attended formal schooling. Of the 122 respondents, 43 percent were Senior High School graduates. There was only one respondent who had a Master's Degree. Eighty nine percent of the respondents achieved Higher Educational Level (Senior High School graduate and above). The high educational attainment is related with the culture of the Batak tribe which places a high value on education to achieve progress or development (Andaya 2012).

Table 5 further shows that two thirds of the respondents (61%) were born in the area. It can be inferred that majority of the respondents experienced the interaction and social activities of the community since childhood. Many of the respondents (34%) have stayed for 10-20 years in the area. Almost half of the respondents (49%) work as entrepreneurs. The rest of the occupation of the respondents can be seen in Table 5. Data shows that most of the active members of the Cooperative are employed, except for the students who still depend on their parents.

Data gathered shows that 27 percent of the respondents' children were in elementary level, 17 percent are in junior high school, 15 percent are in senior high school, followed by 13 percent at the university, 12 percent were non-school age, while 8 percent were in kindergarten.

Table 5 shows the estimated monthly family income of the respondents. Almost half of them earned IDR4.1 to 5 Million (26%); and above 5 Million IDR (24%). These data show that their income is not far in relation to the 2014 Regional Minimum Wage of Pematangsiantar City of IDR1,506,000 (US\$120.50).

For the approximate monthly household expenses, 32 percent of the respondents spent 2.11 to 3 Million IDR, followed by 4.1 to 5 Million IDR (29%), 3.1 to 4 Million IDR (20%), 1 to 2 Million IDR (13%), and 5 Million IDR (6%) (Table 5).

The house as a shelter is the most basic need of a family. Seven out of 10 respondents owned the house that they occupied, while 29 percent still rent their houses. This means that majority of the respondents had accommodation for their family members.

Another socio-economic factor that characterizes the respondents was their mode of transportation since economic development and transport are inextricably linked (Kahn Ribeiro et al. 2007). As society strives toward development, the demand for a more efficient transportation increases. Kahn Ribeiro et al. (2007) explained in their study that as incomes rise, travellers shift to faster and more energy-intensive modes, from walking and bicycling to public transport to automobiles and, for longer trips, to aircraft. As income and travel have risen, the percentage of trips made by automobiles has also risen. However, low income leads people to lack of access to personal vehicles and consequently, lower access to job opportunities and services. Thus, vehicles as a means of transportation in doing daily activities are very important in the development of a society.

The modes of transportation popular to the residents are car, tricycle, motorbike, and bike. There were 35 respondents (29%) who owned cars, 8 respondents (7%) own tricycles, 102 respondents have motorbikes (84%), 13 respondents own bicycles (11%), while 9 respondents have no vehicle (7%). As shown in Table 5 suggests that majority of members of the Cooperative have the transportation facilities that help them easily to

meet each other and to participate in the Cooperative's programs. Those modes of transportation also could help them to achieve sustainable economic growth and employment and maintaining financial stability, and thus contribute to the development of the family economy.

### **Organizational Participation**

Participation refers to involvement of individuals or group of individual for common purpose. Participation is the mental and emotional involvement of people in group situations that encourages them to contribute to group goals and share responsibility for them (Geroy and Anderson 1998). Through the participation in the activities of the group, people involve to take responsibility and contribute to the achievement of the goals of his group. In this study, the organizational participation of respondents in the Cooperative as a business organization, and the participation with the parish activities will affect the social capital component of this cooperative.

The Cooperative has been operating for eight years since May 5, 2007. Out of the 122 respondents, 42 (35%) were registered members of the Cooperative for seven years and more. Meanwhile, 21 respondents (17%) are members for five to six years (Table 7).

Education and training about cooperative were important for members. Bhatia (1992) found that members' non-involvement and apathy in education and training is partly due to the fact that they were not fully aware of the basic principles and procedures of the cooperative way of life. Furthermore, they were never given the opportunity to discharge their rights and obligations faithfully. The study further concluded that there

was a great need for cooperative education in order to solve the present economic problems at all levels – local, district, state, national, and international.

Table 7. Organizational participation of the respondents

<b>CHARACTERISTICS</b>	<b>FREQUENCY</b> (n=122)	<b>PERCENT</b>
<b>Length of membership in the Cooperative (years)</b>		
1 - 2	22	18
3 - 4	37	30
5 - 6	21	17
7 and above	42	35
Total	122	100
<b>Training attended related to the Cooperative</b>		
Savings and Loan	8	7
Management of cooperatives	8	7
Entrepreneurs	16	13
Did not participated	90	73
Total	122	100
<b>Position in the church structure</b>		
Pastor	2	2
Elder	22	18
Member of Church Council	6	5
Member of Men's Choir	16	13
Member of Women's Choir	12	10
Regular Church member	64	52
Total	122	100
<b>Participation in church programs</b>		
<b>Attendance in Church Worship Services (per month)</b>		
Once	4	3
Twice	6	5
Thrice	21	17
Four – five times	91	75
Total	122	100
<b>Attendance in Family Worship Services (per month)</b>		
Once	6	5
Twice	7	6
Thrice	31	25
Four to five times	78	64
Total	122	100

Among the 122 respondents of this study, 26 percent have attended trainings related to cooperatives. Among these, 7 percent attended trainings on Savings and Loan,

7 percent on Management of Cooperatives, and 13 percent on Entrepreneurship. Based on the documents of the Cooperative, the officers were very active in conducting training and education on cooperative for the members through joint efforts with the Department of Cooperatives and SMEs and with the Department of Manpower and Transmigration through the municipal and provincial offices. Table 7 shows the number of participants who attended trainings related to cooperatives. This signifies that the officers and members of the Cooperative realized the importance of education and training about cooperative. Results indicate that the cooperatives in Pematangsiantar City need to exert extra effort to educate their members about the philosophy and principles of cooperation and the cooperative way of life to ensure the future stability of their cooperatives. This is one way to develop the members' sense of involvement which will eventually lead to active participation and development of the cooperatives.

The importance of training and education related to the cooperative for the members as shown in this study correlated with the study of Bhatia (1992) as he recommends to use of mass media such as radio, television and the like as one of the most effective methods in conducting cooperative education. This method could reach the masses or the marginalized sector of the society. He mentioned that cooperative education and training must be taught as a compulsory subject at school and college levels to create solid and permanent awareness about cooperation. Through these methods, the individuals will not only convert themselves to cooperativism but will try to convince others.

As church members, the respondents had their own position in the church structure. More than half were regular church members (52%) (Table 7). Active

participation of members of the Cooperative in the church programs could be seen in terms of the attendance in Church Worship Services. This includes Sunday Services and other Christian Celebrations such as Good Friday, Ascension Day of Jesus Christ, Christmas Season, New Year, among others. Some 43 percent of the respondents always attended worships services. The rest of the attendance could be seen in Table 7. Data shows the participation in worship services of the members of the Cooperative.

The Family Worship Services in these church communities were usually held four to five times a month. However, only one-fourth of the respondents always attend the Family Worship Services in their sector, while 38 percent attend four to five times per month, 25 percent attend three times per month, 6 percent attend twice per month, and 5 percent attend once a month.

In terms of participation in church activities, there is relatively high involvement generated from the members. The study shows that seventy eight percent of the respondents attend the Family worship services of four or five times per month. This means that these church-based cooperatives have higher opportunity to develop strong relationship and coordination between and among themselves since they have higher opportunity to meet together and create a network where they can communicate and collaborate together to address their problems. This allows them to organize themselves, create norms, build rapport and trust among the members and lead to quality performance of their cooperatives.



## **Components of Social Capital**

In this study, the components of social capital consisted of 1) social networks, which are composed on bonding networks, bridging networks, and linking networks; 2) social norms; and 3) trust and reciprocity.

### **Social Networks**

Social networks are described in terms of bonding networks which refers to closer connections among the people and are characterized by strong bonds, e.g., among family members or close friends. It is good for "getting by" in life. Bridging networks refer to more distant connections between people and are characterized by weaker, but more cross-cutting ties, e.g., with business associates, acquaintances, friends of friends. It is good for "getting ahead" in life. Linking networks refer to the connections with people in positions of power and are characterized by relations between those within a hierarchy where there are differing levels of power.

### **Bonding Network of the Members of Cooperative**

The respondents perceived a strong bonding network (Table 8). This can be attributed to their mean score of 3.58 that their Cooperative has organized team building activities and shares the ideas with the members.

Table 8. Mean score of the respondents' perception of bonding network

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
Our Cooperative has organized team building activities.	4.15	Strong
It shares the ideas with the Members of Cooperative.	4.03	Strong
It actively addresses divisive acts of individual members.	4.07	Strong
It actively mediates if there is a conflict among the Members of Cooperative.	3.72	Strong
It provides assistance to individual members with emotional or economic problems.	4.01	Strong
It prioritizes the activities related to the members of Cooperative rather than non-members (such as wedding party, funeral, etc.)	3.25	Moderate
It prioritizes discussion and sharing of family problems with the Members of Cooperative rather than the non-members.	2.93	Moderate
In daily activities it is more often to meet the Members of Cooperative rather than the neighbours and relatives.	2.84	Moderate
It encourages other members to attend the Cooperative meetings.	4.01	Strong
It prioritizes the Cooperative programs rather than other activities like cultural activities, regular social gathering (called: <i>artisan</i> ), etc.	2.80	Moderate
<b>Overall Mean Score</b>	<b>3.58</b>	<b>Strong</b>
Scale:	Rating:	
1 = Strongly disagree	1.00-1.80 = Very weak	
2 = Disagree	1.81-2.60 = Weak	
3 = Neutral	2.61-3.40 = Moderate	
4 = Agree	3.41-4.20 = Strong	
5 = Strongly agree	4.21-5.00 = Very strong	

The officers have actively addressed divisive acts of individual members and actively mediate if there is a conflict among the members of Cooperative. Lastly, the officers provide assistance to individual members with emotional or economic problems. For daily activities, the members encourage other members to attend the cooperative meetings.

Most of the respondents perceived that the concept of bonding networks has given a positive effect to their Cooperative. According to them, it has driven their Cooperative to organize team building activities where they can establish rapport with each other such that issues on contentious acts of individual members will be given attention and that ideas could be shared between and among the members of the Cooperative.

Through bonding networks, assistance to individual members with emotional or economic problems was provided. Here, members were encouraged to attend the Cooperative's meetings and provided avenue for conflict among members of the Cooperative to be solved. The respondents perceived that bonding led them to prioritize activities related to members of the Cooperative rather than non-members, and allowed them to open or share family problems with members of the Cooperative.

Bonding networks have truly given a positive effect to the Cooperative in terms of promoting and reinforcing in-group solidarity. However, according to the study of Geys and Murdoch (2010), bonding social capital in faith-based cooperatives leads to norms of insularity and conformity. In their research, they quote Putman's (2004) claim that religious involvement, especially involvement in fundamentalist churches, is linked to intolerance and that evangelicals are more likely to be involved within their own communities but are less likely to be involved in the broader community, thus revealing an inherent insularity.

The said study also found a negative but significant relationship between bonding social capital and economic growth. This means that bonding social capital is lower in regions with higher rates of income growth. Accordingly, it is an interesting finding in itself that the measure of bonding social capital – a combination of exclusive groups and

faith-based engagement – consistently relates negatively to regional economic growth, and the coefficient of bonding social capital negatively relates to income growth at the 0.05 level of significance.

### **Bridging Network of the Members of Cooperative**

The bridging network of the church-based cooperative in Pematangsiantar City was rated high based on the assessment of how members of the Cooperative perceived their participation in the activities such as meetings, savings movement, loan availment, general assembly, consultation with officers, and the quality of members' satisfaction with information on the Cooperative's activities. Bridging network in the Cooperative is asocial network among the members who are socially heterogeneous groups. Bridging allows them to share and exchange information, ideas and innovation and build consensus among the groups representing diverse interests.

*Joining group activities of the Cooperative.* The respondents perceived their overall participation in group activities of the Cooperative to be moderate (Table 9). However, the respondents perceived loan availment to be low because not all members of the Cooperative borrowed money. The data on income (Table 6) show that the respondents' monthly income falls within the 2014 Regional Minimum Wage of Pematangsiantar City of IDR1,506,000 (US\$120.50). This income is sufficient to support the needs of the nuclear family, hence the tendency not to avail of loans. Meetings were necessary to coordinate individual efforts, collaborate joint projects, garner support for ideas, share ideas, solve problems collectively, and make consensus-based decisions.

According to United States Department of Agriculture Organizing Agricultural (1992), the annual meeting was the highlight of a cooperative's year. It was the time when management gave an accounting to members and when members as joint owners expressed their views to the manager, directors, and employees. The annual meeting should be viewed as the major educational event of the Cooperative of the year. Further, the report mentioned that if the annual meeting is held simply to comply with the by-laws, there was little chance of it being anything but drab and monotonous. If it was held in the proper spirit of the cooperative as a yearly occasion when members and officers get together to discuss operations and future plans, the results can be rewarding.

Table 9. Mean score of respondents' frequency of joining activities

<b>ITEMS</b>	<b>MEAN SCORE</b>	<b>ADJECTIVAL RATING</b>
Meeting	3.43	High
Savings movement	3.30	Moderate
Loan availment	1.89	Low
General Assembly	3.49	High
<b><i>Overall Mean Score</i></b>	<b><i>3.03</i></b>	<b><i>Moderate</i></b>
Scale:	Rating:	
1 = Never	1.00-1.80 = Very low	
2 = Sometimes	1.81-2.60 = Low	
3 = Often	2.61-3.40 = Moderate	
4 = Very Often	3.41-4.20 = High	
5 = Always	4.21-5.00 = Very high	

***Forms of communication.*** Information were communicated to the members of the Cooperative through general assembly, group activities, emergency meeting, and social programs either written, verbal, or both (Table 10). During the general assembly and group activities, majority of the respondents received written and verbal information. Meanwhile, they received verbal communication for emergency meetings and social programs.

The written and verbal communications have then advantages and disadvantages. Most of the times, for organizations like cooperatives, it was better to use a combination of both to deliver information to the members. Organizations rely on written communication for many reasons as mentioned by Guffey et al. (2010). This type of communication provides a permanent record, a necessity in times of increasing litigation and extensive government regulations. Writing out an idea instead of delivering it orally enabled communicators to develop an organized, well-considered message. Written messages have drawbacks, it requires careful preparation and sensitivity to audience and anticipated effects but words spoken in conversation may soon be forgotten. However, written messages are more difficult to prepare and demand good writing skills.

Table 10. Forms of communication in the Cooperative (n=122).

ACTIVITIES	WRITTEN		VERBAL		COMBINATION		TOTAL
	No.	%	No.	%	No.	%	122
General Assembly	43	35	26	21	53	43	122
Group Activities	29	24	45	37	48	40	122
Emergency Meeting	14	12	101	83	7	6	122
Social Programs	0	0	122	100	0	0	122

Verbal communication as applied in this Cooperative gives a complete interchange of thoughts and ideas for the members. This is related to the idea mentioned by Acker (1992) who mentioned that verbal communication gives a complete interchange of thoughts and ideas to take place. The speaker is in direct contact with the listener

(receiver) and is challenged to make himself/herself understood. Written communication is usually more carefully formulated than oral communications, so the message conveyed tends to be more clearly stated. Written messages also can be retained as references or legal records. Sometimes, the disadvantage is that the writer often fails to carefully compose his/her thoughts and ideas. However, there are occasions when such information is either duplicated or unnecessary. Therefore, the leaders have to recognize the importance of document retention and develop sensible procedures and practices for that purpose.

The respondents realized the importance of consulting with the officers in order to enhance their understanding about programs of the Cooperative. Most of the respondents felt satisfied during consultation with the officers, and felt satisfied dealing with the response and discussion. Three fourth of the respondents consulted about savings and borrowing regulations (75%), Cooperative Articles and By-laws (65%), membership regulation (49%), solution for difficulties to repay loan (40%), and termination of membership (17%) (Table 11).

Table 11. Topics that members of the Cooperative consulted about (n=122)

<b>ITEM</b>	<b>FREQUENCY</b>	<b>PERCENT</b>
Cooperative Articles and By-laws	79	65
Savings and borrowing regulations	92	75
Membership regulation	60	49
Solution for difficulties to repay loan	48	40
Membership termination	21	17

*Access to information and communication.* Information and communication are important factors in building strong ties between and among the members of an organization. The study has shown that members of the Cooperative had an overall mean score of 3.61 about access to information about programs from the officers, and they had equal chance to access information from them (Table 12).

Table 12. Mean score of the respondents' perceptions on access to information and communication

STATEMENTS	MEAN SCORE	ADJECTIVAL RATINGS
Access to information about programs from the officers.	3.84	High
Equal chance of every member to access information from the officers.	3.75	High
Report of minutes of meetings when the officers attended the meetings with the local government or Department of Cooperative or other institutions related to the Cooperative.	3.66	High
Distribution of market information from the Cooperative regularly.	3.07	Moderate
Response of the officers when there are complaints from the members.	3.75	High
<b>Overall Mean Score</b>	<b>3.61</b>	<b>High</b>
Scale:	Rating:	
1 = Very unsatisfied	1.00-1.80 = Very low	
2 = Unsatisfied	1.81-2.60 = Low	
3 = Neutral	2.61-3.40 = Moderate	
4 = Satisfied	3.41-4.20 = High	
5 = Very satisfied	4.21-5.00 = Very high	

### **Linking Network of the Members of Cooperative**

When there is a chance for the officers to attend meetings with the local government or Department of Cooperative or other institutions related to cooperatives, the members of the Cooperative also received the report of minutes of meetings. During



critical times when there was lack of comprehension among the members receiving the information, the respondents felt satisfied with the explanation of the officers.

Communication has essential meaning in social capital. Grootaert et al. (2003) said, “Maintaining and enhancing social capital depends critically on the ability of the members of a community to communicate among each other, and with other communities”. Putnam (2000) also stated that information and counselling services in production are important factors for a successful result. According to the study, failure of start-ups and entrepreneurial businesses are actually results of lack of consultation services and absence of awareness and required skills. The respondents perceived that their Cooperative has a strong linking network as shown by the overall mean score of 3.92 (Table 13).

Table 13. Mean score of the respondents’ perceptions of linking network

STATEMENTS	MEAN SCORE	ADJECTIVAL RATINGS
The managers and employees implemented the decision of members' meetings such as work plan, budget, and recruitment of new members, etc.	4.13	Strong
The members' meetings are conducted according to the basic principles of democracy.	3.89	Strong
There is cooperation and mutual relationship between the managers and the employees in doing the Cooperative's programs.	3.89	Strong
Division of work among the managers and employees is practiced.	3.98	Strong
The Board submits the draft Cooperative work plan and budget regularly.	3.93	Strong
The managers appoint and dismiss employees of the Cooperative with the approval of the Board.	3.77	Strong
The managers report regularly to the Board on the implementation of the tasks assigned and provide suggestions for improvement/enhancement of the work done.	3.80	Strong

Table 13. Continued

STATEMENTS	MEAN SCORE	ADJECTIVAL RATINGS
The Board implements the instructions and guidance from government officials.	3.79	Strong
The supervisors request the information from the administrators and others And report to the members' meeting.	3.89	Strong
The supervisors make written report on the results of monitoring.	4.11	Strong
<b><i>Overall Mean Score</i></b>	<b><i>3.92</i></b>	<b><i>Strong</i></b>
Scale:	Rating:	
1= Strongly disagree	1.00-1.80 = Very low	
2= Disagree	1.81-2.60 = Low	
3= Neutral	2.61-3.40 = Moderate	
4= Agree	3.41-4.20 = Strong	
5= Strongly agree	4.21-5.00 = Very strong	

According to Woolcock and Sweetser (2002), linking social capital pertains to connections with people in power, whether politically or financially. In this study, the Cooperative's officers can be categorized as the influential persons for the members since they had authority to manage and to implement the rules and regulations of the Cooperative. The members of the Cooperative stated that the officers implemented the decision of members' meetings properly. Members' meetings were conducted according to the basic principles of democracy. The respondents also noticed that there was cooperation and mutual relationship between the officers and the employees in doing the Cooperative's programs and the division of work among the managers and employees is practiced.

This study shows good coordination and cooperation to provide the Cooperative's work plan and budget, cooperation among the officers and staff, and officers and the board. The supervisors who have the authority to supervise the officers also work appropriately to provide the written monitoring report. This linking social capital

correlated with the definition by Putnam (2000) who emphasized the connection with people in position of power and is characterized by relations between those within a hierarchy where there are different levels of power.

Linking network is a form of social capital which is valuable in terms of increased access to key resources from formal institutions outside the community. Babaei, Ahmad and Gill (2012) mentioned that social linking network provides avenue for collecting ideas of power and resource differentials in society, not only between communities and the state but also between communities and non-state actors. This view distinguishes linking social capital as an essential factor for the development of poor and marginalized groups. Linking network draws positive outcomes for communities.

### **Social Norms**

The respondents perceived that overall, their Cooperative has a strong social capital in terms of the social norms with mean score of 3.88 (Table 14). The respondents expressed very high social norms in terms of decision to join into the Cooperative without any pressure or persuasion from others and in joining the Cooperative as their own decision. According to World Bank (2006), social norms can be understood as either “what most people think and do” or, alternatively, “what individuals believe most people think and do.” Therefore, social norms refer to people’s beliefs about what ought to be done. Social norms are about what is considered normal or ought to be normal in a given context and situation. Stated differently, norms reflect real or perceived majority opinion and behavior.

As borne out in the study, the members of the Cooperative strongly believed the relevance of a business cooperative owned and managed by their church as the appropriate model in addressing their economic problems. The quality performance of the officers who are affiliated with the church organization became a guarantee that convinced the church members in joining the Cooperative.

Table 14. Mean score of the respondents' perceptions of social norms (n=122)

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
Joining the cooperative is my own decision without any pressure or persuasion from others.	4.21	Very strong
Our church members are free to join the Cooperative.	4.23	Very strong
Decisions in the Cooperative are decided in a democratic system even when entering into agreements with the governments or the top leaders of the church programs.	4.03	Strong
Each member has the same chance to be elected as Cooperative officers.	4.14	Strong
I tend to borrow money from the Cooperative rather than from other financing institutions.	4.05	Strong
The profit or "surplus" generated by the Cooperative does not benefit only the owners or investors, but the entire Members of Cooperative.	3.76	Strong
Most of the Members of Cooperative are enthusiastic to participate in the education and training activities of the Cooperative.	3.57	Strong
I will prioritize a Cooperative member who is really in urgent need for getting a loan even though it is my turn on queuing.	3.86	Strong
I never borrow money from the Cooperative beyond the limit of loan ceiling.	3.84	Strong
Helping other cooperatives is one of the responsibilities of our church Cooperative.	3.07	Moderate
<b>Overall Mean Score</b>	<b>3.88</b>	<b>Strong</b>
Scale: 1= Strongly disagree 2 =Disagree 3 = Neutral 4 = Agree 5 = Strongly agree	Rating: 1.00-1.80 = Very weak 1.81-2.60 = Weak 2.61-3.40 = Moderate 3.41-4.20 = Strong 4.21-5.00 = Very strong	

As the study shows, the members of the Cooperative joined the organization on their own decision without being persuaded or pressured by others. The respondents agreed that decisions were arrived at through democratic system. Participating in the education and training activities of the Cooperative was one method for enhancing the quality performance of the Cooperative. They kept the norm of helping other members as they are willing to prioritize a member who was really in urgent need for getting a loan even though it was their turn on queuing (Table 14).

Meanwhile, the respondents' perception on helping other cooperatives as their responsibility showed in moderate level. This shows that the members tended to emphasize the internal relationship among the members of the Cooperative. The parish programs also affected the Cooperative's activities since there was a strong relationship between the activities of the Cooperative and church programs such as meetings held after the worship Sunday services, distribution of information through the church bulletin and even during the family worship services, and gathering programs of women or men's choirs.

### **Trust and Reciprocity**

*Trust and reciprocity at the individual level.* The respondents expressed a high rating with an overall mean score of 3.65 on trust and reciprocity at the individual level (Table 15). The respondents agreed on majority of the questions asked. However, the respondents were moderate in entrusting their family members to other members of the Cooperative rather than their relatives or neighbor who are not members of the Cooperative. The respondents expressed a relatively high level of trust to their co-

members. According to them, they trust their co-members in a way that they help each other at times of personal problems. Members even lent and borrowed from each other with the assurance that they would repay at the agreed due date.

Table 15. Mean score of the respondents' perceptions of trust and reciprocity at the individual level

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
Most of the Members of Cooperative have the ability to pay the monthly repayment.	4.00	High
Most of the Members of Cooperative have the ability to pay the principal and interest of their loan.	3.79	High
Most of the Members of Cooperative are willing to help me when there is a disaster or grieving.	4.01	High
If some members of the Cooperative want to borrow money from me during emergency cases, I trust they will repay.	3.45	High
Most of the Members of Cooperative are easily to lend money to me.	3.59	High
If I will leave my children in the house, I will entrust them to the members of Cooperative rather than other neighbours or relatives.	3.09	Moderate
Most of the members of Cooperative only think of their own welfare.	3.81	High
When I experience grieving, the Members of Cooperative are the more active to commiserate.	3.73	High
The neighbors as the members of our Cooperatives are more trustworthy rather than the non-member of the Cooperative.	3.27	Moderate
Most of the Members of Cooperative will pay the obligation by due date.	3.84	High
Most of the Cooperatives members will keep the secret of the members.	3.50	High
<b>Overall Mean Score</b>	<b>3.65</b>	<b>High</b>
Scale:	Rating:	
1 = Strongly disagree	1.00-1.80 = Very low	
2 = Disagree	1.81-2.60 = Low	
3 = Neutral	2.61-3.40 = Moderate	
4 = Agree	3.41-4.20 = High	
5 = Strongly agree	4.21-5.00 = Very high	

The respondents measured the level of trust they have for their co-members with their practice of entrusting the care of their children to some members of the Cooperative during their absence. They stated that they were more likely to trust their co-members rather than their neighbors or relatives who are not members of the Cooperative. Some also stated that the level of their trust to their co-members had reached the extent of entrusting even their confidential information which they named as secrets. Meanwhile, there were some who declared that most of the members of the Cooperative only thought of their own welfare. This finding was supported by Ostrom and Walker (2003) as they mentioned that “trust is enhanced when individuals are trustworthy, are networked with one another and are within institutions that reward honest behavior.” Interpersonal trust encourages the joining of groups. The individuals who trust others tend to join more groups, and individuals who belong to more groups tend to trust others.

***Trust and reciprocity at the organizational level.*** The respondents expressed high rating (average mean score 3.72) on trust and reciprocity at the organizational level. Table 16 shows that the respondents perceived majority of the indicators as high. This implies that the Cooperative were very good in terms of assisting the members. The findings indicate the respondents’ high level of trust on the officers’ management capability because they had the skills and knowledge on cooperatives. The respondents believed that the Cooperative would bring economic benefits to the church members, and the church Cooperative was more relevant to their needs rather than other cooperatives.

Trust is a basic element of functioning relationships in organizations. Employees in organizations create trustworthiness in their daily behavior and actions. Trust has been a frequently cited determinant of group performance. Trust increases the ability of group

members to work together. Since work groups require that individuals work together, trust is expected to increase the performance of the group, both in terms of effectiveness

Table 16. Mean score of the respondents' perceptions of trust and reciprocity at the organizational level

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
The officers have skills and knowledge to manage the Cooperative.	4.08	High
The Constitution and By-laws of our Cooperative have been formulated based on my needs and those of other members.	4.01	High
The By-laws and Articles of the Cooperative are implemented well.	4.01	High
The Cooperative brings economic benefits to the church members.	4.12	High
The programs of the Cooperatives could help the members in their social and cultural needs.	4.12	High
Most of the Cooperative officers are willing to help if I ask them.	3.96	High
I joined the church-based cooperative because I believe that it is part of the church ministry.	4.02	High
I trust that the program of the church Cooperative is more relevant to my needs rather than other Cooperatives.	4.03	High
Sanctions are implemented even to the relatives of the manager or other officers of the Cooperative.	4.15	High
There is a low possibility that the officers will commit corruption.	3.87	High
If I have a financial problem I will prioritize to ask help from the officers of our Cooperative.	3.93	High
The officers of the Cooperative provide assistance if they will be paid.	2.15	Low
Only few church members want to join the Cooperative.	2.16	Low
I feel satisfied even if the Cooperative is audited only by the internal auditors.	3.41	High
<b>Overall Mean Score</b>	<b>3.72</b>	<b>High</b>
Scale: 1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly agree	Rating: 1.00-1.80 = Very low 1.81-2.60 = Low 2.61-3.40 = Moderate 3.41-4.20 = High 4.21-5.00 = Very high	



and efficiency. Effectiveness is expected to be positively related to trust, as the latter may improve cooperation and the motivation to work jointly (Larson and LaFasto 1989; Dirks 1999). Feelings of insecurity appearing in workplaces may often be a reason for atmosphere-related problems such as teasing, conflicts, and disputes. Mental well-being is largely sustained by emotional support such as appreciation, respect, openness, and feedback (Häkkinen 2011 in Savolainen, Taina and López-Fresno 2012).

Two variables, namely “The officers of the Cooperative provide assistance if they will be paid” (mean score: 2.15) and “Only few church members want to join the Cooperative” (mean score: 2.16) were rated low which means that the respondents disagreed with these statements. This implies that the Cooperative’s officers provide assistance to members not because they were paid but because it was part of their responsibility as officers. Further, the respondents did not believe that only few church members wanted to join the Cooperative. Data show that the number of members has increased through the years.

The findings confirm with Mayer et al. (1995) as they cited that cooperation is frequently associated with trust – particularly when cooperation puts one at risk of being taken advantage of by a partner. Dirks (1999) added that trust positively affects two components of cooperation, namely coordination and helping. The ability to harmoniously combine actions (i.e., be coordinated) is likely to be contingent upon the extent to which individuals can depend upon their partners and can predict their partners’ behaviors.

## **Performance Indicators of Church-Based Cooperative**

In this study, the performance indicators of the church-based cooperative consist of sound business practices, membership participation, support of cooperative apex organization, and facilitating economic environment.

### **Sound Business Practices**

The respondents agree on all variables relative to sound business practices. This implies that respondents' perception of sound business practices is adequate with mean score of 3.86. Financial profitability and performance, financial stability and financial management which were reflected through better prices of products or services for the member are criteria for sound business practices as emphasized by Mellor (2009). In this study, the finding showed that members of the Cooperative adequately agree that their Cooperative has implemented the management of savings which formulated in the Cooperative's regulation. At the same time, the respondents also adequately agree that their Cooperative has implemented the procedures in applying loan and repayment. The members have to follow the procedures in applying for loan, and they have to repay according to the schedule they indicated in the agreement.

According to the key informant interview conducted, the members have decided during the meeting that this Cooperative should apply the cooperative accounting system, and that loans depending of the amount, should have a specific number of months to be paid. The Cooperative also decided that each borrower has to fill out an application

form with an attachment the file such as membership book, copy of identification, collateral if the loan more than total amount 1 Million Rupiah or beyond of his/her total savings, and recommendation or approval from the Commissariat. The loan should be given directly to the borrower.

The financial management of cooperative is essential for the success of the Cooperative as it has been applied in Cooperative Riahta. This is supported by USDA's Rural Business-Cooperative Service (1997) which stated that a complete and accurate accounting system is vital for effective management. It must produce several financial statements needed in planning and controlling, such as: (1) monthly and annual balance sheets and operating statements; (2) functional or enterprise accounts pertaining to departments or specific lines of business; and, (3) special accounts such as patronage records, accounts receivable aging, member equity, and patron financing. Furthermore, it mentioned that an independent auditor periodically verifies the accuracy of the cooperative's business records. This is especially useful to directors in performing their controlling and planning functions. It helps the board determine the extent to which the manager has followed financial policies, and evaluate how a cooperative is accomplishing its basic objectives. Mellor (2009) also stated that the cooperative achievement in terms of financial stability is not only in terms of profitability and efficiency, but also based on staying power, particularly to get through hard times. The increase or decrease of a cooperative's total assets, total debts and total equity, and the total reserves are the indicators of how business practices exist in cooperatives.

One of the most important features of a successful cooperative enterprise is a sound accounting system which consists of valuable tools for measuring the strengths and

weaknesses of a cooperative enterprise. This involves keeping an accurate record of each member-patron's purchases and sales through the cooperative. A monthly balance sheet and operating statement are usually required and the amount by which assets exceed liabilities is shown as member's equity in the balance sheet (Roy 1981; Kassali et al. 2013).

Table 17. Mean score of the respondents' perceptions of sound business practices

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
Management of savings.	3.83	Adequate
Implementation of procedures in applying loan	3.83	Adequate
Loan repayment by the borrowers	3.92	Adequate
Receipt of dividend in the last two years	4.07	Adequate
Income distributions of based on Cooperative principles	3.94	Adequate
Distribution of material donations (if any)	3.83	Adequate
Distribution of cash donations (if any)	3.69	Adequate
Equity payment for your position	3.97	Adequate
Operation and maintenance of assets	3.71	Adequate
Report of auditors for every program	3.87	Adequate
<b>Overall Mean Score</b>	<b>3.86</b>	<b>Adequate</b>

Scale:	Rating:
1 = Strongly disagree	1.00-1.80 = Very inadequate
2 = Disagree	1.81-2.60 = Inadequate
3 = Neutral	2.61-3.40 = Moderate
4 = Agree	3.41-4.20 = Adequate
5 = Strongly agree	4.21-5.00 = Very adequate

### Membership Participation

The respondents perceived high membership participation. Majority of the variables tested scored high, while only one obtained a moderate rating, but overall mean score of perceived membership participation is 3.64 (Table 18). The result of the study

shows the respondents acknowledged that they actively attend the members' meetings since they realize the essential meaning of this activity as a means to achieve the purposes of the Cooperative. When there are program celebrations of the Cooperatives, the respondents willing and voluntarily join the committees to help in the preparations.

Table 18. Mean score of the respondents' perceptions of membership participation

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
I will join voluntarily when there is a need to work together ( <i>gotong royong</i> ) to repair the office of the Cooperative.	3.73	High
I will join voluntarily when there is a need to work together ( <i>gotong royong</i> ) to repair the house of Members of Cooperative.	3.51	High
I am actively to attend the members meeting because it is necessary for all members of the Cooperative.	4.03	High
I will join voluntarily the committee to prepare the materials and other needs for celebrations programs of the Cooperative.	3.50	High
I will join the group of delegates to attend the programs of other cooperatives or other organizations.	4.05	High
I am willing to serve as a guarantor of other members to get loan.	2.99	Moderate
<b>Overall Mean Score</b>	<b>3.64</b>	<b>High</b>
Scale:	Rating:	
1= Strongly disagree	1.00-1.80 = Very low	
2= Disagree	1.81-2.60 = Low	
3= Neutral	2.61-3.40 = Moderate	
4= Agree	3.41-4.20 = High	
5= Strongly agree	4.21-5.00 = Very high	

The study also shows that respondents like to join the group of delegates to attend programs of other cooperatives or organizations. This supports the respondent's high level of participation in the Cooperative's activities. Members' participation,

commitment and loyalty became important, complex and sensitive issues in the development and progress of cooperatives (Osterberg et al. 2007).

In terms of social participation, the respondents expressed their willingness to participate voluntarily when there is a need to work together (*gotong royong*) in repairing the Cooperative's office and houses of members. However, the respondents' willingness to serve as guarantor of members who apply for loan from the Cooperative was moderate. This implies that members have reservation to guarantee loans of some members; perhaps they may only guarantee for their relatives, close friends or neighbors only. Because participation is fundamental for the Cooperative's full existence and fulfilment of its mission (Banco Central Do Brasil 2008), members' participation can be encouraged through the establishment of enabling instruments for members' involvement in cooperative affairs.

The success of cooperative empowerment relies heavily on the participation of cooperative members as actors and also as stakeholders. Members' participation is an important issue to be considered in the cooperative programs, therefore a strong membership base is the foundation for the success of a cooperative. The active participation of the Cooperative members in its programs became a factor in the success the Cooperative. Harun and Mahmood (2012) mentioned in their study that strong membership contributes to the growth of cooperative performance. The presence of group cohesiveness determines the success of cooperatives and should help in the economic development of Malaysia. A higher degree of group cohesiveness contributes to higher organizational performance of the cooperatives. Hence, more cooperatives take extra efforts to build strong membership, such as getting their members to participate in the

activities of cooperatives. Similar with this result is the finding of Othman et al. (2012) who ascertained that the success of the cooperatives not only rely on the efficiency and effectiveness of the governance and management, but also on the members' participation. Members play a key role in the failure or success of cooperatives since members are those who contributed financially and supported the activities of the cooperatives. Members who attended annual general meetings are one to three times more likely to contribute to the cooperatives' share increment as compared to those who were absent from these meetings. The share increment had a positive association with the annual general meeting attendance as their attendance promotes group cohesiveness and encourages members to achieve cooperative objectives.

### **Support of Cooperative's Apex Organization**

All of the variables pertaining to the support of cooperative apex organization resulted to adequate adjectival rating with mean score of 3.80 (Table 19). Mellor (2009) in his study of successful cooperatives cited that the successful ones are those who often develop training programs for their members and board. Through this training, board members gain understanding of accounting principles, the division of responsibility between the board and the manager and principles for creating active member participation for the long-term stability of the cooperative.

The respondents perceived that apex organization has helped in the establishment of their Cooperative specifically in terms of providing training for the Cooperative's

board and manager, and in developing training programs. Nevertheless, the cooperative's apex organization is not the main actor for achieving a successful cooperative.

Table 19. Respondents' perceptions of Cooperative apex organization's support

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
The Apex Organization helped in the establishment of our Cooperative.	3.70	Adequate
The Apex Organization helps our Cooperative in the management and training of our Cooperative's Boards and manager.	3.77	Adequate
1) Registration	4.00	Adequate
2) Taxes	3.79	Adequate
3) Salary of staff	4.07	Adequate
4) Insurance of staff (health insurance, etc.)	3.47	Adequate
5) Training for officers	3.82	Adequate
6) Pension for senior citizens	3.42	Adequate
The Apex Organization has developed training programs for the members and Board of our Cooperative.	3.86	Adequate
The contents of the training provided by the Apex Organization address the needs of our Cooperative.	3.76	Adequate
Through the training provided by the Apex Organization, the Board members gain understanding of the division of responsibility between the Board and the manager.	3.98	Adequate
The Board of our Cooperative has learned the principles for creating active members' participation through the training provided by the Apex Organization.	3.86	Adequate
<b><i>Overall Mean Score</i></b>	<b>3.80</b>	<b><i>Adequate</i></b>
Scale:	Rating:	
1 = Strongly disagree	1.00-1.80 = Very inadequate	
2 = Disagree	1.81-2.60 = Inadequate	
3 = Neutral	2.61-3.40 = Moderate	
4 = Agree	3.41-4.20 = Adequate	
5 = Strongly agree	4.21-5.00 = Very adequate	

Navajas and Schreiner (1998) in their study on Apex organization and the growth of microfinance in Bolivia cited that Apex organizations, as the second-tier wholesaling



mechanism lending and offering non-financial assistance to retailing microfinance organizations, have not been responsible for the success of microfinance in the study area. Former and current Bolivian Apex organizations have engaged in little market development. Some have provided some liquidity to microfinance organizations, but they have not played an indispensable role in the development of the sector. Other mechanisms for the delivery of donor aid have been more effective in strengthening the best Bolivian microfinance organizations.

Shankar (2002), in his study on how cooperatives and their Apex organizations can improve their environment at the local, national and international levels in Mongolia mentioned that the cooperatives and their apex organizations have to reach out not just to other cooperatives but also to organizations that may themselves not been structured in the cooperative form but are committed to the development of cooperatives. Therefore, cooperatives have to network with their allies, including funding institutions, academia, and voluntary bodies.

### **Facilitating Economic Environment**

Table 20 shows that the respondents' perception of the Cooperative's facilitation of economic environment is adequate with the mean score of 3.79. This implies that they believe that the Cooperative has provided efficient activities in facilitating its members' economic environment such as sharing of knowledge and information and technologies, helping producers like farmers and handicraft makers to control the market price, and

participating building roads and bridges to the farming and other production areas to facilitate marketing of products.

Table 20. Mean score of the respondents' perceptions of facilitating economic environment

STATEMENTS	MEAN SCORE	ADJECTIVAL RATING
Activities in the Cooperative provide skills and knowledge to improve my economic activities.	4.00	Adequate
Sharing of knowledge and information in the Cooperative helps me to increase my skills for livelihood.	3.90	Adequate
Sharing of knowledge and information in the Cooperative helps me to address our family's economic problems.	3.90	Adequate
Since joining the Cooperative, our family income has increased.	3.78	Adequate
Active participation in the Cooperative programs improves my skills in production technology application.	3.52	Adequate
A church-based Cooperative is the best solution for our loan and savings needs in the family.	4.04	Adequate
The Cooperative helps the producers like farmers and handicraft makers to control the market price.	3.64	Adequate
Our Cooperatives participates in building the road and, or bridge to the farming and other production areas to facilitate marketing of products.	3.52	Adequate
<b>Overall Mean Score</b>	<b>3.79</b>	<b>Adequate</b>
Scale:	Rating:	
1= Strongly disagree	1.00-1.80 = Very inadequate	
2= Disagree	1.81-2.60 = Inadequate	
3= Neutral	2.61-3.40 = Moderate	
4= High	3.41-4.20 = Adequate	
5= Very high	4.21-5.00 = Very adequate	

Even though members of the Cooperative acknowledge the benefits but it was difficult to measure the benefits of cooperative itself. According to USDA's Rural Business-Cooperative Service (1990) in their study on farmer cooperative, some benefits

of cooperatives are tangible or direct as in the case of net margins or savings. Others however, are intangible or indirect such as cooperatives' effect on market price levels, quality, and service. Some are most evident at the time the cooperative is organized but become more obscure as the years pass. Benefits are greater for some types of cooperatives or in specific areas. Most benefits are evaluated in economic terms but some also may be social. Furthermore, this study mentioned that the Cooperatives increase farm income in a number of ways. These include: (1) raising the general price level for products marketed or lowering the level for supplies purchased; (2) reducing per-unit handling or processing costs by assembling large volumes, i.e., economies of size or scale; (3) distributing to farmers any net savings made in handling, processing, and selling operations; (4) upgrading the quality of supplies or farm products handled; and, (5) developing new markets for products. At the same time, successful and growing cooperatives often develop leaders among directors, managers, and other employees, and members, by participating in business decisions on a democratic basis, become more self-reliant and informed citizens in their communities. The practical business experience acquired as directors or committee members is often supplemented by specialized formal training. This experience of working with the cooperative contributes to improved rural leadership.

Cooperatives give better information and technology. The cooperative can provide tremendous benefit to their members' farms or businesses by enabling them to access the kind of sophisticated market data or technology that only large corporations can usually afford. Cooperatives can likewise give better product information. Consumer cooperative members around the world trust their cooperative to act on their behalf and

access and relay important information about food provenance and quality so consumers can make more informed purchasing decisions (Lund 2013).

Ortmann and King (2006) in their study on small-scale farmers in South Africa cited that agricultural cooperatives have played an important role in the development of commercial agricultural sector in South Africa as suppliers of farming requisites, marketers of agricultural commodities, and providers of services such as grain storage and transport. The success of these cooperatives in the past was promoted because they served as agents of marketing boards (for various agricultural commodities) and the Land Bank, which provided subsidized loans to commercial farmers.

The Cooperative helped the community members in enhancing their knowledge in economics and technology to increase the family's income. This is one of the Cooperative's objectives which were decided by its members since the Cooperative establishment. Zeuli (2002) emphasized that the strengths of the Cooperative model is addressing the community interest. The cooperative can be owned and controlled by community residents. Therefore, a cooperative is more likely to be interested in promoting community growth than an investor-owned firm controlled by non-local investors. Since community residents control the firm they can ensure their own objectives are met, and not those of people who live elsewhere.

The members of the Cooperative realized that it brings the benefit in increasing income of their family. Financial advantage is also a benefit of cooperative model for the community. The cooperatives provide loans with low interest to the members. The cooperatives can also provide low cost services. Williams (2007) in his study on a

teachers' cooperative in Indonesia mentioned that the cooperative offers low interest loans to its members which bring benefits to the members.

Dogarawa (2010) in his study on the roles of cooperative societies in economic development pointed that to become effective and successful cooperatives, they must continuously achieve two interrelated goals: enhance viability and improve ability to service its members, and remain an economically viable, innovative and competitive enterprise.

In this study, members of the Cooperative highly agree that their Cooperative helps members through sharing knowledge and information and technologies, helping the producers like farmers and handicraft makers to control the market price and others. This is supported by study conducted by Gweyi et al. (2013) on agricultural cooperatives in Kenya which showed that cooperatives have played significant roles in reducing unemployment problem by generating permanent and temporary employment to both skilled and unskilled individuals, providing credit and/or grant-based financial support to unemployed people. Further, the study cited that the cooperatives made vital roles in protecting the environment from degradation through undertaking various environmental rehabilitation initiatives including reforestation, gully reclamation, soil and water conservation, and biological and physical conservation.

Cooperatives have important roles in accelerating the pace of economic growth and in reducing poverty. In order to build a strong, vibrant and prosperous cooperative movement, the cooperatives shall promote a saving culture, high productivity, value addition and collective marketing that contribute to increased household incomes, economic transformation and development of the country. This can be done through

instituting the necessary legal reforms to promote good governance, cooperative training and education.

### **Relationship of Variables**

For this study, the socio-economic characteristics (independent variables) were correlated with the social capital and performance of church-based cooperative (dependent variables). Likewise, the social capital (independent variable) was correlated with the performance of church-based cooperatives (dependent variable). Both the independent and dependent variables were treated as categorical, hence the Pearson Chi-square test of independence was used to determine the relationship between the selected variables. The Monte Carlo Exact Test was employed for reliability of results at 99% level of confidence.

### **Relationship between Respondents' Socio-economic Characteristics and Components of Social Capital**

Table 21 shows the correlation between members of the Cooperatives' socio-economic characteristics (i.e., age, gender, educational attainment, civil status, occupation, monthly household income, monthly household expenses, household size, physical assets in terms of house ownership and number of vehicles owned by the family, position in the church structure, and participation in church's worship services) with the identified components of social capital (i.e., social networks, social norms, and trust and reciprocity). Social networks were categorized into bonding, bridging, and linking networks. Bridging social capital was analyzed using: a) members' frequency of joining

group activities, b) forms of communications used to get information, and c) access to information and communication. Trust and reciprocity was analyzed both at the interpersonal and institutional levels.

Members' age, civil status, monthly household expenses, number of family members, house ownership, and position in church and participation in church worship services were correlated with social capital. Finding of study shows that age of members of the Cooperative affects the bonding relationship among members. Moreover, civil status, monthly household expenses, number of family members and house ownership affect how the members of the Cooperative access information and communication between the members of the Cooperative and officers regarding the information related to the Cooperative's programs. Meanwhile, the position of members on how they participate in the church ministries also influences their access to information and communication in the Cooperative.

On the other hand, gender, educational attainment, occupation of members, monthly household income, and physical asset in terms of number of owned vehicles are not associated with components of social capital. In the same manner, no relationship was discovered between trainings attended and components of social capital. This implies that social capital of the Cooperative is not dependent on some of the variables of socioeconomic characteristics of Cooperative's members.

Table 21. Relationship between respondents' socioeconomic characteristics and components of social capital

SOCIOECONOMIC CHARACTERISTICS	COMPONENTS OF SOCIAL CAPITAL							
	Social Networks					Trust and Reciprocity		
	Bonding	Bridging			Linking	Social Norms	Interpersonal	Organizational
Freq. of joining		Forms of Communication	Access to Information & Communication					
Age	0.039*	-	-	-	-	-	-	-
Gender	-	-	-	-	-	-	-	-
Educational attainment	-	-	-	-	-	-	-	-
Civil Status	-	-	-	0.019*	-	-	-	-
Occupation	-	-	-	-	-	-	-	-
Household monthly income	-	-	-	-	-	-	-	-
Household monthly expenses	-	-	-	0.030*	0.016*	-	-	-
Number of family members	0.017*	0.005**	-	0.010*	-	-	0.007**	0.077*
Physical assets								
House ownership	-	-	-	0.044*	-	-	-	-
No. of vehicles owned	-	-	-	-	-	-	-	-
Training/s on cooperative	-	-	-	-	-	-	-	-
Position in church	-	-	-	0.002**		0.001**	-	-
Participation in church programs	-	-	0.002**	-	0.001**	0.036*	0.002**	0.026*

Note:

\* Significant at  $p < 0.05$ \*\* Highly significant at  $p \leq 0.001$ 

- Not significant



*Socio-economic characteristics and bonding social networks.* Respondents' age ( $p=0.039$ ) and number of family members ( $p=0.017$ ) were significantly correlated with the Cooperative's bonding network. Older members and those who belong to households with six members tend to agree that their Cooperative provides a strong bonding network. Specifically, older members were more agreeable that the Cooperative actively mediates the members who face conflict. The result also shows that the older members share ideas with members of the Cooperative rather than the non-members. This implies that the older members tend to concern or respect bonding social networks. They consider other members of the Cooperative as their close friends whom they trust to share their personal problems. They also realized that the members of the Cooperative as close friends who have the same needs and economic problems and are united by the spiritual activities such as worship services in the church and family worship services in each church member's house.

In this study, emotional maturity was perceived to include the ability to deal constructively with reality. Emotional maturity is a process in which the person is continuously striving for greater sense of emotional health, both intra-physically and intra-personally as found by Menninger (1999). Related to this definition, Raj (1996) cited that social maturity is a level of social skills and awareness that an individual has achieved relative to particular norms related to an age group. Social maturation permits more detailed perception of the social environment which helps adolescents to influence the social circumstances.

The number of family members was likewise significantly correlated with bonding social networks. This assumes that there were more interactions among family

members than with other members of the Cooperative (e.g., during social gathering (*arisan*), team building activities, visit the house of other members to share personal and financial problems).

Heizler and Kimhi (2012), in their study on the effect of family composition on the social networking pointed out that the number of children in the family affects parents' level of social networks because children decrease parents' time for leisure activities but increase the number of new linkages made through them. According to them, there is a negative effect on the father's level of social networks in terms of number of children but is lower compared to the mother's level of social networks. Meanwhile, the positive effect of the number of children on the father's level of social networks is higher than the positive effect on the mother's level of social networks. This might be due to the fact that mothers dedicate relatively more time to physical activities of child rearing and less time to social activities with children than fathers.

***Socio-economic characteristics and bridging social networks.*** Civil status, monthly household expenses, family size, house ownership, position and participation in church activities were found to influence bridging social capital. Married respondents are most likely to agree that all members are able to access information from the Cooperative officers unlike single members who are neutral on the matter ( $p=0.019$ ). Respondents who are older ( $p=0.002$ ), with monthly expenses of IDR 4.1 to 5 million ( $p=0.030$ ), have 5 members in the household ( $p= 0.010$ ), and own the house they reside ( $p=0.044$ ) are more expected to agree that the Cooperative has good information and communication system. It means that married respondents who have children and own the house or with permanent address or shelter are more active in participating in the Cooperative. This is

because the officers could visit them regularly and appoint their house as venue of family worship services. Meanwhile, members with larger family size frequently join group activities such as meetings, savings movement, loan availment, extension programs, and general assembly ( $p=0.005$ ) as the way to address the family needs through the Cooperative.

Participation in church programs or attendance in church and family worship services were associated with the forms of communications ( $p=0.002$ ). Members who receive information from the Cooperative verbally are more likely to attend service regularly (four to five times a month or almost every service). It means that the presence of members of the Cooperative during the worship services was also encouraged or motivated by good communication which provided by the officers most of the times through church bulletin and church announcement during worship services programs.

*Socio-economic characteristics and linking social networks.* The correlation between participation of the members of the Cooperative in church programs and social capital ( $p=0.001$ ) was highly significant. Similarly, that of monthly household expenses and respondents' satisfaction on linking social capital was likewise significant. Respondents whose household monthly expenses fall within the range of IDR 3.1 to 4.0 Million are more likely to profess agreement on the matter. This implies good relationship and high respect of the members of the Cooperative to the Cooperative's officers as influential persons (people in power). Officers, staff and commissaries for the local congregations are working together according to the Cooperative's rules and regulations to achieve the goal and objectives of the Cooperative.

*Socio-economic characteristics and social norms.* Position in the church ( $p=0.001$ ) and participation in church ( $p=0.036$ ) of members influence the social norms within the Cooperative network. Elders and church members who frequently attend worship service are more inclined to agree on social norm practices. The study has shown that the position of members of the Cooperative in the church structure, and their participation in the church activities influenced social norms.

A highly significant relationship between position in the church structure and social norms implies that high church positions demand responsibilities in the church ministries. Because the Cooperative is part of the church ministry for the members, church ministers and all members of the church structure are committed to do their ministry. The book entitled “Community of Christ” (2012) cited that the pastor’s leadership team shapes how the congregation forms disciples through Christian education, small groups, worship, spiritual practices, and services. They coordinate all avenues of formation. This coordination leads to a deeper understanding and fuller expression of the life and ministry of Jesus Christ in the congregation and community. Further, the author mentioned that the content and character of worship, study, prayer, proclamation, and actions as individual disciples and as a congregation are in response to the Christ’s living expression of “evangelism, compassionate service, justice and peace-making”. In this study, the significant relationship between participation in church programs and social norms implies that members of the Cooperative participate in the programs because they obey the Cooperative’s regulations and decisions which became the norms in the Cooperative.

*Socio-economic characteristics and trust and reciprocity.* The correlation between participation in the church programs and trust and reciprocity between members of the Cooperative with other members ( $p=0.002$ ) was highly significant. Meanwhile, trust and reciprocity between the members with the organization of the Cooperative is significant ( $p=0.026$ ). This finding correlates with the relationship between socio-economic characteristics and social norms. Implementation of social norms will create more trust among members. The more frequent a member attends worship services, the higher will be his/her belief that there is a trusting relationship between members of the Cooperative and the Cooperative institution. It means that trusting other members and the Cooperative officers affects the enthusiasm of members of the Cooperative to attend worship services. Because they meet each other, there is a probability for them to interest share and ideas on cooperative issues before and or after the worship. Moreover, results also show that family size was highly and significantly correlated with trust and reciprocity between members of the Cooperative with other members ( $p=0.007$ ), and significantly correlated with trust and reciprocity between the members and the Cooperative ( $p=0.077$ ). This good relationship among family members helps foster good relationship with other members of the Cooperative and officers as they meet every week in the church and family worship services, and during the choir practices and fellowship.

Trust which is a central component in effective working relationships (Gabarro 1978 in McKnight and Chervany n.d.) especially in a cooperative was found to be associated with participation in church programs. Household size and participation in church activities appeared to be associated with trust and reciprocity both at the individual and institutional levels.

These findings reveal the significant relationship between socio-economic characteristics and social capital which were supported by other studies and literature. The study of Ajrouch et al. (2005) which examined the effects of age and socio-economic status on social networks among men and women found that men of older age were associated with older networks. Among women, age is associated with smaller networks that are older, less geographically proximal, and less frequently contacted. On the other hand, less education is associated with younger network members in midlife. Among women in later life, lower levels of education are not associated with a younger network. Higher levels of education are linked to larger personal networks among men and women, but not to the number of individuals considered closest. Among women, higher levels of education are also associated with less proximal networks.

Han et al. (2015) pointed out that family's socio-economic status, as well as all its dimensions (father and mother's level of education, annual total family income, father and mother's occupation), is significantly and positively related to social capital and all dimensions of its proxy variables (peer support, kinship support and general support of others).

Social capital, however, depends in large part on other forms of human capital such as occupation and education (Bourdieu 1986). In the case of the Cooperative, association was found between some of the socio-economic and social capital variables ranging from 0.039 to 0.001. Position and participation in church activities showed high influence on social capital components in the cooperative organizations. This study implies the position of members of the Cooperative as pastor, elder, member of council, and also as member of men's fellowship and choir, and member of women's fellowship

and choir who attends regular meeting have a highly significant relationship with social capital components in cooperative organizations.

Church ministers led by the pastor have the responsibility for the programs in church community. Bacchiocchi (2000) mentioned that the main role of the pastor is a model for the congregation. In doing his pastoral model, he or she has the functional role as an administrator of a church institution. His/her appointment to the pastoral office is determined by his/her functional effectiveness and capacity for leadership. The church members view the church ministers as religious institution that provides religious and social services to the community.

#### **Relationship between Respondents' Components of Social Capital and Performance of Church-Based Cooperative**

Almost all of the social capital variables were found to be highly correlated with the performance variables (Table 22). Statistical analysis shows that some of the social network variables were found not correlated with sound business practice, in support of apex organizations, and facilitates economic environment. Moreover, it analysis proves that performance of the church-based cooperative is imminent when social network is applied; members share common norms and there is trust among members. Similarly, it established that respondents who agree that their Cooperative invests on components of social capital are expected to agree on its good performance.

*Social networks and performance of church-based Cooperative.* The result of study found that bonding networks influence the Cooperative's performance except support of Apex organization. Bonding networks strongly and significantly influence the

Table 22. Relationship between components of social capital and performance of a church-based cooperative

COMPONENTS OF SOCIAL CAPITAL	PERFORMANCE			
	Sound Business Practice	Strong Membership Participation	Support of Cooperative Apex Organization	Facilitating Economic Environment
Social Networks				
• Bonding	0.001**	0.001**	-	0.001**
• Bridging				
a. Frequency of joining activities	-	0.014*	-	-
b. Forms of communication	-	0.018*	-	-
c. Access to information and communication	0.001**	0.001**	0.001**	0.001**
• Linking	0.001**	0.001**	0.001**	0.001**
Social Norms	0.001**	0.001**	0.001**	0.001**
Trust and reciprocity				
• Interpersonal	0.001**	0.001**	0.001**	0.001**
• Organizational	0.001**	0.001**	0.001**	0.001**

Note:

\* Significant at  $p < 0.05$

\*\* Highly significant at  $p \leq 0.001$

- Not significant



performance of the Cooperative in sound business practices ( $p=0.001$ ) which has been shown in the participation of its members in doing savings movement, loan availment, timely loan repayment, and other activities related to business practices of the Cooperative. Active participation of officers of the Cooperative to organize activities that will facilitate team building, and sharing of ideas among members, to address divisive acts of individual members, and to mediate conflicts among members of Cooperative strongly and significantly influence strong membership participation ( $p=0.001$ ). This means that bonding networks encouraged participation of members of the Cooperative to be involved in decision-making processes, program implementation, sharing of benefits, and efforts to evaluate the Cooperative's programs as supported by Cohen and Uphoff (1976 quoted by Budijanto 2009). Meanwhile, the strong and significant influence of bonding networks on the performance of facilitating economic environment implies that this social capital component influences the Cooperative to provide an important channel for bridging market values and human values (Cassidy 2013).

Analysis of bridging social capital *as* a component of social network among members of the Cooperative who are socially heterogeneous revealed that frequency of joining the Cooperative's activities and forms of communication significantly affect membership participation ( $p=0.014$  and  $0.018$ ). Bridging network in terms of frequency of members joining meetings, savings movement, loan availment, general assembly, and social programs (such as feeding programs, farmers' training, etc.) likewise significantly affect strong membership participation. On other hand, forms of communication such as written and verbal, and combination of both types also significantly affect strong

membership participation. Members who receive information through a combination of written and verbal means are most likely to participate voluntarily in *gotong royong* activities. Meanwhile, effectiveness of information and communication is associated with all performance variables ( $p=0.001$ ). Proper distribution of information strongly affects the performance of the church-based Cooperative.

This study also shows that linking social networks influenced the performance of the church-based Cooperative in sound business practice, strong membership participation, support of cooperative Apex organization, and facilitating economic environment ( $p=0.001$ ). Linking network as shown by good cooperation and mutual-relationship between manager and employees in doing the Cooperative's programs and applying the basic principles of democracy in managing the church cooperative, strongly affected all variables of performance of the church-based Cooperative.

***Social norms and performance of church-based Cooperative.*** The result of the study established that social norms highly and significantly affected all components of the performance of the church-based Cooperative, namely sound business practice, strong membership participation, support of cooperative Apex organization, and facilitating economic environment ( $p=0.001$ ). The findings of this study imply that the Cooperative being an autonomous association of people who voluntarily cooperate for their mutual social, economic, and cultural benefit has created and kept the values as norms in managing and coordinating their activities. "The desire to help others in need is not instinctive but a norm in the church community" (Cnaan et al. 2003). The respondents as the church members voluntarily joined the Cooperative when they know the Cooperative keeps the norms they decided together as written in the Articles of Cooperative. This also

implies that the spirit of cooperatism and “loving others as loving oneself” as applied in this Cooperative strongly and significantly affected the performance of the Cooperative.

*Trust and reciprocity and performance of church-based cooperative.* The result of study identified that trust and reciprocity in interpersonal and institutional levels strongly affected all performance variables of the church-based Cooperative ( $p=0.001$ ). This implies that the Cooperative as a community-based organization was united by the trust among members and trust between members and the Cooperative. Their relationships create more trust when members commit to keep the norms that prevail in their community. As Coleman (1990) said, the critical elements for social capital to be effective are high level of trust among members and the extent of obligations held. Therefore, people attend congregations as a manifestation of a religious commitment, and they choose the congregation carefully and trust its clergy and members. Table 22 indicates that the correlations which range from 0.018 to 0.001 were highly significant. These values signify the importance of social capital to the performance of a church-based cooperative.

### **Relationship between Respondents’ Socioeconomic Characteristics and Performance of Church-Based Cooperative**

Using the respondents’ socio-economic characteristics, correlation test showed that the respondents’ age, gender, civil status, monthly household expenses, household size, and position in the church structure are associated with the church Cooperatives’ performance (Table 23) and sound business practice is dependent on them. Middle aged members who are married, whose monthly expenses fall within the IDR 4.1 to 5M range,

with six family members, and are elders are more satisfied with the Cooperative's business practices.

Strong membership participation is dependent on members' age ( $p=0.030$ ). Male members are more likely to express strong membership participation in the Cooperative's activities. Findings show that more than half of the respondents (55%) belongs to 40 to 59 age range (early adult age category), followed by 20 to 39 (39%), and 60 and above (7%), with age range of 21 to 80 and an average of 42 years. This means that most of respondents belong to the working age population (ages 15 to 64) and the age of maturity. Civil status, household expenses, and family size were also correlated with strong membership participation, implying that participation of members in the Cooperative is as the answer to address the economic needs of the family. In other words, the deep concern of the church members of GKPS Parish Siantar II to run a cooperative was the answer to address the economic problems of their church members.

The ability of the Cooperative to facilitate economic environment for its members is influenced by the members' age ( $p=0.004$ ) and family size ( $p=0.017$ ). Members who belong to the old age group and with a family size of 5 to 6 are more inclined to agree that the Cooperative plays an important role in their economic development. On the other hand, members who are considered early adults and who belong to a family of four are more expected to be neutral on the matter.

Position in the church influenced the perceived support of Apex organization ( $p=0.040$ ). Members of women's choir are more likely to agree that their Cooperative receives assistance from the Apex organization. This finding implies that the position in the church structure was indeed essential in organizing and managing the Cooperative

since the beginning of cooperative establishment. Participation of church ministers as the Cooperative's officers, especially in providing training and education for the members was really significant to the performance of the Cooperative.

The officers encourage members to keep the Cooperative's norms. At the same time, their position also enables the Cooperative to communicate and work together with the Apex organization. The Cooperative has coordinated and collaborated with the municipal and provincial offices of the Department of Cooperative and SMEs, Directorate General of Taxes, Department of Social Affairs, and Provincial Office of the Regional Development and Productivity Board in providing training on cooperative management as a business organization. Table 23 also presents that the correlations range from 0.040 to 0.001 and most values are significant.

Table 23. Relationship between respondents' socioeconomic characteristics and performance of church-based cooperative

SOCIOECONOMIC CHARACTERISTICS	PERFORMANCE			
	Sound Business Practices	Strong Membership Participation	Support of Cooperative Apex Organization	Facilitating Economic Environment
Age	0.039*	-	-	0.004**
Gender	-	0.030*	-	-
Educational attainment	-	-	-	-
Civil Status	0.003**	-	-	-
Occupation	-	-	-	-
Monthly household income	-	-	-	-
Monthly household expenses	0.001**	-	-	-
Family size	0.001**	-	-	0.017*
Physical assets				
House ownership	-	-	-	-
No. of vehicles owned	-	-	-	-
Training/s on cooperative	-	-	-	-
Position in church	0.037*	-	0.040*	-
Participation in church programs	-	-	-	-

Note:

\* Significant at  $p < 0.05$

\*\* Highly significant at  $p \leq 0.001$

- Not significant

### **Development of Performance Indicators Matrix**

The analysis of the effects of social capital on the performance of a church-based Cooperative in Pematangsiantar City, North Sumatra Province, Indonesia shows the significant effects of social capital on the performance of the cooperative in the study site. The components of social capital include social networks which are composed of bonding networks, bridging networks, and linking networks followed by social norms and trust and reciprocity. The study found that the performance of the church-based Cooperative is imminent when social capital was applied. Although some of the social network variables were found not to be correlated with sound business practices, support of apex organization, and facilitating economic environment, respondents agreed that good performance will be achieved by the Cooperative when it invests on social capital; meaning it will be successful.

The presence of social networks, which consist of bonding network, bridging network and linking network, contributes to the success of a church-based cooperative. Bridging network includes frequency of joining cooperative program, and facilitation of communication among members of the Cooperative and its officers. Linking network describes the relationship among the people in the Cooperative structure, such as relationship between the board, officers, staff, and commissaries. A successful cooperative could be achieved when social norms prevail, and there is trust among the members, officers, staff, and commissaries.

The existing bonding network, bridging network and linking network as components of social networks as well as social norms and trust and reciprocity affect the

cooperative's performance in terms of sound business practices that will generate a high financial profitability and performance, and increasing number of members of the Cooperative participate in savings movement and loans availment. At the end of every financial year, members receive dividend and distribution of income, materials or donations according to their capacity, and equity payment according to their position. The Cooperative can manage and maintain all assets. In terms of financial stability, there will be an increase in the Cooperative's assets as shown by the yearly financial assessment, increase in the total equity, and inventories available. Meanwhile, in terms of financial management there will be better prices of products, consistent annual members' meetings, available annual report, and coherent audit by internal or external auditors. In this study however, bonding network did not affect the performance in terms of the support of cooperative's apex organization.

The second performance indicator is membership participation. The presence of this social capital component will generate high commitment and loyalty among members of the Cooperative to participate in its programs, such as meetings, savings movement, loan availment, general assembly, and other social programs. There will be high participation in the celebration programs, voluntary participation in the committees to prepare programs, voluntarily participation in group work (*gotong royong*) for the needs of the Cooperative and its members. Likewise, members will always be ready to participate as delegates to attend meetings or training of the Cooperative, other cooperatives, or the apex organization.

The third performance indicator is support of the Cooperative apex organization. This performance indicator will facilitate the conduct of education and training for



members and boards and mobilize active members to participate for long-term period. In return, the Cooperative will pay government registration fee, pay taxes, provide salary for the staff, and provide insurance and other benefits to the staff.

Lastly, the social capital component will improve performance in facilitating an economic environment. The Cooperative will be in line with business that is growing rapidly, has minimal fluctuations, and modest competition. This can facilitate income from activities for members of the Cooperative. The Cooperative can also provide good infrastructure such as roads, electricity, and modern communication technology. It can help the members access business services such as for the farmers, carpenters and other production services (Table 24).

Table 24. Matrix of performance indicators of the Cooperative based on social capital

COMPONENTS OF SOCIAL CAPITAL	PERFORMANCE INDICATORS OF CHURCH-BASED COOPERATIVE			
	Sound Business Practices	Membership Participation	Support of Cooperative Apex Organization	Facilitating Economic Environment
<b>SOCIAL NETWORKS</b>				
<b>1. Bonding networks</b>	<ul style="list-style-type: none"> <li>Participation of members of the Cooperative for doing savings movement, loan availment, and timely loan repayment</li> <li>High financial profitability and performance in terms of: <ul style="list-style-type: none"> <li>savings movement</li> <li>implementation of procedures in applying loan</li> <li>members receive dividend, distribution of income and other materials or donation,</li> <li>equitable payment according to the members' position</li> </ul> </li> <li>Financial management: <ul style="list-style-type: none"> <li>annual members' meetings will take place</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>High commitment and loyalty of members to participate in team building activities</li> <li>Sharing ideas with officers and other members</li> <li>Active participation in addressing any divisive acts in the Cooperative</li> <li>Mediate conflicts among the members of the Cooperative</li> </ul>		<ul style="list-style-type: none"> <li>Members participate in business facilitated by the Cooperative</li> <li>Members involve with the Cooperative's program to provide common facilities such as good roads, electricity, and technology communication, and others services for the members and society</li> <li>Members involve with the Cooperative's program to access to a variety of business services such as research, financial and management for sustainability of cooperative</li> </ul>
<b>2. Bridging networks:</b>	<ul style="list-style-type: none"> <li>Participation of members of the Cooperative for doing savings movement, loan availment, and timely loan repayment</li> <li>High financial profitability and performance in terms of: <ul style="list-style-type: none"> <li>savings movement</li> <li>implementation of procedures in applying loan</li> <li>loan available</li> <li>members receive dividend, distribution of income and other materials or donation,</li> <li>equitable payment according to the members' position</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>High participation in the celebration program</li> <li>Voluntary participation in the <i>gotong royong</i> activities for the needs of the Cooperative and members</li> <li>Members participate in team building activities</li> <li>Sharing ideas with officers and other members</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with other cooperatives</li> <li>Availability of training and education for members and officers</li> <li>Mobilizing active members participate for long-term period</li> <li>Payment of registration fees, taxes, salary of staff, insurance of staff (health insurance, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Members participate in business facilitated by the Cooperative</li> <li>Members involve with the Cooperative's program to provide good roads, electricity, and technology communication, others services for the members and society</li> </ul>

Table 24 Continued...

COMPONENTS OF SOCIAL CAPITAL	PERFORMANCE INDICATORS OF CHURCH-BASED COOPERATIVE			
	Sound Business Practices	Membership Participation	Support of Cooperative Apex Organization	Facilitating Economic Environment
	<ul style="list-style-type: none"> <li>• Financial stability:                             <ul style="list-style-type: none"> <li>- increase of assets</li> <li>- increase of total equity</li> <li>- inventories available.</li> </ul> </li> <li>• Financial management:                             <ul style="list-style-type: none"> <li>- annual members' meetings will take place</li> <li>- audit by internal or external auditors</li> </ul> </li> </ul>			<ul style="list-style-type: none"> <li>• Members involve with the Cooperative's program to access to a variety of business services, such as research, financial and management for sustainability of cooperative</li> </ul>
<b>3. Linking Networks</b>	<ul style="list-style-type: none"> <li>• Financial stability:                             <ul style="list-style-type: none"> <li>- increase of assets</li> <li>- increase of total equity</li> <li>- inventories available.</li> </ul> </li> <li>• Financial management:                             <ul style="list-style-type: none"> <li>● audit by internal or external auditors</li> </ul> </li> </ul>	<p>Participation of member as delegation to attend the programs outside of the Cooperative</p>	<ul style="list-style-type: none"> <li>• Cooperation with other cooperatives</li> <li>• Availability of training and education for the members and officers</li> <li>• Mobilizing active members to participate for the long-term period</li> <li>• Payment of registration fees, taxes, salary of staff, insurance of staff (health insurance, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Line of business growth</li> <li>• Members' lines of business: members of the Cooperative could derive income from activities</li> <li>• Condition of infrastructure : Cooperative provides good roads, electricity, and high technology communication, providing services such as gain storage and transport</li> <li>• Access to a variety of business services</li> </ul>

Table 24.Continued....

COMPONENTS OF SOCIAL CAPITAL	PERFORMANCE INDICATORS OF CHURCH-BASED COOPERATIVE			
	Sound Business Practices	Membership Participation	Support of Cooperative Apex Organization	Facilitating Economic Environment
<b>SOCIAL NORMS</b>	<ul style="list-style-type: none"> <li>• Participation of members of the Cooperative in doing savings movement, loan availment, and timely loan repayment</li> <li>• High financial profitability and performance in terms of:               <ul style="list-style-type: none"> <li>- savings movement</li> <li>- implementation of procedures in applying loan</li> <li>- loan available.</li> <li>- members receive dividend,</li> <li>- distribution of income and other materials or donation,</li> <li>- equitable payment according to the members' position</li> </ul> </li> <li>• Financial stability:               <ul style="list-style-type: none"> <li>- increase of assets</li> <li>- increase of total equity</li> <li>- inventories available.</li> </ul> </li> <li>• Financial management:               <ul style="list-style-type: none"> <li>- annual members' meetings take place</li> <li>- audit by internal or external auditors</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• People voluntarily(feel free and without pressure) by other members or officers joined into the Cooperative</li> <li>• High commitment and loyalty of members to participate in the Cooperative's programs: meetings, savings movement, loan availment, general assembly, social programs</li> <li>• High participation in the celebration program</li> <li>• Voluntary participation in the committees</li> <li>• Voluntary participation in the <i>gotong royong</i> activities for the needs of the Cooperative and members</li> <li>• Readiness to serve as part of the delegation</li> <li>• Implementation of sanction to all members equally</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with other cooperatives</li> <li>• Conduct training and education for officers and members who joined apex organizations.</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperative as a line of business growth for the members</li> <li>• Cooperative provides good roads, electricity, and high technology communication, providing services, such as gain storage and transport</li> <li>• Access to a variety of business services such as research, financial and management for sustainability of cooperative</li> </ul>

Table 24 continued....

COMPONENTS OF SOCIAL CAPITAL	PERFORMANCE INDICATORS OF CHURCH-BASED COOPERATIVE			
	Sound Business Practices	Membership Participation	Support of Cooperative Apex Organization	Facilitating Economic Environment
<b>TRUST &amp; RECIPROCITY</b>	<ul style="list-style-type: none"> <li>• Participation of members of the Cooperative in doing savings movement, loan availment, and timely loan repayment</li> <li>• High financial profitability and performance in terms of:                             <ul style="list-style-type: none"> <li>- savings movement</li> <li>- implementation of procedures in applying loan</li> <li>- loan available.</li> <li>- members receive dividend,</li> <li>- distribution of income and other materials or donation,</li> <li>- equitable payment according to the members' position,</li> </ul> </li> <li>• Financial stability:                             <ul style="list-style-type: none"> <li>- increase of assets</li> <li>- increase of total equity</li> <li>- inventories available.</li> </ul> </li> <li>• Financial management:                             <ul style="list-style-type: none"> <li>- annual members' meetings take place</li> <li>- audit by internal or external auditors</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• High commitment and loyalty of members to participate in the Cooperative's programs: meetings, savings movement, loan availment, general assembly, social programs</li> <li>• High participation in the celebration program</li> <li>• Voluntary participation in the committees</li> <li>• Voluntary participation in the <i>gotong royong</i> activities for the needs of the Cooperative and members</li> <li>• Readiness to serve as part of the delegation</li> <li>• Membership growth</li> </ul>	<p>Good cooperation and mutual-relationship between the manager and the employees</p>	<ul style="list-style-type: none"> <li>• Cooperative as a line of business growth for the members</li> <li>• Cooperative provides good roads, electricity, and high technology communication, providing services, such as gain storage and transport</li> <li>• Access to a variety of business services such as research, financial and management for sustainability of cooperative</li> </ul>

## CHAPTER V

### SUMMARY, CONCLUSIONS, IMPLICATIONS, AND RECOMMENDATIONS

#### Summary

The concept of social capital emphasizes the idea that social networks have value. It means, social networks can affect the productivity of individuals and groups. A cooperative as an autonomous association of people who voluntarily cooperate for their mutual social, economic, and cultural benefits through establishing networks and agreement to work together to address their problems through cooperativism therefore, quality performance of cooperatives is in the hands of the members.

The spirit of cooperation is rooted in Indonesian culture and still exists until today as *gotong royong* or working together or cooperation. This value became the people's asset in establishing network and trust to achieve their purposes. Because of this deep value for social capital, there should be a small chance of failure among cooperatives; that is, if people apply social capital as their organizational model to address their problems. In the church communities, on the other hand, social capital is likewise a fundamental value because the church community holds strongly to the principle of "loving thy neighbors as loving oneself". However, there are still many cooperatives in Indonesia that fail to achieve their goals and objectives. Along this line, this study explored the effects of social capital on the performance of church-based cooperatives in Pematangsiantar City, North Sumatra Province, Indonesia. Specifically,

the study aimed to: 1) find out the socio-economic characteristics of members of the Cooperative; 2) describe the social capital of members of the Cooperative; 3) determine the relationship between socio-economic characteristics and social capital of members of the Cooperative; 4) determine the level of performance of a church-based Cooperative; 5) analyze the relationship between social capital and the performance of a church-based Cooperative; and, 6) design a performance indicator matrix to strengthen the Cooperative based on their social capital.

This study was a descriptive research utilizing quantitative and qualitative research methods. The survey approach, key informant interviews, and review of secondary data were applied in this undertaking.

The respondents were selected randomly among the members of the Riahta GKPS Siantar II Cooperative by using Relative Error Approach for Simple Random Sampling with the margin of error at 5%. A self-administered survey questionnaire was the primary research instrument, which consists of structured and open-ended questions. The questionnaire used a five-point Likert scale.

### **Characteristics of the Respondents**

More than half of respondents were aged between 40 and 59 with an average of 42 years. More than half are male, majority are married and were born in the area, and have stayed in their communities for an average of 19 years. Almost half are working as entrepreneurs and others as government officers, teachers, private employees. All respondents have attended formal schooling and majority have attained Higher

Educational Level (Senior High School graduate and above). In terms of monthly house income, half of them earned IDR 4.1 to 5 Million (26%); and above 5 Million IDR (24%).

About 35 percent have registered as member of the Cooperative for  $\geq 7$  years and 30 percent for 3 to 4 years. Majority own the house that they occupy and use motorbike as mode of transportation in their activities.

The respondents have attended trainings related to cooperatives in terms of Savings and Loan, Management of Cooperatives, and Entrepreneurship. More than half of the respondents are regular church members (52%), and only 2 percent are pastors. For participation in the church programs, they always attend worship services and family worship services which are usually offered four to five times a month.

### **Social Capital of Church-Based Cooperative: Social Networks, Social Norms and Trust and Reciprocity**

Social networks comprise bonding, bridging, and linking. Most of the respondents perceived the concept of bonding networks to have given a positive effect on their Cooperative because it has organized team building activities where they can build rapport with other members. During such activities, issues on contentious acts of individual members are addressed and ideas could be shared between and among members of the Cooperative.

The respondents perceived members' joining group activities of the Cooperative is high but loan availment is low. Pieces of information are distributed to the members through general assembly, group activities, emergency meeting, and social programs



through written, verbal, or combination of both. Most of the respondents have consulted with officers and they felt satisfied with the discussion during consultations about savings and borrowing regulations.

The respondents gave a high score on the Cooperative's linking network. The respondents stated that officers implement decision of members' meetings properly and the members' meetings are conducted according to the basic principles of democracy. The respondents also observed that there is cooperation and mutual relationship between officers, staff, commissaries, and boards in doing the Cooperative's programs. Division of work is likewise practiced.

In terms of social norms, the respondents perceived it is high. They observed that the Cooperative's officers make decisions without any pressure or persuasion from others, and decision of members' joining the Cooperative was based on their own. Members of the Cooperative saw the relevance of the business cooperative being owned and managed by their church as an appropriate model in addressing their economic problems. Quality performance of the officers affiliated with the church organization became a factor that convinced the church members to join the Cooperative.

The respondents gave a high rating on trust and reciprocity at the individual level. They trust their co-members in a way that they help each other at times of personal problems. Similarly, the respondents gave a high score on trust and reciprocity at the organizational level. The Cooperative showed positive traits in terms of assisting them. The respondents believe that the Cooperative will bring economic benefits to the church members, and it is more relevant to their needs rather than other cooperatives.

## **Relationship of Variables**

### **Respondents' Socio-economic Characteristics and Components of Social Capital**

As described previously, the components of social capital include social networks (bonding, bridging and linking), social norms, and trust and reciprocity. The respondents' socio-economic characteristics, namely, age and family size affect significantly how they assess their Cooperative's bonding network. The older members and those who belong to households with six members tend to agree that their Cooperative provides a strong bonding network. On the other hand, civil status, monthly household expenses, family size, house ownership, and position and participation in church programs were found to significantly influence bridging network.

The participation of members of the Cooperative in church programs and household expenses influence the respondents' satisfaction of linking network. As to the relationship of socio-economic characteristics and social norms, results show that the position and participation in church of members influence the social norms within the Cooperative networks. Elders and church members who frequently attend worship services are more inclined to agree on the social norm practices.

With regard to the relationship of socio-economic characteristics and trust and reciprocity, the findings reveal that participation in church programs was significantly correlated with the interpersonal and organizational trust and reciprocity. The more frequent a member attends worship services, the more he/she agrees that there is a bond or trusting relationship between members of the Cooperative and cooperative institution. The family size was likewise correlated with the interpersonal and institutional trust and

reciprocity. Association between the socio-economic characteristics and social capital components ranged from 0.039 to 0.001, which means that most values are highly significant. This implies the importance of social capital to the performance of a church-based cooperative.

### **Components of Social Capital and Performance of Church-based Cooperative**

In this research, the indicators of the performance of the church-based cooperative were sound business practices, strong membership participation, support of apex organization, and facilitating economic environment. The results show that bonding network strongly influences performance of the Cooperative in terms of sound business practices, strong membership participation, and in facilitating an economic environment. On the other hand, bridging network establishes that the frequency of joining the Cooperative's activities and the forms of communication significantly affect strong membership participation. The effectiveness of information and communication is associated with all the performance variables. Linking social network highly and significantly influenced all performance variables of the Cooperative. This relationship is shown by good cooperation and mutual relationship between the manager, staff and commissaries of the Cooperative.

As regards the relationship between social norms and performance of the Cooperative, findings reveal that the former affects all the components of performance.

Lastly, the trust and reciprocity at the interpersonal and institutional levels strongly affect all performance variables. The Cooperative as a community-based organization was united by trust among the members and trust between members and the Cooperative.

The relationship of social capital and performance of the Cooperative ranged from 0.018 to 0.00, indicating that most of the values are highly significant. These signify the importance of social capital in the performance of the Cooperative. The performance is imminent when social network is applied, when members share common norms, and when there is trust among the members.

### **Respondents' Socio-economic Characteristics and Performance of Church-based Cooperative**

The relationship between respondents' socio-economic characteristics and performance of the Cooperative shows that the respondents' age, gender, civil status, monthly household expenses, household size, and position in the church structure are associated with the Cooperatives' performance. Middle aged members who are married, whose monthly expenses fall in the range IDR 4.1 to 5M, with a family size of 6, and considered elders are more prone to be satisfied with the Cooperative's business practices.

Strong membership participation is dependent on members' age, sex, civil status, household expenses, and family size. The ability of the Cooperative to facilitate economic environment for its members is influenced by the members' age and family size.

The position in church influenced the perception on the support of apex organization whereby members of women's choir are more likely to agree that their Cooperative receives assistance from the apex organization.

Above of all, the relationship of socio-economic characteristics and performance of the church-based Cooperative ranged from 0.040 to 0.001, which means that most values are significant.

### **Conclusions**

Based on the results of the study, the following conclusions are drawn:

1. The members of the CU Riahta Cooperative are relatively young men and women with mean age of 42, majority are married, with undergraduate level of education, native of the village, and have stayed for 19 years in the village. Majority of them are gainfully employed, own the house they live in, and have motorbike as a family-owned vehicle.
2. The members' social capital can be described in terms of the social networks, social norms, and trust and reciprocity. Social networks can be bonding, bridging, and linking. Bonding network is strong while bridging network in terms of joining group activities of the Cooperative is moderate and high in terms of access to information. Meanwhile, linking capital is generally strong. As regards social norms, the members of the Cooperative perceive strong social norms. The Cooperative members' trust and reciprocity both at the individual and organizational levels are high.

3. The socio-economic characteristics of Cooperative members had significant relationship with the social capital of the church-based CU Riahta Cooperative. Specifically, age, civil status, household monthly expenses, number of dependent children in the nuclear family, physical assets in terms of house ownership affect the components of social capital in terms of social networks, social norms, and trust and reciprocity. Likewise, the position in church structure and participation in church activities showed high influence on social capital components. Position of members of the Cooperative as pastor, elder, member of council, also as member of men's fellowship and choir, and member of women's fellowship and choir who attends regular meetings has a highly significant relationship with social capital components of the Cooperative.
4. The Cooperative has a high level of performance as indicated by the sound business practices in terms of financial profitability and performance, financial stability and financial management. Meanwhile, membership participation was indicated by active participation of members in the Cooperative's programs, willingness to participate voluntarily in *gotong royong* when there is a need. There were high commitment and loyalty among members who participate in the meetings, savings movement, loan availment, general assembly, and other social programs. Membership participation also can be analyzed in member's participation as delegates to attend meetings or training of other cooperatives or apex organization. The performance in terms of support of the apex organization was indicated by providing education and training to Cooperative members and Board. When the Cooperative realizes increasing and

sufficient income, it will pay taxes, provide salary for the staff, and provide insurance and other staff benefits.

Lastly, the Cooperative's performance in facilitating economic environment has been shown in terms of facilitating the members' economic environment such as sharing knowledge and information and technologies related to business. The Cooperative provides different lines of business for members to generate income.

5. The components of the Cooperative's social capital have significant relationship with its performance. Sound business practice was highly and significantly related with social networks in terms of bonding, and bridging in terms of access to information and communication. The performance was also highly and significantly related with linking networks, social norms, and trust and reciprocity both in interpersonal and organizational levels.

The Cooperative's performance in membership participation has a highly significant relationship with all the components of social capital. Meanwhile, the performance in terms of support of cooperative apex organization has significant relationship with the components of social capital, except with bonding network and bridging network on the aspect of frequency of joining activities and forms of communication.

The Cooperative's performance in facilitating economic environment has a highly significant relationship with social networks, except with bridging network in terms of frequency of joining activities and forms of communication. Therefore, the Cooperative's performance is imminent when social networks were applied, when members share common norms, and when there is trust among the members.

## **Implications and Recommendations**

Based on the findings and conclusions of the study, the implications and recommendations are as follows:

1. The findings of the study established the deep meaning of social capital that aided the church-based Cooperative to achieve its goals and objectives. The value of social networks, social norms, and trust and reciprocity support the performance of the Cooperative. Hence, church members who have not joined the Cooperative yet should be encouraged to join into their church Cooperative. The church leaders can help develop this social capital in support of the members' economic livelihood and other needs related to church ministries.
2. The government, through the Department of Cooperatives and Small and Medium Enterprises and other government institutions also helped the Cooperative in terms of training and education, financial assistance and technological facilities. The Cooperative can expand its relationship with government institutions to share information and strengthen mutual relationship.
3. The findings of this study showed how religious institution can be involved in community development programs. The presence of educational institutions such as the university and research department can help church workers to educate officers and members of the Cooperative in terms of practical application of social capital in the Cooperative.



### **Recommendations for Further Research**

1. This study only focused on a successful cooperative based on the criteria provided by the government through the Department of Cooperatives and Small and Medium Enterprises; hence the researcher suggests a further research on the effects of social capital on the performance of church-based cooperatives from the perspective of passive or failed cooperatives.
2. Since the concept of social capital encompasses several components such as social networks, social norms, and trust and reciprocity, it is also important to study the effects of each component on the performance of church-based cooperatives. The effects of social capital at a macro-level on church-based cooperatives can be looked into more comprehensively and derive conclusive results.

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# APPENDICES

## Appendix A

### EFFECTS OF SOCIAL CAPITAL ON THE PERFORMANCE OF A CHURCH-BASED COOPERATIVE IN PEMATANGSIANTAR CITY, NORTH SUMATRA, INDONESIA

#### QUESTIONNAIRE FOR INDIVIDUAL COOPERATIVE MEMBERS

##### DATA PROFILE

1. Age : \_\_\_\_\_
2. Sex : \_\_\_\_\_ Male \_\_\_\_\_ Female
3. Educational attainment :
 

_____ Elementary Level	_____ College Level
_____ Elementary Graduate	_____ College Graduate
_____ Junior High School Level	_____ Master's Level
_____ Junior High School Graduate	_____ Master's Graduate
_____ Senior High School Level	_____ PhD Level
_____ Senior High School Graduate	_____ PhD Graduate
4. Civil status : \_\_\_\_\_ Married \_\_\_\_\_ Single \_\_\_\_\_ Widow/Widower
5. Native in the area : \_\_\_\_\_ Yes \_\_\_\_\_ No
6. Length of stay in the area (number of years) : \_\_\_\_\_
7. Occupation : \_\_\_\_\_
8. Number of children in the household:
 

Non-School Age : _____	Senior High School : _____
Kindergarten : _____	University : _____
Elementary School : _____	In searching Job : _____
Junior High School : _____	
9. Approximate monthly household income (1 million IDR. = US \$.79.20)
 

IDR 1 – 2 million: _____
IDR 2 – 3 million: _____
IDR 3 – 4 million: _____
IDR 4 - 5 million: _____
Above 5 million IDR: _____
10. Approximate monthly household expenses: IDR \_\_\_\_\_



11. House ownership: \_\_\_\_\_ owned \_\_\_\_\_ rented

12. Number of vehicles owned by the family:

- \_\_\_\_ car
- \_\_\_\_ tricycle
- \_\_\_\_ motorbike
- \_\_\_\_ bicycle

13. Date of joining the Cooperative: (Date/Month/Year) \_\_\_\_\_

14. Training attended related to cooperative:

Name of Training	Purpose of Training	Date and Venue	Duration (Hours)	Source of Fund

15. Position in the church structure: \_\_\_\_\_

16. Attendance in Worship Services:

i. Frequency of attendance in the Sunday Services/Church Worship Services:

Once/month	Twice/month	Thrice/month	4-5 times /month	Every Worship Services

ii. How often do you conduct Family Worship Services? \_\_\_\_\_

iii. Frequency of attendance in the Family Worship Services:

Once/month	Twice/month	Thrice/month	4-5 times /month	Every Family Worship Services

## DIMENSIONS OF SOCIAL CAPITAL

### I. SOCIAL NETWORKS

#### A. Bonding Networks

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) strongly disagree, (2) disagree, (3) undecided, (4) agree, and (5) strongly agree. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	Our Cooperative organized team building activities.					
2.	It shares the ideas with the Cooperative members.					
3.	It actively addresses divisive acts of individual members.					
4.	It actively mediates if there is a conflict among the cooperative members.					
5.	It provides assistance to individual members with emotional or economic problems.					
6.	It prioritizes the activities related to the Cooperative members rather than non-members (such as wedding party, funeral, etc.)					
7.	It prioritizes discussion and sharing of family problems with the Cooperative members rather than the non-members.					
8.	In daily activities it is more often to meet the Cooperative members rather than the neighbours and relatives.					
9.	It encourages other members to attend the Cooperative meetings.					
10.	It prioritizes the Cooperative programs rather than other activities like cultural activities, regular social gathering (called: <i>arisan</i> ), etc.					

## B. Bridging Networks

### 1. Interaction

#### 1.1. Frequency of joining group activities of the Cooperative

No	Activities	Frequency of Conduct	Frequency of Attending
1	Meeting		
2	Savings movement		
3	Loan availment		
4	General Assembly		
5	Social program such as: feeding programs, farmers' training, etc.		

Never (1); Sometimes (2); Often (3); Very Often (4); Always (5)

\*Score: Never = 0, Sometimes = 1, Often = 2, Very Often = 3, Always = 4 and above.

#### 1.2. Have you attended consultations with the officers regarding the Cooperative?

Yes\_\_\_,No\_\_\_

#### 1.3. What matters did you consult about? \_\_\_\_\_

( ) Procedure to get loan

( ) Solution for loan repayment problems

( ) Qualification for new member and application procedure

( ) Termination of membership

( ) Minutes of the members meetings

( ) Others (please specify) \_\_\_\_\_

#### 1.4. Do you feel satisfied when you consulted your problems with the officers?

\_\_\_\_\_ Yes,\_\_\_\_\_ No. If No, why? Please explain:

\_\_\_\_\_

\_\_\_\_\_

### 2. Forms of Communication

In what form do you get information from the Cooperative? Please check the applicable form of communication.

No.      Form of communication (please check your answer)

1. Written Instruments (WI)

2. Verbal Instrument (VI)

3. Combination (C)

Activities

Written Verbal Combination

General Assembly

\_\_\_\_\_

Group Activities

\_\_\_\_\_

Emergency Meeting

\_\_\_\_\_

Others, please specify \_\_\_\_\_

### 3. Access to information

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you are (1) very unsatisfied, (2) unsatisfied, (3) neutral, (4) satisfied, and (5) very satisfied. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	Access to information about programs from the officers.					
2.	Equal chance of every member to access the information from the officers.					
3.	Report of minutes of meetings when officers attend meetings with the local government or Department of Cooperative or other institutions related to the Cooperative.					
4.	Distribution of market information from the Cooperative regularly.					
5.	Response of the officers when there are complaints from the members.					

### C. Linking Networks

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) very unsatisfied, (2) unsatisfied, (3) neutral, (4) satisfied, and (5) very satisfied with the relationship among the persons who have the position in the Cooperative's structure. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	The managers and employees implemented the decision of members' meetings such as work plan, budget, and recruitment of new members, etc.					
2.	The members' meeting are conducted according to the basic principles of democracy.					
3.	There is cooperation and mutual-relationship between the managers and the employees in doing the Cooperative's programs.					
4.	Division of work among the managers and employees is practiced.					

5.	The Board submits the draft work plan and budget of the Cooperative regularly.					
6.	The managers appoint and dismiss employees of the Cooperative with the approval of the Board.					
7.	The manager reports regularly to the Board on the implementation of the tasks assigned and provide suggestions for improvement/enhancement of the work done.					
8.	The Board implements the instructions and guidance from government officials.					
9.	The supervisors request the information from the administrators and others, and report to the members' meeting.					
10.	The supervisors make written report on the results of monitoring.					

## II. SOCIAL NORMS

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) strongly disagree, (2) disagree, (3) undecided, (4) agree, and (5) strongly agree with the rules, values and expectation which prevail in your Cooperative. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	Joining the cooperative is my own decision without any pressure or persuasion from others.					
2.	Our church members are free to join the Cooperative.					
3.	Decisions in the Cooperative are decided in a democratic system even when entering into agreements with the governments or the top leaders of the church programs.					
4.	Each member has the same chance to be elected as Cooperative officer.					
5.	I tend to borrow money from the Cooperative rather than from other financing institutions.					
6.	The profit or "surplus" generated by the Cooperative does not benefit only the owners or investors, but the entire Cooperative membership.					

7.	Most of the Cooperative members are enthusiasm to participate in the education and training activities of the Cooperative.					
8.	I will prioritize a Cooperative member who is really in urgent need for getting a loan even though it is my turn on queuing.					
9.	I never borrow money beyond the limit of loan ceiling in the Cooperative.					
10.	Helping other cooperatives is one of the responsibilities of our church Cooperative.					

### III. TRUST AND RECIPROCITY

#### A. Trust at the Individual Level

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) strongly disagree, (2) disagree, (3) undecided, (4) agree, and (5) strongly agree. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	Most of the Cooperative members have the ability to pay the monthly repayment.					
2.	Most of the Cooperative members have the ability to pay the principal and interest of their loan.					
3.	Most of the Cooperative members are willing to help me when there is a disaster or grieving.					
4.	If some members of the Cooperative want to borrow money from me during emergency cases, I trust they will repay.					
5.	Most of the Cooperative members easily lend money to me.					
6.	If I will leave my children in the house, I will entrust them to the Cooperative members rather than other neighbours or relatives.					
7.	Most of the Cooperative members only think of their own welfare.					
8.	When I experience grieving, the Cooperative members are more active to commiserate.					

9.	The neighbors who are members of our Cooperatives are more trustworthy rather than the non-members of the Cooperative.					
10.	Most of the Cooperative members will pay the obligation by due date.					
11.	Most of the Cooperative members will keep the secret of the members.					

### **B. Trust at the Organizational Level**

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) strongly disagree, (2) disagree, (3) undecided, (4) agree, and (5) strongly agree. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	The officers have skills and knowledge to manage the Cooperative.					
2.	The Constitution and By-laws of our Cooperative have been formulated based on my needs and those of other members.					
3.	The By-laws and Articles of the Cooperative are implemented well.					
4.	The Cooperative brings economic benefits to the church members.					
5.	The programs of the Cooperatives could help the members in their social and cultural needs.					
6.	Most of the Cooperative officers are willing to help if I ask them.					
7.	I joined the church-based cooperative because I believe that it is part of the church ministry.					
8.	I trust that the program of the church Cooperative is more relevant to my needs rather than other Cooperatives.					
9.	Sanctions are implemented even to the relatives of the manager or other officers of the Cooperative.					
10.	There is a low possibility that the officers will commit corruption.					
11.	If I have a financial problem I will prioritize to ask help from the officers of our Cooperative.					

12.	The officers of the Cooperative provide assistance if they will be paid.					
13.	Only few numbers of the church members want to join the Cooperative.					
14.	I feel satisfied even if the Cooperative is audited only by the internal auditors.					

15. Are you a registered church member when your church Cooperative was established?  
 Yes\_\_\_\_ No\_\_\_\_\_

16. Did you join the Cooperative since the time of its establishment? Yes \_\_\_\_\_  
 No\_\_\_\_\_

If Yes, why?  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_, If No, why?  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

17. Who introduced the Cooperative to you?

- a. ( ) Church ministers
- b. ( ) Other church members
- c. ( ) Relatives
- d. ( ) Members / Cooperative Officers
- e. ( ) Others (please specify)\_\_\_\_\_

18. During the last six (6) months, did you have new members joining your Cooperative?  
 Yes\_\_\_\_ No\_\_\_\_\_

If Yes, how many\_\_\_\_\_?

19. Do you think over the last two (2) years this level of trust has gotten better, gotten worse, or stayed about the same?  
 Why?\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



## PERFORMANCE INDICATORS ON CHURCH-BASED COOPERATIVE

### I. Sound Business Practices

Please describe the soundness of your Cooperative business practices by answering the following statements:

Based on your experiences as a member of the church-based Cooperative, please answer the following statements by indicating whether you (1) very unsatisfied, (2) unsatisfied, (3) neutral, (4) satisfied, and (5) very satisfied. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	Management of savings					
2.	Implementation of procedures in applying loan					
3.	Loan repayment by the borrowers					
4.	Receipt of dividend in the last two years					
5.	Income distributions of based on Cooperative principles					
6.	Distribution of material donations (if any)					
7.	Distribution of cash donations (if any)					
8.	Equity payment for your position					
9.	Operation and maintenance of assets					
10.	Report of auditors for every program					

1. Have you experienced difficulty in applying for a loan? \_\_\_Yes \_\_\_No. If Yes, what is the reason according to the officers?  


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2. Have you experienced instances when the loan officer always prioritized the loan-application of their friends or relatives? \_\_\_Yes\_\_\_ No\_\_\_
3. Are there cases of graft and corruption in your Cooperative? \_\_\_Yes\_\_\_No  
 If yes, what is the case about?  


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## II. Membership Participation

Please describe the membership participation in your Cooperative through answering the following statements:

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) strongly disagree, (2) disagree, (3) undecided, (4) agree, and (5) strongly agree. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	I join voluntarily when there is a need to work together ( <i>gotong royong</i> ) to repair the office of the Cooperative.					
2.	I join voluntarily when there is a need to work together ( <i>gotong royong</i> ) to repair the house of Cooperative members.					
3.	I actively attend the members' meeting because it is necessary for all members of the Cooperative.					
4.	I join voluntarily the committee to prepare the materials and other needs for celebration programs of the Cooperative.					
5.	I join the group of delegates to attend the programs of other Cooperatives or other organizations.					
6.	I am willing to serve as a guarantor of other members to get loan.					

## III. Support of Cooperative Apex Organization

Please identify your Apex Organization:

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) strongly disagree, (2) disagree, (3) undecided, (4) agree, and (5) strongly agree with the participation of your cooperative to help other cooperatives or related institutions through answering the following statements.

No.	Statements	1	2	3	4	5
1.	The Apex Organization helped in the establishment of our Cooperative.					

2.	The Apex Organization helps our Cooperative in the management and training of our Cooperative's Board and manager.					
3.	Our Cooperative is compliant to the legal requirements of the Department of Cooperatives and Small-medium Enterprises in terms of :					
	1). Registration					
	2). Taxes					
	3). Salary of staff					
	4). Insurance of staff (health insurance, etc.)					
	5). Training for officers					
	6). Pension for senior citizens					
4.	The Apex Organization has developed training programs for the members and Board of our Cooperative.					
5.	The contents of the training provided by the Apex Organization address the needs of our Cooperative.					
6.	Through the training provided by the Apex Organization, the Board members gain understanding of the division of responsibility between the Board and the manager.					
7.	The Board of our Cooperative has learned the principles for creating active members' participation through the training provided by the Apex Organization.					

#### IV. Facilitating Economic Environment

##### 1. Roles of your Cooperative in the economic environment programs

Based on your experiences as a member of your Cooperative, please answer the following statements by indicating whether you (1) strongly disagree, (2) disagree, (3) undecided, (4) agree, and (5) strongly agree. Check the corresponding answer for each statement.

No.	Statements	1	2	3	4	5
1.	Activities in the Cooperative provide skills and knowledge to improve my economic activities.					
2.	Sharing of knowledge and information in the Cooperative helps me to increase my skills for livelihood.					

3.	Sharing of knowledge and information in the Cooperative helps me to address our family's economic problems.					
4.	Since joining the Cooperative, our family income has increased.					
5.	Active participation in the Cooperative programs improves my skills in production technology application.					
6.	A church-based Cooperative is the best solution for our loan and savings needs in the family.					
7.	The Cooperative helps the producers like farmers and handicraft makers to control the market price.					
8.	Our Cooperative participates in building the road and, or bridge to the farming and other production areas to facilitate marketing of products.					

2. What can you say about the quality of your Cooperative's services to the members?

\_\_\_\_\_Very Good \_\_\_\_\_Good\_\_\_\_\_Fair\_\_\_\_\_Poor\_\_\_\_\_Very Poor

Why?\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Thank you very much!

## Appendix B

### GUIDE QUESTIONS FOR THE KEY INFORMANT INTERVIEW

#### EFFECTS OF SOCIAL CAPITAL ON THE PERFORMANCE OF A CHURCH- BASED COOPERATIVE IN PEMATANGSIANTAR CITY, NORTH SUMATRA, INDONESIA

Date of interview : \_\_\_\_\_  
Name of respondent : \_\_\_\_\_

#### PERSONAL INFORMATION

1. Age : \_\_\_\_\_
2. Sex : \_\_\_\_\_ Male \_\_\_\_\_ Female
3. Position/designation in the church cooperative: \_\_\_\_\_
4. Occupation : \_\_\_\_\_

#### PERFORMANCE INDICATORS ON CHURCH-BASED COOPERATIVE

##### I. Sound Business Practices

Please describe the sound business practices in your cooperative through answering the following questions:

1. Amount of capital =  
At the beginning = IDR \_\_\_\_\_ (\$ \_\_\_\_\_)  
At present = IDR \_\_\_\_\_ (\$ \_\_\_\_\_)  
Difference = \_\_\_\_\_ % = \_\_\_\_\_
2. Asset of cooperative  
Types of assets = \_\_\_\_\_ Equipment  
\_\_\_\_\_ Cash  
Loan = IDR \_\_\_\_\_

##### 3. Progressive report of cooperative in two (2) years

Year	No. of Members	Principal Savings	Compulsory Savings	Voluntary Savings	Total Saving	Income	Net Income
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

##### 4. Amount of capital distributed to the members in the last two years:

Year	Total No. of Members	Total No. of Borrowers	Amount of loan Interest
_____	_____	_____	_____
_____	_____	_____	_____

5. Other sources of income of the cooperative (i.e. Donation in cash or goods). (If any, please specify)

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6. Is the bank account under the cooperative's name? Yes\_\_\_ No\_\_\_  
 7. Is an annual audit provided by an outside agency? Yes \_\_\_No\_\_\_

## II. Strong Membership Participation

Please describe the membership participation of your cooperative through answering the following questions:

### 1. Membership Information

Number of members

	<u>At the beginning</u>	<u>At present</u>	<u>Difference</u>	
			No.	%
Registered	_____	_____	_____	_____
Active	_____	_____	_____	_____

Type of sector members belonging to:

	<u>At the beginning</u>	<u>At present</u>	<u>Difference</u>	
			No.	%
Women	_____	_____	_____	_____
Farmers	_____	_____	_____	_____
Teachers	_____	_____	_____	_____
Drivers	_____	_____	_____	_____
Gov't officer	_____	_____	_____	_____
Others	_____	_____	_____	_____
(Please specify)	_____	_____	_____	_____
Total	_____	_____	_____	_____

2. How many members attended the last annual meeting? \_\_\_\_\_

Calculate the percent of members: \_\_\_\_%

3. Does the Cooperative offer annual training services to members? Yes\_\_\_ No\_\_\_

How many percent of expected participants are present? \_\_\_\_%

4. How many members participated in business in the most recent year? (i.e. sold, purchased, borrowed)? : \_\_\_\_\_% of total members

5. Number of officers : At the beginning At present
- a. Male = \_\_\_\_\_
- b. Female = \_\_\_\_\_

6. Program/Trainings/Workshop provided by the Cooperative in the last two years:  
 a. For the officers

<b>Name of Program</b>	<b>Purpose</b>	<b>Duration/Venue</b>	<b>No. of Participants</b>	<b>No. of Trainers Outside/Inside of the coop</b>

- b. For the members

<b>Name of Program</b>	<b>Purpose</b>	<b>Duration &amp; Venue</b>	<b>No. of Participants</b>	<b>No. of Trainers Outside/Inside of the coop</b>

### III. Support of Cooperative Apex Organization

1. Is your Cooperative a registered member of an existing apex organization?  
 Yes  No
  
2. Do you have existing linkages with other organizations?  Yes  No  
 If Yes, what are these organizations?  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  
3. Does your Cooperative have 'sister cooperatives'? If Yes, kindly specify
  - Number of cooperatives \_\_\_\_\_
  - Total members of each cooperative \_\_\_\_\_
  - Joint programs or undertakings with your sister cooperative  
 \_\_\_\_\_
  
4. Does your Cooperative have joint programs with other institutions such as the local government, cooperatives, etc.? If Yes, please specify:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  
5. How do you rate your partnership with:
  - Sister cooperative:  Very Low  Low  Middle  Good  Very Good.
  - Other organization:  Very Low  Low  Middle  Good  Very Good

### IV. Facilitating Economic Environment

Please describe the roles of your cooperative to indicate the economic environment programs.

1. Does your cooperative have a payroll system?  Yes,  No  
 Kindly, explain the details:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  
2. Does your Cooperative have written articles and By-laws?  
 Yes  No
  
3. Does each member have written articles and By-laws of your Cooperative?  
 Yes  No



4. Do the members have a membership or identification card? \_\_\_ Yes, \_\_\_ No  
 If No, why? Please explain.

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5. Does your Cooperative have a logo? \_\_\_ Yes \_\_\_ No  
 If Yes, please express your ideas about the logo of your Cooperative?

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6. Does your Cooperative have an office? \_\_\_ Yes \_\_\_ No  
 If yes, does your Cooperative provide the office hours? \_\_\_ Yes \_\_\_ No  
 If Yes, what is the office hours: \_\_\_ Everyday \_\_\_ Weekly \_\_\_ Monthly  
 \_\_\_ Occasionally. Please specify the time: \_\_\_\_\_

7. Does your Cooperative provide a room for consultation of members? \_\_\_ Yes \_\_\_ No  
 If No, why? Please explain.

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**Additional Questions: Suggestions for Evaluation**

Based on your experience in running the Cooperative, please answer the questions below:

1. What are the common barriers in terms of:  
 Relationship among the members which affect the performance of your Cooperative.  
 Kindly specify:

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What is your suggested solution?

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Relationship between the members and the officers. Kindly specify:

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What is your suggested solution?

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2. What are the common problems in social norms of the Cooperative? Kindly specify:

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What is your suggested solution?

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3. What is the barrier to developing trust between members of the Cooperative? Kindly specify:

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What is your suggested solution?

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4. What is the barrier to developing trust between the members and officers of your Cooperative? Kindly specify:

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What is your suggested solution?

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Thank you very much!