

The Influence of Social Capital, Government Assistance on Household Income in Tanjung Pinang, Riau Island Province, Indonesia

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Abstract: Social capital enhances individual household income and community development in both urban and rural areas in developing countries. Income and relative income are key elements that have been influenced by social capital and the correlation has been extensively studied in recent years. This study examines the impact of social capital on household income with government assistance as a mediating variable in Tanjung Pinang City, Riau Island Province in Indonesia. The research was conducted by purposive sampling method with a sample of 400 families using the Slovin formula. The analysis was performed using the JASP program (Jeffreys's Amazing Statistics Program), version 0.14.10. The results of this study indicate government assistance mediates the relationship between social capital and income because these two indirect effects are significant. Meanwhile, the direct relationship between social capital and household income is not significant. It can be concluded that social capital is a stable, strong influence that shapes the well-being of local population and the Indonesian government needs to come up with effective solutions to protect and enhance social capital in order to maintain and improve the well-being of household heads, especially in rural areas.

Key words: Social Capital • Government Assistance • Household Income

INTRODUCTION

Development is not only oriented towards physical development and economic growth, but must also be balanced with human development, so that people have a greater ability to choose and respond or respond positively to any social change [1]. The development goal of an area is to create welfare for its people. A prosperous society will not be realized if the people live in poverty. Social capital is the amount of resources, actual or virtual, that gather in an individual or group because it has a long-lasting network of introductions and acknowledgments that are more or less institutionalized [2].

[3] states that community togetherness is currently only limited to matters of celebrating death, marriage and *tahlilan*. However, to improve the quality of life, they show an individualistic attitude. There is no visible concern and togetherness in overcoming various economic, social and physical environmental problems that arise in their lives. This condition reflects that the

community is suffering from a very chronic disease, namely the loss of togetherness and group energy due to the loss of social capital. Social capital is capital that is social in nature, unlike physical assets (technology or tools) and human resources (education and skills) which are more individual in nature [4, 5].

The concept of social capital offers the importance of a relationship. By building a relationship with one another and maintaining it so that it continues, each individual can work together to achieve things that have not been achieved before and minimize major difficulties. [6] state that, apart from economic capital (financial and means of production), social capital such as trust, kinship and solidarity are very influential factors in welfare. The family is relied on as a vehicle to achieve development goals. Income is a result obtained after doing business or work. According to Yuliana Sudrerni [7], income is an interpretation of someone as a reward for his services in the production process. The remuneration can be in the form of wages, interest, rent, or profit depending on the production factors involved in the production process.

Based on the expenditure of grants and new social assistance, it is specifically regulated by the Minister of Home Affairs, Regulation Number 32 of 2012 concerning Guidelines for Providing Regional Grants and Social Assistance, which is amended into Regulation of the Minister of Home Affairs Number 39 of 2012 [8]. The government makes a pro-community social activity program, namely by providing funds to carry out productive business activities. The types of assistance are: (I) types of assistance for education consisting of: BOS (School Operational Assistance), funds from LKP; (ii) types of assistance for students consisting of: poor student assistance, Smart Indonesia card, scholarships from the government, from BUMN, from the private sector, scholarships from parties, from civil society organizations, from government organizations, scholarships from individuals; (iii) types of grant assistance for economically weak communities, consisting of PKH (Family Hope Program), Raskin assistance, temporary direct assistance for the community, Indonesia poor card, healthy Indonesian Card and home assistance unfit for habitation; (iv) the type of assistance for health is BOK (Health Operational Assistance); (v) types of assistance to improve the community's economy consisting of people's business credit, village assistance fund, PNPM, KUR, Village Infrastructure, grant business capital; (vi) types of grant venture capital consisting of group grant business capital assistance, capital assistance for socially vulnerable women, capital assistance for young entrepreneurs [9]. Tanjung Pinang City Government through the Tanjung Pinang City Social Service (Dinsos) provided phase four of the Family of Hope Program (PKH) to 5, 043 beneficiary families (KPM) in October 2019 [10]. Because social capital is seen as increasingly important and its contribution to household and national development is recognized, this study aims to analyze the extent to which social capital is able to influence household income in Tanjung Pinang City.

Literature Review

The Relationship Between Social Capital and Income:

The concept of social capital regarding social interaction between individuals has become a major topic in several fields of research. Several studies have proven the important role of social capital in social and economic aspects. However, there are several studies that have not been able to prove its validity and benefits. Although it is still under debate, the role of social capital in social and economic aspects is a new paradigm in development. Social interaction occurs because of mutual assistance

between individuals, communities and institutions to achieve common goals. [11] using data from 26 European countries found that there is a positive relationship between social capital and human capital with the income level of each country as well as a sample of country groups. In previous research, [12] questioned the role of social networks in influencing individual income levels. His study questioned whether social networking generates benefits in the form of high income.

[13] introduced the concept of social capital in an economic framework. [13] introduced social capital to a culture of cooperation (cooperative culture) and marked its strength in the history of a nation. According to [14], social capital is a set of informal values and norms that are institutionalized and shared with group members, so as to provide opportunities for them to cooperate with one another. Fukuyama says that social capital depends on the values and norms built in the community putting aside personal interests for the sake of public interest. [14, 15] equates social capital with trust and identifies its role in reducing transaction costs and increasing economic efficiency. Mutual trust is the hope that appears in a community, habits of honesty and cooperation are based on generally accepted norms of a community. An attitude of mutual trust can be the "lubricant" that makes a group or organization more effective. Thus, the proposed hypothesis is as follows:

H1: Social capital has an influence on income.

Relationship Between Social Capital and Government Assistance:

Social capital is closely related to the economic performance of a country. Various factors influence the increase in social capital, which is closely related to the government's efforts in overcoming economic and social problems in the community at the national and regional levels. Among them are the government's efforts to address economic inequality by focusing on the aspects of poverty, the gap between urban and rural residents in various aspects and the expansion of job [16]. In addition, the increase in the cost of living coupled with the burden of fluctuating prices for oil and foodstuffs has a significant impact on household spending in Malaysia as well as a negative impact on social capital.

The study of [17] is able to show the success of the government in increasing social capital, namely through good administrative practices and gaining public trust. Apart from contributing to improving economic performance, social capital also has a progressive effect

in increasing access of the population (especially the poor) to economic opportunities, improving income distribution and reducing poverty. This means that there is a positive relationship between social capital and income levels so that it can improve the national economy. Thus, the proposed hypothesis is as follows:

H2: Social capital has an influence on government assistance.

Relationship Between Government Assistance and Income: Government assistance can be interpreted as capital or funds issued based on regional budgets known as the Regional Revenue and Expenditure Budget (APBD) to support small and medium-sized business capital. To increase the competitiveness of MSMEs, the government has a role in facilitating developing small businesses to achieve their business development goals [18]. Government assistance makes it easier for entrepreneurs to produce a product which then reduces the use of capital and expenditures for production so as to maximize profits and income.

In general, if the income level increases, the amount and type of food tends to improve as well, the real level of income of the family determines the amount and quality of food obtained. At low income levels, the main energy sources are grains, tubers and vegetables [19]. Household income has a very large influence on the amount of consumption. Usually, the better (higher) the income level, the higher the amount of consumption, because when the income level increases, the household's ability to buy various consumption needs is getting bigger or maybe a consumptive diet, at least the more it demands good quality. A very simple example is if the head of household's income is very low, usually the staple food chosen for consumption is also of very low quality [20]. Thus, the proposed hypothesis is as follows:

H3: Government assistance has a relationship to income.

The Mediating Effect of Government Assistance on the Relationship Between Social Capital and Income: Although there is a direct relationship between social capital and income, various studies have investigated through the mediation of government assistance, which have been carried out by previous researchers. The direct relationship between social capital and income will be compared with the total indirect effect and the indirect effect. The impact of government assistance on the income of the household head in Tanjung Pinang City is investigated. Thus, the following hypothesis is proposed:

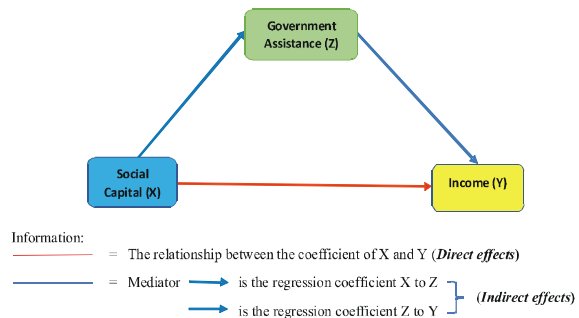


Fig. 1: Research Framework

H4: Government assistance mediates the relationship between social capital and income.

Research Framework: This research framework describes the relationship between the social capital variable (x) and income variable (y) through the mediating variable, namely government assistance (z), as shown in Figure 1.

MATERIALS AND METHODS

This study aims to examine the relationship between social capital and income with government assistance as a mediating variable. This study uses a quantitative technique as the most suitable research method. Quantitative techniques include the inquisition system by linking between certain variables which can be summarized into statistical values and will be able to apply to certain Finnerty populations [21]. This research uses descriptive method and measurement through survey. The total population of family heads in Tanjung Pinang City in 2019 was 53, 941 heads of families [22]. Given the size of the population in the study, sampling was carried out using the Slovin method with an estimated error of 0.5% in order to obtain a total sample of 400 households. The analysis was performed using the JASP program (Jeffreys's Amazing Statistics Program), [23].

RESULTS AND DISCUSSION

Descriptive Analysis: Based on the results of the descriptive analysis of the respondents' profiles, Table 1 shows that 61.75% lived in urban areas and 38.25% lived in rural areas. For the gender of family heads in both areas, it was dominated by male family heads, namely 73.28% for urban and 84.97% for rural areas. Judging from the level of education of the family heads, majority of them completed high school education at 53.50%. About 10% of the household heads completed elementary school (Table 2).

Table 1: Gender of Family Heads According to Urban and Rural Areas

		Urban and Rural					
		Urban	%	Rural	%	Total	%
Gender	Man	181	73.28	130	84.97	311	77.75
	Women	66	26.72	23	15.03	89	22.25
	Total	247	100.00	153	100.00	400	100.00

Table 2: Education Level of Family Heads According to Urban and Rural Areas

		Urban and Rural					
		Urban	%	Rural	%	Total	%
Education	Did not Finish School	0	0.00	0	0.00	0	0.00
	Primary School	0	0.00	40	26.14	40	10.00
	Junior High School	1	0.40	32	20.92	33	8.25
	Senior High School	150	60.73	64	41.83	214	53.50
	Diploma I, II, III	20	8.10	5	3.27	25	6.25
	Higher Education (S1, S2, S3)	76	30.77	12	7.84	88	22.00
	Total	247	100.00	153	100.00	400	100.00

Table 3: Occupation Type of Family Heads According to Urban and Rural Areas

		Urban and Rural					
		Urban	%	Rural	%	Total	%
Type of work	PNS / POLRI / TNI	41	16.60	4	2.61	45	11.25
	BUMN/BUMD	2	0.81	11	7.19	13	3.25
	AGRICULTURE / FISHERMAN	5	2.02	40	26.14	45	11.25
	INDUSTRY	35	14.17	11	7.19	46	11.50
	TRADING	16	6.48	1	0.65	17	4.25
	SERVICES	116	46.96	71	46.41	187	46.75
	CONSTRUCTION	32	12.96	15	9.80	47	11.75
	Total	247	100.00	153	100.00	400	100.00

Table 4: Income of Family Heads According to Urban and Rural Areas

		Urban and Rural					
		Urban	%	Rural	%	Total	%
Income	< 1, 500.000	13	5.26	8	5.23	21	5.25
	1.500.000 - 3.499.000	52	21.05	90	58.82	142	35.50
	3.500.000 - 7.999.000	107	43.32	48	31.37	155	38.75
	5.000.000 - 7.999.000	58	23.48	7	4.58	65	16.25
	8.000.000 - 9.999.000	6	2.43	0	0.00	6	1.50
	10.000.000 - 12.999.000	8	3.24	0	0.00	8	2.00
	13.000.000 >=	3	1.21	0	0.00	3	0.75
	Total	247	100.00	153	100.00	400	100.00

Table 5: Marital Status of Family Heads According to Urban and Rural Areas

		Urban and Rural					
		Urban	%	Rural	%	Total	%
Marital Status	Single	97	39.27	6	3.92	103	25.75
	Married	148	59.92	137	89.54	285	71.25
	Divorced	1	0.40	3	1.96	4	1.00
	Widowed	1	0.40	7	4.58	8	2.00
	Total	247	100.00	153	100.00	400	100.00

Table 6: Number of Household Members According to Urban and Rural Areas

		Urban and Rural					
		Urban	%	Rural	%	Total	%
Number of Household Members	< 2	14	5.67	4	2.61	18	4.50
	2 - 4	26	10.53	21	13.73	47	11.75
	5 - 7	80	32.39	37	24.18	117	29.25
	8 - 10	68	27.53	66	43.14	134	33.50
	11 >=	59	23.89	25	16.34	84	21.00
Total		247	100.00	153	100.00	400	100.00

Table 7: GOF Indeks (Measurement Model)

Fit index	Modification Model	Recommended Value
Df	66	
CMIN(χ^2)	2168.208	
nilai p-value	0.000	> 0.05
χ^2/df	<0.001	\leq 5.00
GFI	0.953	\geq 0.80
CFI	0.968	\leq 0.90
TLI	0.959	\geq 0.90
IFI	0.968	\leq 0.90
RMSEA	0.057	\geq 0.10

Table 8: Validity and Reliability

Variable	Items	Validity Coefficient	Critical Points	Information	Reliability Coefficient		
					(Cronbach's Alpha)	Critical Points	Information
Social Capital (X)	X1	< .001	0.300	Valid	0.978	0.700	Reliable
	X2	< .001	0.300	Valid			
	X3	< .001	0.300	Valid			
Government Assistance (Z)	Z1	< .001	0.300	Valid	0.919	0.700	Reliable
	Z2	< .001	0.300	Valid			
	Z3	< .001	0.300	Valid			
	Z4	< .001	0.300	Valid			
	Z5	< .001	0.300	Valid			
	Z6	< .001	0.300	Valid			
Income (Y)	Y1	< .001	0.300	Valid	0.760	0.700	Reliable
	Y2	< .001	0.300	Valid			
	Y3	< .001	0.300	Valid			

Based on the type of work, almost half of the respondents worked in the service sector at 46.75% (Table 3). In terms of income, more than two third of respondents earned income less than IDR 8 million per month (Table 4).

Table 5 shows that almost three quarter of respondents were married (Table 5). Meanwhile, more than half of households consisted of large family members, between 5-10 members per family (Table 6).

Goodness of Fit Indices of Measurement Model: The Goodness of Fit (GOF) index p-value, χ^2 / df , GFI, CFI, TLI, IFI and RMSEA were used. The acceptable values for all these indices were presented below in Table 7. The results of the Goodness of Fit index showed

that the model analysis of the four latent constructs (Social Capital, Government Assistance and Income) met the requirements for "construct validity".

Validity and Reliability: Before developing a statistical model using the Mediator Analysis Model, this research checked the reliability and validity of the model [24]. Validity was achieved as a feasibility model with a value equal to 0.6. As for the reliability for all variables using Cronbach's Alpha, numbers with a minimum value of 0.7 were considered acceptable [25]. The scores for each item with the coefficient of validity and "coefficient of reliability (Cronbach's Alpha) for each variable were shown in Table 8 and it shows that social capital (x), government assistance (z) and income (y) were valid and reliable.

Table 9: Results of Mediator Analysis

							95% Confidence Interval	

Direct effects			Estimate	Std. Error	Z-value	p	Lower	Upper
Social Capital (X)	→	Income (Y)	0.008	0.039	0.217	0.828	-0.064	0.087

Note: Delta method standard errors, bias-corrected percentile bootstrap confidence intervals, ML estimator

							95% Confidence Interval			

Indirect effects			Estimate	Std. Error	Z-value	p	Lower	Upper		
Social Capital (X)	→	Government Assistance(Z)	→	Income (Y)	-0.039	0.012	-3.167	0.002	-0.066	-0.021

Note: Delta method standard errors, bias-corrected percentile bootstrap confidence intervals, ML estimator.

							95% Confidence Interval	

Total effects			Estimate	Std. Error	z-value	p	Lower	Upper
Social Capital (X)	→	Income (Y)	-0.031	0.039	-0.789	0.430	-0.103	0.047

Note: Delta method standard errors, bias-corrected percentile bootstrap confidence intervals, ML estimator.

Table 10: Indirect effects

							95% Confidence Interval			

			Estimate	Std. Error	z-value	p	Lower	Upper		
Social Capital (X)	→	Government Assistance (Z)	→	Income (Y)	-0.039	0.012	-3.167	0.002	-0.066	-0.021

Note: Delta method standard errors, bias-corrected percentile bootstrap confidence intervals, ML estimator

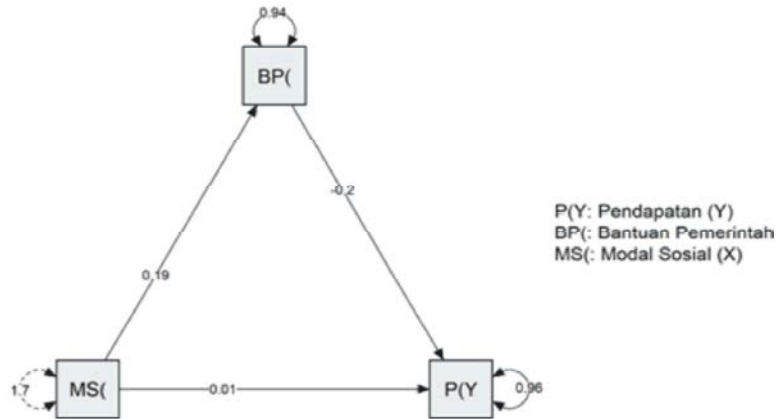


Fig. 2: Path Plot

Model Mediator Analysis: Table 9 describes the three hypotheses (direct effects, indirect effects and total effects) which were carried out using Mediation Analysis in the JASP program (Jeffreys's Amazing Statistics Program), Version 0.14.10. As shown in Table 9, the table of indirect effects was significant with a p-value of 0.002 or less than 0.05. Meanwhile, the direct effects and total effects of p-value were 0.825 and 0.430, respectively, above 0.05 or insignificant. These results suggest that government assistance mediates the relationship between social capital and income.

Mediation Test: Figure 2 and Table 10 show that government assistance mediates the relationship between social capital and income because these two indirect effects are significant. Meanwhile, the direct relationship between social capital and income is not significant.

CONCLUSION

The results of this study indicate government assistance mediates the relationship between social capital and income because these two indirect effects are

significant. Meanwhile, the direct relationship between social capital and income is not significant. It can be concluded that social capital is a stable, strong influence that shapes the well-being of local population and the Indonesian government needs to come up with effective solutions to protect and enhance social capital in order to maintain and improve the well-being of household heads, especially in rural areas.

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