

# The Impact of Entrepreneurship Development and Community Empowerment on Poverty Alleviation in Coastal Areas of Southeast Sulawesi, Indonesia

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This study was carried out at the Centre of seaweed production in the coastal region of Southeast Sulawesi with the aims of finding and analysing the impact of entrepreneurship development and community empowerment on poverty alleviation in the coastal areas of Southeast Sulawesi. This study was conducted by providing training in seaweed cultivation methods and entrepreneurship followed by mentoring in the farming of seaweed. The population of this study was all the seaweed farmers in the coastal areas of Southeast Sulawesi. Due to the time and financial constraints, this study took a sample of 25 people to be given training in seaweed cultivation methods and entrepreneurship as well as business mentoring for two planting seasons. For the purpose of data analysis, the researchers used a descriptive statistical analysis and inferential statistics. The descriptive statistics were used to describe the income of the seaweed farmers before and after training. The inferential statistical analysis by means of paired test hypothesis was aimed at determining the impact of entrepreneurship development and community empowerment on poverty alleviation. The results showed that the development of entrepreneurship and community empowerment

had a significant effect on poverty alleviation as measured by an increase in the income of the seaweed farmers.

**Key words:** *Poverty, entrepreneurship, community, empowerment, coastal areas.*

## Introduction

The major problem that developing countries are facing today, especially in the Asia Pacific region including Indonesia, is poverty. It has, therefore, become one of the international agendas set forth in the Millennium Development Goals (MDGs). The poverty occurring in a country cannot be separated from the powerlessness of a community in utilising the wealth of resources they own to increase their income and living standard. This situation is closely related to the entrepreneurial spirit possessed in managing a business.

Muthalib (2014) in his research found that small micro-entrepreneurs who have a good entrepreneurial spirit can earn a greater income than those who have a poor entrepreneurial spirit. The income rises of business actors can release them from the poverty trap experienced.

Poverty alleviation through entrepreneurship has been clearly outlined by Onn (2013). He stated that entrepreneurship can no longer be underestimated as its development becomes increasingly essential in the aim of alleviating poverty, which has become a common concern for developing countries in the Asia Pacific Region during the recent decades. Onn (2013) also stressed the essential roles of entrepreneurship in poverty alleviation along with raising education standards as well as the level of employment.

Entrepreneurship education or training is important for an entrepreneur (Oksanen-Ylikoski and Ylikoski, 2015), especially in the field of seaweed cultivation. It can provide many benefits to the entrepreneur such as increasing the efficiency and effectiveness of seaweed cultivation, increasing opportunities for coastal and seaweed-based businesses, as well as giving additional profit. Therefore, the role of entrepreneurship in increasing economic growth, expanding employment opportunities and income equalisation are very important. In line with that, Chow (2010) explains that entrepreneurship has driven economic changes in China. In this case the enormity of economic development in China is due to the development of entrepreneurship. This means that entrepreneurship can be one of the alternative solutions in the effort of alleviating poverty.

In line with Chow (2010), Shirima (2001) in his research found that entrepreneurship significantly reduced poverty. The poverty rate decreased with a much greater magnitude when interacting with entrepreneurial innovation. This study used data from 58 different nationals.

Meanwhile, Ali and Ali (2013) found that there was a weak positive correlation between entrepreneurship development and poverty reduction. This study used a correlation research design for 80 small micro entrepreneurs in the Bonadir region of Somalia.

Furthermore, Ilemona *et al.* (2013) shows that 65% of respondents claimed that the lack of entrepreneurial skills among youth was closely related to the high level of poverty in Nigeria. The result of this study also shows that at least 60% of the population involved in entrepreneurship skills training were able to fulfil their basic needs. Therefore, this study recommends that since most of the population participating in entrepreneurial training programs can meet their basic needs, the government has to take it into account a poverty alleviation program.

With regard to entrepreneurship, Rianse and Abduh (2011) state that a country will achieve a level of prosperity if the number of entrepreneurs is at least 2% of the total population. For this reason, poverty alleviation through entrepreneurship development and community empowerment is of paramount importance.

Indonesia has a fairly extensive seaweed farming potential of approximately 1.2 million hectares (DKP, 2006). Despite its huge potential, until 2010 Indonesia was only able to cultivate less than 5 per cent only of the potential farming areas (KKP, 2016). Therefore, the development of seaweed cultivation businesses still has considerable opportunities.

Although seaweed commodities have a broad market prospect both in local markets, inter-island markets, and foreign markets (exports), it has not been fully able to improve the socioeconomic conditions of communities in coastal areas particularly seaweed farmers. They are still in low income and poor conditions causing their level of welfare and living standard to remain low. While seaweed traders, especially exporters, have achieved an established economic resilience, seaweed farmers are still economically fragile and socially not well-empowered.

Research related to the development of entrepreneurship and community empowerment towards poverty alleviation has never been done. Therefore, this research is important to carry out to provide an alternative solution in the effort to alleviate poverty.

This study aims to find and analyse the impact of entrepreneurship development and community empowerment on poverty alleviation as measured by an increase in income in the coastal areas of Southeast Sulawesi. The results of this study are expected to provide alternative solutions in poverty alleviation efforts.

## Literature Review

An entrepreneur is a person who managed a business (Kao, 2013; Mandysová, 2018) and who distributed resources among various alternative uses, risk takers, and suppliers of capital finance (Apaydin, 2018). Meanwhile, the nature of entrepreneurship basically refers to the traits, personalities, and characteristics inherent in the entrepreneur (someone) who has a strong will to realise innovative ideas in the real world and can develop them by using the effort and time required, assuming the necessary financial, psychological and social risks, and receiving money and personal satisfaction in return (Rianse and Abduh, 2011).

According to Drucker's (1985) view, entrepreneurship is the transfer of economic resources from low productivity areas to higher productivity areas and greater yield. This definition continues to develop. Drucker concludes that entrepreneurship is the ability of a person to upgrade a product that was previously mediocre by applying management concepts and management techniques (i.e. by asking what value is valuable to customers), product standardisation, designing process and tools, and by basing training on the analysis of the work to be done and then setting the required standard so as to increase the yield of existing resources and create new markets and new customers.

The main dimensions of community empowerment are: (1) increasing community capacity, which includes expanding community assets both individually and collectively as well as upgrading knowledge, skills and changes in attitude, and (2) institutional strengthening, which includes changes in values and norms in community institutions and organisational strengthening in the poor or powerless community itself.

Community empowerment is carried out by first, creating a favourable atmosphere or climate for the community potential to grow. A starting point is the understanding that every human being, and every community has potential that can be developed. Second, strengthening the potential or power owned by the community (empowering), which involves providing various inputs and access to a wide range of opportunities, will make the community more empowered. Third, protecting and defending the interests of the weak people is critical, and involves getting them connected and closing the interaction gap.

Sumodiningrat (1997) argues that community empowerment is closely related to efforts to overcome development problems, poverty and inequality. The effort to empower the community must be carried out in three ways, namely (1) creating an atmosphere or climate that enables the potential of the community to develop, (2) strengthening the potential or power of the community, and (3) empowering, which means protecting.

The empowerment of seaweed business actors is an effort to develop the self-reliance of the seaweed farmers by giving them reinforcement in managing the business so they can increase production and income which, in turn, improves their standard of living and welfare.

Poverty can be defined as a situation or condition experienced by a person or a group of people who are unable to carry out their lives to a level that is considered humane (BAPPENAS, 2002). Broadly speaking, the definition of poverty can be divided into two aspects including (1) the primary aspect, which is being poor in assets, social-political organisation, knowledge, and skills; and (2) secondary aspects, which is being poor in social networks, as well as in financial and information sources.

According to Ravallion in Arsyad (2010), poverty is hunger, having no place to live, having no funds for medication. Poor people generally cannot read because they cannot afford to go to school, do not have jobs, are afraid to face the future, and lose children due to illness. Poverty means powerlessness, being marginalised and having no a sense of freedom.

Yanya (2012) in his study found that the establishment of companies as a proxy for entrepreneurship led to an increase in the rates of poverty and higher income inequality in Thailand. This study employed an empirical analysis based on panel data over the period of 1997 to 2010 from 76 provinces in Thailand.

Anisah's research (2011) showed that entrepreneurship did not directly affect business performance, but was directly able to improve competitive advantage, and showed a gap with the theory put forward by a number of scholars (Covin and Slevin, 1991; Miller, 1982; Zahra and Garvis, 2000; Lumpkin and Dess, 2001; Wiklund, and Shepherd, 2005; Lim and Lee, 2009), who found that entrepreneurial orientation contributed to and influenced business performance.

Increased business performance will raise a company's profits and raise the income obtained by the business actor and that of the labourers. The rise in income will result in an increased fulfillment of basic needs so that business actors and labourers can get out of the trap.

## **Methodology**

This study was carried out at the centre of seaweed production in the coastal areas of Southeast Sulawesi. It was conducted by giving training on seaweed farming methods and entrepreneurship followed by mentoring in seaweed farming. The population of this study was all the seaweed farmers in the coastal areas of Southeast Sulawesi. Given the limited time and financing, this study took a sample of 25 to be involved in training on seaweed farming methods, entrepreneurship as well as business assistance for two planting seasons. Each sample

was selected based on three criteria namely (1) own a seaweed business as the main source of income for the family, (2) has been engaged in seaweed business for at least 3 years, and (3) be willing to provide information related to the research theme.

Data collection was carried out in the following ways: (1) observation, namely collecting data in the field by visiting the seaweed farmers/cultivators who have participated in training, (2) questionnaire, namely data collection by circulating questionnaires to the selected seaweed farmers structurally and openly, (3) documentation, which records all information obtained from the seaweed farmers who have participated in the training.

Data obtained from the field was analysed with descriptive statistical analysis techniques, inferential and comparative statistics enriched with tabulation and exposure to qualitative data during the interview verification, documentation, and focus group discussions (FGD). To find out the impact of entrepreneurship development and community empowerment on poverty alleviation as measured by the income rises, the data was analysed using descriptive statistical analysis and inferential statistics. The inferential statistical analysis used the paired method hypothesis (Suharyadi and Purwanto, 2004). This hypothesis test was used to determine the impact of entrepreneurship development and community empowerment on poverty alleviation as measured by the increase in income.

## **Finding and Discussions**

### ***Entrepreneurship Development and Community Empowerment***

Entrepreneurship is the spirit, attitude, behaviour and ability of a person in handling a business or activity that leads to ways of working, technology and new products by increasing efficiency in order to provide better service and greater profits (Presidential Instruction Number 4 of 1995 concerning national movements to promote and culturise entrepreneurship).

According to Arsad (2010), the main factor that leads to economic development is the innovation process and the actors are innovators or entrepreneurs. The economic progress of a society can only be achieved by the innovation of entrepreneurs. Economic progress can be interpreted as an increase in the total output of society.

Community empowerment is an effort to improve the dignity of community groups who are currently unable to escape the poverty trap and underdevelopment due to the low income received. In other words, empowerment is to enable and make a community self-sufficient (Kartasasmita, 2003).

Community empowerment means increasing the ability of community self-reliance, where it concerns a multidimensional social process that aims to help individuals or groups in order to gain control of their own lives (Bulkis, 2010).

Ali (2007) states that community empowerment is an effort to increase power or strength in society (elements of reinforcement from the outside) by giving encouragement, opportunity, vacancy and protection. Meanwhile, community strengthening is an effort to increase the ability of individuals (elements of strength from within individuals) that are bound in society to build economic capabilities and resilience such as kinship, mutual cooperation and struggle. Thus, empowerment lies in the decision-making process itself to develop the adaptation to changes in the social environment.

In this study, entrepreneurship development and community empowerment development were carried out by providing training on entrepreneurship and seaweed cultivation technology accompanied by assistance for two growing seasons.

The material delivery was carried out by the executing team who are competent in the field of business and seaweed farming methods as well as entrepreneurship. The material aspects that were conveyed regarding the application of seaweed cultivation technology at the target location are as follows:

1. Introduction and delivery of the scope of the implementation of the seaweed farming technology model dissemination and entrepreneurship
2. Background, purposes, objectives and goals
3. Scope
4. Seaweed cultivation preparation techniques which include site selection, determination of cultivation methods, installation of cultivation facilities, procurement/seed preparation, planting and maintenance, harvesting, drying and packing as well as business management and marketing.

The discussion on the material and the implementation of the training went well, and some participants seemed enthusiastic about this activity. They argued that the seaweed cultivation technology and entrepreneurship training in their region could provide many benefits such as increasing the efficiency and effectiveness of seaweed cultivation, increasing opportunities for coastal area-and seaweed-based business, and providing additional profits to fishermen who make a living as seaweed businessmen.

The training success was reflected in the enthusiasm of the participants and the fulfilment of the transfer of information and technology, which became the material presented. There are several things that function as parameters in the success of the implementation of this training.

They not only concern the transfer of information or technology but also whether the information or technology can be adopted in the target area. Questions were given to all participants in the target location to see their understanding and the suitability of the implementation of this training. The percentage of success or the success of the training implementation at the target location based on the specified parameters is presented in Table 1.

**Table 1:** Percentage of Training Implementation Success

No.	Parameters of Successful Dissemination	Assessment (%)	
		Yes	No
1	Is the presented material suited to your needs?	88.00	12.00
2	Is this technology model compatible with environmental aspects in your area?	90.00	10.00
3	Can you understand the content of the material presented?	88.00	12.00
4	Can you understand the language used to present the material?	84.00	16.00
5	Are you interested in applying this technology model?	90.00	10.00
6	Can you adopt this technology in your area?	92.00	8.00
Average		88.66	11.33

The results of the success measurement of the model application in terms of material transfer and technology adoption by the participants in the target area shows a high percentage, which is 88.66% on average, meaning that the community can understand and is able to adopt the seaweed farming technology model as well as apply the entrepreneurship knowledge acquired.

### ***Impact of Entrepreneurship Development and Community Empowerment on Poverty Alleviation***

To find out the impact of entrepreneurship development and community empowerment on poverty alleviation, changes in the income of the participants before and after the intervention were measured. If there was a significant increase in income after training compared to before training, it means that the development of entrepreneurship and community empowerment can reduce poverty since an increase in income can raise people's purchasing power in meeting their needs and also at the same time improve the welfare of the community. The results of the analysis using descriptive statistical analysis show that most of the training participants earned greater income after participating in the training than they did before attending the training. All the training participants experienced a rise in income compared to before they were trained and mentored.

**Table 2:** Income of the Training Participants

Income (in Million rupiah/IDR)	Post-training		Prior to training	
	Number of Person	Percentage (%)	Number of Person	Percentage (%)
3,000-4,999	4	16.00%	7	28.00%
5,000-6,999	6	24.00%	7	28.00%
7,000-8,999	5	20.00%	4	16.00%
9,000-10,999	7	28.00%	6	24.00%
> 10,999	3	12.00%	1	4.00%
Total	25	100.00%	25	100.00%

Based on the data in Table 2, if the participants were grouped by income classification, it can be seen that the number of seaweed farmers who earned an average income of between 7,000 - 8,999 million rupiah (IDR) , 9,000 - 10,999 million rupiah (IDR) and above 10,999 million rupiah (IDR) increased respectively from 4 persons to 5 persons, 6 persons to 7 persons, and from 1 person to 3 persons. Meanwhile, on the other hand, the number of seaweed farmers who earned between 3,000 - 4,999 million rupiah (IDR) and 5,000 - 6,999 million rupiah (IDR) had decreased from 7 persons to 4 persons and from 7 persons to 6 persons. This means that the income earned after training and mentoring was far greater than the income earned before training. More details can be seen in Table 2.

## **Conclusion and Suggestion**

### ***Conclusions***

The conclusions that can be drawn are: (1) development of entrepreneurship and community empowerment can be done through training and mentoring; and (2) development of entrepreneurship and community empowerment have a significant influence on poverty alleviation as shown by the increase in income.

### ***Suggestions***

Based on the results of the research stated above, it is recommended that (1) to increase production and income of seaweed farmers/entrepreneurs, cultivation technology training should be carried out; (2) encouragement and entrepreneurial competencies for seaweed entrepreneurs still needs to be improved through entrepreneurship training; and (3) entrepreneurship development and community empowerment can be an alternative solution in alleviating poverty.

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