Creating sustainable city by enhancing social capital

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Abstract. Scholars have been discussing social capital since the last two decades. They analyzed from various perspectives such as sociology, education, political participation, strengthening democratic values and economic empowerment of the society. However, study related to the implementation that benefits directly to the society is needed. This study examines how to create a sustainable city by enhancing social capital from both macro and micro analyses. This combination of analysis offers deeper understanding both from decision makers at city level and individuals, groups and society. We will conduct qualitative approach mainly by interviews and direct observation to collect the data. also, we also analyze publicly available data. Finally, this study contributes to new understanding in creating a sustainable city, not only about the environment and physical aspects, but also about ensuring political economic, democratic values, and social welfare.

1. Introduction
Population is the biggest factor influencing the growth of Town. Conversely also potential as a factor that becomes the source of the problem. Problems often arise because growth factors are only seen from the physical side only. Population that should be subject just marginalized because only as object. The social groups marginalized in the process of market transition (in this case informal and unemployed residents, laid-off workers and rural migrants) fall into the gap between the institution of welfare provision through the state work-units and new urban labor markets which are now detached from the state work-unit system.[1] The problem begins just focusing on a method that is too top-down. The government does the design and execution of city growth without involving the most important variables, namely the population. Participatory approaches make the city as an interactive landscape between government and society, society with other communities. A bottom-up approach to the process of designing urban development is essential. The method is not only in terms of macro with
government policy alone, but also involves individuals, groups and community groups in a community (micro). These approaches are more concerned with effective political-social problem-solving and the output-dimension of democratic legitimacy. From this point of view, be improved by stakeholder participation and civil society engagement. The institutions shall maintain an open, transparent and regular dialogue with representative associations and civil society [2]. The observation examines how to create a sustainability city with social capital development. Defining four dimensions of social capital, in two pairs of opposing concepts: embeddedness and autonomy, the macro and the micro level. [3] The community is as subject factor not as object. Social capital has long been a talking. It is time to form a comprehensive study from concept to simulation which then proceeds with the implementation and evaluation. Social Capital is one way that invites people to empower themselves according to their own potential and power. Social capital uses the population as a driven factor in urban development.

### Table 1. Four View Social Capital[5]

| Perspective                  | Actors                                      | Policy Prescriptions                              |
|------------------------------|---------------------------------------------|--------------------------------------------------|
| Local Associations           | Community Group, Voluntary Organization     | Small is Beautiful, Recognize social assets of poor |
| Network View Bonding and Bridging Community Ties | Entrepreneurs, business group, information brokers | Decentralized, Create enterprise zone, Bridging social divide |
| Institutional views Politics and legal institutions | Private and Public Sectors                   | Grant civil and political liberties, institute transparency, accountability |
| Synergy view                 | Community Group, civil society, firms, state | Coproduction, complementarily, participation, linkages, enhance capacity, scale of local organization |

According to the table 1.01, In this study, authors have conducted simulations in the city of Surakarta Java Tengah. Our simulation was done on a community of batik entrepreneurs in the village of Kauman. As local associations, we can categorized as community group. It starting as voluntary, informal nonprofit organizations. They made bonding and bridging community ties. Then some of the members develop business association called Sober. Sober are Entrepreneurs business groups which separate with the social association even though in the same location and area. Kampung(Village) Kauman is a very representative example to be the subject of this study. This village is located in the middle of a trading city. Surakarta is a city whose city income is highly dependent on adjacent areas and surround Surakarta city.
Industrialization works from the suburbs that intersect or close to the Surakarta area. Politically solo is also a center of activists consisting of right and left-handed blocks of lines. Kauman is a village located near the city center. The city center is identified near the center of the Great Mosque, Kraton Surakarta, City Hall, Trade Center and the National Central Bank Indonesia office. This location is localized in radius about 2-4km only.

Globalization implication for the city and its Social Capital

Globalization’s influence is not limited to economic and political aspects only. Its influence goes to the social, cultural, interaction, and human mobility aspects. The development of the city and its people must be able to adapt to globalization.

"The global political context both expands and complicates the strategic choices available to those advocating political and social change[5]."

The community is able to survive and can thrive with its potential and the community can collaborate with the global population. The division of economic space, a proportional social space becomes very vital for the growth of society in a city in this era.

This study aims to formulate a form that can create community participation in urban development. This participation begins by identifying the strength and potential of a community in a city. This identification will bring understanding of a social capital in a community within a city. This study therefore attempts to capture the dynamic aspects of social identification by studying the role of group identification as both a cause and an effect, changing over time [6].

Then we continue how a social capital in an area becomes an important factor in creating a city that grows continuously with all elements of society and stakeholders. So that there will be interaction between macro and micro factors as listed in table 1.01 which became fundamentals of development with social capital.

OVOP and Value Chain is the framework Social Capital

Identification of potential village will use OVOP method (One Village One Product). The original concept of OVOP was to encourage villages in Oita to select a product unique to the region in order to develop it to national and global standards (Knight 1994, Fujita 2006, Igusa 2008, Kurokawa 2010). Community-based enterprises (CBEs) can be formed as a result of a local community’s entrepreneurial activities, by employing their social resources, structures K. Natsuda et al. (Torri 2009) which aim to contribute to both local economic and social development[7]. To strengthen and sharpen the OVOP method, it will be added with its Value Chain analysis tool from Michael Porter. These various analytical tools are needed to assist in the analysis of macro and micro approaches of Industrialization and its effects on microeconomics. Social Capital runs effectively when macro and micro approaches go hand in hand.
In certain scale, OVOP is local industrial clusters.

Such development could be viewed as having 'endogenous', rather than 'exogenous', elements as its key features. The original concept of an endogenous model of development appeared in the late 1970s. It was advocated by Friedman and Weaver (1979), Stohr and Taylor (1979) in association with those who researched at area centered on Bologna and famous for its industrial clusters of small and medium enterprises [7].

These clusters are groups, communities that have a production base on a particular industry.

Value Chain establishes the interaction between production factors and cluster member, between one members OVOP to another member. It helps to analyze the potential, strength, weakness and threat of an entity summarized in the value chain process. Value Chain helps to categorize each cluster member potential. Two basic category are as primary and supporting activities. Supporting activities will be more in official management such as administration, accounting, and PPIC (planning-production-inventory-control). Primary activities are more in processing inputting material to production, warehousing and selling. The intricacy and complexity of warehousing in the globalization era requires sophisticated forms of coordination, not merely with respect to logistics (who ships what, where and when), but also in relation to the integration of components into the design of the final products. We can use this analysis to identify policy levers – relevant at the level of individuals, households, firms, regions which more favorable distributional outcome. The objective of this study is to show that value chain analysis has an important role to play in meeting these objectives [8]. So that the identification competitive advantage that is owned by the community incorporated in the community can be seen clearly.

This study will help to 1. Identify the diversity of the community with its various potentials. 2. Creating a model of interaction between community's member with one another. 3. Finding the formulation of social capital development undertaken by government, community and stakeholders. 4. The experience of creating sustainable city by enhancing social capital can be contributed to the scholar and also practitioners.

Four views Social Capital (table 1.01) is basis of theory and literature on this study. We use OVOP and Value chain as analysis tool. There are tangible and intangible aspects to be considered to develop the Sustainability city. Intangible aspect is our focus in this paper. City has authority over many decisions that have a direct impact on sustainability, including land use, transportation, urban forestry, distribution of jobs, education quality, economy growth, safety, comfort and waste disposal, making them a particularly important unit of analysis for the study of sustainability policy (Bai 2007; Coenen and Menkveld 2003; Portney 2003) [9].

The fundamental "society" or the State is formed because it has a common interest. Among the interests of individuals covered in one area then formed with a system. Interaction between these interests is then set in a system.
Some state, the translation of the social contract systems is under fiscal systems. The social contract varies considerably across nations. Some have low tax rates, others a steeply progressive fiscal system. Many countries have made the financing of education and health insurance the responsibility of the state. Some, notably the United States, have left it in large part to families, local communities, and employers. The fundamental problems arises income inequality will bring about sharply different evolutions of the social contract [10].

Observation Contribute to the government to make intervention through its policy of social capital development. Some from Government expenditures can be used to support the area which potentially develop OVOP for sustain community.

David Hume, Adam Smith and Michael Porter
International Trade, Specialization and clustering for creating sustainability city

David Hume is most contributing thought about International trade. Hume was a keen observer other changes afoot, particularly in a world of commerce and finance [11] According to Hume, holding foreign trade will benefit all parties. Developing countries will increase their income without harming the developed countries. Money is the lubricant of the trade, and thus facilities the commercial bond among persons that are critical to the cultivation of peaceful and polite society.[11]. According to Hume theory, We can see the first stage of globalization start to make the history.

While Adam Smith contributes a very important thought for the future of Capitalism in his work "Wealth of Nations", in this book Smith states that every individual will work in accordance with the interests and who are believed able to do so. Economic growth can work because of the mechanism and specialization process. Smith argues that less government interference is better for increased productivity and market access, but there is still a need for protection against industries that are still beginning to grow over the attacks of big players [12]. Michael Porter said that Adam Smith so many years ago, laid the foundations of economics around the notions of specialization within enterprises, specialization across countries, and the power of unencumbered competition[13]. A cluster is a critical mass of companies in a particular field in a particular location, whether it is a country, a state or region, or even a city. Clusters take varying forms depending on their depth and sophistication, but most include a group of companies, suppliers of specialized inputs, components, machinery, and services, and firms in related industries.

Clusters also often include firms in downstream (e.g., channel, customer) industries, producers of complementary products, specialized infrastructure providers and other institutions that provide specialized training, education, information, research, and technical support, such as universities, think tanks, vocational
training providers, and standards-setting agencies. Finally, many clusters include trade associations and other collective bodies covering cluster members.[13]

The cluster development by a certain community which consists of strong bonding and entrepreneurship spirit. The concept and implementation OVOP and value chain become the best practice for social capital development.

2. Research Methodology
Our methodology uses the qualitative method with Literature approach and field observation. The literature approach uses books, journals, and documents that have been published or presented in an academic discussion. Field observations conducted for data retrieval were conducted using in-depth interviews.

We use OVOP and Value chain to identify the potential of social capital development in certain area and community. From the analysis activities. We will have very useful tool to have the best practice to develop social capital.
3. Study Finding

3.1 The City of Surakarta

In this study, we have conducted simulations in the city of Surakarta Java Tengah. The size of Surakarta is 44.06 km². Observations we do with the object Kampung Batik Kauman Surakarta, Central Java.

Solo Map No 1.
Solo City Map as shown
Based on data 2014. The population is 552,650 which consist 273,038 male and 279,612 female. The density is 12,390 person/km², 54% in the age start 15-49 years old, which age 30-39 taking 16%. The sex category is about 51% female. Population growth is 1.92%. Labor supply is about 385,000 persons which age 15-64 years old. The composition of the profession and occupation of the population in 2013 are: Farmers 533, Farm Laborers 826, Entrepreneurs 9356, Labor Factory 69179, and Construction Workers 61640. Education level in 2014 is:

University 70342, Sr High School 160163, Jr high school 96189. 49% sex-based composition is male. In-Migrant is 10938, and out-Migrant 10534. Surakarta have 17 traditional market and 27 modern market. The biggest export is batik which value USD 10,878,516.50.

The city Vision “The Realization of Surakarta as a City of Culture, Independence, Progressive, And Prosperous” and the mission that related to social capital is mentioned “Creating an intelligent, skilful, virtuous society, character and contribute to the advancement of city's competitiveness”

The total Surakarta city revenue 1,88 trillion rupiah on 2016, 234 billion rupiah from local tax and 156 billion rupiah from retribution. The net Domestic revenue is 394.4 billion. Total expense is 2033 trillion, which is 1160 trillion rupiah is for paying the wages and operations[15]

4. Village Kauman

“Kauman used as a tourist village of batik in Solo since 2006. Merchandise batik clothes in a shop in Kampung Wisata Batik Kauman. (TribunSolo.com/Krisna)

As a tourist village, this village also provides various places that can be visited by tourists, including: batik house, batik showroom, batik training place, research and development of batik products, and museum of batik collection.

Chairman of the Solo Batik Tourism Village Village, Gunawan Setiawan (44), said the location of his village is in a strategic position in the center of Solo.

"The location (Kauman village) between Keraton Surakarta and Pura Mangkunegaran, near the Grand Mosque and banks, surrounded by lodging and shops of batik industry materials, Kauman is also known as batik kampong. There is a history of its own. That's why in Kauman formed Paguyuban Kampung Batik Kauman (PKBK) "[14]

Kampung batik kauman located at Pasar Kliwon Sub-district. Can be considered in the map, that the village batik kauman adjacent to Klewer batik market, and Kasunan Castle. Not visible on the map, adjacent and one district with City Hall Surakarta, Central Bank Indonesia Regional Office and center of meat and vegetable market of Pasar Gede. Kauman Village population is 2472 person which density 13011 persons/km².[15]

Cluster SOBER Batik Village Kauman:

This Group is the forerunner to the formation of social capital in the village batik kauman. This community eventually formed a more concrete business activity jointly:

“Kauman batik craftsmen formed a joint showroom (sober) to facilitate batik business units
that do not yet have a shop.

In Kauman registered about 80 business units in containers of Kampung Wisata Batik Kauman has no shop yet.

Chairman of Sober Kampung Wisata Batik Kauman, Helmy Nor Amien, said sober is made specifically for batik business actors who come from Kauman. He estimates there are about 150 units of batik businesses that are not registered in paguyuban and Sober.[16]

Based on the interviews we conducted with the board members of the kauman village community, and Shoher (joint showroom) we got the following information:

1. The local association was made since 2001. It names PKBK. It is nonprofit and informal organization.
2. The entrepreneur of batik and its supporters is a business that has been passed down from generations of more than 3 generations. It classic area which experience of entrepreneur area and group.
3. Needs of the community to maintain harmony of the people, especially business actors around the village kauman. Bridging social divides
4. With the increasingly competitive competition of batik shops in the neighborhood, raises some unfavorable conditions. Competition based on price wars. Rents are getting more expensive. In the end make the profits of entrepreneurs out just to rent the place
5. Rental fee for places ranging from 60 juta rupiah up to 200 juta rupiah / year depending on the location with an area of only about 1.5x2m2. Not including for the manufacture of interior, electricity costs every month, maintenance, labor and purchase of goods stock. For the workforce it takes about 3 for an operational 12 hours, or 2 for an operational 8 hours and just 1 person for 6 hours work. Worker's salary ranges from 1.2juta / month. So the average initial capital to be provided ranges from 250jt-600jt per year depending on the collection and quality of the interior and working hours.
6. Then formed a joint venture by building a showroom together. It calls Sober. Sober is decentralized and create a enterprise zone.
7. The establishment of this showroom is not only for the purposes of showing the product only. Serves as an information center and production control center from raw material supply, conveying seam, and display to showroom to marketing through exhibitions. In addition there are also several designers who joined the product development and paid based on the results of the many designs that sell. Sort of royalty but with a simpler form among its members

5. Discussion and Analysis:

As the government, the Mayor has a vision to invite all ranks of his government to help create a solo city and its citizens have the characteristic of the city which is covered by a great culture, this culture becomes the supporter of the independence of its citizens both economically, politically and socially advanced intellectually and able to answer Challenges of the times, the builders are sustainable and growing. So that welfare for all its citizens will be achieved.
To achieve this, we need to look at the theories of David Hume and Adam Smith. They need to increase transactions both between villages, between cities and even between countries. Because with this trade will create profits. These gains will have an impact on local revenue, the level of local savings. In accordance with the mission of the mayor "a healthy environment toward productive, creative and prosperous society." Because to be able to conduct transactions and trade must have a productive, creative attitude that will increase revenue.

A State or city will be alive and prosperous if its people and government are collaborative.

So as to bring up the ideas of development in accordance with the character and strength owned by citizens and government. Collaborative public management is a concept that describes the process of facilitating and operating in multiorganizational arrangements in order to remedy problems that cannot be solved — or solved easily — by single organizations. The focus in this article is the public manager. Although collaboration takes place in contexts in which government is not a major actor or is not an actor at all (Austin 2000; Lipnack and Stamps 1994), this paper views government as steering policy making and execution, and thus it is the entity through which collaborative public management occurs and management activity is channeled. Collaboration certainly relies on various leaders at various times performing different roles, but in the typical context of collaborative public management, government is ultimately held accountable for the satisfactory delivery of public goods and services. Public managers can’t always command action, but they are still responsible for their collaborative outcomes (McGuire 2002). This review, therefore, assumes the governmental perspective in collaborative management[17].

Conducting cluster as commercial zone has to be invited the original actors from the local community such PKBK in Kauman Village and government. Which Government policy must be taken to support the community. The most important to facilitate the preliminary discussion and detail study.

Solo as a trading city, with a larger number of entrepreneurs than farmers. Entrepreneurs which the figure shows around 9356 in 2013 are able to create about 140,000 jobs. So that every 1(one) entrepreneur in solo can create 14 jobs. This is potential to reduce unemployment. Cluster productivity effected to decrease unemployment and increase government revenue. It will strengthen the social bonding and economy in the respective area.

By looking at the composition of the APBD Report, it can be seen that the entrepreneur is able to contribute to the government in the form of taxes and restribusi of Rp 320 billion or
Contribute 20% of regional revenue in 2017. But although able to contribute regional revenue but the government in spending revenues are still more for Operational. Expenditures to support community-based economic growth are yet to be seen. Not significant yet, almost all of them are exhausted for the operational costs of employees and offices. While for social assistance equal to 8% of total expenditure allocated. Here it appears less consistent between the government's vision and mission when compared to the local government's spending policy. The spirit to improve welfare through productive and creative engagement does not place a place for accommodation in government financing. Though this stimulus is very important to encourage and stimulate economic growth. The number of markets is also one of the economic growth benchmarks of a region. Especially the traditional market. If modern markets and malls contribute to the government in the form of taxes, but traditional markets can create space for social capital to grow. There are 14 traditional while the modern market, mall, trade center is about 27 (see table 4.02). It is very contradictory to the social contract of the mayor listed in the Vision-Mission compared to the reported on APBD.

Batik contributes 30% of total export in Surakarta with a value of around 130 million rupiah. Batik is an industry that has variations in capacity from the production context. Starting from a full segment of machine technology, with more power 10,000 labors with modern management up to the production capacity of home use only 2 or 3 workers only. And large batik industries are usually located in the outskirts of Surakarta such as Boyolali, Sukoharjo, and Karanganyar. The middle class between 100-200 personnel was also from Sragen. So that less significant effect for the revenue of the city of Surakarta.

Kauman is different, they play in the segment of low capacity but high value products. The handmade fine batik becomes the differentiation. Hence with branding Kampung Batik Kauman more gives the impression as a batik boutique and tourism instead batik manufacturers. An area in the middle of the city makes its own attraction. In addition to tax revenues, the government benefited from the multiplier effect of this Kauman village. Tourism an increases, hotel occupancy is full, taxi fleet needs the increase, restaurant from starred class up to traditional class get positive impact. Hotel, restaurant and service industry donate the government revenue 27%[15]

Cluster kauman that has members of the community about 180 people. About 100 people joined in Sober (showroom together). It consists of various manufacturers, stockiest of materials, designers, marketing experts, and design experts. Before joint with sober they rented a showroom for their activities. They must have a capital of between 200-500 million each year. Is about 87% expense for rental the space and wages. By joining in sober, a business entity is formed to be modified and work together based on their respective competencies. Some people focus on stabbing raw materials, some people focus on painting, printing and stamping, some being tailor, some are just designers. Some focus on looking for order and keep taking care the showroom. The persons who has the property, they can use as capital to joint with sober. The property can be used for showroom, car park area, production
base or even office. Then they recruit people to become administrative and accounting, to PPIC (planning, production, inventory and controlling). With this method, each person can use his capital with more productive. Not exhausted for rental place. The focus in stockiest can have the ability to buy more materials, so get a discount because of increased purchasing capacity, focus painting, printing and stamping can use the remaining capital to buy technology or add employees, the tailor's capital can be used to add sewing machines and Adding employees, who focus on sales will have more capability to invest for sales and marketing activities. All are in synergistic links. Since they joint with sober. They can earn more profit and less investment. In every end of year. Every member received the dividend or operational surplus. Sober greatly helps increase productivity and income among its members. But most important is the emergence of social capital in the area of batik kauman village. The level of satisfaction living in the Kauman village area is getting higher.

So it is very strategic if the government encourages the formation of other village as a center of production or tourism with OVOP approach that is identified with the formation of social capital through Value chain. Day. Kauman Village is the example and best practices empowerment social-based capital for sustainability city.

6. Conclusion and Suggestion
1. The development of cities in accordance with the potential of the population is very strategic for sustainable development
2. It should be emphasized the direct interaction of the community with the government. The bottom up and top down combination approach is very helpful in upholding social contract between the community and the government
3. The OVOP method cannot be fully imitated, it is a dynamic method. Must begin with an understanding of character, culture, political system in one region.
4. Value Chain can be used for analytical and identifying synergic linkages between business actors in industrial centers.
5. It is not only the physical structure that becomes the focus of city development. It is also much more important, using this method. Become one of the role models for sustainable community development based on Social Capital.
6. A comprehensive, philosophical, strategic and implementable approach is essential to creating social capital
7. The formation of social capital in a country or city shows that the level of state's participation with the community is running well.

Suggestion:
The government needs to encourage the formation of such clusters. Such as the provision of the budget to conduct training and discussion to improve cluster competitiveness. Social capital development requires role models. And Kauman Batik Village has succeeded in forming a community that became its social capital to maintain the economic life of
individuals and the exclusion of Kauman village as batik tourism area. This is one of the best practices of sustainable economic development based on social capital.

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