SOCIAL CAPITAL NETWORK AND CAPABILITIES AS INSTRUMENTS OF THE POOR HOUSEHOLD REDUCTION STRATEGY: CASE STUDY OF NORTH BALI PROVINCE INDONESIA

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ABSTRACT

The social capital bonding and bridging have been rationale for poverty alleviation and will be strengthen by government policy. Moreover, human capability is another relevant issues that will be connected as the important aspect to promote poverty household reduction in Indonesia. We develop model integration of social capital bonding and bridging jointly with human capabilities of poverty household as the powerful in reducing poverty household. We find a positive significant difference in the social capital bonding as a powerful network in local family ties as the same results can be found in human capabilities as instrument to influence satisfaction well-being of poor household. We note that social capital bonding was significantly as mediator of government policy indirectly impact to satisfaction well-being of poor household. To be expanded, government policy was failed to prove as instrument for poverty reduction directly. This empirically suggested that the role of government policy will be more effectively to strengthen local family ties as social capital network and for the same direction policy, government must be done human capacity building to empowering poor household to overcome their instability income resources and job opportunities.

Keyword: Social capital, and human capabilities strategy for poverty alleviation.

INTRODUCTION

Poor household in Indonesia has been successfully reduced, but its need for long run solution especially to make the poor creates their own capabilities meet their needs. Poor household often do not have enough resources to meet the daily needs, and government have provides financial support to assist poor household in several ways, includes the school facilities, financial subsidy for poor household done by local government, and other institutions. Some literature suggested that poor household might have better opportunity and successfully mobilized their resources using their collective action (Helliwell et al (2014), or social capital network and trust (DeFilippis, 2001).

Although local government have greater attention and supporting policies in handling poor people foods and education subsidies, however its only good policy for short run and might be not to solve the fundamental problems to take more poor household will be exit from poverty. Some constraint of government policy to overcome poverty reductions come from institutional infrastructure. North (1990) defines the institutional as the humanly-devised constraints that structure political, economic and social interactions. Institutions constraint include social networks, gender roles, legal system, politico-administrative system, and the state policy cover many aspects, such as the public provision of basic education and health

services, public order and safety, and infrastructure might be differs in some developing countries. North (1990) states that government policy is needed to enhance financial support, capacity building, training and empowerment.

This research will be recognized the nature of governance and determine the availability and quality of these public services and, hence, the extent to which the poor have access to them. Empowerment is mostly about poor rural people being able to influence policy making (Sen, 1997) and pro-poor growth requires policy change, which rests on well-functioning states and on empowered poor people who can influence policy in their interest (Giovanni et al, 1999). On the others hands, the more focus solution to reduce poverty household possibly come from the community capacities of the poor household.

Social capital theory can be the way solution to bring-up poor household as better together power and strengthen their community to see better job, improving their family education and their life of satisfaction. The social capital component of network and trust, perhaps still exist in the poor community and creates benefits for community members. The basic idea of social capital is that people can manageable the investment activities in social relationship. As explained by Lin (1999), that investment social relationship can achieves social capital strengthen for better social capital facilities to support information sharing to the community members as a network of relationship. The network relationship of social capital moves forwards and coordinated potential resources within the community members or makes network relationship outside the community.

Social capital as social interaction can contributed productivity, its better together concept to create the capability of community as a whole to produce opportunity for the benefits of the community members. When social relationship network can take function properly, it can be shawn as social capital, the capital that effect persist (Groateaert, 1998). Narayan (1999) proposes the social capital of bonding and bridge to reduce poverty and for development policy strategies (Woolcock & Narayan (2000).

Social capital theory (Putnam, 1993) distinguish between bonding and bridging. The social capital bonding refers to social relationship network of kins and friends within community with more homogeneous socioeconomic status, the family ties, whereas social capital bridging refers to social relationship network with more heterogeneous backgrounds (Putnam & Goss, 2002).

Social capital theories have claimed that bonding capital is critical in helping people, particularly poor people, for everyday life by offering emotional and material supports. On the other hands, social network bridging capital is valuable in offering fresh information and other economically relevant resources, and hence is hypothesized to be effective in helping people (Briggs, 1998; Putnam and Goss, 2002). However, despite the theoretical claims regarding functional differences between bonding and bridging capital, few studies have empirically examined these issues using large-scale datasets.

Although the concept of social capital has aroused strong interest in both policy making and practice domains, factors affecting social capital accumulation have not been thoroughly investigated. Among the existing studies investigating such issues, the majority have focused on aggregate level social capital, have limited measures of social capital, or else have not applied multivariate analyses to disentangle economic well-being from other factors. In

particular, none of the reviewed studies have investigated economic well-being and other factors affecting both bonding and bridging capital at the individual level.

Other functional form of poor household as human to have the right and life satisfaction is the capability approach come from the idea of equality as a central of political value (Sen, 1992) and the conception of the dignity of human being and the life is worthy as an effort to make capability of truly human functioning (Nussbaum, 2000). Moreover, the capabilities are held to be important for every person. According to Nussbaum (2003), the human capability approaches have the eight components, such as (a) being able to live to human life of normal length, (b) bodily health that being able to have good health, including reproductive health, that indicates as to have adequate shelter, (c) is bodily Integrity, as being able to move freely from place to place to be secure against violent assault, (d) is truly human senses to do these things in a truly human way, that is being able to have attachments to things and people outside ourselves, and practical reason as being able to form a conception of the good and to engage in critical reflection about the planning of one's life, (f) is affiliation that is being able to live with and toward others, (g) to recognize and show concern for other human beings, to engage in various forms of social interaction; to be able to imagine the situation of another.

The purpose of this study is to investigate between social ties connection of the poor household in rural community of west Buleleng Regency Nort Bali province , Indonesia. The social ties can be seen as the powerful of social capital networking as the invisible hands in reducing poor household. Recent theoretical developments suggest that social capital originates connected the formation of bonding among individual as part of the family, organized themselves to protect their collective needs and established their engage outside te bonding ties to external organizations with more productivity and well-being (Putnam 1993; Warren et al (2001).

This study is focus on the conceptual understanding behavior of poor household and views of social capital networking ties as the powerful of poor household reduction in rural agricultural sector. This study contributes the form of poor household formation in bonding social capital for further solution in improving the capability for getting information, jon opportunities and well-being (Warren et al, (2001).

The next step study is to understand the social capital bridging as expanded from the social capital bonding to overcome poor household to be more willingness and more powerful organized their resources sufficiently. The existence of social capital bridging can be seen as the human capital needs motivating poor household to be independent force compete the pressure of market competition in rural sector. The target outcome of this studi is to reduce poor household bases on antecedent of social capital approached, human capability and local government policy.

This research is developed satisfaction well-being and reducing the poor household with more satisfied condition of household income sources stability and out from vulnerability condition because of job and income sources instability. Gilman and Huebner, 2003) states that well-being satisfaction is an excellence aspect of life, survival and longevity. The person can be identified as the dimension of the quality aspect of family income, better job and education (Rostani and Abedi, 2012).

Satisfaction can be described as the extent to how much a person's life is satisfying their physical and psychological desires and wishes. The person wishes can be reflected in many different aspects of life such as family, friends, work, and school (Rostami and Abedi, 2012). Hence the quality of life can be evaluate how well they are doing in lives and judge their life satisfaction (Caldwell, 2009). In this research, well-being satisfaction is measure using self-compassionate as developed by Neff (2011). People that at self-compassionate condition tends to be more optimism, happiness and more well-being .

LITERATURE REVIEW

The concept of social capital, is well-known as asset stock and it connection with the wealth production potential which comes from several collective associative ways, exploring the impacts of the civil society in economic performance (Macke dan Dilly , 2009). Social capital can be found in social networks to stimulate economic increase (Weaver and Habibov, 2012), such as (a) high levels of social trust and strong reciprocity reducing transaction costs; (b) social capital networks minimize risks and allow members to engage innovations; (c) social capital networks easy take benefit the quick dissemination of information and reduces asymmetries; (d) social capital networks allow the community members to easily solve the problems by collective action.

The behavior of better together is the interaction implication of social capital that have significant role as the power of poor household to overcome their problems to have better life and prosperity. The two components of social capital network such as bonding and bridging capital suggested a reciprocal interaction. Empirical studies as reported by Das (2004) found that low-income families indicated the strong reciprocal support in their daily lives.

The role of social capital in poor household community can be implemented as the networking capability of poor household in building the flows of information and the opportunity of empowering human capacity building for poverty reduction. The important element strategies for poverty reduction is to get information access (McNamara, 2003). The collective perspective of social capital suach as social capital bronding and bridging have values and goodwill and so port can have as economic variable to overcome poverty reduction.

Ferguson and Dickens, (1999) states the important of collective action and neighborhood's ability to overcome poor household reduction. Collective action is increasingly important and takes function as the invisible hands to poverty reduction. Social ties as the strategic key for supporting the community to overcome low-income household to search information, better school facilities, housing and job opportunities. As Bandura (1997) noted that most of people tends to take collective action for higher social status reasons. Social status can be look as a symbolic and referred as bonding social capital and positively impact to contribute to social community beneficial as a whole.

Boardman et al (2001) argued that the collective action of social capital bonding as strongly increased by social economic status. Residents with higher levels of social status, and with higher education and wealth are more likely to believe in their capacity to influence the community and other stakeholder. Different community have varying amount of resources and social ties relationship. Putnam (1993) emanates the idea of social capital as resources that strongly possible to contribute productivity and society welfare. Putnam (1993) states

that social capital refers to feature of social organization, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit. Putnam (1993) noted the different position of bonding social capital and bridging social capital as the important toes of network.

Bonding social capital is driven by social status of the family (Bandura, 1997); Boardman and Roberts (2000) can be expanded to the next step of bridging networking and bonding social capital as the intra-family networking is necessary antecedent for building the powerful function to drive up bridging social capital (Ferguson and Dickens (1999).

METHODOLOGY
Data Sources

The main purpose of this study is to provide validity evidence in support of social capital network ties as adopted from cognitive social capital (Grootaert etal., 2004). The data used in this study were collected in Bali Region Indonesia. This study analyzed data on poor household and community demographics, health, education, and physical, their capabilities, and social capital networks performance. The study sample includes 250 randomly-selected households in 14 villages at north Bali Region. The sample was designed to be statistically representative using proportional random sampling (Kothari, 2004); (Saunders et al, 2009). The questionnaire designed is gathering household-level data on demographics, health, education, and financial assets, and social capital ties and governance characteristics. The head of each household participating in the study was interviewed individually.

Data Analysis

The statistical data analysis was conducted within the framework of structural equation modeling (SEM). Based on theory or prior empirical findings, structural equation modeling allows researchers to test for statistical significance the hypothesized causal relations among observable variables, latent variables, and/or a mixture of both. SEM is utilized when it is hypothesized that certain constructs underlie a person's responses to a particular survey instrument and it provides an excellent framework for the comparison of group means on latent variables (Wong, 2013). Types of structural equation models include path analysis, latent change models, confirmatory factor analysis (CFA), and structural regression models (Hair et al, 2010).

Building Model and Dimension

Nahapiet and Ghoshal (1998) proposed three Social Capital dimensions, such as structural, relational and cognitive. The structural dimensions of Social Capital were the presence of relationships between the actors, the configuration of the network, connectivity network configuration, and stability and ties (Coleman, 1990).

The relational dimension describes the kind of personal relationship, developed through a history of interactions (Granovetter, 1992). This concept focuses on aspects that influence the behaviors, i.e respect and friendship, which are going to decide to sociability, acceptance and prestige. The third dimension of Social Capital is cognitive refers to the resources that emanate shared visions, interpretations and systems of meaning, mainly codes and narratives shared, values and other cultural elements (Nahapiet & Ghoshal, 1998).

This study more focused on relational social capital at different form. Recent studies distinguish the different position of social capital ties as bonding and bridging (Onyx & Bullen, 2000). The bonding Social Capital bonding is characterized by strong relations of mutual aid in the local context such as family network with low or high levels of participation, which results in dense multi-functional strong ties or otherwise. This type of social capital bonding identified and characterized to have the same empowerment within horizontal networks (Onyx & Bullen, 2000). On the other hands, bridging social capital is needed because of the limitation of bonding social capital to expand their ties, hence bridging social capital is needed to insert into the other networks or group of organization. Moreover, the bridging Social Capital is developed between different groups of actors and serves to expand the skills and networks resources (Onyx & Bullen, 2000).

Another dimension will be focused in this research is the human capability as the functional form of poor household as human to have equality (Amartya Sen 1992) and the capability of truly human functioning (Nussbaum, 2000), exploring the impacts of the civil society to perform life satisfaction and well-being (Neff, 2011),Caldwel (2009). Figure 1.1 is present the theoretical dimension that will be focus to understand the related theory to some aspect of poverty household behavior

Figure 1.1 : Constructs and Dimension

Construct	Measures (Scales)		Sources
Government Policy	gov1	Financial support	North (1990)
	gov2	Empowerment	OECD (2002)
	gov3	Training Facilities	
	gov4	Product innovation	
Social Capital	sca1	Social economic status	Boardman and Roberts (2000)
Bonding	sca2	Education	Bandura, 1997
	sca3	Strong reciprocity	Skidmore, 2001,
	sca4	Mobilized their resources	Hwang et al (2016)
Social Capital	scb1	participation in local community,	Nahapiet and Ghoshal (1998)
Bridging	scb2	tolerance of diversity,	Granovetter, 1992
	scb3	proactivity in social context,	McNamara, 2003
	scb4	family and friend connections,	Warren et al, (2001
Human Capability	hcs1	being able to live as normaly	Narayan (1999)
	hcs2	bodily health and good health	Onyx and Bullen
	hcs3	bodily Integrity to move freely	Sen, 1997
	hcs4	human senses in a truly human	Groateaert, 1998
	hcs5	affiliation to live with others,	Nussbaum, 2000
Satisfaction and	swb1	family income	Gilman and Huebner, 2003
Well-being	swb2	self-compassion	Groateaert, 1998
	swb3	survival and longevity	Neff, 2011
	swb4	Savety and scurity	Rostani and Abedi, 2012).
			Caldwell, 2009

Research Hypothesis

Based on theoretical building and constructs framework as presented in Figure 1.1, then our research were developed 7 hypothesis as below.
a.   government policy have positive and significant impact to human capabilities
b.   government policy have positive and significant impact to social capital bonding
c.   government policy have positive and significant impact to social capital bridging

d.   government policy have positive impact to directly to satisfaction well-being
e.   human capability have positive and significant impact to satisfaction well-being
f.   social capital bonding have positive and significant impact to satisfaction well-being
g.   social capital bridging have positive and significant impact to satisfaction well-being

FINDINGS

Based on SmartPLS version 3.1.5 (Ringle et al., 2012), this research model was specified under reflective and formative indicators. According to Jarvis et al (2003); Petter et al (2007), when indicators are incorrectly specified, there is an increase in both Type I and Type II errors. In this model, local government policy is design as formative construct because of some theoretical consideration that indicator potentially caused the construct (Diamantopoluos and Winkhofer, 2001); Jarvis et al, 2003); Hair et al (2012).

To be expanded, that the other constructs were developed as reflective constructs. Under reflective constructs, all of the indicators were manifests with uni-dimensional covary (Jarvis et al, (2003). However, research is fully organized to evaluate the reliability and validity of reflective construct. Reliability evaluation is conduct using cronbach Alpha, composite reliability, rho_A and evaluation supporting by average variance extracted (AVE). The second steps is to evaluate is to conduct a validity test using Fornell Larcker (1981), cross-loading evaluation and heterotrait-monotrait ratio (HMR) as recommended by Henseler et al (2014).

The third steps is to evaluate the government policy formative construct using variance inflation factor to detect collinearity of the constructs. This approach involved testing the multicollinearity among the indicators using regression. To detect multicollinearity, the collinearity statistic or variance inflation factor (VIF) for the inner and outer models was examined in SmartPLS.

According to Lowry and Gaskin (2014), a VIF value of 10 is accepted, however, a VIF below 3.3 indicates sufficient construct validity for formative or reflective factors. Hair et al. (2016) suggested that tolerance levels below 0.20 (VIF above 5.00) in the predictor constructs were indicative of collinearity. All indicators in the inner and outer model exhibited VIF below 5.00, therefore confirming absence of collinearity. The validation of the research instrument is needed before entering the next inner-model testing procedure.

Measurement Model Estimation

The goal of empirical measures of the model is to determine how well the theory fit the data, to be expanded that empirical measures delivered information about the relationships between the indicators and the constructs. SmartPLS used a set of non-parametric evaluation criteria that included bootstrapping to evaluate the measurement results. The Statistical report of reliability test is presented in Tabel 1.1.

Tabel 1.1 : Statistical report of reliability test.

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
HCS	0.973	0.973	0.980	0.925
SCA	0.969	0.970	0.977	0.915
SCB	0.939	0.951	0.956	0.845
SWB	0.976	0.976	0.981	0.911

There were four basic evaluation types conducted to assess a reflective measurement model connecting with reliability test. Tabel 1.1 the measurement model results. The cronbach Alpha was greater than .70, as followed by the same result of rho_A, composite reliability, and the last evaluation of AVE indicates greater then 0.50, so that all statistical result supporting for reliability of constructs (Chin, 2010); Hair et al (2014). The next steps is to investigate Fornell-Larcker discriminant validity test, and cross-loading validity test.

Tabel 1.3 : Statistical report of Fornell-Larcker Test

	GOV	HCS	SCA	SCB	SWB
GOV					
HCS	0.401	0.962			
SCA	0.453	0.983	0.956		
SCB	0.495	0.846	0.819	0.919	
SWB	0.450	0.984	0.984	0.833	0.955

Table 1.3 indicates that discriminant validity existed because the square root of the AVE, value on the diagonal for each latent variable was larger than the correlations among the latent variables. In this case, the Fornell-Larcker criterion is support discriminant validity.

Tabel 1.4 presented statistical report of cross-loading to investigate discriminant validity. In Table 1.4, each indicator loading on the associated latent variable was greater than all other latent variables, which indicated discriminant validity between the latent variables.

Tabel 1.4 : Statistical report of Cross-loading

	HCS	SCA	SCB	SWB
hcs1	0.965	0.949	0.804	0.952
hcs2	0.956	0.948	0.801	0.947
hcs3	0.954	0.931	0.824	0.938
hcs4	0.973	0.954	0.828	0.947
sca1	0.942	0.963	0.748	0.945
sca2	0.948	0.950	0.846	0.949
sca3	0.964	0.976	0.808	0.967
sca4	0.904	0.937	0.724	0.903
scb1	0.662	0.629	0.927	0.647
scb2	0.738	0.704	0.946	0.720
scb3	0.709	0.675	0.959	0.686
scb4	0.926	0.921	0.840	0.931
swb1	0.923	0.915	0.819	0.951
swb2	0.969	0.972	0.809	0.969
swb3	0.913	0.916	0.770	0.943
swb4	0.944	0.943	0.827	0.952
swb5	0.946	0.951	0.754	0.957

Hypothesis Testing Results

The structural model was evaluated and inspected the coefficients of determination (R^2) to ensure the quality criteria of the model. Table 1.5 shows the obtained R^2 values. The R^2 values ranged from 0.161 to 0.978. Since the SWB construct computed R^2 values was 0.978, that R^2 values indicated the predictive accuracy of the research model. In addition, the computed R^2 for others related construct stillpositive but less then 0.978, which indicated that the exogenous latent variables had still a substantial combined effect on the endogenous latent variable of HCS, SCA and SCB. Table 1.5 shows the value of R Square adjusted for related construct still were smaller then the related value of R^2, so that the further research still possible to insert the addition of another latent variables.

Tabel 1.5 : The Quality Criteria

	R Square	R Square Adjusted
HCS	0.161	0.139
SCA	0.205	0.184
SCB	0.245	0.225
SWB	0.978	0.975

Another important information is the Cohen's effect size f^2. Table 1.6 provides the computed values for Cohen's effect size f^2. From table 1.6, only human capability HCS and social capital bonding SCA have the value of f^2 greater then 0.10, indicates that the model as a whole is possible to have two mediation effect, while SCB with the value of 0.001 is to small effect size indicates the small possibility of social capital bridging SCB take position as a mediator of government policy GOV.

Tabel 1.6 : Cohen f^2 Calculation

Construct	SWB
HCS	**0.273**
SCA	**0.272**
SCB	**0.001**
SWB	

The five constructs of this research have contains seven direct effect relation with three mediation detection. First is the indirect effect of government policy to satisfaction well-being SWB through social capital bonding SCA. Second is the indirect effect relation to satisfaction well being through human capabilities HCS and, the last is government policy indirect effect to satisfaction well-being SWB through social capital bridging SCB. According to Cohen (1988), effect size value of social capital bridging (see Tabel 1.6) have too low size effect f^2 value, that as a consequently, there is a beginning sign of statistical evaluation of SCB to take function as mediator latent variable.
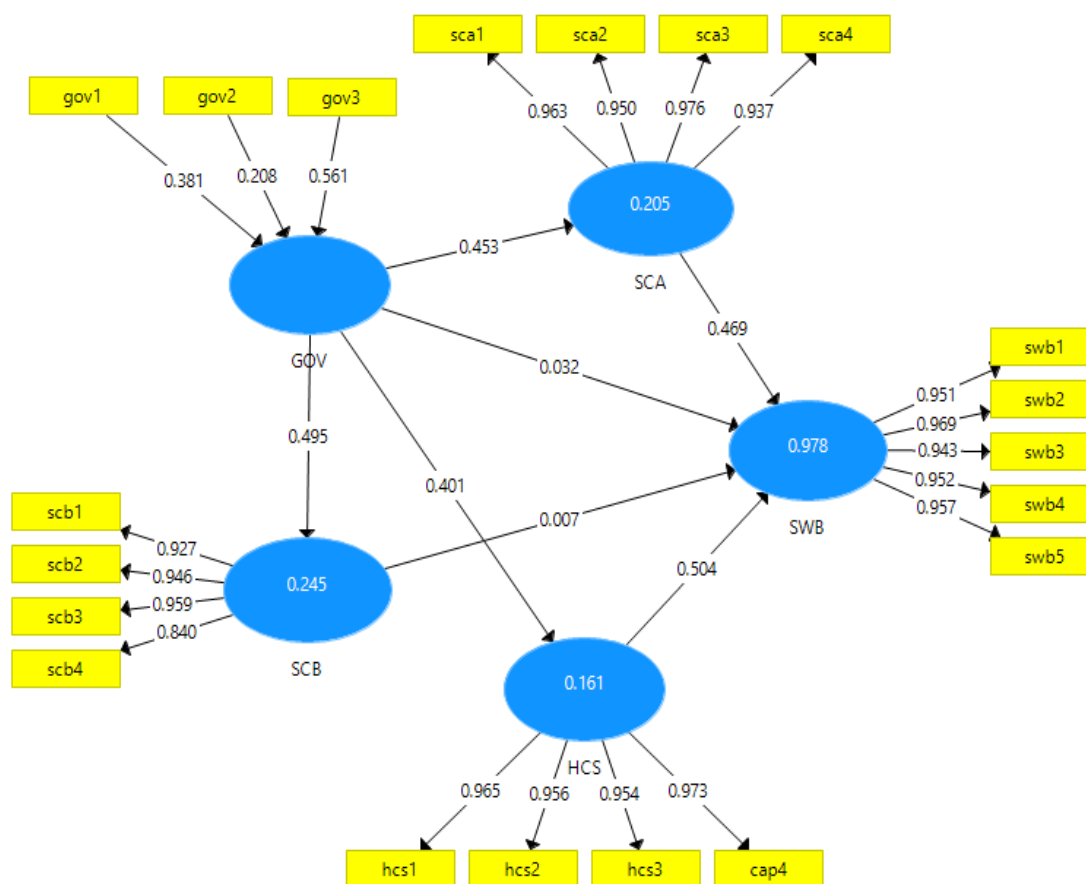
Figure 1.2 : Path Estimation

Research Question 1.

The research question nomor 1 : that government policy GOV have positive influence to human capabilities HCS is successfully answered. The statistical t test value of 3.022 is greater then t valueof 1.96, hence we can concluded that government policy has positive impact to increase to human capabilities HCS of poor household. The R^2 value of 0.161 indicates medium level. The value of f^2 of HCS is 0.275 that more then 0.10 that can be categorized as medium effect (Cohen, 1988) and will be possible as moderator of government policy to have impact on satisfaction well-being. We can conclude that the increasing policy focus of local government in capacity building program will be increased the capability of poor household to stabilize their income sources and being able to create more job opportunities and more string social life relationship. See Table 1.5.

Research Question 2

The research question number 2 : that government policy GOV have positive impact to social capital bonding SCA is successfully answered. The statistical t test value of 3.633 is greater then t value of 1.96, hence we can conclude that government policy has positive impact to increase to social capital bonding SCA of poor household. The R^2 value of 0.205 indicates medium level. The value of f2 of SCA is 0.272 more then 0.10 that has medium effect (Cohen, 1988). and will be possible as moderator of government policy to have impact on satisfaction well-being. We can conclude that the increasing policy focus of local government in strengthen the capacity of social capital bonding of traditional family at poor household level is empirically support. The increasing focus of government policy in strengthen the traditional community ties can be available for poor household to have more benefit in

strengthen the local family ties. This research found have similar conclusion with Grooetart (1988).

Research Question 3

The research question number 3 : that government policy GOV have positive impact to social capital bridging SCB is successfully answered. The statistical t test value of 3.565 is greater then 5% t.05 = 1.96, hence we can conclude that government policy has positive impact to increase to social capital bridging SCB of poor household. The R^2 value of 0.245 indicates medium level. The value of f^2 of SCA is 0.001 that is less then 0.10, hence has a weak effect and will be predict was not possible as moderator of government policy to have impact on satisfaction well-being. We can conclude that the increasing policy focus of local government in strengthen the capacity of social capital bridging of poor household level is empirically support. The increasing focus of government policy in strengthen the bridging ties can be available for poor household to have more benefit in strengthen the social capital network.

Tabel 1.5 : Statistical report of Cross-loading

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision
GOV -> HCS	0.401	0.468	0.133	3.022	0.001	Support
GOV -> SCA	0.453	0.507	0.125	3.633	0.000	Support
GOV -> SCB	0.495	0.535	0.139	3.565	0.000	Support
GOV -> SWB	0.032	0.029	0.038	0.858	0.196	Not Support
HCS -> SWB	0.504	0.472	0.196	2.566	0.005	Support
SCA -> SWB	0.469	0.496	0.192	2.443	0.007	Support
SCB -> SWB	0.007	0.012	0.049	0.142	0.443	Not Support

The resear Research Question 4

Research question number 4 : that government policy GOV have positive impact directly to satisfaction well-being SWB not successfully answered. The statistical t test value of 0.858 is smaller then t value of 1.96, hence we have not information available and position to believe that government policy has impact beneficial directly to increase satisfaction well-being to poor household. However, the government policy will be possible influences the satisfaction well-being of poor household indirectly by mediation path.

The research question number 5

Human capability HCS have positive impact to satisfaction well-being SWB, and is successfully answered. The statistical t test value of 2.566 is greater then t value of 1.96, hence we can conclude that human capability construct has positive impact to increase satisfaction well-being of poor household. We can conclude that the increasing quality of human capabilities of poor household will be change positively of satisfaction well-being of poor household and have more stable income sources and will be out from poor household condition.

The research question number 6

Social capital bonding SCA have positive impact to satisfaction well-being SWB is successfully answered. The statistical t test value of 2.443 is greater then 5% t.05 = 1.96,

hence we can conclude that social capital bonding SCA has positive impact to increase satisfaction well-being SWB of poor household. We can conclude that the the strengthen social capital bonding SCA at traditional family level of poor household will be have more positive satisfaction well-being to poor household.

The research question number 7

Social capital bridging SCB have positive impact to satisfaction well-being SWB is not successfully answered. The statistical t test value of 0.142 is smaller then 5% t.05 = 1.96, hence we can conclude that social capital bridging SCB has not support as the latent variable that impact the change of satisfaction well-being of poor household.

DISCUSSION

A construct functions as important investigation that a mediator when it lies in the way of a causal chain between two other constructs. The mediator may have full mediation or partial mediation so that the independent variable (IV) has no statistically significant effect or a diminishing statistically significant effect on the dependent variable (DV). Test for mediation is performed to establish the full nomological validity of the model and the test is done in stages (Baron & Kenny, 1986; Hair et al (2014), but can be done in SmartPLS in one run by doing a bootstrap and examine the total effects portion of the default report (Lowry & Gaskin, 2014); (Sarstedt et al, 2014).

Our finding have found that government policy is directly not significant, so that we have empirically support of full mediation between government policy to satisfaction well-being SWB that mediated successfully by social capital bonding SWA. Another type of mediation is the role of government policy mediated by social capital bridging SWB, but according to Barron & Kenny (1986), Nietz et al (2012), Little et al (2010), the mediation is fail to perform because the direct effect of government to social capital bridging is insignificant.

CONTRIBUTION OF THE STUDY

This study investigated the contributions of social capital network such as bonding and bridging as the invisible hands that might be a powerful of social capital ties in reducing poverty in Indonesia. Grooetaert (1998) have been studied social capital in connection with poverty alleviation in Indonesia. This model is focus on the social capital networking ties especially to understand the role of social capital bonding and social capital bridging as mediator of government policy for combating poor household reduction in Indonesia. However, human capabilities of poor household can be significantly jointly for stabilizing the income sources of poor household, hence we believe that social capital ties combines with human capability approach (Sen, 1982); Nusabaum (1989) will be help overcome poor household out from their poorness. The role of human capability also become a moderator of government policy in order to reduce poor household.

Our research have found that based on Tabel 1.5 indicates that social capital bridging is impossible to be as a moderator because the direct effect of social capital bridging SCB to satisfaction well-being is not significant, so according to Barron and Kenny (1982), Hair et al (2010), the indirect effect of government policy to satisfaction well-being SWB through social capital bridging SCB is not possible. We postulate mediation using product indicator approached as recommended by by Chin (2010); Ringle et al (2012) as more realistic

approached and more consistence with SEM PLS methodology compared with Sobel calculation methods. Tabel 1.6 is calculated from Smartpls 3.2.5.

Tabel 1.6 : Statistical report of Cross-loading

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
GOV -> SCB					
GOV -> SWB	0.418	0.480	0.125	3.358	0.000
HCS -> SWB					
SCA -> SWB					

Tabel 1.6 present only one line of mediation of government to satisfaction well being SWB, and that we have known from the theory as conflict mediation between exogenous latent variable of government policy is mediated in the same line by two mediator such as social capital bonding SCA and human capability HCS. This conflict mediation is captured as single statistical report as mention in Table 1.6. However, if we used Sobel procedure to find mediation role, it possible to have two significantly mediation path, but as Nitz et al (2012) states that the two construct use the same path and why we have the model where there is conflict mediation still exist. This empirical statistical result of mediation role bring up to one choice and one recommendation to insert, will be possible to have strengthen social capital bonding or will be more focus on capacity building to increase the poor household capabilities for establishing their sources of income and job opportunities.

Our results showed that government policy have domain and significant role not for direct impact to reduce poverty alleviation, but by indirect effect s mediation of social capital bonding SCA and with human capability HCS, otherwise social capital bridging empirically test fail to take function as mediation as social capital bonding has successfully done. This social capital role is empirically have significant contribution to household welfare as the same result of the social capital study organized by World Bank for Indonesia (Grootaert, 1999).

Based on the study done by Grootaert, and compared to this statistical result, we believe that the social capital household membership in local associations (Grooteart, 1999) and social capital bonding of this research have the same direction as the significant impact to household welfare as the persistence behavior, however as a consequently, the limitation of government resources might be fully recommended to see more attention of human capacity building for handling poverty alleviation policy in Indonesia.

The International Funds for Agricultural Development (IFAD) for rural capacity building have successfully reported (IFAD for Indonesia, 2016). Connecting rural producers to markets and creating jobs, Invigorating and transforming rural communities, strengthening the capacities of women and young people, expanding the use of climate-smart technologies and sustainable resource management practices, developing and piloting innovative models of rural finance, partnering with producer organizations, and private and public sectors to drive rural growth more relevant solutions for poverty alleviation in Indonesia.

CONCLUSIONS

Poverty in Indonesia is a complex process. Some aspects must be learned to ensure that the poverty reduction policy truly beneficial. This paper concludes by discussing the three key

challenges identified from the analysis. First, is government policy that must be on the right direction to poverty reduction polices. Seconds, is social capital bonding and local family relationship is empirically significant in increasing household welfare. Thirds, is human capacity building of poor household and continue jointly of Indonesia government and international donors of IFAD in rural capacity building that empirically supporting of human capability to poverty alleviation in Indonesia.

Our results found that social capital bonding is strengthen enough to impact poverty household reduction or in other word, social capital binding is local family relationship that successfully improved the local family household welfare. However, the conflict mediation of social capital bonding SCA and human capability HCS possibly bring-up the serious problems in policy stance, so that the more government focus on capacity building is strong recommended as better policy choice to overcome poor household reduction in Indonesia.

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