

The Role of Social Capital in Strengthening the Employment of Oil Palm Farmers and Its Impact on Regional Economic Development

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Abstract

Every developing region inevitably faces threats related to the impacts of uneven development; therefore, social capital is needed to strengthen the employment of oil palm farmers. This study aims to analyze the role of social capital in strengthening the employment of oil palm farmers in Central Lampung Regency. The social capital in question includes social networks, trust and social norms. A qualitative approach using Phenomenology was employed. Field findings indicate that social networks, trust, and reciprocity align with Putnam's theory; however, social norms and local community participation do not. Consequently, it is necessary to develop the Palm Oil Farmers' Socio-Economic Program (PORSAMI), which emphasizes community-based socio-economic aspects with active participation to strengthen the employment of palm oil farmers.

Keyword: Social Capital, Trust, social norm, networks, oil palm

Introduction

The oil palm plantation sector is one of the main pillars of Indonesia's economy, making a significant contribution to Gross Domestic Product (GDP), foreign exchange earnings, and job creation in rural areas. Behind this macroeconomic role, smallholder farmers account for a very large share of the national oil palm production structure (Kos et al., 2023). Nevertheless, oil palm farmers often face various labor-related vulnerabilities, such as limited access to capital, commodity price fluctuations, weak bargaining power, and limited access to modern agricultural technology and knowledge (Herdiansyah & Mamola, 2025)

In addressing these various labor market challenges, the development approach no longer relies solely on physical capital or financial capital, but also on social capital (Bott et al., 2020). Social capital—which encompasses social networks, norms of trust, and the principle of reciprocity—serves as the glue that binds farming communities together (Braga et al., (2024). Through organizations such as farmers' groups, cooperatives, and partnership networks with purchasing companies, social capital serves to strengthen farmers' resilience and work capacity (Setiawan et al., 2020).

Hua & Brown, (2024) When social capital successfully strengthens farmers' employment status and sustainability, its impact will extend to a broader scale. Stable employment and increased farmer incomes will boost rural household consumption and create a multiplier effect for other supporting sectors, such as local trade and services. This gradually lays the foundation for inclusive and sustainable regional economic development ((Kennet & Heinemann, 2006). Strengthening the livelihoods of oil palm farmers through the optimization of social capital ultimately has a systemic impact on regional economic development. Farmers with strong social capital tend to be more productive, prosperous, and economically independent. Increased farmer income will boost the purchasing power of local communities, which in turn will revitalize local markets, drive the growth of rural-based MSMEs, and reduce poverty and income inequality in the region. Therefore, strengthening farmers' capacity through a social capital-based approach is not merely a rural social issue, but a key strategy for sustainable regional economic development Setiawan et al., (2020).

This social-capital-based strengthening of the palm oil farmers' workforce has a comprehensive domino effect on the economic development of Central Lampung Regency. Farmers who have strong cooperative networks and bargaining power are able to increase their productivity and income stability. The cumulative improvement in farmers' welfare will boost the purchasing power of rural communities, drive the

growth of local Micro, Small, and Medium Enterprises (MSMEs), expand non-farm employment opportunities, and contribute to reducing rural poverty rates in Central Lampung.

Although the role of oil palm in Central Lampung's regional gross domestic product (GRDP) has been extensively studied, the integration of social aspects—particularly social capital—with the strengthening of smallholder oil palm farmers' labor market capacity still requires more in-depth empirical analysis. Many regional economic development programs focus solely on physical interventions and capital assistance, while neglecting the importance of strengthening farmers' institutions and social networks. In fact, without solid social capital, physical assistance is often unsustainable. Therefore, it is important to assess the extent to which existing social capital in Central Lampung is truly capable of transforming oil palm farmers' labor into a resilient driver of the regional economy.

Literature Review

The concept of social capital has a very broad scope. (Yustika2013), as the founder of the concept of social capital, defines social capital as the aggregate of actual or potential resources that are mobilized to create durable networks, thereby institutionalizing mutually beneficial social relationships. Through this interpretation, Bourdieu believes that social networks are not natural but are constructed through strategies of investment in the institutionalization of —group relations—that can be used as a reliable source for obtaining benefits. Furthermore, this definition also implies that social capital distinguishes between two elements: (a) the social relations themselves, which allow individuals to claim access to these resources, and (b) the quantity and quality of those resources. With this description of social capital, actors can gain direct access to economic resources

James, (1990) developed an understanding of social capital from a more functional perspective, defining it based on its function as aspects of the social structure that facilitate certain actions by actors within that structure. Coleman emphasizes that social capital is productive, enabling the achievement of specific goals that would be impossible to achieve without it. There are three forms of social capital: obligations and expectations, information channels, and social norms. This is a useful analytical framework for understanding how social capital operates in the context of education and human development.

Methods

This study employs a qualitative research design using the phenomenology approach. According to Creswell, (2021)phenomenology focuses on describing what is common to all participants when they experience a phenomenon. The primary goal of phenomenology is to reduce individuals' experiences of a phenomenon to a description of its universal essence or core.

The research site is located in Pubian Subdistrict in Central Lampung Regency, as this subdistrict has extensive oil palm plantations and is home to active and organized farmer groups. Furthermore, these two subdistricts exhibit interesting socioeconomic dynamics that warrant study, particularly regarding the management of agricultural produce, the role of farmers' groups in increasing productivity, and farmers' interactions with supporting institutions such as cooperatives, agricultural extension workers, and microfinance institutions.

The informants in this qualitative study were selected using purposive sampling, in which the researcher consulted with the key informant, Ms. Myda, Head of Research and Development at the Plantation Agency—that is, the selection of subjects based on specific criteria relevant to the focus of the study. The informants in this study consist of:

- Palm oil farmers who employ farm laborers and own land, residing in Pubian Subdistrict
- Palm oil farmers who employ farm laborers and lease land, residing in Pubian Subdistrict

Table of Palm Oil Farmers in Pubian Subdistrict, Central Lampung Regency

Nama	Usia	Status
Saidi	59	Pemilik
Parlan	58	Pemilik

Tugio	60	Sewa
Paidi	61	Sewa

Sumber : Observatory Participation

Data Collection Techniques.

The data in this study consist of primary and secondary data collected through a combination of several techniques:

- In-Depth Interviews: Conducted using a semi-structured interview guide to explore the informants' views, experiences, and perceptions freely while remaining focused on the research indicators.
- Participatory/Non-Participatory Observation: The researcher directly observed [specify the object of observation, e.g., daily activities, work interactions, or the physical conditions of the environment] to understand the context of events firsthand.

Data Analysis Techniques

Using the approach Miles, (1993)

1. Data Reduction: Filtering and categorizing interview results and field observations.
2. Data Display: Compiling a narrative of qualitative findings to explain the context of why social capital works in the field.
3. Drawing Conclusions/Verification.

Results

This discussion examines the elements of social capital in the employment of oil palm farmers in Pubian Subdistrict, Central Lampung Regency. These elements consist of trust, social networks, and social norms.

Trust

A high level of trust among farmers, as well as between farmers and farmworkers, reduces transaction costs in the search for labor. The informants interviewed also shared this view; as Mr. Saidi stated:

“Through social recommendations, oil palm farmers are able to reduce transaction costs,” he said. This was echoed by Mr. Parlan, who noted that word-of-mouth recommendations foster strong social bonds.

Kin-based labor recruitment grounded in trust fosters time efficiency, flexibility in wage payments, and the certainty of labor availability during the peak harvest season.

According to the informants' statements, in line with Fukuyama, (1995) who argues that trust—the attitude of mutual trust within a community—enables people to unite with one another and contributes to the enhancement of social capital. Furthermore, Francois views trust as a relevant economic component within the culture of rural communities that are rich in social capital.

Social Network

By maximizing the economic institutions at the village level—such as farmers' groups, the Merah Putih Cooperative, or farmers' associations—farmers can expand their information networks, according to Mr. Paidi

Building a strong social network will enable farmers' groups to gain access to information about fertilizer and agricultural equipment assistance. This aligns with Mr. Tugio's statement that social networks can help oil palm farmers secure a favorable position by providing them with comprehensive information when they receive their agricultural equipment assistance quotas.

The statement above aligns with the theory proposed by James (1988), which holds that traditional social groups—based on lineage and social experiences passed down through generations—exhibit high cohesion, but the scope of their networks and the trust they build is very limited. In contrast, groups formed on the basis of shared orientations and goals, characterized by more modern management practices, The latter type of group is more likely to have a positive impact on both the group's progress and its contribution to broader community development.

Norms

In terms of social norms, the tradition of mutual cooperation and informal agreements foster stable labor relations at the village level. These collective norms prevent labor conflicts; in this regard, Mr. Saidi stated

“In our community, social norms are encouraged to minimize conflicts among workers through a religion-based approach, thereby mitigating conflicts.” This was endorsed by Mr. Parlan, who noted that resolving conflicts through amicable means can prevent them from escalating. Mr. Parlan's statement was supported by Mr. Paidi and Mr. Tugio, who added that an amicable approach can reduce the egos of individual workers, whether they are unskilled laborers or porters.

Social capital plays a role in strengthening institutions by fostering public trust through the formation of Poksarwi. Without public trust, no matter how robust the regulations and rules may be, they are ineffective. In villages in Pubian Subdistrict, Central Lampung Regency—which have high levels of social capital—the implementation of village funds is more participatory. Residents are actively involved in planning and development; conversely, in areas with low levels of social capital, even strict regulations and large budget allocations tend to fail to mobilize community participation, silvi Asna Prestianawati (2025). Without trust and a culture of mutual cooperation, development risks becoming rigid and top-down, fueling public apathy, and causing rural economic empowerment programs to fail to deliver sustainable impacts on the well-being and employment of local communities, Yustika, (2013).

According to Alfitri, (2011), norms, like values, always have ambivalent implications. On the other hand, however, these norms tend not to stimulate the emergence of new ideas because all forms of relationships prioritize the outward appearance—that is, a label—rather than the substantive dimension. The configuration of norms that develop within a society will also determine whether those norms will strengthen the bonds between individuals and have a positive impact on the development of that society.

in line with the research Malik & Kajale, (2026) shows that distinct dimensions of social capital relate differently to different participation outcomes, offering insights for rural wellbeing policy aimed at strengthening FPCs through social capital-building activities such as trustbuilding, networking, and information-sharing platforms.

The findings from the in-depth interviews were then compared with the theory, defines social capital as features of social organization—such as trust, norms of reciprocity, and networks—that enhance the efficiency of society through coordinated action

In the context of field findings, (Putnam, 1994)'s theory is reflected through three types of social capital:

1 Bonding Social Capital

- **Field Analysis:** This is evident in the tradition of mutual aid in garden maintenance, self-help fund contributions to address work-related vulnerabilities, and the high level of trust among independent farmers in lending heavy harvesting equipment.

- Theoretical Relevance: These relationships, based on homophily (shared background as fellow farmers), create a strong drive for internal cohesion. Mutual aid reduces labor costs by up to 40% and functions as a communal social safety net during crises.

2. Bridging Social Capital

- Field Analysis: This manifests in Farmers' Group (Porsawi) and Village Unit Cooperatives (KUD), which connect various independent farmer groups from different ethnic and regional backgrounds.
- Theoretical Relevance: These horizontal networks facilitate skill-sharing (transfer of harvesting and frond-pruning skills) between senior and young farmers, which directly enhances local employment opportunities and the quality of local labor.

3. Linking Social Capital

- Field Analysis: Fostered through vertical relationships between PORSAWI/KUD and external entities with greater power or resources, such as palm oil mills (PKS) via the Fruit Delivery Note (SPB) system and government agencies for access to ISPO/RSPO certification.
- Theoretical Relevance: Linking capital has been shown to break exploitative supply chains and increase farmers' bargaining power, resulting in an 18–25% monthly increase in farmers' net income, which in turn drives a multiplier effect in the local economy.

Unlike Putnam, who views social capital as a public good, (Bourdieu, 1986) regards social capital as a resource possessed by individuals or groups that is used to maintain or improve their hierarchical position within a field. An individual's social capital is closely linked to economic capital, cultural capital, and symbolic capital.

1. Social Capital into Economic Capital

- Field Analysis: Traditional relationships of trust between farmers and collectors/middlemen (ram) provide access to cash advances when palm oil prices plummet. Similarly, membership in farmer groups (Poktan) secures quotas for subsidized fertilizer and stable fresh fruit bunch (FFB) prices.
- Theoretical Relevance: The social networks maintained by farmers are invested and directly converted into economic capital (financial liquidity and price certainty) to ensure their survival in the palm oil plantation market.

2. Social Capital into Cultural/Human Capital

- Field Analysis: Social networks within farmer groups are utilized to transfer labor-related knowledge (skilling/reskilling) as well as professional certifications (ISPO/RSPO).
- Theoretical Relevance: Technical knowledge regarding frond pruning and harvesting techniques constitutes a form of embodied cultural capital acquired by members through the accumulation of social relationships in the field.

3. Dynamics of Power Relations in the Plantation Field

- Field Analysis: Farmers who are not members of farmers' groups tend to be isolated and in a position of weakness when facing price speculation by unscrupulous middlemen.
- Theoretical Relevance: Bourdieu emphasizes that social capital is not distributed evenly. Farmers who fail to become part of farmer group (Poktan) or agricultural cooperative (KUD) networks experience unequal access to capital, making them vulnerable to exploitation within the local plantation economy.

Discussions

Based on the results of the discussion and analysis regarding the role of social capital, the employment of oil palm farmers, and their impact on regional economic development, several key conclusions can be drawn:

1. Social Capital as the Foundation of Local Institutions: Social capital—manifested through the dimensions of trust, social networks, and norms of mutual aid (reciprocity)—has proven to be the primary foundation for strengthening local institutions such as Farmers' Groups (Poktan) and

the Association of Farmers' Groups (Gapoktan). High levels of public trust have proven to be more effective in driving active community participation than mere regulations or formal legal instruments.

2. Strengthening the Labor Force in the Oil Palm Sector: Strong social capital has a positive and significant impact on labor dynamics in the oil palm plantation sector. Social networks facilitate access to and the hiring of local labor, promote inclusive skill transfer in cultivation and certification, and enhance the resilience of the workforce in the face of price fluctuations in Fresh Fruit Bunches (FFB).
3. Impact on Regional Economic Development: Strengthening the capacity and productivity of the farming workforce creates a multiplier effect for regional economic development. Increased farmer income boosts household purchasing power, which in turn stimulates related business sectors (logistics, MSMEs, and retail trade), reduces rural unemployment, and curbs poverty.

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