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# ECONOMIC INSTITUTIONAL EMPOWERMENT MODEL AS A CLIMATE AND ENERGY-INDEPENDENT VILLAGE BASED ON LOCAL WISDOM Elli WIDIA<sup>1</sup>, Chablullah WIBISONO<sup>2</sup>

<sup>1</sup>Galileo College of Science, University of Batam, Indonesia <sup>2</sup>Faculty of Economics, University of Batam, Indonesia

Corresponding author: Elli Widia E-mail: <a href="mailto:ellie.widiaa@gmail.com">ellie.widiaa@gmail.com</a>

#### Abstract:

Village development from the perspective of community empowerment is to increase community participation in institutions by utilizing economic potential resources and local wisdom. The purpose of the research is to analyze and design a model of economic institutional empowerment at the location of Sambak Village, Kajoran Subdistrict, Magelang Regency, Central Java Province, as a productive and innovative village that was awarded the Climate Village and Independent Innovation Champion. The research used a qualitative method with Participatory Rural Appraisal (PRA), which is relevant for constructing reality through observation, dialogical interviews, documentation, and Focus Group Discussion (FGD). Research informants were selected purposively as administrators and members of Micro, Small, and Medium Enterprises (MSMEs) and Village-Owned Enterprises (VOE), village government, and empowerment activists. PRA research analysis obtains data construction, reduction, and categorization, which can be used to design empowerment programs or models. The results showed that Village governments need to create and run economic and institutional empowerment programs in partnership with educational institutions and empowerment activists so that VOEs and MSMEs become integrated institutions. The empowerment programs needed are institutional management, administration, finance, promotion, and digital marketing. Sambak Village can become a model and destination for an energy-independent, productive, and innovative Eduwisata.

**Keywords**: Climate Village, Community Empowerment, Economic Institutionalization, Energy Independence, Local Wisdom

## INTRODUCTION

The development of villages reflects the country's overall development on a local scale, providing tangible benefits and improvements, particularly in terms of socioeconomic well-being, that are felt directly by the community. The strong community institutions in the village serve as the foundation for socioeconomic development at regional, urban, and national levels. Through supporting small businesses, generating employment opportunities, and enhancing farming methods, the development of villages can boost economic growth from the grassroots level. The economic strength helps boost the country's development by enhancing efficiency and creating riches (Hu & Zhou, 2024).

According to the Ministry of Villages, Indonesia has 74,093 villages, of which more than 32 thousand villages fall into the category of underdeveloped villages. It contradicts the goals of regional autonomy, which should be able to realize independent development with its socioeconomic institutions to improve the welfare of people in the regions and rural areas. Public policy support to accelerate development at the regional and village levels with the enactment of Law Number 32 of 2004, which was later amended by Law Number 12 of 2008 concerning Regional Government, that regional autonomy is the right, authority, and obligation of an autonomous region







to regulate and minding his own business strengthened by Law Number 6 of 2014 concerning Villages which builds village independence with autonomy for managing government and socioeconomic institutions according to needs, potential resources and participation of local communities.

Development with village autonomy has the hope of increasing opportunities, awareness, and community participation to design, agree on and implement development programs according to problems, needs, and local potential resources they have. This can open jobs, increase business or entrepreneurial group products, income, and welfare, and more broadly, overcome poverty in the village and create self-reliance. The realization of an autonomous, prosperous, and independent village community can be carried out by developing rural community economic institutions in the form of socioeconomic institutions as a form of entrepreneurship in Micro, Small, and Medium Enterprises (MSMEs) and Village-Owned Enterprises (VOE) (Reswita et al., 2021; Nugeraha et al., 2021; Wahyomo et al., 2022;).

Thus the researcher is interested in researching one of the village government locations that have achievements in socioeconomic institutions in the form of Innovative MSMEs collected in VOE Kartadesa in Sambak Village, Kajoran District, Magelang Regency, Central Java Province, Indonesia which is very interesting and unique by having Potorono Coffee products and the tofu sambal food product which has been supplying to markets in Magelang, Temangung, Wonosobo, and even Yogyakarta regencies. MSME's Tahu Sambak in Sambak Village has 12 home industries, also called innovative villages, because they can utilize tofu industrial waste for biogas energy. Bio-gas from tofu waste can be utilized by members of the public who are more efficient and practical as a substitute for energy from Elpiji gas.

The MSME's socioeconomic institution in this innovative VOE is the driving force for the village community's economy because, in addition to accommodating business production results, it is also a transactional medium for marketing and can meet the needs of the wider community, including increasing the income or welfare of the people in the village. Some of the results of studies on how important and strategic entrepreneurship is in MSMEs as VOE business units in development in rural areas to open jobs for the younger generation, develop potential local socioeconomic resources, and improve the welfare of rural communities as a whole (Rusmana & Mulyadi, 2021; Papulová & Papula, 2015; Hughes et al., 2021; Ahsan et al., 2021; Weiss et al., 2019)

The researcher has conducted a study of previous research (Irawan, 2020; Singh et al., 2010; Zemtsov et al., 2022; Panjaitan et al., 2021; Srirejeki, 2018; Silalahi et al., 2022; Laila et al., 2023; Kusmulyono et al., 2023) and the results of field research construction in 2022-2023 and found that many potential socioeconomic resources for the community can be developed specifically for MSME economic institutions in VOE. As for the socioeconomic potential that can be developed to increase the participation of the younger generation, productivity, and community welfare, namely:

- (1) A suitable demographic location and fertile soil support essential, strategic, and productive agricultural economic resources, such as horticulture with fruit and vegetable products.
- (2) Post-harvest processing of horticultural agricultural products can simultaneously improve product quality and quantity.
- (3) The younger generation, especially students or graduates from high schools and vocational high schools, as well as those currently in college, become students as potential, creative, productive, and innovative human resources. Furthermore, they can become young entrepreneurs who can continue the development and progress of MSMEs in VOE if given digital-based socioeconomic empowerment.







- (4) Entrepreneurs in MSMEs can become VOE business units that can develop and strengthen community economic institutions.
- (5) Magelang is already well-known as a tourist destination that not only sells the natural beauty tourism segment (ecotourism) but must also be used for unique, engaging, and educational culinary and educational tourism.

Furthermore, given digital-based socioeconomic empowerment, they can become young entrepreneurs who continue developing and progressing MSMEs in VOE. Digital technology can be used for unique, attractive culinary and educational tourism.

However, several problems were still found from the results of the research team's preliminary study, including reviewing research results in scientific journal articles as follows:

- (1) Organizational or institutional management has yet to be professionally managed. As VOE subunits, MSMEs still need to be fully integrated with formal administration. Hence, the bonds are only informal friendships, less involved in meetings or deliberations within VOE or vice versa.
- (2) Administrative and financial management is still done manually or not using computers or digital applications that are more practical and accurate. (3) Businesses must still be developed to increase the quality and quantity of products, such as tofu and coffee.
- (3) The younger generation in the village has yet to be much involved in village potential-based entrepreneurship. (5) Products still need to fully meet stipulated quality standards, such as business licenses and marketing or trading licenses from the Home Industry Food license certificate, health hygiene and food appropriateness standards from the Food and Drug Supervisory Agency, and Halal certificates.
- (6) Packaging quality and attractive or marketable brands have not been
- (7) standardized for the promotion and marketing of MSME's products within VOE and have yet to adopt digital technology optimally. Attractive or marketable brands

A socioeconomic institutional empowerment strategy model is necessary in the form of MSMEs and VOE to improve motivation, knowledge, and skills in organizational management, administration, finance, production, product quality, and marketing promotion based on findings from studies and research. The empowerment-focused development program involves significant elements such as giving the community access to production assets like capital, boosting the bargaining power of lower social classes in the market economy, enhancing people's industry as a critical part of national industry, promoting sustainable self-sufficiency and community resilience, and ensuring fair development distribution by engaging all community members across various regions. (Mishra & Bhaskar, 2010; Mohapatra & Mishra, 2014; Minot, 2018; Hendrawijaya, 2019; Sugito et al., 2022) Are the cited references? The strategic importance of productive and innovative rural community socioeconomic institutions for development and welfare, the research objectives can be made: (1) How is the development of productive and innovative village economic institutions based on local wisdom? (2) How is the empowerment model of productive and innovative villages based on local wisdom?

# **METHODS**

Community empowerment research is relevant to the use of participatory qualitative methods, including the Participatory Rural Appraisal (PRA) method (Diannita et al., 2021; Megayanti et al., 2020), which has indicators, namely:

(1) Empowerment, as strength obtained from participatory research's process and results, belongs together. Professional groups (experts) from outside cannot have a monopoly and even have to







be able to generate or strengthen community knowledge (reinforced) regarding the validity of their knowledge. Outside knowledge must be disseminated with local knowledge.

- (2) Respect transforms a researcher into students (learners) and listeners (listeners) by respecting local communities' intellectual abilities and analysis.
- (3) Localization: Use local resources extensively and creatively.
- (4) Enjoyment is carried out in a fun and not forced because the emphasis is not on speed but on the process.
- (5) Inclusiveness, high attention to the process, and marginalized and vulnerable empowered groups.

The study site in Magelang Regency, Central Java Province, Indonesia, is selected as a pilot area for Innovative Villages in Central Java 2021-2022, making it a fascinating and distinctive attraction for local and foreign visitors. Examining the economic institutions of MSMEs in VOE Kartadesa in Sambak Village, Kajoran District, Magelang Regency is crucial. MSMEs in the VOE institution play a vital role in the economy of rural communities as they not only support business production outcomes but also serve as a means for marketing transactions and fulfilling the broader community's needs, such as improving income or welfare.

Research participants were chosen using purposive sampling, including administrators, members, and stakeholders involved in entrepreneurial groups or MSMEs in Kartadesa Village Owned Enterprises (VOE) in Magelang Regency, as well as activists, experts, and empowerment practitioners. Gathering data through interviews, observing, and conducting Focus Group Discussions (FGDs). Examining data from community development research involves identifying and categorizing general and specific goals and problems, then analyzing these problems, creating action plans, and evaluating the overall process and action plans.

PRA research analysis design shows that triangulation is used in data validation. So, to analyze the data: (1) The principle of triangulation is carried out, and it is used in both methods, sources, and disciplines. (2) Look for diversity and, at the same time, differences. (3) Investigations directly from and with local communities (Slocum, 2003; Kindon et al., 2007). Then, it is complemented by triangulation analysis, which compiles data to be interpreted. Organizing data means classifying it into patterns, themes, or categories. Data analysis starts by formulating and explaining the problem before plunging into the field and continues until the research results are written.

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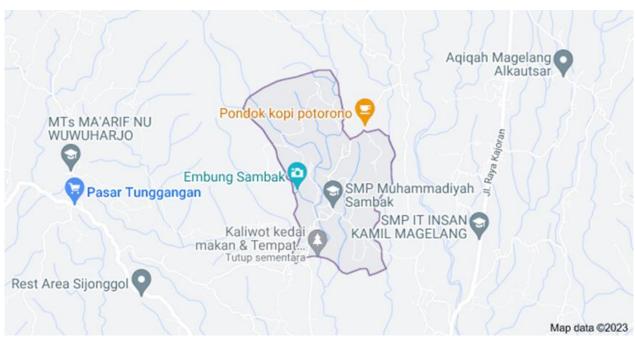
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#### **RESULT AND DISCUSSION**

**Development of Productive and Innovative Village Economic Institutions Based On Local Wisdom.** Sambak Village, located in Kajoran District, Magelang Regency, Central Java Province, spans an area of 334,532 Ha and serves as a research site. In 2021, the population totals about 2281 individuals, consisting of 1134 males and 1147 females. 20% of the population is involved in trade, 30% in plantation work, and 40% in agriculture. The highest quality products are the Paliwija plant and the cultivation and processing of Potorono coffee. Sambak Village aims to establish Agro Wana Wisata Village to achieve self-sufficiency and prosperity. The goal is to examine how botanical and biological resources can enhance formal and informal education within the broader community. (2) Enabling every sector of society to engage in the exploration, development, and administration of resources owned by villages. Establishing structured, secure, democratic environments by relevant laws while upholding the values of truth and justice. (4) Form alliances with other groups. (5) Promoting greater autonomy and fairness in the design and execution of democratic, participatory, and accountable development initiatives. Enhancing government-provided services. Promoting economic growth by harnessing local resources.



Source: Google Map of Sambak Village Government (2023)

Figure 1. Location Map of Sambak Village







The research was conducted in Sambak Village due to its notable achievements. It includes being home to 12 tofu factories and serving as a supplier to neighboring districts like Magelang, Temanggung, Wonosobo, and Yogyakarta. According to reliable sources from the Sambak Village government, Central Java Public Relations, and the media, Sambak Village is set to be recognized in 2021 as a Climate Village Program recipient in the National Sustainable category due to its ability to uphold environmental sustainability by practices like planting greenery and coffee cherries on Potorono Hill, as well as effectively managing tofu factory waste for Bio-Gas production. Installing Biogas from tofu waste can offer services and facilities for the community's kitchen needs.

The successful outcomes of Sambak Village as an innovative, productive village exemplify participatory development, allowing various parties to be involved in formulating, planning, implementing, monitoring, and evaluating activities. For development to be a collective responsibility rather than solely the government's, even public services - typically the government's duty - have transitioned to empowering the community. The village government actively takes action to serve the community by directly engaging with them to identify and implement development programs in order to address issues and enhance community growth. Similarly, the community can take on an energetic, innovative, and efficient role without relying on the government and other groups for development initiatives. Outsiders or insiders in the community can empower all parties through participation, motivation, knowledge, skills, and partnerships. The aim is to enhance social and economic development, improving welfare and self-reliance in village communities. Community involvement initiatives in developing productive and innovative socioeconomic institutions in MSMEs, specifically producing tofu and Potorono coffee, have achieved significant success. Participation in community empowerment through SMEs and VOE is very important to continue to be developed as a media of information and education, communication forums, advocacy, and coordination of activities to strengthen family functions in an integrated manner in the fields of education, economy, health, and environment (Zemtsov et al., 2022; Ranasinghe & Pradeepamali, 2019; Sari & Irawan, 2021)

There are several problems in the participation of SMEs and VOE found in research (2022-2023), including :

- (1) With the low level of group communication and organizational communication among administrators, community involvement is not optimal, participation and motivation are still low, and community apathy, including initiative and support of village government, is still not optimal because the orientation of budget use and development is still towards public infrastructure.
- (2) MSMEs and VOE still need more support from village assistant scholars, who focus on planning, proposing, and reporting village development program activities.
- (3) The planning and implementation of empowerment still need more support from the village government, which tends to carry out physical or infrastructure development and provide allowances and facilities for equipment.
- (4) Community participation in empowerment requires the support of tertiary institutions to become assistants or facilitators and instructors in activities.
- (5) The knowledge and skills and the number of MMEs and VOE cadres still need to be higher, so increasing the capacity and competence of MMEs and VOE administrators requires concern and attention.

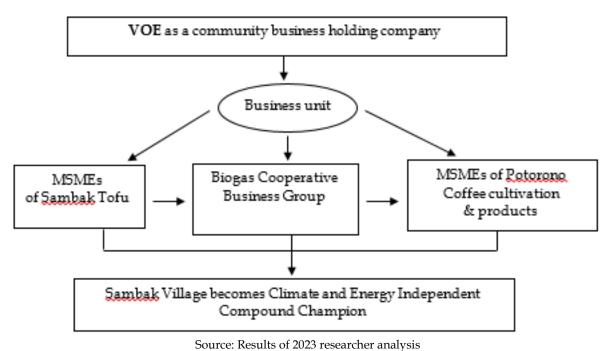
Institutions play a vital role in enhancing socio-cultural aspects by providing quality services, particularly in boosting the rural economy through financial institutions. The organization is structured around a network that relies on the skills and expertise of different individuals. Values



create institutions and are anticipated to develop and integrate into the culture over time (Cahyono et al., 2022; Hamdania et al., 2012; Rohadin & Yanah, 2019). According to Law Number 20 of 2008 regarding Micro, Small, and Medium Enterprises (MSMEs), Micro Enterprises are productive businesses owned by individuals or business community entities that fulfill Micro Enterprises criteria. The institution is a set of norms for behavior that exists among a community of individuals. Something stable, steady, and structured serves specific societal functions, exists in traditional and modern social systems or forms, and helps organize social interactions. Every organization has a distinct mission, and its members follow particular behaviors, along with shared values and norms that are distinctive (Oktavia, 2018; Rochwulaningsih, 2015; Sulaiman et al., 2022b; Vlasov et al., 2022). MSMEs are independent economic entities operated by individuals or business entities that are not affiliated with medium or large companies in any way. It can be profitable economic enterprises that operate independently and are conducted by individuals or business entities, not subsidiaries or branches of owned and controlled companies. MSMEs are abundant across all economic sectors and significantly impact the nation's economy. MSMEs enhance productive involvement, with or without the need for loans. Both of them are striving to be trailblazers in their fields.

Village Owned Enterprises (VOE) are positioned as one of the policies to realize the First, Third, Fifth, and Seventh Nawa Cita, with the following meanings: VOE is one of the policy strategies to present state institutions (Ministry of Village Development of Disadvantaged Regions) in community and state life in the village.

Therefore, VOE must be the parent of rural economic institutions that cannot be separated from MSMEs as business units that must be integrated into VOE's management, development, and supervision. Sambak village has a Sambak Tofu product business unit, a biogas cooperative unit that utilizes tofu waste, then a cultivation business unit and Potorono coffee products, as shown in Figure 2



**Figure 2.** VOEs and MSMEs as Productive & Innovative Economic Institutions in Sambak Village





Productive and Innovative Village Empowerment Model Based on Local Wisdom. The people of Sambak Village have a concern for the environment with the motto "Nandur Winih Nggayuh Asih," meaning planting seeds to create compassion with empowerment and concrete actions to plant seeds, especially coffee in the Potorono Forest for reforestation and water sources, and protect the environment from tofu production business waste. Sambak Village's motto represents the local wisdom that has become a joint commitment, especially from the village head as a community leader.

The local wisdom is implemented in real terms in the empowerment of productive and innovative businesses of the community in the cultivation and products of Coffee in Potorono and home industry businesses or MSMEs of Sambak tofu products while maintaining the environment through the creation of reservoirs processing tofu waste into Bio-Gas. Local wisdom is a characteristic of society or community that is manifested in mindset, attitude, behavior, and culture that has been hereditary principles, norms, and rules that have been agreed upon and become a shared commitment to creating harmony, peace, and prosperity together (Kamal et al., 2023; Loainak et al., 2023; Sulaiman et al., 2019; Prasetiyo et al., 2022)

Thus, Sambak Village implements the principle of local wisdom in productive and innovative business cultivation. Potorono Coffee and Sambak tofu products must be continuously developed with productive socioeconomic and institutional empowerment programs. VOE Kertadesa has the most advanced and developing economic business unit, the Bio Gas Group, which processes waste from 12 tofu factories into home gas installations to meet the regional government's needs and private and other business groups. Bio Gas in Sambak Village has received awards from other business units, namely those cultivating and processing Potorono coffee beans.

From 2022 to 2023, Sambak Village won an award as a Village for the Climate Village Program (Proklim) in the National Sustainable category. It can maintain environmental sustainability by greening, cultivating plants and coffee cherries on Potorono Hill, and controlling tofu factory waste in Bio-Gas. Biogas installation from tofu waste can provide facilities and services for community kitchen needs. So you do not have to buy Liquefied Petroleum Gas (LPG), but you only need to pay a monthly fee of around 10,000 IDR, then the fee increases to 15,000 IDR/month (2021-2022) per household, excluding installation fees.

Bio Gas from tofu factory waste can serve 68 families, such as 54 families in Sindon Hamlet, 4 families in Miriombo Hamlet, and 9 families in Sambak Hamlet; the target is to serve all families in Sambak Village. The recognition of one tempe fried entrepreneur usually spends Rp. 500,000 per month or around 5 to 10 large 12 Kg gas cylinders. So Sambak Village is also known as an energy-independent village with an established category. Initially, in 2013, the community complained about the pollution of tofu factory waste, so starting in 2014, the Regency Environmental Service suggested making and submitting a proposal for controlling tofu factory waste by making a Biogas installation.

Finally, the proposal was processed by the Central Java Province Environment and Forestry Service in 2015 to create a wastewater treatment plant so that the wastewater that comes out is environmentally friendly. So that by the end of 2015, Biogas would have been successfully utilized or operated. Then, in 2017, Sambak Village took part in a national-level competition for the climate village program and won the main category; then, it will receive another award in 2021. Sambak Village needs to maintain and improve its achievements as the champion of the main category of the climate village program and the champion of the established category of the energy-independent village competition; it needs to continue to be supported by community empowerment programs.







The empowerment program provides counseling and training programs to improve the quality of Potorono Coffee cultivation and products and Sambak tofu products. This is to improve the cognitive, affective, conative, and psychomotor aspects that will contribute to creating the aspired community independence. Thus, there will be sufficient insight and adequate skills in the community, which will be reinforced by a sense of need for development and behavior awareness of their needs.

Empowerment programs for productive and innovative socioeconomic institutions in Sambak Village must be prepared and agreed upon in a participatory manner by involving all elements, especially the younger generation, women and activists, observers, and activists of environmental empowerment. The Empowerment model must be based on needs and action designs made by the community through a productive dialogue process so that the community can increase their capabilities and actualize themselves or participate in various activities on an ongoing basis (Chang et al., 2022; Muthuri et al., 2012; Sugiarto, & Sulaiman, 2021; Superman, 2021; Umanailo, 2018; Windiasih et al., 2022)

The empowerment program in Sambak Village also needs to preserve local wisdom, which has become a guideline and joint commitment. In addition to being productive and innovative in MSME and VOE institutions, it also continues to protect the environment as the winner of the main category of the climate village program and the established category of the energy-independent village competition. Empowerment is a sustainable process that occurs at the individual, organizational, and community levels aimed at increasing motivation, knowledge, and skills as well as socioeconomic capabilities (welfare), including technology adoption and transfer (Huda, 2019; Kuhl, 2020; Prastyanti et al., 2022; Sabiq et al., 2020; Smidt & Jokonya, 2022)

Based on the Climate Village Program Road Map from the Directorate of Climate Change Adaptation and the Directorate General of Climate Change Control at the Ministry of Environment and Forestry, that have elements of the village's capability of the Climate Village Program are (1) Control of droughts, floods, and landslides. (2) Increasing food security. (3) Control of climate-related diseases. (4) Handling or anticipating sea level rise, rob, and water intrusion. (5) Sea, abrasion, ablation, or erosion due to wind, high waves. (6) Waste management, solid and liquid waste. (7) Processing and utilization of wastewater. (8) Use new and renewable energy, energy conservation, and savings. (9) Agricultural cultivation. (10) Increased vegetation cover. (11) Prevention and control of forest and land fires

An institutional development model can be created using Sambak Village's accomplishments to become a productive and innovative energy-efficient village, specifically through processing tofu waste into Biogas by Sambak Tofu MSME and producing coffee products. This model involves making VOE the main business and MSMEs its business unit, empowering them through institutional management, administration, digital marketing promotion, and financial management with funding support from the local government. (2) Empowering and certifying environmentally aware individuals to support the progress towards becoming a productive and innovative climate village that is self-sufficient in energy as a model. (3) Strengthening educational tourism management through collaborations with local governments, empowerment advocates, and universities to make Sambak Village a pioneer destination for education and training, as depicted in Figure 3.



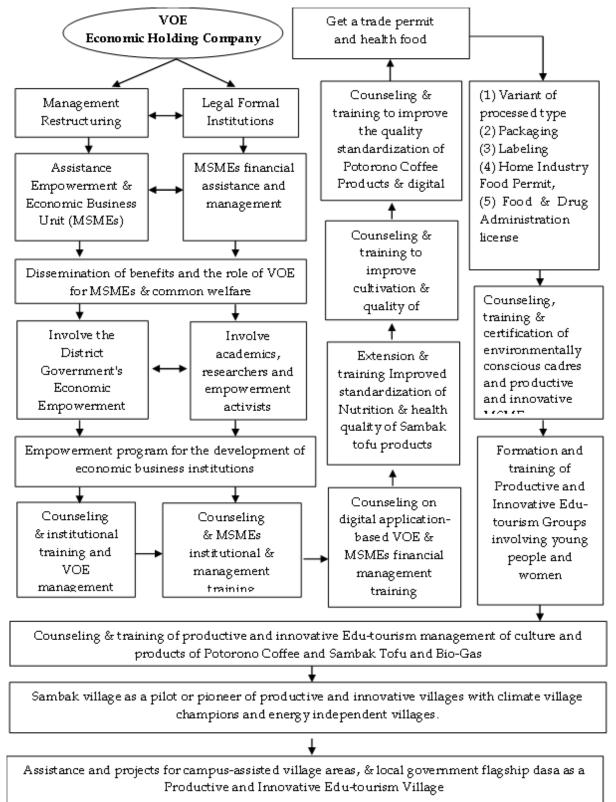


Figure 3. Climate and Energy Independent Village Development Model





# **CONCLUSION**

Sambak Village, located in Kajoran Sub-district, Magelang District, Central Java Province, demonstrates potential and success as a productive village with MSME cultivation and Potorono Coffee products. It is also recognized for its famous Sambak Tofu products and as an innovative village in climate and energy-independent village categories by converting tofu waste into Biogas to support the community's needs. VOE has yet to assume the role of the parent of economic institutions. Therefore, MSMEs need to be more cohesive in business operations. Establishing an economic, institutional empowerment initiative to manage VOE and MSMEs is essential as a collaborative effort to enhance and thrive in the community.

Providing support to BUMDes and MSMEs through counseling and training on business management, administration, and finance while enhancing the quality and standards of coffee and tofu products. This includes obtaining necessary permits and licenses and implementing digital marketing strategies. Empowering and certifying young cadres, particularly in environmental impact control management, is essential for transforming Sambak Village into a role model for a productive and innovative climate village. This includes focusing on independent technological innovations such as producing Bio Gas from tofu factory waste and implementing productive greening initiatives on Potorono Hill through coffee cultivation. Sambak Village in Kajoran Subdistrict, Magelang District, Central Java Province, can serve as an educational tourism destination for the community and neighboring villages, as well as for internships, practical work, Real Work Lectures, research, and community service for students and lecturers from educational institutions, aiming to enhance socioeconomic development and welfare of the community.

We want to thank the Institute for Research and Community Service of Jenderal Soedirman University for providing the opportunity in the Unsoed Basic Research. We are also grateful to the research informants, village governments, MSMEs, VEOs and empowerment activists who have participated in the research process, as well as to the International Journal of Environmental, Sustainability, and Social Science (IJESSS) that has accepted and published our research articles.

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