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**CHALLENGES OF TURNING  
AGRICULTURAL ECONOMIC TO HOUSEHOLD INDUSTRIES :  
HOW INDONESIA POSITION FACING ASEAN COMMUNITY 2015?**

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**ABSTRACT**

Indonesia, known as an agricultural country, is marked by the majority of people living in village/ rural whose daily working is as farmer. To the year of 2005, there has been about 17,9 million agricultural workfield within the broad area of 15,4 million land where the usage of the land employed was about 0,7 hectare. This phenomenon shows such a decrease in the land ownership. This changing phenomenon of land ownership, creates a problem on working opportunity, since it has been any limitation on the widespread of workforce.

This condition impacts on the changes within Java's rurals which leads to the insufficiency of employment in the agricultural sectore. Such alternative should be considered, by promoting city mobility program, by taking the other industrial activities which stands to be their major expectation. On the other sides, the home industries are commonly recognized by the rurals. The rurals then start to be introduced about the small scale market economy. This strategy benefits the rurals in terms of providing a chance for their products (rural product) to be sold.

Compared with the other countries in ASEAN Community position Indonesia were complexity problem. Exspeciale population growth  $\pm 1,9$  percent. Until 2015, Indonesia population about 250 milion, mayority ( $\pm 68$ percent) living in village as a farmer. Their income percapita under us\$ 1000.

Key Words : Rural, Liberalism Household Industries

## INTRODUCTION

ASEAN Community will be held 2015. Indonesia as member of ASEAN have a strategic position. Geographic Location, natural resources and population as a capital important, How the Indonesia countries can be the potential resource for regional activity in ASEAN community? How much the role of Indonesia between ASEAN countries?.

The strength of Indonesia countries the other countries member of ASEAN lies on three factors mentioned up, especially population majority as a farmer traditional bargaining position Indonesia countries is very weak. The effort to rise living of farmer traditional through diversity of work make alternative solution household of industry were solution alternative beside of a agriculture. Rural industries show, that the farmer can be survive.

The width of rural zone dominated by the fertile farming land and its rurals involved in agricultural related activities stand as the main different Indonesia possesses compared to other countries worldwide. Through the history of Indonesia's independence pioneered by the duet of Soekarno-Hatta ever since 1945 has begun the Indonesia social-economic development within its social-revolution, by focusing the rural-sector concept to raise people's welfare, especially the farmers. Post- Dutch colonialization, the biggest problem faced by Indonesia was the recovery on its economic sector mainly in agricultural development. Therefore, this fact leads to the principle that Indonesia economic system has been the agricultural economy, emphasizing the development and the establishment of agricultural economy.

Observing the agricultural economy concept as declared by Muhammad Hatta:1943, He pointed out that in the years to come, Indonesia has a probability to be such a welfare nation, so that the citizens could involve within the world culture as well as raising the civilization. To realize the purpose of reaching the people's welfare in the next future, the economic politic must be restructured based on the real and factual foundation available, that is the fact that Indonesia is a well-known agricultural Country. Since the terra firma (land/soil) lies as a major production factor, there should be any obligation managing the land ownership as the main source of citizen's welfare as a whole.

The basic concept of the knowledge, that rural becomes the "soko guru" / the primary foundation in economic development of Indonesia as stated by the former Indonesia leaders that becomes "founding father" is based on the knowledge of reality, in which Indonesia an agricultural country, whose people work mainly as farmer, and whose land is dominated majorly by the rural/inland zone. As a result, in the beginning of Indonesia development, the purpose of the development was focused and concentrated on an agricultural sector. This point highlights the fact that colonialization left the agricultural activity models through the model of operating the horticultural field within the large scale, that forces the government to direct its concentration on rural agricultural economic development, mainly on the rice (*oriza sativa*)-field in Java as its urgency as staple food. In the beginning of Indonesia government since its independence in 1945, it was a plan that has been organized to free Indonesia from the livestock import that put so much worries in the use of public capital.

It takes such hindrances to run that plan, due to the insufficient begetting, the high number of population growth, that leads to the raising number of poverty, as well as the dramatic incline of the livestock price which is imbalance with the acceleration of country's population. Such a switch also undergoes in terms of organization and acquaintance. Agricultural organization, that introduced by the colonial and ancient Javanese kingdoms has experienced the fast radical change within the society hierarchical life. The removal of APANAGE system in rural has determined the must of land providing to meet the need of horticultural needs. The company attains the land, must contribute an

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account to the public capital, and maintains the network among the horticulture party and the rurals. This is indeed the indication of the economy starting to involve within the agricultural society. ( Sosialismanto : 2001: 16)

The moving of society hierarchical norms has been occupying the changing, which has reached its culmination point in the “ new regime “ (ORBA) trough the “rice politic), accompanied by the issue of “ green revolution “ by the international organization requiring the utilization of “targeted variety” (varietas unggul), the application of chemical fertilizer and the irrigation recovery system in which invites the intervention of country through the “INMAS”, funded by the low interest credit.

The “new regime” policies put effort on enhancing the government program through the intensive intervention, to give an example like, in the institutional level besides INMAS program followed by the further programs like BIMAS encouraged within the rural bureaucracy as well as involving the power of national donation to involve actively through BIMAS Gotong Royong, pioneered by The Minister of Agriculture Sudarsono ruling the distribution system on production infrastructure by KUD. The emphasis of this development concept relies still on the central as the obligation/policy, known as Top Down model and Luray puts attention on *Capacity Building* to promote independence in the rural development which adapts the western countries by the application of modernization theory. This theory puts focus on the intervention of the fix capital strength within the traditional agriculture (padat karya) to achieve *TRICYCLE DOWN EFFECT* and to place the modern technology. (Sosialismanto 2001:12)

This kind of approach impacts on the dependence of rural to the country. The previous function that traditionally becomes the original function like the maintenance tutier pipe/ aqua duct, the operation of rural rice stock ( lumbung desa ) that slowly but surely is taken by central/country intervention. (Joko Suryo: 1990)

Both the INMAS and BIMAS report the sufficient result proved by the achievement of Indonesia as a “self-reliance” country (swasembada) that brings the social changing of rural’s life. Yet, as the time goes by the journey of country development concept that employ the modernization theory on the third countries could not overcome the poverty related problems and impacts on the interdependency. Consequently, the phenomenon of a country and the widespread of bureaucracy that closely relates to the weaken of civil society become the expert’s focus of attention.

The analysis approach of rural-country relationship is inseparable from the two substantial stuff; economy-politic. The approach on politics theory is significantly needed to scrutinize and to comprehend both rural and national political problems. King. D (1989) describes that the economy-political approach would not progress any certain theories. Meanwhile, it classifies all the approaches strictly to investigate the reciprocal relationship between economy and politic as it is an old field of discussion in the international study. However, the study of economy-politic to analyze the local political problems and its dependency with the state, are mainly conducted as; Hursch. P (1989) investigates the study on state relationship and rural : rural development case and the changing in Thailand. Shell. V (1988) about the state and rural relationship in China.

## **RURAL ECONOMIC LIBERALISM**

The major problem rural economy lies on the economic disparities between the rural and the city. The strong indicator of city economy relies on the high percentage of money circulation which reaches above 80% compared to that of the rural. The more ironic thing is that the other money circulation reaching approximately 20% has been absorbed into the city through the banking and other financial institutions that comes to the rural area from the branches opened in rural. It is an

unfortunate fact to know that the welfare distribution comes from rural to city. Besides the imbalance circulation of money, then added by the government policy that indirectly weakens the “ *bargaining position* ” of the rurals, such as in the decision on market pricing strategy that tend to protect the mainland/city society. The price of rural farming product is imbalance compared to that of city’s product. The concrete example is, the price of 1kg dry grain just equals to the price of 1 exemplar of newspaper. The fragile position of rural bargaining to city is exacerbated by the unprotected rural farming product that is not long lasting as well as the high price on transportation to trade rural farming product to city.

The policy on rural transportation in 1973, the “ new regime “ government issued the policy, called “ colt revolution “ from which it was a mass/heavy creation on public means of transportation intended to open the access from inland/rural to mainland/city to market the rural farming product. This concerned policy is meant as strategy to open rural area from any isolation by the implementation of public transportation/ mass goods. Nevertheless, the question is how far the rurals take advantage from this policy maximally? Who would be advantaged? Could this sort of policy raise society welfare orienting on market? And how about the possibility of loss socioculturally towards the disappearances of local self-reliance institutions?

Based on several various cases in the third nations, to find out the solution on the rural economic improvement, the strategy taken was by reducing the interdependency between rural and city, even to promote a synergic relationship between rural and city by introducing the migration both the permanent or the temporary (semi permanent) or reversed migration (*ulang-alik*). Orlik and Rozelle (2008) state the finding of the research conducted in China through “land/soil reformation”, also find several things that relate to the policy, the nation takes in facing the large number of citizens in China ( about 700 million ) living sedentary on the inland/rural who own the land collectively. Further, the government switches the collective system of land ownership into the de-collective one, which was later granted to the farmers that encourages the active involvement among the farmers in employing the land. This is expected to the raising of agricultural production, the ongoing process of economic reformation that holds the rurals migrating to the city/mainland. On the contrary, Mira, C in Zimbabwe (2007) states differently about the issue on replacement for 300 thousands rural in 11 million hectare wide land. The farming land, by running the agricultural development which puts orientation on the market, that unfortunately brought failure leading to the movement of rurals into city. Formerly, far before 1981, Hernando Soto conducted the research in Peru and recommended the heavy rurals migration into city between the year of 1940-1981 resulting on the failure since that movement created a brand new legal problem, because the immigrants move into informal sector emerging a law-breaking case.

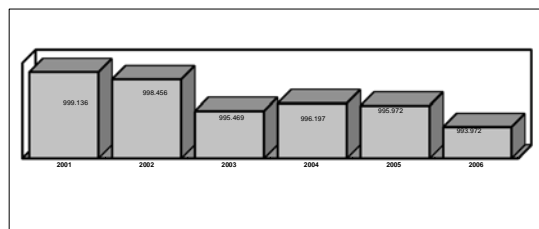
Observing the rural economic problems that becomes the central problem of the third world’s nation, the economic experts in Indonesia unfortunately put no significant attention on the agricultural problems. Indonesia during 20 years has been faced by the conflict, agricultural countries have. This phenomenon reminds us on a foreign economic expert, that the main problem hindering Indonesia to solve the agricultural problems is the scientific problem. It is defined as something ironic happening in Indonesia. Within such a big country with its various people, that originally agricultural people, the experts on it remain so limited for such country as Auslan pointed out (1986). It is added that in fact from that limited number of experts, almost all experts are the legal/law experts; while the problems cover a broad range of factors such as the social, economy, and politic or even on the last analysis, the core of problems lies on the political issue.

Cristodolou, (1990) states that there has been no sign on the political experts to take the real action to deeply analyze the agricultural problems. Dietz, 1998:11 investigates in his “rural-religion

recovery” journal that agricultural conflicts cover 3 dimensions, first of all involves who owns, uses, operates; the second is who control the access of agricultural sources; and lastly the third who gets the benefit from it. Furthermore, Wiradi ( 2000:11 ) states that Indonesia owns such 3 disorders in terms of land ownership structure relating to the agricultural resource that takes over public/citizen needs including: 1) the disarray on land ownership structure, 2) the disarray on the land granting, and 3) the disarray on the perception and conception of Agriculture.

The first disarray to mention, marks the worse disarray on the land ownership structure, as shown by the result on agricultural census by 1973, 1983, and 1993. While the second disarray is marked by the non-existed rule, the sectored bias development process and the marginalized on agriculture that impact on a fast improvement on the land function, especially on the agricultural controversies into the non-agricultural field as viewed from the Khudori, (2003) in a typical daily conflict of Javanese rural area; Sodikin and Sofwan (2007:2) points out that there is a tendency into the narrowing part of farming field as a result of functional switching in Java island that approximately reaches 1.000.000 hectare, while the new plotting of farming land is only 518.000 hectare, meaning that during the last 17 years, the farming land in Java island has reduced at about 483.000 hectare (48%), the other significant data from the National Defense Bureau” (BPN) mentions that within the last 5 years, the farming land in Java island has been undertaking the functional switching at about 81.176 hectare with the detail, as follows: 33.429 hectare is devoted to the real-estate and 47.747 hectares is grants for industry. Besides facing the “functional-switching” problem on land, Indonesia generally and Java island partly, also face the problem on the agricultural disarray. It easily can be viewed from the land ownership structure < 0,5 hectare, both for self and renting ownership. Based on this finding, there are about 13.663.000 small-scale farmer in Indonesia, while the farming land users are about 24.176.000, within a decade from 1993 to 2003, the number of small-scale farmer in 2003 raised significantly to about 131.663.000 as well as in Java island whose number inclines apparently from 8.067.000 in 1993 to 9.989.000 in 2003. The similar thing goes to Central Java in which the farming land declines significantly for it is used as real-estate and factory. The dramatic decline on farming land in Central Java within the duration of 2001-2006, as can be viewed from the following presented graph:

**Graph I**  
**The Amount of Farming Land**  
**Central Java Province**  
**2001-2006**



Sourcess : BPS –Prop Jateng

The third disarray concerning the different perception and conception lie on the different assumption between legal approach and functional view on employing the farming land. Such disarray occurs when the hierarchical authority and the implementation of agricultural source give insignificant attention on what local had practiced.

## THE ROLE HOUSEHOLD INDUSTRIES

Multidimensional crisis that has progressed since 1988 to present has not released Indonesia from the pressures of economy and has impacted on the raising level of unemployment, that Statistics prove about 10,25 million (9,80%). By 2004 out of the total employment was 103,97 million (67,54 %). This worse condition keeps raising to 11,10 million of unemployment (10,40%) in 2006. From this total quantity of unemployment, it was 4,82 million (47%) considered in rural area (BPS, 2006)

As one decade has passed, entering the beginning year of 2008, the crisis on economic pressure has sharpened, signed by the inclining trend of pricing on the agricultural commodity turning into the industrial raw ingredient like bean curd and bean cake whose ingredients are bean-based stuff. Besides there has been several raising on other daily needs pricing, this conditions leverage the raising price on international oil. This leads to the America's economic recession impacting the global economic condition, including Indonesia prone to such changing on the global economic change as a result of Indonesia dependency on industrial countries. An obvious instance of this phenomenon is the raising price of bean imported from America marking how fragile our economy has been. It is such an ironic in which Indonesia is well-known worldwide as an agricultural country but could not able to be the host for agriculture in its own country, where mostly the agricultural product is dominated by foreign country like, rice, bean, fruit, etc.

Such mentioned condition is an inseparable impact of the government policy concept which does not meet the need of rural people, majorly as farmer. It shows a bias on the development concept oriented to the city development that triggers the disparities between city and rural. The other next problem to come is when the crisis on economy that causes the big scale industries to collapse like, textile industry in which it absorbs a large number of employment, the mass firing of the staff (PHK) coming from the rurals. The unemployed rurals then get back to their village to start doing agricultural activities. The problem raising is that the use of farming land previously sold out, offers not much chance even to be the low-scaled farmer.

The alternatives is to create and open the new recruitment of worker out of agriculture like small-scale industries or home industries. This sort of new invention of industries offer a hope to bring continuous existence in the middle of crisis time. Since the small-scale industry as well as home industry do not rely on such formal institution. This leads into the efficiency, non-bureaucratic, creating the affordable pricing strategy for every level of costumers, mainly the low level customers. (Sofyan Tan:2001)

The small and medium-scale industry contribution for the Domestic Bruto Product (PDB) and the employment amalgamation is illustrated by the given table, issued by INDEP in 2000 as follows

**Table I**  
**Small and medium scale industry contribution towards PDB**

o	Industry scale	The amount of unit	Contribution on PDB	Employment amalgamation
	Sm all	36.716.689 (99,85%)	385.553 billion (40,89%)	571.341.963 (88,66%)
	Me dium	51.889 (0,14%)	162.918 billion (41,83%)	6.971.619 (10,78%)
	Lar ge	1.831 (0,01%)	394.373 billion (41,83%)	364.493 (0,57%)

Source : INDEP Jakarta 2000

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As can be seen from the data given above, it is clear that small-scale industry is able to take up about 88,66% of employment and contribute to the Bruto Domestic Product (PDB) which almost equals to the contribution of large scale industry. With this, it is so ironic to ignore the small-scale industry since it has any potentials to grow well when given sufficient attention and focus by the government. This small-scale industry could lessen the number of unemployment leading to the declining number of national poverty that reaches approximately 40 million people.

It is indeed, the proper time to put more adequate attention in rural development, observing the reality that is based on the statistics bureau, in 2000 the citizen living the rural in the Central Java province was about 73,02 %, while in the 2005 was 68,09%. Hence it was a decrease about 5% or averagely 1% annually from 2000 to 2005. Despite the decrease, that number showed that more people live in rural and work mainly as farmer.

The consequence of the large number of citizen living as farmer, is the limited and minimum availability on unoccupied farming land that is able to provide the proper job for the rural itself. Nonetheless, the fact shows something in contrast, that not all rural people owns their own farming land, even only a little if they have any. It is estimated that the “owner farmer” only has farm land that is not more than 0,2 hectare wide (Mantra, 1985). Manning and Hardjono (1993) state that the average land ownership in Java has decreased rapidly. If seen from the development of 1973 to 1993 (within two decades) that the land ownership percentage decreased from 0,10-0,25 hectare to 26% decreased to 17%, meanwhile on the group of 0,25-0,50 hectare raised from 30%. There is a justification that the decrease on land ownership less than 0,25 hectare was a cause of less concentration in the group of 0,25 to 0,50 hectare. In other words to say, the number of household has no their own farming land, increases from time to time. This changing trend creates the problem on employment since the job opportunity on agricultural sector becomes more and more limited (Abdullah, et al., 1995). On the other hand, there has been any switch outside of agricultural sector as well as the raise of other job opportunity in the year 1970's to 1980's. This kind of description indicates the main problem on the reduction in the number of job opportunity in the agricultural-related field accompanied by the raising number on the other job opportunities away of agricultural sector.

As the farming land gets more and more limited, it surely impacts on the weakened supporting agricultural factors while the number of population raises much too much. It leads to the raising pressure on population, so that the proper solution is to trim down the number of people working in agricultural sector. One of the alternative ways to conduct is by solving the problem on the job opportunity expansion mainly for the rurals by improving the small-scale industries and the home industries (IRT), that recently known and run by the locals. Even, there are several kinds of home industries done by almost all of the locals inside within certain community. This may appear because of inevitability of local's goodness in its relationship, making no significant destructive competition to come among the people. On the one side, the fact seems to show that people in certain community have a certain skill to create a distinctive handicraft as something ordinary, and leads to the uniformity of work-field, as a result of openness.

## **CONCLUSION**

Needed workforce for the existence from all component, state people and private, because the barrier for competition with ASEAN community more difficult. The condition farmer Indonesia countries is very weak. Their have limited land and skill. Alternative solution by small industries in rural is not easy. Complexity rural community isn't success, change behavior peasant from traditional to modern

The emergence of industry within the rural community is caused by the developments of changing in which within the process of production for the domestic needs (subsistence) moves into the commercialized home industries. Geertz. describes that some stuffs produced in the rural during the period of off-agriculture, are heavily produced in the city to be sold in the market, yet using the simple technique everyone knows and recognizes.

Besides, the home industry activities (IRT) does not rely on the seasonal changes, making it could be conducted alongside a year, that support their wellbeing. Based on the State Census in 2000 and Supas 2005, it is obvious that industrial sector in Central Java experienced such raising from 11,97 % in 2000 to 13,52%. From the existed industries, there are about 37,2% of food industries and the rest of 62,8% are not food-based industries. For Boyolali, there are 44,38% of food based industries, beverages, and tobacco, and the rests are 56,62% of non food based industries (view table 3). The choice on non-food based industries is mainly done by the rurals because of its longer preservatives, that minimalized the risk of loss if not sold almost immediately. Meanwhile, the number of employments taken by the small scale industries (the home industries), that opens a larger job opportunity. The raising pattern of rural employment is caused by the raising number of the workers in which they do not need any specific skill and knowledge.. One of the small scale industries is the home industry. As Saleh states (1986), the small scale industry absorbs 86,6 % out of the whole workers in industrial sector. On the other words, the small scale industry and the home industry are of beneficial as the alternative ways to accommodate the addition of workers not able to be included in agricultural sector.

Above and beyond, some of them run the mobilization into the city by the hope of achieving better future, by being a blue-collar worker as janitor, becak, street vendor seller, etc (Singarimbun, 1992). Meanwhile, SP (2000) and Supas (2005) describe there has been a decline on the productive age citizen in rural from 61,62 % in 2000 to 48,85% in 2005.

The condition on rurals' productive workers presents on the age group of 10-14 years old occupies the development about 4,35% in 2000 to 2005, then decreased about 0,54% in the age group of 25 to 29 years old experiencing the enlargement minus 3,12% and raises back in the age group of 35-39 years old as 3,50%. This static condition keeps expanding to the age group of 45-49 years old, then declines from the age group of 50-54 years old to 60-64 years old. Seeing from the stastical data on the employment, it is a need to provide the work field for the rural productive workers. One of the alternatives is the promotion of small scale industry sector and home industry.

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