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## STATE, MARKET, AND MOSLEM ENTREPRENEURS:

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# STATE, MARKET, AND MOSLEM ENTREPRENEURS:

The Strategy of Moslem Industrialists in Developing  
Local Economy in Sleman District of  
Yogyakarta Special Region

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**The Strategy of Moslem Industrialists in Developing  
Local Economy in Sleman District of  
Yogyakarta Special Region**

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*Institute for Research and Empowerment (IRE)* adalah sebuah lembaga independen, non-partisan, dan non-profit, yang berbasis pada komunitas akademik di Yogyakarta. Fokus kegiatan IRE adalah mengembangkan *governance reform, civic culture*, dan desa asosiatif melalui penguatan gagasan, sikap kritis, serta tindakan taktis elemen masyarakat sipil, masyarakat politik, masyarakat ekonomi, dan negara.

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## **A. Introduction**

### **1. The Context and Relevance of the Study**

The socio-political dynamism of rural communities, following reform era, is increasingly heading to rural social transformation. Here, the major focus of village movement and transformation is to strengthen the self-reliance capacity of villagers, both in term of sustainable economy and politics. Disparity on one of its poles will result in the unhealthiness of empowerment efforts that are being pioneered. Rural communities' political maturity that has been apparently identified recently, surely will not be in secured when on the other hand their economic situation is in worrying point that can undermine their idealism at any time.

Such being in the case, it seems that a rural transformation needs synergy among many actors, be the state, market capital and society, in political transformation processes (decentralization and democratization) as well as economic ones (development and industrialization). The taking-side state, market being sensitive over communities' issues and villagers that are creative and rife with initiatives in spurring their entrepreneurial activities will generate healthy economic-political dynamisms heading to in-justice social transformation.

So far, economic-political transformation has only been dominated by state and market (capital), meanwhile the communities are being marginalized. The communities in many instances denote the exploitation object of the state and market. Industrialization promoted by state and market often drives communities being alienated in their own surroundings. The natural resources potencies of rural communities are frequently exploited through access and management dominated by state and market. Even there occasionally surfaces tensions and clashes between industrialization—organized by state and market—and local communities. These clashes incline to result in suffer of losses for industrialization built up by the villagers, be in term of assets and access to markets affecting the decrease of turnover and incomes.

When Indonesia was being hit by monetary crisis, there were many lessons learned taken in term of industrial dynamism. There were many large industries run by market (giant investors) and supported very much by the state could not survive and fell into bankruptcy. While small industries, like home industries operated by villagers could survive and finesse to encounter the crisis. There were as a matter of fact several business ventures, which suffered the decrease of their turnovers, nevertheless the calamity also brought many boons—many being tickled pink for sudden and steep rise in turnovers. Something that deserves appreciation over rural small business practitioners is that amid capital and equipments constraints they can survive from market stagnant instead. Apparently, it shows that small industries' survival capability can be traded on better than the large scale industries boosted by market having been spoiled by state and banking industries in Indonesia all this time.

This study seeks to elaborate dialectics between state and market in connection with Moslem entrepreneurs' strategy in boosting the growth of house-

hold economy in Sleman district of Yogyakarta special region. Here, the term “moslem entrepreneur” refers to two things, viz. religion identity and business practice underlying Islamic values.<sup>2</sup> The major research questions of this study are: How do these Moslem entrepreneurs overcome state’s policy and market institution inclining to not take side to rural industry practitioners? What kind of strategy or method do they apply to access state’s policy and market institution in operating their ventures? Whatever boundaries and problems are they facing? Whatever have they achieved so far?

## 2. The Overview of Theoretical Framework

Economic-political relation between rural and urban works disproportionately. It can be seen in the practice of modernization which places village as supplier of raw material while city as processor and service provider, since the city has adequate production capacity. In all conscience, such context can clarify why modernization process encourages increasingly urbanization (Evers, 2002), most of all in nations starting their development, like those of Southeast Asia.

In circumstance where village just becomes the target of marketing, meanwhile village has no capability of generating products, then consumerism enhances instead of economic growth. Trading centralization in urban is worsened by unbalanced relation to the end that the institutionalization of disproportionate relation between rural and urban is increasingly severe. Village, internally, is also facing disparities between production capacity and consumption rate. Production process in urban strengthens by utilizing rural resources as raw materials supplier, so that the scarcity of rural resources is unavoidable.<sup>3</sup>

Long before the practice of modernisation, or even rural capitalization during the implementation of green revolution like aforementioned, it has in fact historically taken root in old colonialism era. Preliminary thesis introduced by Boeke (1973), for instance, can explain about modernisation and exploitation upon rural areas governed by colonialists. Boeke argued that the evolvement of western development model in Indonesia conducted continuously during colonisation era did not result in economic integration, but exactly economic dualism instead. Here, the paramount message underscored is that the cause of rural underdevelopment and poverty is no other than capitalism.

Why? Since the basic assumptions applied by capitalistic development framework importing western formula and models (liberal-styled), surely have different structural context or different social-economic order including its cultural values. That is way, economic development promotion through modernization only results in western values bias. Based on Boeke’s conclusion asserted in his book entitled *Ekonomi Dualistis: Dialog antara Boeke and Burger*, that western tradition having desire in universalizing on economic development sector, is perceived invalid.<sup>4</sup>

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<sup>2</sup>See: Robert W Hefner, *Islam, Pasar, Keadilan: artikulasi local, kapitalisme dan demokrasi*, LKiS, Yogyakarta, 2000, page: 42. Please compare with Atilla Yayla (ed.), *Islam, Masyarakat Sipil, dan Ekonomi Pasar*, Friedrich Nauman Stiftung, Jakarta, 2004, and also Taufik Abdullah (ed.), *Agama, Etos kerja dan Perkembangan Ekonomi*, Jakarta:LP3ES, 1993, Pages: 18-30.

<sup>3</sup>Robert Chambers, *Pembangunan Desa Mulai dari Belakang*, Jakarta, LP3ES, 1983., pages: 9-15.

<sup>4</sup>Sarbini Sumawinata, *Politik Ekonomi Kerakyatan*, Gramedia, Jakarta, 2004. page: 35.

In debate over social sciences, the concept is also further elaborated for instance by Todaro (2000), he averred that very expansive developed (western) countries seek more to widespread their economic development paradigm to third nations, even into rural areas. Such process, in fact, is nothing more than as a false paradigm, in which verified concepts for the third countries have no basic relevance at all. However, later on the method becomes an ideology (developmentalism) after all, promoted by donor agencies through foreign loans politics into developing countries, with dependence scenario (Hettne, 1985, Sach 1995). Thus, it is clear that poverty and backwardness suffered by village are structural, meaning that poverty issues are closely related with and trapped in the structure of economy, social, and villagers' cultures (Mubyarto, 1987). Besides, poverty alleviation can not be implemented by only combating poverty it self. It is non sense eradicating poverty without reorganizing and reforming the structure of economy, social, and politics. Hence, above the burden facts, it is a must to make reform for the village.

Furthermore, now it has been developing economic transformation process running without political transformation support (decentralization and democratization).<sup>5</sup> In other word, the economy is growing more liberal (freely engaging with capital and market), yet without political liberalization process. Political engineering (through state intervention) exactly is taking place instead, for controlling and weakening the society, on the other hand the state makes policies and regulations that are very much benefiting the capitalists. Due to the absence of democracy in the capitalization process, thus the state apparatus perform comprador practices by trading licences, protections, subsidies for entrepreneurs, thereby enriching themselves while undermining the state's capacity. There have been many public criticisms rendered to many BUMN (state-owned enterprises), it turns out that many BUMN do not become richer and let alone enriching the state, but their own officers and staff instead.

That is such worrying situation, since economic-political transformation is dominated by state and market (capital), meanwhile the rural communities are being marginalized. Both state and capital penetrate villages, nevertheless local politics is blocked. The people are merely as the object of intervention from the state and economic exploitation maintained by capitalists. The capitalists become the autonomic actors, powerful and capable to control the state, at least state's apparatus acting as the compradors. With capital and state's protection, they can control rural lands and villagers. This intervention makes the state stronger and gripping rural communities, however the state's capacity in turn weakens, particularly in controlling capital and assuring protection for the communities.

Even though villages run under state's oppression, yet village elites (especially village heads) enjoy cashing in on the benefit of this political engineering process. There have been many research findings prove that a head of village often control, both official and privately more lands than other villagers (Brown, 1982; Selo Sumarjan, 1983; Zacharias, 1985; Hans Antlov, 1986; Husken, 1998). The village heads and their relatives are prosperous class in their own villages,

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<sup>5</sup>See: James Manor, *The Political Economy of Democratic Decentralization: Direction in Development Series*. World Bank, Washington, DC, 1999.

operating many ventures, dominating in KUD (a villages unit cooperative, mostly agricultural) management, generating not minor profits from community's sugarcane projects, they also arrange their daughters' marriage with urban professionals or the owners of wide lands, as well as their sons with neighbouring village heads' daughters, or placing them in strategic families or positions in sub-districts or districts, and so forth.

Meanwhile, industrialization that has been long lasting and evolving rural areas expansion, hardly have ever experienced governance reform. There have been many examples proving that industrial developments (ranging from rubbish disposal, tourism sites, mall to large-size mining) always incite conflicts with local communities. Capitalists' orientation, in this context, is just seeking as much as possible profits without any consideration over social risks on local residents. On the other hand, the state only generates foreign monetary exchanges, state apparatuses perform as rent seekers, and rural elites also take benefits from the patronage process. The state is indeed turning its back on the principles of sustainable development and governance reform. At village level, for example, it has no authority and participation space to engage in making policy on land exploitation. The authority on investment permit issuance, which nota bene they will exploit rural lands, denotes the domain of supra-village administration. Investment processes in rural areas are commonly conducted by inducing the rural elites especially village heads, without any institutionalized, participative and openly decision process.

Rural industrialization, citing Sarbini Sumawinata (2004), is based on village efforts, for generating revenues or at least having mode of production that can be utilized as productive economic activities, by making sure industrialization for fulfilling long term needs and not for merely survival, or with subsistent mental, borrowing Scott's term (1994). Above all, rural industrialization must be based on populist economic development spirit envisioning sustainability.

Developing village with industrialization hopefully can decrease the tendency of economic pattern based on urban growth typically marked with rural absorption of village capacity. In this way, hopefully it will result in evenly distribution scenario of economic advantages. Rural industrialization, likely besides as security bumper also denotes "economic conservation" in overcoming issues of village capital mobility, thus it will prevent rural capital flights. Industrialization is prepared as instrument to deal with economic disparities, in which village possessing abandon of natural resources will be supplemented with capability in managing them. In addition, development of industrialization can be set up in regional development scheme, based on geographic closeness and the harmony of among villages' natural resources. In other word, it needs new paradigm formulation by placing a perspective that village is not as consumption agent and market target anymore, but able to create arena of growth and welfare instead.

### **3. Methodology**

This research applies action research method. It has two reasoning methodology, namely reflection and prescription.<sup>6</sup> The former means to deeply and

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<sup>6</sup>Rajesh Tandon, *Riset Parsipatoris Sebagai Riset Pembebasan*, Jakarta, Gramedia, 1988., page: 10.

critically disclose as to process, connection among actors, problems, advantages and impacts of industrialization. Reflection surely will figure out more problematic items than successful ones, thus the problems can be easily coped with. While the latter is as efforts to seek alternatives based on reflection while developing initiative and new model on rural industrialization governance benefiting Moslem communities particularly residing in rural areas.

To activate the reflective reasoning and prescription, the researcher does not apply pure academic research emphasizing objectivity and neutrality in exploiting data that is merely for building new theories, nonetheless will employ action research method orientating to partiality and social reform. When academic research is only collecting and analyzing data, nevertheless action research is employing a holistic approach to figure out realistic problem solvers in connection with local economic development governance. Even though the researcher uses action research method, but he will not fully use participatory action research model, which nota bene he will only serve and verbalize aspirations (problem and action), participation (communities facing problems when developing local economy among Moslem industrialists).

This action research method will seek to prioritize dialectical principle between “big narration” (perspective) and “small narration” (local experience), or between “few” knowledge the researcher masters and “many” experiences of actors directly engaged in the process of local economic development through rural industrialization. Therefore, firstly, in preliminary stage I as researcher will equip myself with mature perspective siding to affected communities of industrialization’s risks.

The perspective I mean is governance in industrialization engaging with interaction of state, capital, village, and local communities, as well as missing link perspective between the abovementioned economic and political transformation. Secondly, I will not merely one-sidedly absorb data, in interacting with local actors, however will also make perspective intervention, promote critical consciousness, and strongly give support actors to take actions. Here is, in many instances known as a learning together process between researcher and participants (local actors), which is note bene in different with conventional research model in which the researcher will only exploit data one-sidedly upon the research’s object.

In addition, my research will not be framed tightly by theories to construct and manipulate data for justifying the theory. Analysing instrument I use will not structure theory or the theory of “engineering” supplemented with relation construction inter-variables tightly, but just limited on applying perspective, namely economic-political perspective to identify, map, and analyze structural relation among state, capital, village, and communities. Thus, the logics I emphasize is not deductive, but inductive one framed by action research model. The inductive logics will avoid the usage of constant inter-factor relation construction, but the economic-political perspective, I will more deeply unveil data and scrutinize the unique and interesting ones in field. Albeit being inductive, this research will remain employing instrument in the form of reflective questions which will be very likely developed in field.

In collecting data, the key actors of government, market and Moslem entrepreneurs become paramount parties in this research. The collection process will be, first, bringing together the official documents of local government and private enterprises which conduct industrialization vigorous attempts, concerning with policies, process and results of rural industrialization. Therefore, “research permit” surely is pivotal in this context. Second, inviting informants of stakeholders’ representatives in focus group discussion (FGD) session. Third, conducting in-depth interviews with the key informants for obtaining essential information needed. While collecting data, I will also make critically empowerment intervention, developing local partners’ capacity, as well as mapping and analyzing, and planning further follow-ups. The FGDs, of course, will be very effective in smoothing this action research and developing critical dialectics between researcher and participants.

This action research was being conducted in a year—in March 2006 as of March 2007. The research was implemented in Sleman district of Yogyakarta Special Region. It was selected since the Moslem entrepreneurs became the major dynamic and responsive promoters of rural industrialization growth there.

## **B. Potency and Problem in Developing Rural Industrialization in Sleman District**

Based on social-economic potencies, Sleman district can be divided into four strategic areas; firstly, the slope of Mount Merapi, especially Tempel, Turi, Pakem, and Cangkringan which have resources of water and eco-tourism potencies. In Tempel and Turi, local people are breeding “salak pondoh” fruit flourishingly. Here, land is very fertile and rich of water. Even in further development, there also emerges agro industry of salak pondoh, farming, fisheries which are integrated with culinary industries by providing fishing pounds and fishing game arena.

Secondly, eastern areas covering sub-district of Prambanan, some part of Kalasan and Berbah sub district. These regions have precious heritages—ancient temples compound. They have cultural tourism sites, dried lands and white stone mining complex. Thirdly, central region, that is agglomeration of Yogyakarta town comprising the sub district of Mlati, Sleman, Ngaglik, Ngemplak, Depok, and Gamping which become the centre of education, trades, hotels, and service ventures, and also bamboo handicrafts centre like in Mlati. These regions become mainstay due to generating biggest contribution for PAD (locally generated revenue) of Sleman. Fourthly, western areas consisting of the sub district of Godean, Minggir, Seyegan, and Moyudan, denoting wet lands containing enough groundwater and source of raw materials for craft industries of mendong (a kind of straw), earthenware, and so on.

The district—with a population of 889,639 (in mid 2004)—are predominantly of agriculture sector, that is 32%, while those working in services sector is 22%, and sector of industry, trading, hotels and restaurants are approximately 12%.<sup>7</sup> Referring to aforementioned composition, it shows that natural resources and human force are locating in rural areas. In such context, it is reasonable that economic empowerment efforts for the rural inhabitants are politically and economically relevant for improving their well-being.

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<sup>7</sup>See: Annual Report of Sleman District of 2004.

If scrutinizing the potencies of Sleman, there is integration between natural and industrial resources among rural communities. Agricultural-based natural potencies have been long transformed into industrial ventures for improving villagers' income. The most prominent is crafting and food industries such as agro-industry of salak pondoh in Turi sub district. Even Donotirto village-based farmers of Turi, which is Moslem majority, with self-reliant initiatives can have diversified home industrial venture by producing dodol (traditional candy, is similar to taffy), juice, and crispy-chips made of salak pondoh by using simple technology. This diversification, apart from minimizing the price plunge risk of the fruit when season time is coming, it also creates broader job opportunities for the rural. Furthermore, non-agriculture based industrialization also grow and develop in satisfactory way, like garment, both traditional (non machinery) and modern ones, for instance, leather-made glove industry.

Various industries of rural communities, since the beginning, have been based on local people's initiatives and creativities without any mobilization efforts of regional government. They have ground-broken their ventures, starting from producing, marketing and even capitalizing from scratch (bottom), namely by utilizing the engagement of their own rural network. Even in marketing, they could have exported their products to Europe without regional government's assistance. Like what has done by bamboo craftsmen of Moyudan and Mlati sub-district. These completely natural potencies, of course, in further development also experiences ups and downs situation. Nevertheless, in general speaking the rural communities based industrialization is considered to be able to cope with any challenges ahead. Like what has been asserted by Pak Haji Mono, a craftsman of Sumberayu village of Moyudan, whose venture that was exactly progressing in the peak of monetary crisis in 1998. Here is the excerpt:

*"Natural materials-made Handicrafts, like bag, wallet, and other merchandises were developing in term of marketing when monetary crisis was hitting. There were overwhelming demands not only from Yogyakarta based businessmen but also from outside, and of course the situation generated more profits for villagers of Sumberayu Moyudan Sleman, that at the moment was regarded as being in economic crisis by some others."*

Similar stories like Pak Haji Mono's version, surely, were easily figured out in other regions at the moment, explaining economic survival resistance of rural small people who did not only survive but flourish well amid hitting economic crisis. On the contrary, it was precisely experienced by many medium and large-size industries which got bankrupted and floundered due to national monetary crisis in 1998. To identify the comparison in number between small and medium-size industries (SMIs) of Sleman district which developed better than large scale ones, here is the relevant table:

**Table 1**  
**The Growth of Small and Medium Scale Industries**

No	Items	Small and Home Industries		Large and Medium Scale Industries	
		Number/amount	%	Number/amount	%
1	Venture Unit	29	0,17	4	5,19
2	The amount of investment	19.820.000	0,02	80.973.856.000	31,02
3	Raw materials value	214.133.000	0,12	915.787160.000	123,36
4	Production value	255.720.000	0,06	1.941.321.701.000	81,39
5	Added value	11.587.000	0,01	18.095.441.000	4,52

Source: the P2KPM office of Sleman district

Based on the above data, it is obviously big the units of small and home industries, yet the amount (or value) of investment added values surely much bigger compared with large scale industries. Though, when scrutinizing it in term of rationality, it is not reasonable to compare with and even is incomparable considering that in large-size industry the engagement of larger capital and more professional human resources are dominant so that it makes sense to generate larger added values, and more powerful in accelerating regional economic growth.

Nonetheless, when it is seen in term of its generic power, if the Pemda (regional administration) pays more serious concern to them, it is very likely that the small and home industries will denote a powerful economic power in the future. Like what has been envisioned by Bung Hatta ('Bung' is an affectionate title used to address colleagues), the founding father cum Bapak Koperasi ("Father of Indonesian Cooperative"). Such potency, so far has been ignored, it has had apparent force though. Even in Sleman district, it has become the quite big supporting commodity, like specified in this following table.

**Table 2**  
**Ten Commodities Generating the Biggest Foreign Monetary Exchange (in 2005)**

No	Commodities	Exports values
1	Garments	US \$ 45,826,784.79
2	Wooden Furniture	US \$ 7,835,915.05
3	Leather Made Gloves	US \$ 7,242,362.29
4	Fluorescent Lamps	US \$ 5,119,276.57
5	Textiles	US \$ 2,147,565.94
6	Other Textile Products	US \$ 1,158,518.95
7	Wooden Crafts	US \$ 835,318.44
8	Leather Crafts	US \$ 509,924.94
9	Wooden Containers	US \$ 493,393.47
10	Stone Crafts	US \$ 227,897.42

Source: the P2KPM office of Sleman district

If the regional administration has commitment and participative and sustainable plans in empowering local economy (in rural level), hence the evolving economy will become regional economic power. Why? Because, based on industrial development population and the capacity of labour absorbability, still it is dominated by rural citizens. Besides, the majority of people count on the small and medium business sector. That is what prevails in Sleman district, the number of small and home industry practitioners place 99% of all industry practitioners residing in Sleman district.

From the abovementioned figure, if seen from contribution and their growing value, the amount is only 35% in resulting in added value, especially in the past five years. Still, this figure is reflecting the productivity of small industries that is not in balanced with spread number. There is, in fact, a yawning chasm if compared with large scale industries with minor population, yet it is very big in term of regional contribution. Like being figured in this following table:

**Table 3**  
**The Development of Industries (2001 as of 2005)**

No	Items	2001	2002	2003	2004	2005
1	The Number of Medium and Large Scale Industries	56	64	71	77	81
	The Number of Small & Home Industries	16.525	16.633	14.764	14.842	14.867
	Workforce Absorbance	56.6	59.133	59.885	60.022	61.262
2	Raw materials value (in thousand rupiahs)	784.618.380	877.324.385	894.071.919	911.256.480	1.815.257.773
	Small & Home Industries	151.994.645,4	155.586.524	163.292.893	178.634.577	178.848.710
	Large & Medium Scale Industries	632.623.735	721.737.861	730.779.026	732.621.903	1.636.409.063
3	Production Value (in million rupiahs)	1.336.029	1.472.405	1.510.818	1.532.575	2.454.728
	a. Small & Home Industries	360.645	367.081	382.455	399.915	400.14
	b. Medium and Large Scale Industries	975.384	1.105.324	1.128.363	1.132.660	2.054.587
4	Added values (in thousand rupiahs)	551.409.908,7	595.079.765	616.744.866	621.318.685	639.470.713
	Small & Home Industries	208.650.015	211.493.597	219.161.706	221.280.485	221.292.072
	Medium and Large Scale Industries	342.759.894	383.589.168	397.583.160	400.038.200	418.178.641

Source: The P2KPM office of Sleman district

Scrutinising the above data, the quite interesting one is the growth, especially since 2003 as of 2005, that kept on increasing. This condition did not make any decrease the number of small industries in Sleman district, by the issuance of central government non-populist policy in 2005, namely reducing the fuel subsidy and raising the fuel price by more than 100%. Whereas, the national policy on rising fuel price surely hit severely small and large scale industries in Indonesia.

Data published by Dr. Mudrajad Kuncoro, the director of Pusat Study Kebijakan Publik UGM (center for public policy studies of Gadjah Mada University), explained that following the fuel price hike in October 2005 there were at least 6,000 SMIs got bankrupted because of higher production cost. In the case of small and home industries in Yogyakarta special region, there was deindustrialization phenomenon, namely the absolute decrease of manufacture industrial activities, especially if measured by the absorption of unemployment and the decrease of venture unit in long term, according to him since 2001 it actually had been seen. If in 2001 the unemployment absorption by informal sectors was reaching 233,322 people, so in the following two years the figure decreased into 190,710. The similar inclination also overtook in the context of venture units, from 110,183 (in 2001) became 85,491 (in 2003). The both decrease tendencies affected the whole turnover which decreased almost Rp. 2 trillion, that was from Rp. 4.03 trillion became Rp. 2.15 trillion (Kompas, 20/10/2006).

When being seen from what have been conducted and developed by rural industrialists, villages surely are very rich of potencies for transforming themselves into powerful economic machine that will boost growth and generate regional welfare. Nonetheless, it is very lamentable situation, namely rich of natural and human resources, however very poor of innovations, especially in term of economic organisations, it is far from sufficient. In the context of management, their ventures are still administered in chaotic or disorganized manner (not in professional way). Likewise the management of production, which has not integrated yet in stable and sustainable market expansion plans. The weak organizational capacity often in turn makes them find difficulties in accessing capital from available banks. Besides, in many instances they also face constrains in fulfilling market demands which sometimes grow sharply in sudden.

Similarly, in the domain of regional policies there has not been any innovation enabling to drive rural small venture practitioners to organize themselves in a good way through pre-eminent programs which make them more powerful institutionally and in networking, be in term of production, capital, distribution, and marketing. Not surprisingly, when this circumstance has not been well overcome yet, the rural economy can not progress continuously and gives significant impact upon micro and macro economic development at regional and national level.

### **C. Strategy in Accessing Regional Policy and Market**

In RPJM (medium term development plan) of 2006-2010, Sleman district is stipulating the direction of agricultural-based industrial policies that will be implemented through determined attempts of developing husbandry sectors

heading to agribusiness by strengthening agriculture in broader sense. Hopefully, it means to give contribution for heightened PDRB (Product Domestic Regional Bruto) to the end that can cater to the target of growth up to 16.82%. In addition, it also intends to expand small industries, UMKM (Small and Medium Enterprises/SMEs), particularly for those of export-oriented ones, as well as improving knowledge to diversify and apply IPTEK (technologies and sciences) in economic ventures, especially for UMKM. Furthermore, it also expands industries which result in inputs for husbandry sectors and cultivation of post-harvest (viz. seeding, biological engineering, and food products). The major goal is to raise PDRB of industrial sector for meeting the growth target by 19.17%.

The aforementioned RPJM will be formulated by Bappeda (Regional Planning and Development Board) of Sleman district into development plans of 2005-2006 which stipulates that industrial policy direction among others are:

1. Industrial developments will be directed to promote small scale, home, and rural industries by improving expertise through various trainings and the enhancement of capital, tools and equipments, management and apprenticeships.
2. Industrial developments will be aimed as much as possible to utilize and process local raw materials from agricultural and engineering products in a bid to generate superior products both for fulfilling domestic and export demands, as well as by employing current technology so that they can satisfy demands in term of quality and quantity.
3. Industrial development and expansion will be directed to make more firmly and mutual partnership among small, home, rural industries with the large-size ones promoted by the government and private quarters.
4. Industrial development and expansion will be aimed to be in accordance with space order and able to absorb local human resources as many as possible, and not cause any pollution as well.
5. Industries having environmental-friendly orientation, engaging with local people, and improving public well-being.

Meanwhile in MoU signed by DPRD (Regional House of Representatives) and Sleman regional administration on AKU (general policy direction) and the priority strategy of Sleman's APBD (regional budget) of 2005-2006, in the context of improving public welfare people endeavoured to promote industries by using local raw materials and applying effective and efficient technologies. In addition, it was also by enhancing the human resources quality of industry practitioners, improving the management of ventures, production and marketing, and also increasing industrial infrastructures besides making better quality of industrial services.

As for agendas set up for realizing this industrial policy direction stipulated in the strategies and priorities of APBD of 2005-2006 were in the nature of program and activities. Like the policies to develop industries and utilizing local raw materials as well as by employing effective and efficient technologies was enlightened in the form of program on improving technology application and industrial ventures. Meanwhile the planned activities were the socialization and application of controlling system, promoting supplemental foods, and

introducing SNI (Indonesian national standard) system for medium industry practitioners.

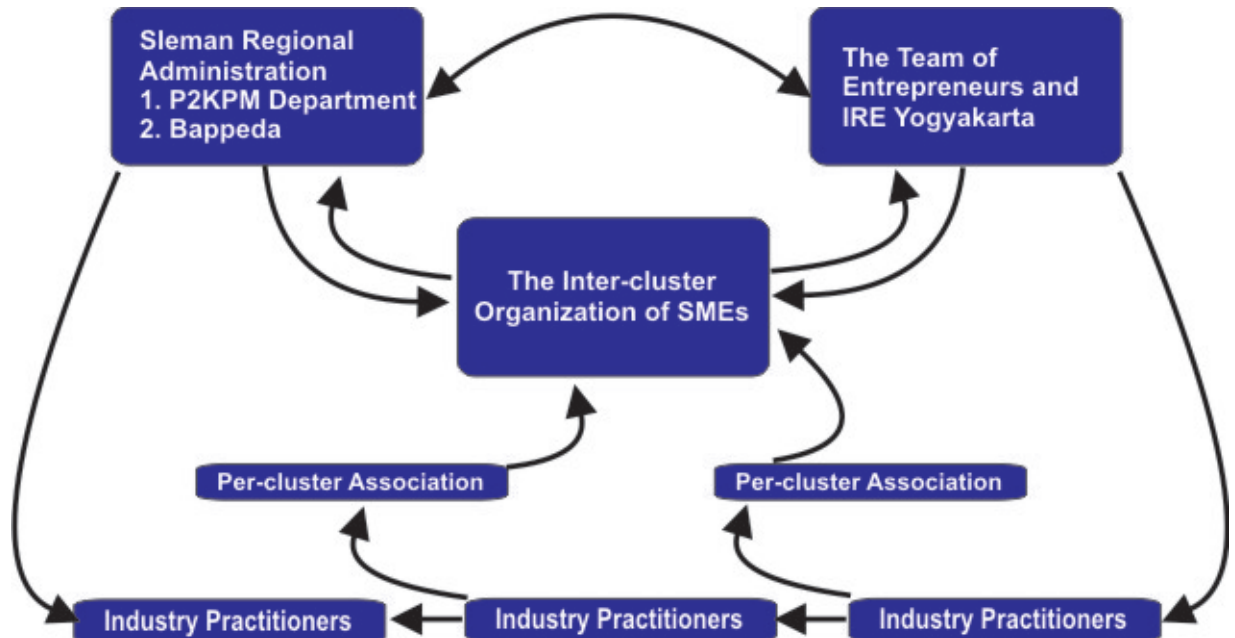
Yet, various abovementioned strategic plans did not work optimally. There were many constraints and problems facing, among others were: first, there had not been integration and interconnection of industrial policy direction based on husbandry into programs of some departments in regional administration. Second, the majority financing of working program or activities (approximately 60%) was channelled for bureaucracy expenditures, instead of directly empowering the SMI practitioners. Third, there had not been strategic partnership between the government and rural industry practitioners through sustainable institutions. Such condition drove the government and venture practitioners to work in separated ways. The cooperation and meeting among them denoted more accidental occasions, based on project moments and alike, so that there was no satisfactory consolidation about major goal in materializing UKM (small and medium scale enterprise/SME) as the “spearhead” of regional economy.

By identifying potencies, constraints and problems in developing rural small industries in Sleman district, researchers (of NGOs and Moslem entrepreneurs) had made breakthroughs through partnership approach engaging with policy makers and rural small venture practitioners. Various collaborations and joint activities had been pioneered, namely ranging from DPRD quarter, Bappeda to P2KPM (Department of Trade, Industry, Cooperatives and Capital Investment) of Sleman district. It had been joint understanding, in a workshop on Developing local Economy in Sleman, that in the context of formulating regulations, DPRD has to promote regulations oriented to local economy—populist industries in rural areas. Besides, also maximizing control over the implementation of regional policies in order to assure consistency in empowering rural small industry practitioners, as well as protecting them from global market dynamism that was highly potential to marginalize them.

It was surely insufficient, merely by establishing access and agreement with DPRD and researchers, particularly Moslem entrepreneurs that also set up cooperation with Bappeda and Department of P2KPM for mutual learning on the existing problems and strategic approach to figure out their solutions. From a series of discussions, it eventually had been formulated a strategic breakthrough in which efforts to encourage rural populist industrialization, namely by means of empowering industry practitioners themselves through organization. So far, there has not been organization of SMI practitioners in Sleman, which comprise of various clusters. Unlike what has long taken place in Yogyakarta province, in Sleman district there has only been cluster-based organization, like handicrafts and food producers. Its progress has yet been optimal.

To deal with the abovementioned situation, then the Moslem entrepreneur community conducted organizing processes over the rural small industry practitioners of inter-clusters. The method applied was by approaching the contact persons of rural industry practitioners’ networks they had, especially when the research was being underway in Sleman district, and network of P2KPM, particularly the alumni of training that had ever been held by small venture practitioners in Sleman. The networks of Moslem entrepreneurs and department of P2KPM, then would be combined and organized through activities, like facilitations, mediation and other alike.

The following is flow chart promoted as partnership strategy to empower populist industry practitioners in rural areas of Sleman district for the sake of accessing regional administration's policies.



The researchers intensively facilitated the rural venture practitioners, reduced constrains they were facing and regional policies as to empowering industrial activities they were developing. Then, they themselves (see: para usahawan muslim) also formulated how to cope with the problems they were encountering. In general speaking, they deeply realized that was not only regional policies that had yet taken side continuously and consistently to rural SMEs empowerment. Nonetheless, the industry practitioners themselves were also confronting various problems. Due to the problem of egoism, they worked individually, ranging from minor access upon bureaucracy to managerial capability in expanding ventures which were unplanned in thorough manner and left to work naturally.

Based on findings figured out in many discussion sessions and focus group discussions, eventually they made an agreement and shared the same opinion on the importance of establishing an organization accommodating all existing rural clusters industries in Sleman district. The accord to set up a cluster-based organization, similar with a SMIs association, internally will be seek to function as mutual learning arena, be in term of business management, capitals, marketing, and so forth. Externally, it will be projected to reinforce and broaden access to existing stakeholders, especially regional policies.

The great significance of having an organization for Moslem entrepreneurs is due to religious ethical dimension, like what Hajjah (woman who has made the hajj) Murniati has argued that endeavours of organizing themselves are because of good will for improving the welfare of small people. Islamic religious teaching is also encouraging it, Hajjah Murniati underlined: "Organized evil can

beat down unorganized merit". Furthermore, she pointed out that, when we are still small we have been divided, we will be more powerless then.

Intensive meetings were continuously held by this Moslem entrepreneurs, and IRE Yogyakarta in collaboration with Sleman P2KPM department facilitated them, by holding a series of PEL seminar following the earthquake disaster, eventually in November 29th, 2006 a cluster-based organization of SMI practitioners had been declared in Sleman district. The new organization is formally registered as IKAPIM (small and medium scale industry practitioners association of Sleman district). The per-cluster industry organizations that so far have been working individually have joined into IKAPIM now. The establishment of the organization has overcome the vacuum matter all this time. The organization surely does not use Islamic symbol, though the activists and its members are Moslem. The absence of Islamic symbol in the new declared organization—the activists argue—means to make it easier to cooperate with the regional administration. Additionally, the government will be free from notorious image of serving only a certain group, besides for smoothing to collaborate with other business organizations.

The establishment of IKAPIM is not only for satisfying the demands of industry practitioners but also the regional administration's wish. Regional government, in this case is the P2KPM department, cherishes a hope that the organization will prompt efforts of developing partnership among business practitioners to be more apparent in term of actors and programs to promote. Mrs. Nogati—the chief of P2KPM—said, on the sidelines of the declaration, that IKAPIM will be backed up by P2KPM department so that its operation will in turn generate advantages for its members. Even the Bappeda itself, represented by its staff Mr. Aji Wibowo, vowed to provide one of its rooms in Bappeda office coupled with secretariat equipments for IKAPIM's operations.

So far, the IKAPIM has yet followed up the facility offered by Mr. Aji Wibowo. However, following the declaration some meetings have been unceasingly held for maturing the activities benefiting directly the members. A meeting held in December 3rd, 2006 at Hajjah Tuti home in Sendangarun Seyegan, talked about the seriousness of establishing a cooperative of IKAPIM. The draft material and engagement with bureaucracy of P2KPM department for forming a cooperative actually has been long pioneered by food industry practitioners, which eventually have been integrated into IKAPIM's program following the establishment of IKAPIM organization. The up-setting of this cooperative functioning to reinforce venture capital of industrialists has got support from P2KPM department vowing to make it easier in applying permits and requirements in establishing cooperative. Additionally, IKAPIM also seek to integrate regional policies in industrial exhibition activities. Mrs. Mulyani told that based on her experiences, food business practitioners who frequently take part in joint exhibitions or product fairs along with their clusters will be propelled to become a collective force in IKAPIM.

By the presence of this IKAPIM, the Sleman-based small business practitioners, with spirit of togetherness, get more self-confident in expressing their aspirations and programs of expanding their ventures institutionally. The rural industry practitioners have realized that vigorous attempts to build up ven-

tures will be very difficult without cooperation through the organization. It is only by organizing themselves, the regional administration will give response over the aspiration and needs of SMI practitioners. In addition, also with the organization the integration process of industry practitioners' requirements and the government's programs can be synergized, even the efforts are not easy, requiring time and process, hard works, and also the commitment of the both parties—regional administration as the policy controller and the business practitioners as players in the field.

So far, there have been several achievements pioneered as part of “sweet result” of the partnership process, among others are firstly, there has been available access to regional administration's policies and programs, especially into P2KPM department. The regional government, particularly Bappeda and P2KPM department have declared to be open to receive proposals, and plans on developing SMIs that will be programmed by IKAPIM. Even there will be more opportunity of program collaboration engaging with the members of the body. If IKAPIM can satisfactorily grow and organize itself, hopefully it will be as the “spearhead” of reinforcing small venture practitioners in Sleman district. So far, the Bappeda has considered that small ventures are hard to expand, since when they have grew larger they run individually, ignoring the still-small ones and provide no assistance at all. To sum up, there is also egoism. Such phenomena must be tackled by the IKAPIM.

Secondly, the members of IKAPIM have also got more access to take part in exhibitive events organized by both the government and private organizers. Like in crafts and food products exhibition held by the department of P2KPM at its office during Romadhon fasting month, in October 2006. Additionally, it has been much easier for the members of IKAPIM when planning and applying permit to establish a cooperative. Thirdly, there have also been many IKA-PIM members having received venture capitals, from the central government through post-earthquake assistance scheme, in order to revive and revitalize their business ventures after being ravaged by the natural catastrophe in May 2006.

Based on the interest of small industry practitioners, IKAPIM can be as a mean to strengthen the members' capacity in term of management and expertise to diversify their products for broader market access sake. In regional administration side, the establishment of IKAPIM can ensure more clear communication with business practitioners in the context of direction, objectives, and targets to achieve. Since, there has yet been organization engaging with all clusters in Sleman district all this time. The existing organizations are more sectoral, furthermore each is of single kind of product (cluster-based).

## **D. Conclusion**

Society has been increasingly hit by trade liberalization. Indonesian administration that has involved in various trading agreement can not also lock its doors. In such context, what needed surely is not how to deny the trade globalization, yet, how to finesse it as an opportunity. It seems that the Indonesian government has to pay very much concern, for the majority of Indonesian citizens are agrarian communities, and almost of their business ventures are of the small and medium scale. The government must provide sufficient protections and

access to policies and market opportunities for the rural SMIs, like what the Sleman regional administration has performed.

There has been a process of mutual developing access among small venture practitioners motivated by Moslem entrepreneurs and regional administration (pemda) for improving capacity and economic growth through rural industrialization. This satisfying process is initiated by endeavours to establish mutual communications up to joint programs to unceasingly urge enterprise capacity enhancement of rural venture practitioners. The Moslem entrepreneurs who since the beginning have greatly realized the importance of organizing themselves, have established an organization named IKAPIM, here is a tactical and strategic step to access regional administration policies and market. It denotes best practice to be progressively promoted in a bid to prevent the local entrepreneurs from being marginalized by globalization process. Creative, innovative, and rife with initiatives entrepreneurs and regional administration which is sensitive and responsive, constitute the keys to increase and improve the quality of public welfare that in turn contributes the state economic growth. The roles of state and market are badly needed to provide access for local economic growth sake.

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