

## The collapse of social capital

### A lesson from Madura, Indonesia

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This qualitative research tried to look at the failure of the smallholder sugarcane development in Madura. To understand this issue, the approach used was social capital analysis by looking at trust as an important factor. The objective of this research was to understand and explore why the sugarcane development failed in Madura. This research used a qualitative method with a case study approach. The informants were recruited from three regencies in Madura: Bangkalan, Sampang, and Pamekasan) using purposive sampling. The results showed that the failure of the sugarcane development in Madura was due to distrust of farmers and investors as the two actors of sugarcane farming. This distrust arose as they were suspicious of one another and there was no honesty among them. Thus, trust as social capital is needed to develop a sugarcane business in Madura.

**Keywords:** smallholder; sugarcane; Madura; distrust; failure; trust.

### 1. Introduction

Indonesia currently still lacks a supply of 3.4 million tons of sugar, especially to meet the needs of the refined and food-beverage industry. This condition requires Indonesia to import raw sugar, raw material for refined crystal sugar or known as Refined Crystal Sugar (RCS). According to the Indonesian Sugar Association (ISA), the areas of sugarcane land in 2015 decreased from 476,000 hectares to 460,000 hectares. The sugar production in 2015 was estimated at 2.54 million tons, down from 2.58 million in the last year. Indonesia can only produce 2.5 million tons of sugar per year with 476,000 hectares of sugarcane land, 52 sugar factories owned by state-owned enterprises (BUMN), and ten private sugar factories. This total production is still far from the total national demand for sugar, which is 5.9 million tons per year. In fact, the Indonesian Food and Beverage Business Association estimated that the need for RCS for the food-beverage and pharmaceutical industry in 2015 was 3.2 million tons. This need increased by 8 percent from 2014 of 2.9 million tons (Kompas, 20 January 2015).

There should be an appropriate solution for this condition so that Indonesia can get out of the situation of continued sugar imports. One way to solve this is by expanding sugarcane fields across

Indonesia. The mobilization of sugarcane farmers in Indonesia will open up new opportunities for a national sugarcane planting movement that can minimize sugar imports in the long run.

Amid the high demand for sugar consumption, however, the farmers' interest in sugarcane planting decreased considerably. This indicates that the sugar industry problem is a national issue that must be resolved immediately. Otherwise, Indonesia will become a sugar importing country and the farmers will suffer from economic hardship indefinitely. Therefore, a movement for sugarcane planting is required as a response to this situation.

Soemarno (2011) states that sugarcane is a plant grown for sugar raw material. This plant can only grow well in tropical climates. Sugarcane planting can be used as an alternative economic movement in improving people's welfare. Sugar is one of the strategic commodities in the Indonesian economy. With an area of about 400,000 hectares in the 2007-2009 period, the sugarcane-based industry constitutes an income source for around 900 thousand farmers with a total workforce of around 1.3 million people.

Departing from this situation, PT. Perkebunan Nusantara X (PTPN X) as one of the state-owned enterprises (BUMN) has been trying to develop sugar factories on Madura Island through the smallholder sugarcane development by a partnership program since 2011. Sugarcane farmers provide their land and energy while the company provides a capital loan of 18 million per hectare. The local people are also enthusiastic.

It takes approximately 12,000 hectares of land to establish a sugar factory. The assumption is that for a sugar factory with a capacity of 5,000 TCD with a milling season of 160 days, the demand for sugarcane will reach 800,000 tons per year. If sugarcane productivity is 60-70 tons/hectares, the total areas required will reach 12,000 hectares (Kuntari: 2014).

However, efforts to grow sugarcane plants on 12 hectares of agricultural land in Madura have not been realized yet. Tens of Madurese farmers who had joined this project left; they stopped cooperating with PTPN X. The development of the smallholder sugarcane project has stalled and it has failed. This research was carried out to understand and reveal why and how the project failed.

Soemarno (2011) explained that improvement of the sugar industry in Indonesia could be carried out by expanding sugarcane plantations in Indonesia. This is because sugarcane cultivation can be done on irrigated and rain-fed land as well as on dry land with own sugarcane or smallholder sugarcane systems. Sugarcane development areas are still focused on Java, including East Java, Central Java, Yogyakarta, and West Java provinces, which are cultivated in rice fields and moorland. Meanwhile, the development of sugarcane in moorland is focused outside Java, such as in North Sumatra, South Sumatra, Lampung, South Sulawesi, and Gorontalo provinces. The government has also launched a

development plan for other provinces by opening up investment opportunities for the development of integrated sugarcane-based sugar industry in several provinces such as Southeast Sulawesi, West Kalimantan, and West Nusa Tenggara. The study also found that the development of the potential sugar industry is still open in other provinces as well, such as Papua, Maluku, East Nusa Tenggara, East Kalimantan, and Central Sulawesi (Soemarno: 2011).

The study explained that sugarcane plantations could be carried out both in Java and areas outside Java whose land is usually dry. This can also be seen from the research conducted by the Indonesian Sugarcane Plantation Research Center (P3GI) and PTN X in 2014. To meet the sugar needs of the Indonesian people, PTPN X is expanding the establishment of a sugar factory by seeking places outside Java. To support this plan, it is expanding sugarcane plantations in Madura based on the research findings that sugarcane cultivation can be done in dry and rocky areas including Madura (P3GI, 2014).

The current study was designed to understand the failure of the smallholder sugarcane project development in Madura. The study conducted by Soemarno (2011) investigated the development of smallholder sugarcane plantations from an agribusiness perspective. Other research by P3GI emphasized the success of the smallholder sugarcane development in Madura or other areas across Indonesia in terms of technical aspects.

Therefore, this research tried to see, understand, and analyze how the smallholder sugarcane program developed by PTPN X undergoes a failure due to the problem of distrust of sugarcane farmers in Madura towards the company and vice versa. This study hypothesized that one of the factors for the failure of the smallholder sugarcane development in Madura is the waning of the most important social capital, which is the trust of sugarcane farmers in Madura toward PTPN X. This study aims to know, understand, and analyze the failure of the smallholder sugarcane development in Madura using the social capital approach (trust and distrust) proposed by Fukuyama (1999).

This research used a qualitative method since it particularly emphasizes process and meaning rather than measurement and causal relationship between some variables (Denzim 2009). Thus, qualitative research provides an in-depth description of social facts. Meanwhile, the approach of qualitative research used was a case study. This research was carried out in the three regencies in Madura: Bangkalan, Sampang, and Pamekasan for 6 months. The subjects of this study were sugarcane farmers and PTPN X in Madura. The subjects were selected using a purposive sampling method based on certain criteria. The data were collected using literature studies and in-depth interviews with sugarcane farming communities in Madura and PTPN X. Triangulation was conducted to ensure the validity of the data. Concerning the code of ethics, adequate explanations were given to the research subjects about the aims and objectives of the study, voluntary participation (no coercion) in the

research, and their rights and obligations during the research process where information of the subjects would not be disclosed to any parties. Evidence of the informants' willingness to participate in the research was signed with informed consent.

## 2. Sugarcane, trust, and social capital

Talking about smallholder sugarcane plantations means placing sugarcane farmers as an inseparable entity. Smallholder sugarcane farmers as written by Ratna and Sumardjono (2011) are those who grow sugarcane on their own land with their capital or loans. Capital is one of the key factors in the sugar industry. For smallholder sugarcane farmers, capital may come from their own capital or loans. However, in practice, farmers rely more on moneylenders' loans or credit because the capital cost in sugarcane farming is high. Indeed, this is one of the problems faced in the smallholder sugarcane development.

The people's sugarcane plantation places local people as essential actors in the development of sugarcane plantation. The word *people* attached to the phrase *sugarcane plantation* affirms that the people are an important element in developing plantations in the community. This means that it is the people who have full *power* in determining their sugarcane. It is not only a matter of plantation but also a matter of their livelihood. It is they who determine it (Kuntowijoyo 1993).

Thus, discussing the people sugarcane plantation, we place the people as the main objective in efforts to improve people's welfare. This also means that the people's sugarcane plantation is intended to improve their lives so that people can get out of the poverty line. In Sukarno's language as stated by the Indonesian Sugar Expert Association (1975), one of the aims and objectives of planting sugarcane is to increase the income of Indonesian farmers, ensure the stability of sugar production, and avoid annual land rent.

Thus, it is understood that the people's sugarcane plantation is a part of the empowerment and development of civil society, particularly their socio-economic empowerment. With these people sugarcane plantation, the farming communities are expected to be empowered and developed. The community development in this framework represents a process of restructuring communities by offering them self-help-participatory patterns and strategies in managing and coordinating socio-economic life so that they can independently meet their own needs (Jim 1997).

Even though the development of the sugarcane farmer community depends on themselves, an outreach method is still needed in its implementation. This method refers to an organizational activity intended to provide contacts, services, and assistance to the community. Services and assistance need to be provided because the problems faced by poor communities such as sugarcane farmers still need

third parties to obtain necessary capital. When Indonesia became independent, the people sugarcane developed independently without any intervention from the government. However, the development of the people's sugarcane also encountered some obstacles as the cultivation of their sugarcane needs much capital, making it difficult for farmers to obtain capital. It is at this point that there was an initiative to assist smallholder sugarcane farmers, such as Yatra (People Sugarcane Foundation) and sugar factories that care for sugarcane farmers provide loans to farmers with low-interest rates (Ratna and Sumardjono 2011).

Meanwhile, the birth of social capital theory cannot be separated from the concept of social networks that a person has in society. It is assumed that persons with social networks can achieve their goals. In simple terms, it can also be said that social capital is a concept about networks and the importance of social relationships originated in certain norms or trust that can be used to achieve goals. Fukuyama (2000: 37) states that social capital constitutes a capability that arises from the prevalence of trust in a society or in a certain part of it. Thus, social capital is a force resulting from the trust. In other words, the essence of social capital is trust. With trust, one can achieve goals at a small cost. Thus, trust represents a very essential side effect of cooperative social norms that give rise to social capital (Fukuyama 2014).

If the people who work together in a company trust each other and work concerning a shared set of ethical norms, doing business will cost little. These society members will be more able to innovate organizationally owing to their high level of trust. On the other hand, people who do not trust each other will immediately end their cooperation because the existing distrust may undermine all forms of economic activity (Fukuyama 2000). In a society with a high level of trust, there is a strong tendency towards spontaneous sociability, which then leads to the birth of several large organizations. On the other hand, people with a low level of trust will tend to develop family-based business ventures (Fukuyama 2000).

If public trust has eroded, the personal trust as a side effect of the cooperative relationships of citizens who belong to each other also goes down (Fukuyama, 2014). Trust should be remembered in itself; it is not a moral virtue. Trust may arise from the norms of honesty and willingness to help each other; thereby, they are able to work together. Trust is destroyed by excessive and opportunistic selfishness (Fukuyama 2014).

The important thing to note in this information and technology era is that a fundamental factor in an organization, society or community in building and realizing goals is trust. Their existences are greatly dependent on mutual trust. This feeling of mutual trust does not come out of the blue or spontaneously (Fukuyama 1995). Thus, a company or an organization can grow successfully in the

community depending on the level of trust and social capital (Fukuyama 1995). Trust is, therefore, an expectation that arises in a community that behaves normally, honestly, and cooperatively based on a set of shared norms for the common interest of the community or society. Otherwise, there will be a deficit of trust (Fukuyama 1995).

Meanwhile, social capital is a capability that arises from the prevalence of trust in a society or a certain part of it. Social capital can be developed in the smallest social group or in the largest group such as the state. Thus, social capital does not require a legal contractual mechanism but requires habituation to moral norms by adopting social virtues such as loyalty, honesty, and mutual dependence or giving. Therefore, it is impossible that social capital can be acquired among selfish people (Fukuyama 1995).

If people who are working together in a company trust each other and work according to shared ethical norms, doing business will only cost a small amount (Fukuyama 1995). People who trust each other will be able to innovate and permit a wide variety of social relationships to emerge. Meanwhile, people who do not trust each other will soon or later end their cooperation, which is merely built under a system of rules and formal policies, and which must be negotiated, agreed upon, executed, and disputed sometimes in a coercive way. The legal apparatus is considered a substitute for trust, which thus can incur transaction costs. Widespread distrust in a society will impose a kind of tax on all forms of economic activities in society (Fukuyama 1995). Indeed, social capital constitutes an important factor and contributes to building the world economy (Munir 2000).

### 3. Sugarcane and economic alternatives in Madura

The development of smallholder sugarcane plantations in Madura began in 2011. Until recently, the land that has been successfully developed in Madura is around 1,000 hectares. So far, the land that can be developed with regard to the smallholder sugarcane plantations until 2014 was approximately 1,099 hectares. Initially, it was only 175 hectares with the details of approximately 459 hectares in the Bangkalan Regency. The TSKP (own sugarcane for pilot plantation) belonging to Semen Gresik accounted for approximately 175 hectares and PTRI (Indonesian Sugar Cane Farmers) 992 hectares. There was around 499 hectares in Sampang Regency, 97 hectares in Pamekasan Regency and 37 hectares in Sumenep Regency. Sugarcane development in Madura in 2014 was targeted for around 2,500 hectares.

For the Madurese community, the presence of smallholder sugarcane plantations is a new hope. Madurese people used to only know rice and corn farming. For this reason, the presence of sugarcane

farming becomes a new breath of fresh air for them to improve their socio-economic welfare. Indeed, it is a sweet hope within the life of the Madurese people which is usually dry and salty.

As a note, according to PTPN X for the Madura region, the development of smallholder sugarcane plantations in Madura began around 2011. Until recently, the land successfully developed in the Madura region was around 1,000 hectares. According to the Head of PTPN X for the Madura region, the land that could be developed in connection with smallholder sugarcane plantations until 2014 was approximately 1,099 hectares. Initially, it was only 175 hectares. Specifically, there were 459 hectares in Bangkalan Regency, TSKP belonging to Semen Gresik of around 175 hectares and PTRI of 992 hectares. Furthermore, there were approximately 499 hectares in Sampang Regency, 97 hectares in Pamekasan Regency, and 37 hectares in Sumenep Regency. The target of sugarcane development in Madura for 2014 was around 2,500 hectares, but due to losses, PTPN did not push for it.

Apart from the records received from PTPN X, the community recorded that the expansion of land associated with the smallholder sugarcane plantations in Madura, especially in Bangkalan and Sampang, varied greatly. For example, in the Kedungdung district of Sampang Regency, the land area planted with sugarcane by farmers from PTPN was approximately 50 hectares, while that in Camplong district was more than 100 hectares. Each farmer group had approximately 30 hectares. Meanwhile, there were approximately 23 hectares and 10 hectares in Burneh and Bangkalan districts, respectively. In Trageh, it was around 30 hectares. Therefore, throughout Bangkalan Regency, it was more than 30 hectares. Furthermore, in Sepulu district, it was approximately 50 hectares, Klampis 50-60 hectares, and Geger 50 hectares. Moreover, in the Ketapang district, there were about 100 hectares managed by PTPN X. In the Banyuates district, there were approximately 50 hectares and there were around 10-20 hectares of smallholder sugarcane land in Robatal Subdistrict.

The smallholder sugarcane plantation development achieved in Madura can actually be developed further. According to one informant, the idle area that can be used for sugarcane plantations in Bangkalan was very large. Thus, it is easy to get only 5,000 hectares. Furthermore, it is said that, of the idle land in Bangkalan Regency, 15% was the *parcaton* land (village customary land managed by a village head). On average, a village head owns the *parcaton* land. A village head has the authority over *parcaton* land which is given to farmers and divided in two. On average, each village head owns 5 hectares of *parcaton* land. An area of 5 hectares multiplied by 281 village heads is 1,405 hectares. This excludes those in Sampang, Pamekasan, and Sumenep. This means that if PTPN X needs 12,000 hectares of land, it is very likely that it can be fulfilled only from the so-called idle land.

According to another informant, PTPN X should only concentrate on idle land to develop smallholder sugarcane plantations. The productive land should not be touched for the time being since



it is feared that it would reduce rice production. PTPN X can just take it off. It can activate the idle land; for example, in Konang District of Durin Timur village, the idle land alone constitutes 80 hectares. Overall, the idle land in Madura, especially in Bangkalan and Sampang, is around 40,000,000-70,000,000 hectares.

However, according to Teguh and Fauzi from PTPN X of Madura development area, the Madurese sugarcane development was not significant and even it declined, not to say it failed. This is evidenced by the land area available. In 2016, only 700 hectares of land were planted. In 2017, it was only 500 hectares and in 2018 it even decreased to 200 hectares.

#### 4. Cooperation between sugarcane farmers and PTPN X

With such a large area of idle land available, PTPN X made Madura as one of its areas of smallholder sugarcane development. After going through research on suitable sugarcane varieties in Madura and business calculation, the state-owned company began developing sugarcane crops in Madura in 2011 with a plan to establish a sugar mill in Bangkalan and Sampang. For the plan to be feasible, this requires a minimum of 12,000 hectares of sugarcane in Madura.

This plan, of course, needs the support of the local governments and, most importantly, the prospective sugarcane farmers in Madura. Therefore, PTPN X established and offered a cooperation scheme for sugarcane farmers to join PTPN X in developing sugarcane plantations in Madura. For this purpose, PTPN X offered cooperation, among which was through a partnership between PTPN X and sugarcane farmers. It is hoped that the cooperation would be equally beneficial for both parties. The scheme is simply described as follows: farmers provide their land and manpower while PTPN X provides financing (loans) and transfer of knowledge and technology to sugarcane farmers.

All loans were provided by PTPN X under the following agreement. The agreement sets out funds, land tenure, guarantees, profit sharing of 10% pure sugar for farmers, and payment of 0.6% interest yearly of the loan. Farmer groups are formed by the farmers themselves. When they have land, farmers can directly apply to PTPN without having to go through the farmer groups or leaders.

According to an informant, farmer groups can even be formed directly through PTRI (Indonesian Sugar Cane Farmers). Sometimes, in direct coordination PTRI informs how much land area available and PTPN immediately sends tractors to plough the fields. With regard to the coordination between PTPN and farmers or farmer groups, PTPN has an SKW (Sinder Regional Gardens) to monitor plant conditions.

The model of cooperation is that PTPN lends funds to the farmers. The agreement is made using profit sharing. In the past, it was 34%-66%, 34% for PTPN and 66% for the farmers; after deducting costs.



Meanwhile, the agreement is written in the work agreement, or in an agreement which contains funds, profit sharing, and if it is not paid off in the first year it will be borne in the following year.

According to another informant, a farmer from the Ketapang district of Sampang Regency, the process of cooperation with PTPN is relatively easy. The role of PTPN with farmer groups is by having land and applying it to PTPN to be surveyed. The funds are disbursed after the stages of capital application, the first tillage, the second tillage, and the third tillage. After that, seedlings are given for land that is ready for planting. Because most farmers are still unfamiliar with the seedlings, PTPN provides them at 78 thousand/quintal; it comes directly from PTPN. For fertilizers, farmers can prepare themselves but PTPN can also manage them. When the farmers are ready, they can manage them themselves.

Furthermore, the distribution of PTPN funds is called PKBL (partnerships and community development program) and it is channelled in the form of funds and technical assistance from start to maintenance. This cooperation is written in a contract. Meanwhile, it is not for APBN (State Revenue Expenditure Budget). The sugarcane farmer groups are formed by the farmers themselves and submitted to PTPN. So far, the meeting between farmers and PTPN in Sampang which is held every three months is only a formality, but formal meetings are rare. They are most often held in the fields. It is PTRI who often holds meetings. What PTRI does is usually a matter of maintenance, which is done sometimes once a week.

According to Fauzi, the head of PTPN X for the Madura region, PTPN X provides guidance and does visits to sugarcane farmers. We provide capital of 15-17 million per hectare for farmers according to the land worked on. This concerns the costs of tilling, planting, fertilizers, seedlings, harvesting, and transporting sugarcane to the mill. There are loans of up to 30 million per hectare. Loans are given to farmers and then repaid and deducted later for-profit sharing after the sugar is sold. However, PTPN X does not cover the cost of the land lease because it does not use a land rental system.

With regard to SHU (surplus), the head of PTPN X for the Madura region explained that according to government regulations, farmers get 66% and PTPN 34% progressively in accordance with the sucrose contents. If 10% is out of 100%, 90% is cashed, 10% is pure sugar directly for farmers. For example, for 100 quintals, the farmer gets 10 quintals of pure sugar and 90 quintals are cashed out.

## 5. From capital to the broken trust

If there is no problem with land and if sugarcane farming can still be expected to be an alternative economy for the welfare of the Madurese people, what are the problems or obstacles to the development of smallholder sugarcane plantations in Madura? When this question is asked to the head

of PTPN X for the Madura region, Teguh and Fauzi, then the obstacles to the development of smallholder sugarcane plantations in Madura are as follows. First, there is a distinct culture of the Madurese people. An even more complex culture is that no workers are skilled and familiar with sugarcane farming in Madura, so PTPN X brings workers from Java. Second, the *lokean* (bunds) within the Madurese community cannot be taken apart. This is not good since it affects productivity. For example, during the rainy season, the water cannot run off so the plants are inundated, automatically leading to low sucrose contents. Third, there is no irrigation, only waiting for the rain. If the land can be taken apart, water can flow and the costs will not increase (as it is now).

However, according to Teguh and Fauzi from PTPN X, apart from these obstacles, the biggest obstacle is the patron-client culture. Thus, if PTPN X wants to make an entry, it has to go through the figures concerned first, such as *blater* (“rogue character”), *kiai* (“religious figure”), and *the village head*. The biggest problem was that many local leaders disapproved of and prohibited the presence of several new things, including the establishment of the factory.

In addition, the most common constraint is related to the size of the contracted land. The study found that if the contracted land area is too large, it will cause problems because the planting and harvesting periods of each contract are not the same. If the first crop has already been harvested, everyone has to wait until the last contract gets its turn to harvest. The impression that arises when dividing the results is the long waiting time for the harvest. For this reason, the easiest way is to contract a small area of land, such as 4-5 hectares, only for 1-2 people. If there are more than 10 people, the waiting time problem will occur as described earlier.

Local figures play an important role in the entire life system of local communities in Indonesia (Dasion and Nugroho 2020). According to the community, the prominence of a person in Madura determines whether an activity is carried out smoothly or not. For this reason, every activity must get permission from local figures. The community believes that by getting the blessing and permission of local figures, what they do will be successful and not constrained by problems.

Although money is not everything, capital for sugarcane farmers is one of the obstacles to developing sugarcane plantations in Madura. People feel that the cost of labor in Madura is more expensive than in Java. The loan of 18 million/hectare provided by PTPN is still considered too low. In addition, the soil structure in Madura is very different from other regions because the processing rarely uses tractors. People often use oxen to plow the land. Thus, the community needs greater costs in renting a tractor in order to get maximum results in sugarcane farming.

Facts on the ground show the high cost of sugarcane development in Madura. Some farmers even explained the details of costs such as land treatment costs of 2 million/hectare, planting costs of 1.5

million/hectare, and fertilizer costs (ponska, urna, Za) can reach 9 quintals per hectare. Furthermore, the farmers also explained that sugarcane plants cannot be overwatered and water shortage is another problem. There are two patterns of sugarcane planting, namely pattern A and pattern B. Pattern A is used if the land has a borehole and pattern B is used for land planted in the rainy season, so the costs incurred for pattern A are greater because farmers still have to buy water. Pattern A can be harvested in about six months and pattern B in about 8-10 months. In addition to these issues, another problem is related to the current unfavourable climate conditions.

Delays in the disbursement of funds for capital are a serious problem for sugarcane farmers. For the farmers, the availability of capital was initially not a problem because PTPN was always on time in disbursing funds. But the delay in disbursement is now a problem. Farmers have to seek loans to be able to pay for planting costs. Another obstacle that is often complained about is the poor road access that makes the cost even greater.

One farmer (AT) explained that until now his 420 tons of sugarcane have not received certainty. Farmers have been asked to plant sugarcane but the funds have not been provided. When the contract was made, farmers only provided land and all funds came from PTPN with a loan system. For the farmers, the first and second contracts are still running according to the applicable rules, but for the third contract, PTPN has not carried out their obligations, without any further explanation. This often causes conflict between the farmers and PTPN.

Meanwhile, according to some farmers, the constraint to the development of sugarcane plantations in Madura is the size of the land. For Madurese people, the amount of land is not calculated in hectares but in local units called *petak-petak*. In addition, for farmers, socialization about sugarcane farming is still lacking, so people tend not to be interested in planting sugarcane.

On the other hand, people feel lied to and forced to become sugarcane farmers. Some farmers even explained that they initially did not believe in sugarcane farming in Madura. However, they were forced to do so because they had no other option to earn money for their family's economic needs. Now some of them feel disappointed because they even have debts even though they have earned money from the sugarcane farm.

## 6. Distrust and failure of the smallholder sugarcane project in Madura

Among the problems and obstacles discussed above, the most crucial one is the issue of distrust. Trust is not easy to define, as evidenced by the recent spate of books and articles on the concept (Barber 1983; Baier 1986; Gambetta 1988; Hardin 1991), as described by Newton (2001). Trust is one of the most important synthetic forces within society. In Fukuyama's (2002) term, there has been a deficit in trust that has

occurred between the Madurese farmers and PTPN X. Whereas, in Fukuyama's study, one thing that makes a business collaboration successful is when each actor can use trust as their social capital. Further, social capital can be defined as the social construction of social interaction of individuals in building social forces collectively to solve various social problems. Social capital can be in the form of tools constructed by individuals for a common goal (Jumadi 2016).

The development of sugarcane plantations in Madura by PTPN X began in 2011. For about two years since then, there were around 1,099 hectares. The previous target was that the land developed for smallholder plantations in Madura was around 12,000 hectares. The previous target for 2014 or 2015 should have been 5,000 hectares. However, until the beginning of 2014, it was only 1,099 hectares. Even in 2017, many farmers chose to withdraw from cooperation. This shows that the development of smallholder sugarcane plantations in Madura has problems in terms of land if it is not to say a failure.

Over time, many of the farmers withdrew. The peak was in 2016 when the land that was still in cooperation with PTPN X was only 700 hectares, and then in 2017 it was only 500 hectares, and in 2018 only 200 hectares was left with 70 farmers joining. Even then, with an independent scheme development, the farmers finance it themselves. Meanwhile, PTPN X only provided assistance. The problem of this expansion is more social and societal since the land in Bangkalan and Sampang is large. Moreover, the idle land in the two regencies is used for a land requirement of 12,000 hectares as targeted by PTPN X.

The present study found several problems related to the land expansion faced by PTPN X: the issue of *tabun* (land boundaries), the farmers' short way of thinking, the farmers' tradition of burning land during the dry season, road infrastructure, irrigation, manpower importation from Java, hard soil, patron-clients (personage)/ community culture, lack of socialization (counselling), capital and farmers' distrust in PTPN X. Of those problems, the latter problem, namely trust, is the most serious problem faced by PTPN X in developing smallholder sugarcane plantations in Bangkalan and Sampang.

According to Fukuyama (1999), trust is the most important social capital that can determine whether individuals or companies can develop and achieve their goals. The more trust a person, a community or company has, the greater is the social capital to achieve success. Conversely, the less trust a person or company has, the less successful is to achieve goals.

With regard to land development, when it first came to Madura, PTPN X had a large social capital. The community warmly welcomed PTPN X's good intention to develop smallholder sugarcane plantations, especially when there was a sugar mill in Madura. The Madurese community has been saturated with poverty and underdevelopment. The presence of PTPN X in 2011 was seen as giving new hope for a better life for them. That was why many of them joined PTPN X at that time.

However, over time, the sugarcane farmers who joined PTPN X felt being cheated by PTPN X. Probably, PTPN X never felt cheating. In the farmers' words, there were PTPN X's personnel who were fraudulent. Credit delays in the second planting season, incompatibility of the number of fertilizers purchased with the scales, miscalculations, no transparency in harvesting results, sluggish provision of information on harvesting results, no clear information, no maximum service when the farmers came to the PTPN X office in Socah, and no response of PTPN's employees to the farmers' phone calls are among the farmers' experiences which lead to a conclusion: they felt they had been cheated by PTPN X.

The farmers feel being hurt and they no longer believe in PTPN. This leads the farmers, who were initially excited to develop their fields, to withdraw. For the last two years, the sugarcane they planted has not provided any profits. On the contrary, two years of planting sugarcane left them in a deep debt gap. Sugarcane for them turned bitter, rather than sweet.

These feelings discourage them to motivate other farmers to plant sugarcane and join PTPN X. They prefer tasting the bitterness of sugarcane alone. They are waiting to see how to unleash the debt that wraps around them before they open and expand the land.

The farmers' frustration story is denied by PTPN X. They feel that they have been transparent, open, providing the best and maximum services. The problems are that the proceeds from the sugar mill have not been received, the decrease in sucrose contents, and the delay from the central management. On these grounds, PTPN X does not want to be blamed.

Despite the profitability of planting sugarcane on a calculated basis, the fact of the last two years leads the farmers to conclude that planting sugarcane does not bring prosperity. Even though the period of two years was still relatively short for sugarcane planting, the profits are not yet clear. However, Madurese people consider sugarcane farming a choice.

In the development, there was a problem of trust between sugarcane farmers and PTPN X. There were several issues that make these two sides distrust each other. It started with the farmers' suspicion of PTPN X's non-transparency, frequently withheld loans, unsuitable fertilizers, and no direct access to the sugar mill. The accumulated suspicion led the farmers to choose to sell their crops outside PTPN X. Additionally, in several cases, they abandoned their sugarcane fields and burned them. This was done because they no longer trusted PTPN X.

Meanwhile, PTPN X also identified the problems with the farmers in Madura. These problems led to the farmers' distrust. It ranged from the problems of not using the loans for the purpose of planting sugarcane, selling the crops to other mills, to not paying the loans extended by PTPN X. Under Fukuyama's approach, what happened between the sugarcane farmers and PTPN X is a phenomenon

of social distrust. In fact, trust is the biggest resource in developing the economy, including the smallholder sugarcane plantation in Madura. Thus, trust is an important asset in the sugarcane farming development in Madura. However, due to a trust deficit, a distrust emerges that leads to obstacles to and even a failure of sugarcane farming development in Madura.

This is in line with Fukuyama's ideas that people who work together in a company trust each other and work according to a set of shared ethical norms, thus requiring only a small amount of money in doing business. Such a community would be more able to innovate organizationally due to its high level of trust. On the other hand, people who do not trust each other would immediately end their cooperation since the distrust would burden all forms of economic activity (Fukuyama 2000).

It is this analysis that provides guidance for us to analyze why sugarcane farmers and PTPN X decided to end their eight-year cooperation. It is due to the distrust between the two of them. A community with a high level of trust would tend to have spontaneous sociability which leads to the birth of several large organizations (companies). On the contrary, a community with a low level of trust tend to develop business ventures that are family in nature (Fukuyama 2000).

Therefore, PTPN X and the sugarcane farmers tend to have a low level of trust. This can be proven by the initial cooperation between the two sides which was established through an agreement document that mutually assumed that there would be irregularities in the future. When there are problems, it would affect the sustainability of the designed cooperation. This occurs because all actors are more concerned about their interests. This is what makes them lose their honesty to their partners. This is what Fukuyama (2014) says that their trusts are destroyed by excessive and opportunistic selfishness.

## 7. Conclusion

Results of the present study demonstrate that sugarcane development in Madura is not as easy as it is imagined. Despite the extraordinary agricultural and land potential of Madura, the issues of culture, mindset, technology, trust, and capital have made the development of sugarcane in Madura a failure.

One of the main factors of this failure is the issue of trust between the sugarcane farmers and PTPN X. Early in the sugarcane development in Madura, the sugarcane farmers were so enthusiastic and fully confident that sugarcane farming could bring prosperity to Madurese people. Likewise, PTPN X also believed that Madura was the right area to develop sugarcane farming after the agricultural land in the Java region has started to run out by the conversion to non-agricultural functions.

This mutual trust constitutes an important asset of PTPN X and the Madurese sugarcane farmers to develop smallholder sugarcane projects in Madura. Therefore, at the beginning of the project, it

seems to be running well and smoothly. However, in its development, after eight years of running, the sugarcane development project finally suffered a setback, if it is not to say a failure at all. The number of sugarcane farmers was progressively reduced, which in 2018 there were only 70 farmers who joined PTPN X with a land area of only 200 hectares throughout Madura. Even then it was with a new scheme, called independent sugarcane farming.

The collapse of trust occurs due to mutual suspicions between the two actors and the perception of being cheated by each other. This suspicion creates distrust that makes them ultimately end their cooperation. Therefore, in the future, it is recommended to build trust between the actors involved in any development project, including sugarcane farming, especially in Madura. This is because trust is of utmost importance to achieve goals, including the Madurese sugarcane farming development.

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