

**Implementation of Puap Program  
(Pengembangan Usaha Agribisnis Perdesaan/Rural  
Agribusiness Development Effort)  
In Ngawi District**

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## **ABSTRACT**

In Ngawi District PUAP program has operated more than 4 years and 147 Gapoktans have received capital assistance from this program or 65% from total Gapoktan in Ngawi District. This report try to dig the real condition the implementation of PUAP program in Ngawi district. Rural Agribusiness Development Program (PUAP) is a government policy for promoting community empowerment programs to reduce poverty and unemployment. This program channel funds to affordable poor villages. Fund of PUAP received by each of the villages is 100 million rupiah to develop rural agribusiness through Farmers Group Association (Gapoktan). This funds were expected can be used to create MFI-A to support the development of Agribusiness. Agribusiness development strategy characterized by systems based on empowering the diversity of available resources in each region (domestic resources based), accommodating the diversity of the quality of human resources that we have, do not rely on imports and foreign loans which are large, export-oriented (in addition to exploit the domestic market), is expected to solve all of the existing economic problems. Real conditions in rural communities in general are that the capital resources for farming is still weak and tend to be limited. The development of MFI-A on PUAP Gapoktan is a strategic steps to resolve the issue micro-financing farmers and agricultural laborers.

The result of this study found that Successful implementation of PUAP in the district Ngawi has brought changes in the community, such as emerged a new agribusiness ventures and the emergence of units of agribusiness supporting sub-

system, the procurement and distribution of the means of production sub-system and marketing sub-system. The new activities conducted in implementation of PUAP program also increased the Characteristic of Community capacity and the community has been able to perform its functions to plan, implement and evaluate the program. And there is also good leadership and human resource that make characteristic of community enhance.

## **CHAPTER 1.**

### **INTRODUCTION**

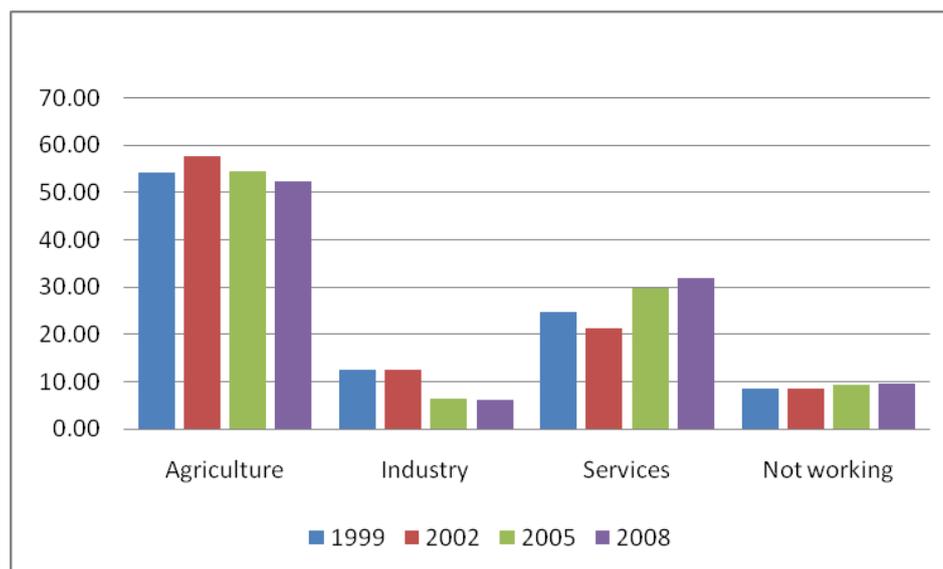
#### **1.1 Research Background**

Indonesia is an agricultural country in which its peoples predominantly work as farmers who reside in rural areas. Then the agricultural sector has a very large role in contributing to the national income. Based on data from the Central Statistics Agency (BPS) that the population is under the poverty line in Indonesia in March 2012 was recorded at 29.13 million (11.96 percent) compared to the number of poor people in March 2011, which amounted to 30.02 million people (12.49 percent). During the period March 2011 to March 2012, the poor in urban areas is reduced by approximately 399.5 thousand people (from 11.05 million in March 2011 to 10.65 million in March 2012), while in rural areas reduced 487 thousand people (from 18.97 million in March 2011 to 18.48 million in March 2012).

Percentage of poor people in urban areas in March 2011 was 9.23 percent, dropping to 8.78 percent in March 2012, likewise with the poor in rural areas, is from 15.72 per cent in March 2011 to 15.12 per cent in March 2012. However, poverty in rural areas will continue to be the main problem that the national poverty reduction remains a priority program for the achievement of social welfare for the people. Further disaggregation by sector indicates that poverty in Indonesia is very much related to the agricultural sector. Figure 1 shows the sectoral share of the poor from 1999 to 2008. The figure clearly shows that more than a half of the poor in Indonesia have a livelihood in the agricultural sector,

while the rest are mostly in the services sector. Therefore, the development of the national economy based on agriculture and rural areas directly or indirectly have an impact on poverty reduction.

**Figure 1.1 Sectoral share of the poor from 1999 to 2008.**



Source: ( Badan Pusat Statistik, BPS)

Efforts to achieve agricultural development cannot be separated from a wide range of problems encountered. Actually there are three basic problems faced by the farmers in Indonesia (Ministry of Agriculture, 2010: p. 1). First is lack of access to source of financing, In the implementation of agricultural development, most of actors/farmers face constraints in capital, both equity capital and access to capital institutions. In general, in front of formal financial institutions, agricultural enterprises are not eligible the criterias of 5-C, the character, condition of economy, capacity to repay, capital and collateral which are the rules / mechanisms banking standards in the distribution of capital. And then Capital and financing issues are conventionally treated with its own capital or loans from

middlemen (Nugroho & Miles, 2009: p.6). Second is lack of access to market, the length of the chain of agricultural trade system causing farmers can not enjoy a better price, as traders have taken too much profit from the sale. And the last is lack of access to technology. Most farmers in Indonesia are still cultivating the lands with traditional ways only small are already using advanced technology. Therefore the results very limited and cannot be maximal.

To overcome these problems are needed intervention from the state to determine the appropriate policy. Based on this situation, the Indonesian Government through the Ministry of agriculture in 2008 determined the new policy to overcome the basic problem faced by the farmers through capital assistance given to Gapoktan (joint of farmer group) in poor villages, every Gapoktan receive donation Rp. 100.000.000,00 to create Microfinance Institution-Agriculture (MFI-A). The presence of microfinance institutions is expected to be able to encourage the development of agribusiness in the village so it can create jobs and increase farmers' income. This policy is known as PUAP (Pengembangan Usaha Agribisnis Perdesaan/Rural Agribusiness Development) (Ministry of agriculture, 2010: p.1-6).

Ngawi district is one of rice barn in east java province. The biggest utilizing land in Ngawi is for paddy field (wetland) then followed by forest, settlement, yard, others and plantation. While based on livelihood almost 35 % people in Ngawi are work as farmer and farmer labor (LKPJ 2012, p.8, 22) as the biggest population based on livelihood and followed by unemployment. It's mean that agriculture sector are the importance sector for Ngawi people as livelihood and

unemployment also become a big problem in Ngawi district.

Actually the condition of Ngawi district is similar with national condition, in which the farmer face basic problems faced by the farmers in Indonesia generally that are lack of access to source of financing, market, and technology. From this condition it can be assumed that if PUAP Program in Ngawi District can running well it will help the farmers in Ngawi District to tackle the basic problems faced by the farmers. In Ngawi District PUAP program has operated more than 4 years and 147 Gapoktans have received capital assistance from this program or 65% from total Gapoktan in Ngawi District. It means that Rp. 14.700.000.000,00 PUAP fund have been disbursed to NGAWI district. For better results the implementation of PUAP program must be evaluated and controlled. Unfortunately until now there is no evaluation about the implementation of PUAP program in Ngawi District.

## **1.2 Research Questions**

According to the research background above, there are three questions must be answered in this research:

- a. What Is PUAP Program?
- b. How is PUAP program can help the development of Agribusiness?
- c. How is the implementation of PUAP programs in Ngawi district?

## **1.3 Research Objectives**

The purposes of the research are to describe, to analyze, and to interpret things as follows:

- a. The PUAP Program.
- b. How PUAP program can help the development of Agribusiness.
- c. How the implementation of PUAP programs in Ngawi district

#### **1.4 Research Benefits**

By conducting this research, it is expected that it will give benefit to several as follows:

- a. Academic benefit: This research will enrich community capacity study, give new point of view in conducting micro finance program for farmers;
- b. Practical Benefit: This research will give good input to determine ideal model of public policy in program of poverty reduction, and for the researcher, this research is one of many steps in learn poverty alleviation program and will support to do daily task in work site.

## **CHAPTER 2.**

### **THEORETICAL REVIEW**

In order to help the process of writing this thesis there are several theoretical reviews used in this thesis, as follows: Program, Public Policy Implementation, Agribusiness, Microfinance and Assistency.

#### **2.1 Program**

According to Charles O. Jones (1991: 296) program is the authorized way to reach the purpose, some specific characteristics that can help a person to identify a program or activity as follows:

1. Programs tend to require staff, for example, to perform as a principal or program.
2. The program typically has its own budget, the program can sometimes also identified through the budget.
3. The program has an identity of its own, which, when run effectively be recognized by the public.

Best program in the world is a program based on a clear theoretical model, namely: before determining who want to overcome social problems and begin to intervene, then there must be a prior serious thought about how and why the problem occurred and what the best solution.

## **2.2 Public Policy**

There are several definitions about public policy emerging among scholars. Woodrow Wilson, who is arguably the father of modern public administration, contends, “public policy is the laws and regulations which are made by legislative statesmen and implemented by public administration personnel”. This definition is obviously characterized by “the dichotomy between politics and administration,” which narrows the scope and limits the range of public policy makers (Renzong Huang, 2002: p. 276). Thomas R. Dye (1987: p. 2) thinks, “Public policy is whatever governments choose to do or not to do”. Dye focuses not only on government action, but also on government inaction, and therefore, his definition shows the obvious character of behavioralism. It reflects the practical discipline quality of public policy analysis. “Action” means that government takes measures or uses symbols openly in order to solve some public problem. “Inaction” means that government does not take measures or express active symbols, abiding by the principle of noninterference. Both are important solutions to public problems. Robert Eyestone (1971) defines public policy most extensively. He states, “In a broad sense, public policy is the relationship between governmental organs and their environment” (p.18). It is evident that Eyestone is influenced by the science of ecological administration. Indeed, public policy is the function of a governmental system and its living environment, namely  $P = F(G, E)$  (here, P refers to public policy, G refers to governmental system, and E refers to the living environment).

### **2.3 Policy Cycles**

The term policy cycle refers to the recurrent pattern shown by procedures that ultimately lead to the creation of a public policy. The advantage of analyzing these procedures by dividing them into stages (agenda-setting, formulation, implementation) resides in the way it offers explanatory insights into the decision-making process. More precisely, the notion of policy cycle provides a means of thinking about the sectoral realities of public policy processes.

The concept of policy cycle was developed by Harold Lasswell in the USA in the 1950s. At the time, he provoked a near revolution by describing public policy science as being multidisciplinary, problem-solving and explicitly normative (Howlett and Ramesh, 2003). On the basis of these characteristics, Lasswell developed the concept of policy cycles, which he broke down into seven fundamental stages in decision-making. Although the three characteristics identified by Lasswell with respect to policy analysis have withstood the test of time, his cyclical model is now largely criticized for its fragmented approach to explanatory factors. At present, there is a consensus in the research community that the model should be divided into five major stages: agenda-setting, policy formulation, public policy decision-making, policy implementation and policy evaluation (Howlett and Ramesh, 2003). Although all five are important, three of them – agenda-setting, formulation and implementation – are crucial to understanding policy cycles (Savard and Banville, nd: p.1).

Agenda-setting, the first stage in a policy cycle, refers to the processes by which social conditions are recognized and considered to have evolved into a

“public problem” – no longer subject to a social or natural destiny, nor belonging to the private sphere – thereby becoming the focus of debate and controversy in the media and in politics (Garraud, 2004 in Savard and Banvile, nd: p.1). The next stage in the policy cycle is policy formulation. It involves identifying and assessing possible solutions to policy problems, weighing their pros and cons, and deciding which should be accepted and which rejected (Howlett and Ramesh, 2003 in Savard and Banvile, nd: p.1). The third important stage is implementation, or the process of putting a public policy into effect. This is when a decision is carried out through the application of government directives and is confronted with reality (Mégie, 2004 in Savard and Banvile, nd: p.1).

#### **2.4 Public Policy Implementation**

Issues of public policy implementation have attracted the attention of social scientists, especially political science and public administration, both at the developed countries and developing countries. Until the early 1970s, the implementation was considered as not problematic thing in terms of policy, because it is assumed that after taking a policy, then we need to be carried it away. This view started to change since the publication of research results Pressman and Wildavsky, entitled *Implementation* in 1973. They scrutinize federal government programs to the residents of inner-city of Oakland, California, the unemployed, the results of these studies indicate that programs for job creation was not implemented in the way expected by policy makers (Tachjan, 2006, p:1-2).

Other studies also confirm that the Great Society programs that implemented by Johnson government (1963-1968) in United States in Tachjan (2006), did not succeed in achieving the desirable goal and that the problem is in the way implementation of the program (Tachjan, 2006 :p.1-2). This is in accordance with the statement Edwards III (1984: p.1) that without effective implementation, the decision made by decision makers will not be successfully implemented.

Policy implementation stage can be characterized and distinguished by the policy-making stage. Policy-making on the one hand is a process that has bottom-up logic, in the sense of the policy process begins with the submission of aspiration, or support requests from the public. While the implementation of the policy on the other side it has a top-down logic, in the sense of abstract delegation policy alternatives or macro into concrete action or micro (Wibawa, 1994: p.2).

There were several definitions about implementation issued by several scholars. Van Meter and Horn (Wibawa, 1994: p.15) states that the implementation of the policy is the action taken by the government and the private sector both individually and in groups that are intended to achieve the goal. While Grindle (1980: p.7) stated, the implementation of a general process of administrative actions that can be studied at the level of a particular program. Grindle (1980: p.7) adds that the implementation process would only start if the goals and objectives have been established, the program of activities has been arranged and the funds have been prepared and channeled to reach the target.

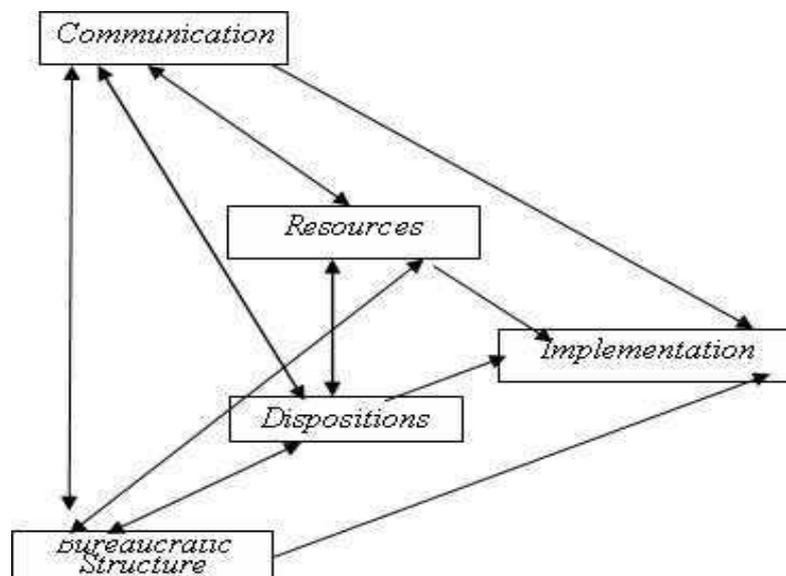
According to Lane in Akib and Tarigan (2008), the implementation as concept can be divided into two parts. First, implementation = F (Intention, Output, Outcome). Fit with this definition, implementation is a function that consists of meaning sense and objectives, result as product and the result from the consequence. Second, the implementation is a function of the implementation equation = F (Policy, Formator, Implementer, Initiator, Time). The main emphasis of these two functions is the policy itself, then the results achieved and implemented by the implementer within a certain time (Sabatier, 1986: p.21-48). Policy implementation Connect between policy objectives and its realization with the results of government activities. This is relevant with the view of Van Meter and Horn (1975) (Grindle, 1980: p.6) that the task of implementation is to build the network that enable the public policy goals were realized through the activities of government agencies that involve various stakeholders (policy stakeholders).

#### *2.4.1 Policy Implementation Edwards III*

Implementation of public policy can be viewed from multiple perspectives or approaches. One of these approaches is the implementation approach introduced by Edwards III (1984: p.9-10) that will be used in this study. Edwards III pose implementation problems with the approach firstly by putting two main questions, namely: (i) what factors that support the successful implementation of the policy? and (ii) what factors that inhibit the successful implementation of the policy? Based on the two questions above then was formulated four factors which are the main conditions of success of implementation process, namely communication, resources, bureaucratic attitudes or executive and organizational structure,

including workflow bureaucratic procedures. The four factors become important conditions in the implementation of a policy.

**Figure 2.1 Implementation model Edwards III**



Source : Edward III, 1980: p.148

A communication program can only be executed properly if it was clearly communicated to the implementers. This involves the process of delivering information, clarity and consistency of presented information. Resources, includes four components that sufficient staff (quantity and quality), the information needed for decision-making, sufficient authority to carry out the duties or responsibilities and facilities needed in the implementation. Disposition or attitude of implementing is an implementer commitment to the program. Bureaucratic

structures are based on standard operating procedures governing the flow of work and the implementation of policy.

#### 2.4.1.1 Communication

Effective implementation will be done, if the decision makers knowing about what they will do. Information known by the decision makers can be obtained only through good communication. There are three indicators that can be used in measurement of success variable of communication. Edward III argues that the three variables, namely: transmission, consistency and clarity.

##### *Transmission.*

Distribution of good communication will produce a good implementation as well. Often there are problems in the distribution of communications that is the wrong sense (miscommunication) that due to the many levels of bureaucracy must traveled in the process of communication, so that what is expected disturbed in the middle of the road of communication.

##### *Clarity.*

Communications received by the policy implementers (street-level-bureaucrats) should be clear and not confusing or ambiguous.

##### *Consistency.*

Commands given in the process of a communication must be consistent and clear to set or run. If the command is given frequent changes, it can cause confusion for implementers. Based on the results of the Edward III study there are some obstacles that are commonly found in the transmission of communications, namely:"First, there is a conflict between policy implementers and an order issued by policy makers. A kind conflicts like this will lead to distortions and direct

obstacles in communication policy. Second, the information conveyed through the multi-layered bureaucratic hierarchy. Communication distortion may occur because of the long chain of information that can lead to biased information. Third, the problem is also caused by the capture of information perception and the inability of implementers in understanding the requirements of a policy ".

According Winarno (2005, p.128) The factors that drive the vagueness of information in public policy implementation is usually due to the complexity of the policy, the lack of consensus on public policy objectives, the problems in starting the new policy as well as the tendency to avoid accountability policies. The next question is how to break down the barriers of communication or distorted? Policy implementation process consists of various actors involved from top management to the lower levels of the bureaucracy. The effective communication requires clear communication organizing process to all stages. If there is any contradiction of the executor, then the policy will be ignored and distorted. Winarno (2005, p.129) concludes: "the more layers or implementing actors involved in policy implementation, the more likely it faced obstacles and distortions".

In managing good communication needs to be established and developed channels of effective communication. The better developments of communication channels built, the higher probability of the commands are passed correctly. In the clarity of information usually there is a tendency to obscure the purposes of information by stakeholders on the basis of its own interests in by interpreting information based on their own understanding. Method to anticipate such action is

to establish procedures through clear statement of requirements, objectives, eliminating the option of multi-interpretation, carrying out procedures carefully and reporting mechanisms in detail.

#### 2.4.1.2 Resources

Edwards III (1980, p.11) categorizes organizational resources consist of: Staff, information, authority, facilities; building, equipment, land and supplies. Edward III argues that

"Insufficient resources will mean that laws will not be enforced, services will not be provided and reasonable regulation will not be developed".

The resources are positioned as an input in the organization as a system that has implications economically and technologically. Economically, resources related to the cost or sacrifice incurred directly by the organization that reflects the value or potential uses in its transformation into output. While technologically, resource was related to the transformation capabilities of the organization. (Tachjan, 2006: p.135)

According to Edward III in Agustino (2006: p.158-159), resource is an important factor in the implementation of good policies. The indicators are used to examine the extent of resource affecting implementation of policies consists of: staff, information, authority and facilities.

#### *Staff.*

The main resource in the implementation of the policy is the staff or employee (street-level bureaucrats). Failures that often occur in the implementation of the policy, one of due to the staff / employees who are not

quite adequate, or incompetent in the field. Increasing the number of staff and the implementer is not enough resolve issues of policy implementation, but it is required a sufficient staff with the necessary expertise and capability to implement the policy.

*Information.*

In policy implementation, information has two forms: first, the information related to the ways of implementing the policy. Second, information related to compliance of the executor to the laws and regulations that have been established.

*Authority.*

In general authority should be authorized so that commands can be implemented effectively. Authority is an authority or legitimacy to the executive in carrying out the policies established politically. When the authority does not exist, then the strength of the implementer is not legitimized in the public eyes, so it can fail the implementation of public policy. But in other contexts, when formal authority is available, it often goes wrong in seeing the effectiveness of the authority. On the one hand, the effectiveness of the authority necessary to implement the policy, but on the other hand, the effectiveness will recede when authority is distorted by the implementer for its own sake or group.

*Facilities.*

The physical facilities are an important factor in policy implementation. Implementer may have sufficient, capable and competent, staff but without the supporting facilities (infrastructure), the implementation of these policies will not work.

#### 2.4.1.3 Disposition

According to Edward III (1980, p.89) tendencies or disposition is a factor that has important consequences for the effective implementation of the policy. If the executor has the inclination or positive attitude or support for the implementation of the policy then there is the possibility that implementation of the policy will be implemented in accordance with the initial decision. And vice versa, if the executor to be negative or refuses to the implementation of policies because of conflict of interest then the implementation of the policy will face serious constraints.

Form of rejection can vary as proposed Edward III (1980, p.90) about "indifference zone" where the policy implementers through their discretion inhibits smoothly the implementation of the policy by ignoring, delaying and other inhibitory action.

In the opinion of Van Metter and Van Horn in Augustino (2006, p.162): "Attitude of acceptance or rejection of the implementer policies agency greatly influences the success or failure of the implementation of public policy. It is very possible because implemented policies are not the result of local residents formulation who know very well the problems and issues that they feel. But public policy is usually a very top-down decision-makers may not know even cannot touch the needs, desires or problems to be addressed ".

Factors becoming concern of Edward III in Augustino (2006:159-160) regarding the disposition of the policy implementation consists of: appointment bureaucracy and incentives.

### *Appointment bureaucracy*

Disposition or attitude executor will pose real obstacles to the implementation of policies when existing personnel not implemented policies desired by officials higher up. Therefore, the appointment and election of executive personnel policy should be the people who have the dedication to policies that have been established, more specifically on the interests of citizens.

### *Incentives.*

Incentives are one of technique suggested to overcome the problem of the attitude of the policy implementers by manipulate incentives. Basically people move based on self-interest, then manipulate incentives by policy makers influence the actions of the policy implementers. By adding certain benefits or costs may become a driving factor that makes the implementer running the command properly. This is done as an effort to meet personal or organizational interests.

#### 2.4.1.4 Bureaucratic Structure

According to Edwards III in Winarno (2005, p.150), there are two main characteristics of bureaucracy: "Standard Operational Procedure (SOP) and fragmentation". Standard operational procedure (SOP) is the development of the internal demand for certainty of time, resources and the need of uniformity in the organization of a complex and extensive work. Basic size SOP or work procedures are used to address common situations in various public and private sector. By using the SOP, the executor can optimize the time available and can

serve to homogenize official actions in complex organizations and widespread, so that can lead to great flexibility and great similarity in the application of the rules.

Based on the results of the study are summarized by Edward III Winarno (2005, p.152) explains that: "SOP is very likely to be an obstacle for the implementation of a new policy that requires new ways of working or new types of personnel to carry out the policies. Based on this, the greater policy need the changes in ways that are prevalent in an organization, the greater the probability of SOP inhibiting the implementation.

The second characteristic of the bureaucratic structures that influence the implementation of policy is fragmentation. Edward III in Winarno (2005, p.155) explains that "fragmentation is the deployment of responsibility of a policy to several different bodies so require coordination". In general, the greater the coordination needed to implement the policy, the less likely the success of the program or policy. Fragmentation result on narrow views of many bureaucratic institutions. This will lead to major detrimental consequences to the success of policy implementation. Here are the obstacles that occur in bureaucratic fragmentation associated with the implementation of public policy (Winarno, 2005, p.153-154):

"First, there is no strong authority to implement the policy because splitting of certain functions to the different agencies. In addition, each agency has limited jurisdiction over a field, then the important tasks that may be neglected in various accumulate bureaucracy agendas ". "Second, a narrow view of the organization may also inhibit the change. If an organization has a low flexibility

in its missions, then the organization will try to defend its essence and will likely oppose new policies that require a change ".

## **2.5 Agribusiness**

Agribusiness encompasses all enterprises that take place inside and outside the farm gate, bringing products from the field to the consumers. Agribusiness consisted not only of food production by itself, but included other processes such as generation or acquisition of production inputs, use of farm produce in different forms through processing and trading of farm products. Hence, there began a “specialization” into different aspects of the agricultural industry process.

Goldberg and Davis in 1957 in Jamandre (nd, p.1) defined agribusiness as

*"the sum total of all operations involved in the manufacture and distribution of farm supplies; production operations on the farm; and the storage, processing and distribution of farm commodities and items made from them."*

While Baruah (na, p.1) said that Agribusiness include not only those that farm the land but also the people and firms that provide the inputs (for ex. Seed, chemicals, credit etc.), process the output (for ex. Milk, grain, meat etc.), manufacture the food products (for ex. ice cream, bread, breakfast cereals etc.), and transport and sell the food products to consumers (for ex. restaurants, supermarkets).

According to Ministry of Agriculture Agribusiness is series agriculture activities which consist of four sub-systems. First is upstream sub-system, that is economic activity producing production tools (input) of agriculture, second is

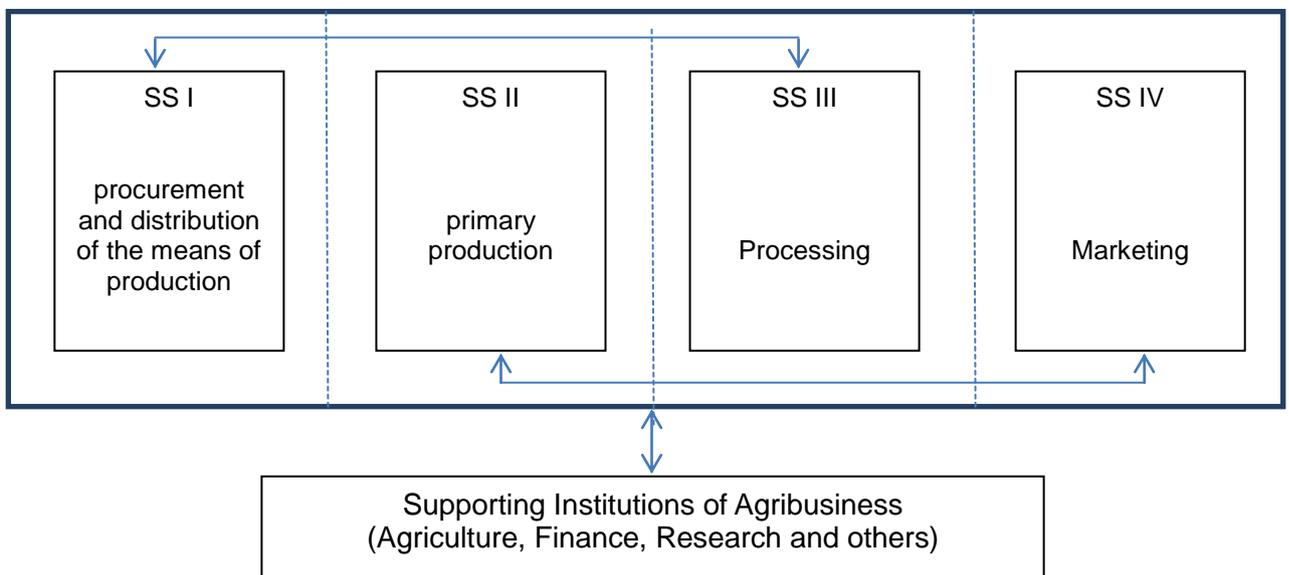
primary sub-system agriculture, that is economic activity using production tools of agriculture produced by upstream sub-system, third is downstream sub-system, that is economic activity producing and selling agriculture commodity, fourth is supporting sub-system, that is economic activity preparing supporting services such as technology, capital assistance and others (ministry of agriculture, 2010, p.4).

### 2.5.1 Concept Of Agribusiness.

According to Soeharjo (1997) in Asriani (2003, p.3) the concept of agribusiness are as follows :

- a) See agribusiness as a system consisting of several subsystems. The system will function properly if there is no interference to one of subsystem.

**Figure 2.2 Agribusiness system and its supporting institutions**



Source: Asriani (2003, p.3)

- b) Every subsystem in the agribusiness system has backward and forward linkages. Backward or left arrows on the processing subsystem (SS III) showed

that SS III will function properly if supported by the availability of raw materials produced by SS I.

- c) Agribusiness requires support institutions, such as financial institutions, education, research and transportation. Educational and training institutions prepare professional agribusiness actors, while research institutes donated technology and information. Supporting institutions are mostly located outside the agricultural sector, so that the agricultural sector is closely related to other sectors.
- d) Agribusiness involves actors from various sources (state, private and cooperative) with the profession as a producer of primary products, processors, traders, distributors, importers, exporters and others.

#### *2.5.2 Nature of successful agribusiness*

For now are very competitive and complex the condition of the business. This is mainly due to alteration appetite and fashion of the consumers on the one side, and introduction of substitute and less expensive and nicer competitive goods, on the other side. The long-time dictum “produce and sells” has changed overtime into “produce only what customers want”. In fact, understanding what buyers want is never simple. Nevertheless, a farmer operator/farmer manager has to give correct thought to this consideration in order to make their business a successful one. According to Baruah (nd, p.3) the critical requirement for success in a modern business are :

1. Clean objectives :

One of The most critical requirements for the success of business is the Determination of objectives. The objectives set forth should be possible to be achieved and clearly defined. To achieve the set objectives then, all the business efforts should be geared. Or we can say that objectives are destination points for an agribusiness. Similar to a traveler who has to know here he/she has to reach, business also must know what objectives.

## 2. Planning :

In simple words, planning is a pre-determined line of action. Planning determines the accomplishment of objectives set, to a great extent. It does not consume time to do thing but it consumes time to decide what and how to do. Planning is a recomendation based on experience and trends for future actions. Or we can say that planning is a problem analysis and problem solving to solve problems with reference to the objective of the farm.

## 3. Sound organization :

The art or science of building up systematical whole by a number of but related parts is the definition of an organization. It is like a human frame formed by various parts like head, heart, hand, lever, brain, eyes, legs etc. similarly, organization of business is formed by harmonies combination of human resources, machine, material, financial management etc. And then all parts could work jointly as one unit, i.e. “business” “the agribusiness”. In the other word we can say that Organization is systematic combination of various related parts to achiev a defined objective in an effective way.

## 4. Research :

As we talked earlier, today the philosophy of agribusiness is “produce what the consumer want”. Cultural, social, personal and psychological factors are factors that can influence the behavior of “Consumers”. Every business must consider and appreciate these factors and then function properly. To well known about these factors we must conduct market research. By market research a business enable to find out new methods of production, improving the quality of product and developing new products as per the changing tastes and wants the consumers.

#### 5. Finance :

Finance is the heart of business enterprise. It brings together the land, labour, machine and raw materials into production. In order to keep the business wheel on moving Agribusiness should estimate its financial requirements adequately. Therefore, for securing the required finance for the enterprise, proper arrangements should be made.

#### 6. Proper plant location, layout and size :

Location is greatly influence the success of agribusiness. When we decide the location of agribusiness we should consider the availability of required infrastructure facilities, availability of inputs like raw materials, skill labour, nearer to the market etc. Hence the business men must take sufficient attention in the initial stages to selected suitable location for his business.

#### 7. Efficient management :

Poor management or inefficient management often becomes a reason why the business is failure. If we can make proper use of available resources for

achieving the objectives set for the business, it can be said that we already done Efficient management.

#### 8. Harmonious relations with the workers :

Forr successful operation of business, there should be cordial and harmonious relations maintained with the workers/labours to get their full cooperation in achieving business activities.

### **2.6 Microfinance.**

Microfinance has been proven to be resilient during the previous financial crises. Thus, it is not surprising that in the present economic crisis, there are high hopes that microfinance will prove to be robust – and even become more vital. Not only is it hoped that microfinance will remain a viable tool for development, but also that it will become a substantial alternative for financing innovation – in both developing and developed economies (Nugroho & Miles, 2009, p.4). As microfinance (along with other financial services provided by non-financiers) has attracted more attention in the development context, so it has become of growing interest as a possible solution (or part of the solution) to the problems of small firms in more industrialized countries. Most attention has been focused on developmental issues such as support for peripheral and deprived regions and socially excluded groups in these countries. Relatively little analysis has dealt with microfinance as an alternative route to financing innovation that can help overcome shortcomings in established arrangements for so doing.

The World Bank defines 'microfinance' as the financial services provision to the low-income clients, including consumers and the self-employed (Nugroho & Miles, 2009, p.6). These clients are usually borrowers who are considered "unbankable" by the conventional financial service, such as farmers in Indonesian rural areas.

The issue of capital to finance small-scale farming becomes complex because access to formal finance institutions can hardly be met farmers. Completeness agricultural business administration difficult can be met so was rated unfeasible by many bank (unbankable). In general, in front of formal financial institutions, agricultural enterprises are not eligible the criterias of 5-C, the character, condition of economy, capacity to repay, capital and collateral which are the rules / mechanisms banking standards in the distribution of capital. And then Capital and financing issues are conventionally treated with its own capital or loans from middlemen (Nugroho & Miles, 2009, p.6). Thus, it is necessary a financial institutions or financing for agriculture that is able to eliminate the 5-C constraints faced by farmers.

Microfinance describes small-scale financial services like loans, remittances, insurance, savings, etc which reflect the heterogeneity of financial needs of their clients. According to Aryo (2012, p.31) if we want to tackle poverty using microfinance institutions, we must take a special delivery that touches the poorest people. Therefore, microfinance institutions should have strong social intermediation services and aligned with the financial intermediation services when provide comprehensive assistance to the poor. Without this effort, it was

difficult for MFIs to raise society's most destitute from the base of the pyramid of poverty, especially to solve an issue of poverty. Microfinance has experienced a rapid growth over the last few decades and has become a popular development tool among policymakers. While the success of outreach by microfinance institutions to poor entrepreneurs has been remarkable, the evolution of microfinance in the agricultural sector has been limited. This is largely because of the irregularity of cash flow in agricultural households and unique and uncontrollable risks, such as weather and input prices, inherent to agricultural activities.

## **2.7 Assistancy**

Literally assistancy is a relationship between the companion and accompanied party, where both parties are in a close position. Assistancy according Karjono in Fuat Iskandar (2012, p.18) quoted are as follows:

*"Mentoring is a strategy development (how to achieve the goal) where the relationship between companion and accompanied is dialogical relationship (co-exist) between the two subjects. Beginning by understanding the reality of the community and renew the quality of reality towards the better condition".*

While the companion itself, there are some experts who try to define it. According Ismawan (2000, p.19) a companion is a partner or facilitator who helps a community based organization in carrying out agendas in order to achieving their own goals. Whereas according Mubyarto (1994, p.154) companion is a

person or group in charge of accompanying the process of formation and organization of the group as a facilitator, communicator and dynamic factor.

By some definitions above, we can conclude that the nature, purpose and a common goal of assistancy is to help people to change the existing conditions for the better condition by providing opportunities to the people who assisted to develop their potential.

Relates to who will carry out the task of assistancy, Sumodiningrat in Iskandar (2012, p.20) suggested that assistancy include:

- a. Local companion, such as the community leaders, PKK cadres, local village officials and cadres in the local village.
- b. Technical companion which come from companion personel of technical ministries.
- c. Special companion provided to the rural poor in underdeveloped villages with special coaching.

### *2.7.1 Role And Function Of Assistancy*

Companion should make efforts to realize the important role in generating and increasing public awareness, they need to convey information through the program as well as community leaders and youth groups, to persuade, influence and convince the public, provide information about the benefits of group participation, shows development opportunities and improved conditions physical, social and economic, easy access to the group / community organization to a variety of resources, putting the group into a formal organization, providing extension and technical skills to the community and supporting the coordination

of the program according to the national association of countries the united states, in Iskandar (2012: p.18-21).

Besides that the companion must have the attitude and ability of management. Attitude that needs to be had are democratic and open, togetherness and responsiveness. Whereas management capabilities are the ability to delegate the power, creativity and the ability to give and respond the feedback according UNDP 1998 in Iskandar (2012: p.18-21). .

While the role of the companion by ife (1995: p.201-210) there are four, namely: facilitative role, educational role, the role of the people's representatives and technical roles.

#### 1. Facilitative Role

Facilitative role are roles associated with efforts to stimulate and encourage the development of society. Roles grouped into facilitative are:

- a) Social animation
- b) Mediation and negotiation
- c) Giver support
- d) Form a consensus
- e) Group facilitation
- f) Utilization of resources and skills
- g) Organizing

#### 2. Educational Role

Educational role consists of:

- a) Raise awareness of the people.

b) Convey information.

c) Confronting

d) Training.

### 3. The Role Of The Community's Representatives

This role of deals with interaction with external agencies on behalf of the community and for the benefit of the surrounding assisted. The roles are:

a) Looking for sources.

b) Advocacy.

c) Using of media.

d) Public relations.

e) Networking.

f) Exchange of experience and knowledge.

### 4. Technical Role

This role refers to the application of technical skills. Companion in this role are required to not only be able to organize a group but also carry out technical tasks, data collection and analyzes, the use of computers and so forth.

#### 2.7.2 *Assistancy Process*

According to Adi in Fuat Iskandar (2012: p.22)., in general the steps taken in the process of assistancy consist of:

##### 1. Preparation Step

This stage includes the preparation of officers and field preparation. Preparation of personnel is required for make same perception among officers.

While the field preparation is done by doing a feasibility study on targeted areas done formally as well as informally.

## 2. Assessment phase

At this stage the officer attempted to identify the problems and also the resources of the client. This process can be done on an individual basis through community leaders as well as through groups within the community.

## 3. Stage of Alternative program or activity planning

Officers in this process act as a facilitator to help people discuss and think about what programs and activities should taken at this time to address the problems they face.

## 4. Phase of formulating action plan

At this stage public and officials are able to imagine and write short term goals they want to achieve and how to achieve that goal.

## 5. Phase of implementation of the program

This stage is an important step, because something that has been planned well will be deviated in the implementation when there is no good cooperation between officers and citizens.

## 6. Evaluation phase

This stage should involve citizens with the hope that system will be formed within the community for internal monitoring by utilizing existing resources.

## 7. Termination phase

Terminations in a community development program often do not because people are independent but more because the project time is over or because budget already completed.

## **2.8 Community Capacity**

Development of a nation needs support natural resources and human resources. In between these resources, human resources is more important in determining the success of development, because if a country has skilled human resources and qualified human resources that will be able to manage the limited country's natural resources. Similarly, the agricultural development in Indonesia, Indonesia's abundant natural resources will only be managed properly and provide prosperity for the community if the farm is managed by a superior human resources agriculture and qualified human resources agriculture.

Thus the most important thing in agricultural development is to conduct community development (community development) is not merely to raise revenue but more broadly is to develop the human resource capacity of individuals and communities so that they can help themselves to achieve a better quality of life by using internal and external resources.

### *2.8.1 Definition of Capacity and Capacity Building*

Most literature defines capacity as the general ability to execute something. UNDP defines capacity as the ability (the ability to solve problems) owned by a person, organization, institutions, and communities to individually or collectively carry out the functions, solve problems, and set and achieve goals (UNDP, 2006). ). In a broader sense, which is now used in community development,

capacity is not only related to the skills and capabilities of individuals, but also with the ability of the organization to achieve its mission effectively and the ability to survive in the long term.

While Miyoshi (Miyoshi, 2012) defined Community Capacity as a basic element that enables a community to function and refers to the ability to achieve the community's shared goals as well as to promote and maintain the richness of the community through the collective efforts of individuals and organizations within a community, utilizing the human, organizational and social resources available.

Community development is a process that occurs within the community itself (endogenous process). We, as outsiders can not develop people, organization, or society, but the people, organizations or community themselves who can develop themselves. We can only support them in a way to facilitate the process to accelerate their development and help them find access to resources and inputs they need. Thus, in brief "capacity development can be defined as a process whereby people, organizations, and society as a whole issued, strengthen, create, adapt and maintain their skills over time."

The essence of community development is the process of increasing public awareness itself. One aspect of awareness is opening opportunities for action towards change. Increased awareness can be achieved through several strategies, including through policy and planning, social and political action, and through education and awareness. Empowerment through education and awareness emphasizes the importance of an educational or learning process (in the broad

sense) in equipping people to improve their empowerment, so that people have the ideas, comprehension, vocabulary, and skills to work towards effective and sustainable change. (Ife and Tesoriero, 2008: 148 and 350).

In the development of capacity in a community, it should be realized that every community is different. They have the characteristics of culture, geography, social, political, and unique demographics, so that the experience of a community capacity building in the community may not be able to walk in other people even very risky to fail and weaken the experience of the people of the community because it is not process suitable for them (Ife and Tesoriero, 2008: 342).

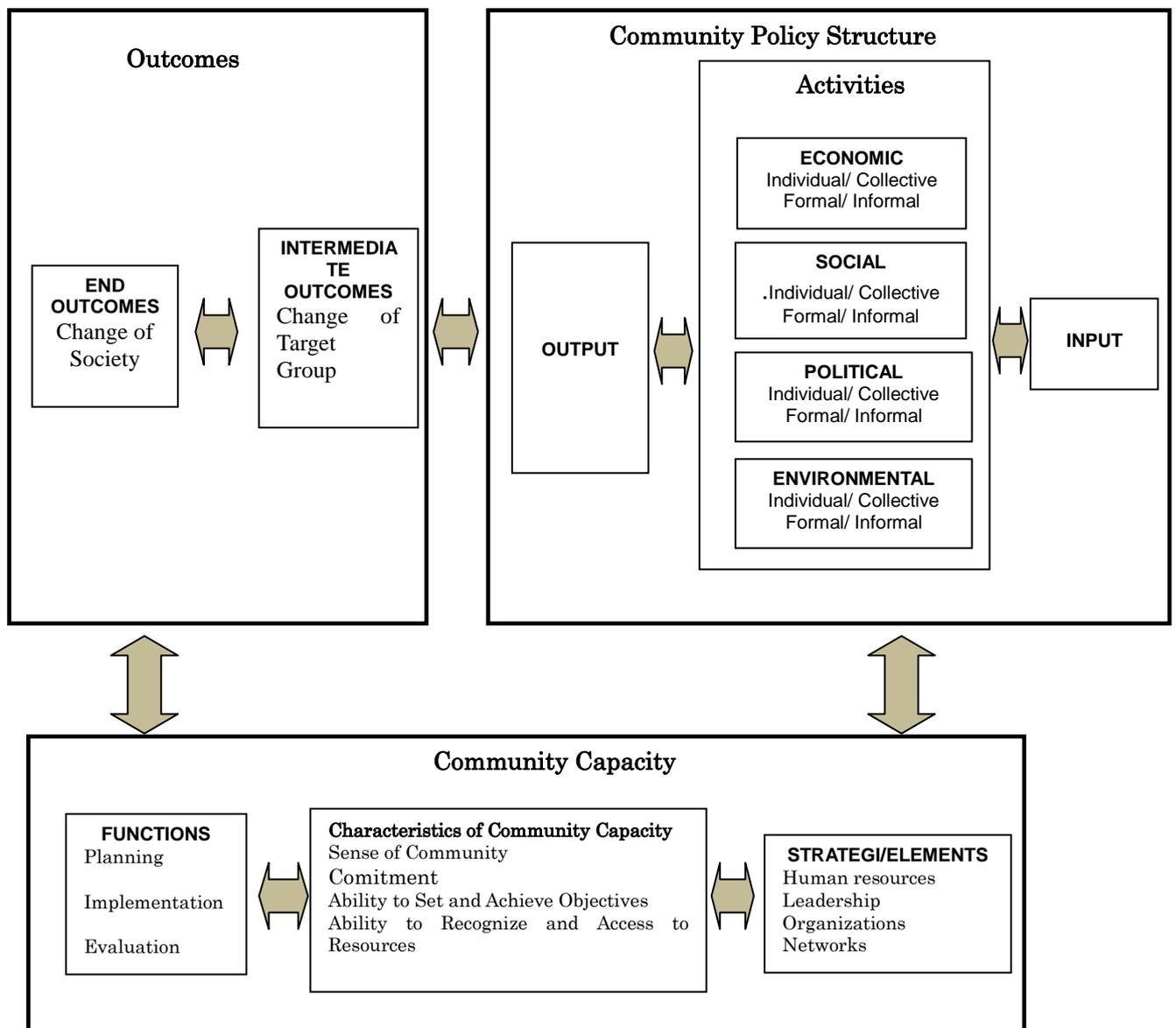
Understanding of community development as a process should also be followed by efforts to increase the capacity continuously. The output of the process of community development is not a condition which stops at a certain point when it stated development goal is reached, but the output should be a continuous cycle and sustainable, because the conditions and dynamics of the community continues to grow and when efforts to increase capacity has reached a certain level, it would appear the new challenges that are more complex and heavier.

### *2.8.2 Elements of Community Capacity*

To explain the elements that exist in the community capacity we will use the Community Capacity Development Policy and Community Structure Models offered by prof. Koichi Miyoshi. In this model, he combines the Community Capacity Development with Community Policy Structure to provide a clear picture of the activities and behavior of individuals and organizations in the

community by using the Program Theory based relationship ends and means. According to this model community capacity development has three main elements, namely: Strategic Component, Characteristic of the Community and Function of Community Capacity (Miyoshi, 2012).

**Figure 2.3. Community Capacity and Community Policy Structure Model**



According to Prof. Miyoshi characteristics possessed by a community will

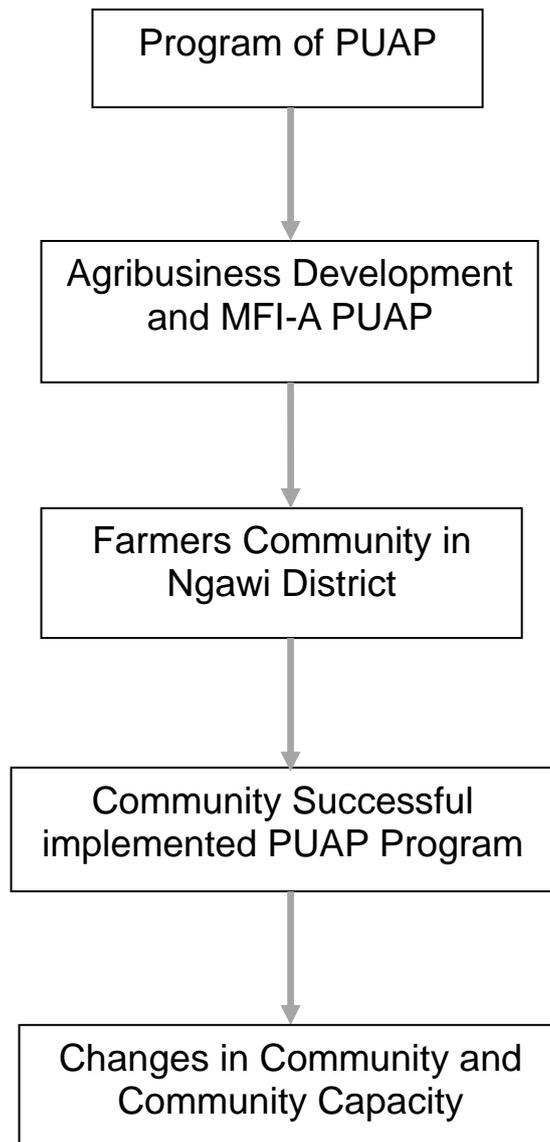
determine the capacity of the community (Miyoshi, 2012). Community characteristics that exist in this model consists of a sense of community, Commitment, ability to set and Achieve objectives, ability to recognize and access to resources. The capacity will Enhance If members' sense of belonging to the community enhance, if each community member also Becomes aware of his / her role and acquires a sense of duty in order to Realize these values, norms and future visions, and carries out his / her role in a systematic and collective manner as one part of the greater whole of the community. If individuals and organization in the community can set of community values, norms and future visions as community-specific goals and actually Achieve those goals, community capacity can be developed further. And the last one is if the community is able to recognize resources available and utilize these. While for the function components, Prof. Miyoshi argues that community characteristics can function as the community capacity by alter the characteristics becomes a real function of the community planning, implementing and evaluating public policy structures as community activities.

On the other hand, the leadership, human resources, organizations and networks that exist in the community also can enhance its own characteristics. The emergence of leaders, existence of human resources, establishment of organizations, and formation of networks can all greatly change a community's characteristics, such as individuals' and organizations' sense of belonging to the community, commitment, ability to set and achieve goals, and ability to recognize and secure resources. The emergence of leaders, existence of human resources,

establishment of organizations, and formation of networks are all intrinsic, but influences can be exerted externally (Miyoshi, 2012).

All policies or programs issued by the government are usually accompanied by rules for implementation. Then the implementations of the model from one place to another place are same. However, the results obtained are often different, there are successful and some are failing to achieve its objectives. Despite all implementation look same, but if done a deeper survey and analysis then we get that every implementation has its own uniqueness in accordance by the conditions existing in the community. Then From the depth analysis we can take good practice from one of the communities that have successfully implemented the program to be shared to the community that has not been successful.

**Figure 2.4 Theoretical Framework**



Source: on the basis of discussion from a wide variety of theories

## **CHAPTER 3.**

### **RESEARCH METHOD**

#### **3.1 Type of Research**

In order to explore and to describe the implementation of PUAP (Pengembangan Usaha Agribisnis Perdesaan/Rural Agribusiness Development) program qualitative research approach will be employed in this research. This research is expected to give thick description about the understanding of PUAP Program, how the Puap Program can enhance the development of Agribisnis and how the implementation of PUAP program in ngawi district.

#### **3.2 Focuses of Research**

The research will be focused on the following sectors as follow :

1. The explanation of PUAP Program, Starting from Archetype of PUAP Program until the Progame Theory Matrix of PUAP program.
2. The definition of Agribisnis and how PUAP program can enhance the development of Agribisnis.
3. The implementation of PUAP (Pengembangan Usaha Agribisnis Perdesaan/Rural Agribusiness Development) program in Ngawi District regarding to the result, supporting and constraining factor, the changes in the community and how PUAP Program enhance the community capacity.

### **3.3 Location of Research**

The research was done in Ngawi District especially in Gapoktan (Gabungan Kelompok Tani/ Joint of Farmer Group) which can success implementing PUAP program and which not success implementing PUAP program. But previously was done literature study first to find out about the explanation of PUAP program, an explanation of Agribusiness and how the PUAP program could encourage the development of agribusiness.

The research also was done by interviewing the PMT and Penyuluh pendamping as the companion in this program. It was focused on direct observation of their role and study literatures and document in office of Departement Agriculture and Horticulture as central office of PUAP program.

### **3.4 Data Collecting Techniques**

In this research, researcher uses and collects primary data and secondary data. Primary data is data that gathered by direct observation and in depth interview. Secondary data is gathered by collecting data from formal documents such as some regulation documents related with topic of study and survey.

In qualitative research, the data comes from the explanation and information, given by informants, facts from field, documents and survey.

#### **1) Facts**

The facts are gotten from events, situation or phenomena, which are related to focus of research.

#### **2) Informants**

The informants are chosen from local government officials knowing about research focus, PMT, Penyuluh Pendamping, gapoktan's officials and the farmers.

### 3) Documents

The data from documents could consist of government regulations, regent regulations, official letters and other legal documents.

## 3.5 Data Validity

Lincoln and Guba in Linda Finlay (nd, p.7-8) propose four criteria for 'naturalistic' research. Interestingly, they link (or pair) their criteria with four used in conventional quantitative inquiry: those of internal validity, external validity, reliability and objectivity.

- 1) *credibility* – This concept replaces the idea of *internal validity*, by which researchers seek to establish confidence in the 'truth' of their findings. Instead, Lincoln and Guba focus on the degree to which findings make sense. For instance, they recommend that qualitative researchers use 'member checks'. Here participants are given their interview transcripts and the research reports so they can agree/disagree with the researcher's findings. In addition, credibility is built up through prolonged engagement in the field and persistent observation and triangulation of data.
- 2) *transferability* – Transferability replaces the concept of *external validity*. Instead of aiming for random sampling and probabilistic reasoning, *qualitative* researchers are encouraged to provide a detailed portrait of the

setting in which the research is conducted. The aim here is to give readers enough information for them to judge the applicability of the findings to other settings.

- 3) *dependability* – This concept replaces the idea of *reliability*. It encourages *researchers* to provide an audit trail (the documentation of data, methods and decisions about the research) which can be laid open to external scrutiny.
- 4) *confirmability* – Confirmability, replacing the concept of *objectivity*, also invokes auditing as a means to demonstrate quality. For *example*, the researcher can offer a self-critically reflexive analysis of the methodology used in the research. In addition, techniques such as triangulation (of data, researcher, context) can be useful tools of confirmability.

**Table 3.1 Four criteria for ‘naturalistic’ research**

Conventional inquiry	Naturalistic inquiry	Methods to ensure quality
Internal validity	Credibility	Member checks; prolonged engagement in the field; data triangulation
External validity	Transferability	Thick description of setting and/or participants
Reliability	Dependability	Audit – researcher’s documentation of data, methods and decisions; researcher triangulation
Objectivity	Confirmability	Audit and reflexivity

Source: Finlay (nd)

### **3.6 Data Analysis Technique**

In this step we adopted the framework developed by Miles and Huberman to describe the major phases of data analysis. According Miles and Huberman (1994) in LT&C (2006, p.2-8) major stages in data analysis are: data reduction, data display, and conclusion drawing and verification.

#### **a. Data Reduction**

First, the mass of data has to be organized and somehow meaningfully reduced or reconfigured. Miles and Huberman describe this first of their three elements of qualitative data analysis as data reduction. Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes or transcriptions. Not only do the data need to be condensed for the sake of manageability, they also have to be transformed so they can be made intelligible in terms of the issues being addressed.

#### **b. Data Display**

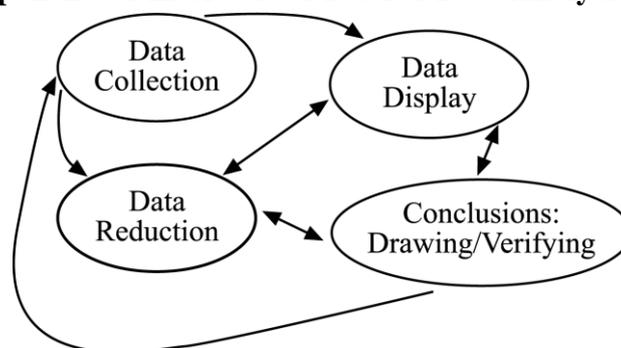
Data display is the second element or level in Miles and Huberman's model of qualitative data analysis. Data display goes a step beyond data reduction to provide "an organized, compressed assembly of information that permits conclusion drawing..." A display can be an extended piece of text or a diagram, chart, or matrix that provides a new way of arranging and thinking about the more textually embedded data. Data displays, whether in word or diagrammatic form, allow the analyst to extrapolate from the data enough to begin to discern systematic patterns and interrelationships. At the display

stage, additional, higher order categories or themes may emerge from the data that go beyond those first discovered during the initial process of data reduction.

c. Conclusion Drawing and Verification

This activity is the third element of qualitative analysis. Conclusion drawing involves stepping back to consider what the analyzed data mean and to assess their implications for the questions at hand.<sup>6</sup> Verification, integrally linked to conclusion drawing, entails revisiting the data as many times as necessary to cross-check or verify these emergent conclusions. The meanings emerging from the data have to be tested for their plausibility, their sturdiness, their ‘confirm ability’ - that is, their validity. Validity means something different in this context than in quantitative evaluation, where it is a technical term that refers quite specifically to whether a given construct measures what it purports to measure. Here validity encompasses a much broader concern for whether the conclusions being drawn from the data are credible, defensible, warranted, and able to withstand alternative explanations.

**Figure 3.1 Components of Interactive Model of Data Analysis Miles and Huberman**



Source: Miles and Huberman, 1994: p.12.

## CHAPTER 4.

### **PROGRAM OF PUAP (PENGEMBANGAN USAHA AGRIBISNIS PERDESAAN/RURAL AGRIBUSINESS DEVELOPMENT EFFORT)**

PUAP is an enhancement prosperity community program, part of PNPM mandiri program that delivers the capital assistance in order to create the agribusiness effort which are appropriate to the agriculture potential village target which are created in order to giving reinforcement capital assistance for farmers member not only for farmers having padi fields but also farmers renting padi fields, farmworkers and farmer house holds.

PUAP program actually was inspired or adopted success of Masril Koto, a farmer of Agam, West Sumatra successful established more than 200 LKMA / MFI-A in the region. Many farmers who are difficult to find a loan inspired Masril to form financial institutions for the farmers. Compared to the other party, farmers is a figure that often gets lack of trust of the bank to get cash injection. Understandably, what can be asked of farmers as loan collateral”.

Therefore, when the equipments for planting are damage, the farmer normally will be busy looking for a loan and not be able to get money quickly. "That's the real difficulties faced by farmers in the field," said 36-year-old man. According to him, the financial institution specifically for farmers is very needed because another problems for farmers such as seed or fertilizer matter can be resolved by the themselves. After one year establish, a lot of farmers who felt the benefits from the farmers bank. The main one is the ease of access to capital.

Farmers who need immediate funds can borrow. Including for other needs such as school fees, wedding expenses, to purchase a vehicle.

Another benefit was overcoming unemployment peasant children who graduated from high school. Among them many were recruited into LKMA employees. On average each LKMA has five employees. With more than 200 LKMA in West Sumatra, quite sizable workforce accommodated. Many employees can go to college by borrowing money from LKMA and repay their loan from their salary. LKMA also be a means of dissemination of information related to agriculture by means of organizing farmers to participate in agricultural training.

Indeed many programs previously been issued by the government to help farmers. Those programs are in the form of financial aid and soft loans. These programs for examples: Bimas (Bimbingan Masal/Mass Guidance) and INMAS (Intensifikasi masal/Intensification of Mass), KUPEDES (Kredit Umum Pedesaan/General Rural Credit), KCK (Kredit Candak Kulak), KUT (Kredit Usaha Tani/ Farm Effort Credit), P4K-RIGP (Proyek Pembinaan Peningkatan Pendapatan Petani Nelayan Kecil-Rural Income Generation Project/Project Development Income Generation small Farmers and Fishermen -Rural Income Generation Project) and others.

#### 1. BIMAS and INMAS

The program was enacted since 1964 until 1984 specifically for rice farmers. The purpose of this program was to increase the production of rice so Indonesian state that previously had been importing rice country become a nation that can rice self-sufficient even turn into a rice exporting country.

BIMAS and INMAS programs conducted by providing agricultural inputs such as fertilizer, high quality of seeds and pesticide at low prices, as well as provide technical assistance to farmers.

2. Kupedes

The program was started in 1984 by the BRI village units by providing working capital and capital investment for all types of businesses in rural, one of this business is agricultural businesses.

3. KCK

The program was started in 1976 and one of lending policies to improve and flatten income people, especially for people that economically weak. Another purpose of this program is to improve the functioning of credit cooperatives and KUD (Koperasi Unit Desa) as well as improving current marketing and distribution of consumer goods that people need. The main purpose of this program was to free the villagers from the bondage of moneylenders.

4. KUT

KUT was introduced in 1997 with the objectives: to help farmers who have not been able to finance their own farming business, increase farmers' income, helping the development of cooperatives and to increase agricultural production.

5. P4K-RIGP

The program was began in 1979 in order to increase the income of farmers and fishermen whose earnings are below the poverty line by giving

credit to each group of farmers and fishermen through the creation of productive effort through BRI and the Ministry of Agriculture.

Unfortunately all the programs above have not been able to achieve the desired goal and eventually forced dismissed. Those were because the implementation processes were not running according to the technical instructions and a lot of abuse. Such BIMAS and INMAS programs, in the implementation the rate of repayment of credit is very bad, not only due to crop failures, pests or plant diseases, but also because of the assumption that these loans are government grants that do not need to be returned. According to some experts this is because there are some programs where interest of credit is very high, lack and weak of socialization effort and there is no or less effective of government assistance effort, as a result the farmers become victim again with new indebtedness.

Learning from the existing experience, then the government tried to design the PUAP program so that later in the implementation this program can run smoothly as expected.

The distribution PUAP assistments are operated by give authority to the gapoktan to distribute these assistment to its members. To make this program run well and achieve maximum output while operate this program Gapoktan are supported by Penyuluh Pendamping dan Penyelia Mitra Tani (PMT). The number of assistment given to Gapoktan is Rp. 100.000.000,-. There are several criterias that must be fulfilled by the gapoktan. These criterias are; having human resource who is able to manage the agribusiness, having functioning organizational-

structural, belonged and operated by farmer and legalized by mayor or regent (Ministry of agriculture, 2010: p.2).

#### **4.1 Archetype of PUAP Program**

PUAP archetype is designed to increase the success of distribution of fund BLM PUAP to Gapoktan in developing productive business of farmers to support the achievement of goal of Ministry of Agriculture, that are:

- 1) Self-sufficiency and self-sustained;
- 2) Diversification of food;
- 3) Added value, competitiveness and exports, and
- 4) Increase the welfare of farmers.

In order to achieve the above objectives, the main component of the archetype PUAP development are:

- 1) Existence of Gapoktan;
- 2) The existence of Extension Assistant (penyuluh pendamping) and Supervisor Mitra Tani (penyelia Mitra Tani) as a companion;
- 3) Training for farmers, management of Gapoktan, etc., and
- 4) The distribution of BLM to farmers (owners or tenants), farm workers and farm households (Ministry of agriculture, 2010: p.7).

#### **4.2 Basic Strategy of PUAP.**

The basic strategies Rural Agribusiness Development (PUAP) are (Ministry of agriculture, 2010: p.7-8):

- 1) Empowering communities in the management PUAP.

- a) training for supervisors and co-workers PUAP;
  - b) recruitment and training of extension and PMT
  - c) training for management of Gapoktan;
  - d) assistance to farmers by extension workers and PMT.
- 2) Optimizing the potential of agribusiness in poor rural affordable.
- a) Identification of potential village;
  - b) Determination of mainstay agribusiness (upstream, downstream and cultivation), and
  - c) The preparation and implementation of RUB based on mainstay agribusiness.
- 3) Facilitating of venture capital for small farmers, farm workers and farm household poor.
- a) The distribution of BLM PUAP to actor of agribusiness through Gapoktan;
  - b) The technical development of agribusiness and technology transfer;
  - c) Facilitating the development of partnerships with other capital sources.
- 4) Strengthening institutional Gapoktan.
- a) Mentoring Gapoktan by Extension Companion;
  - b) Assistance by PMT in each District / City and
  - c) The facilitation of capacity building Gapoktan into economic institutions which is owned and managed by farmers.

#### **4.3 Definition of Kelompok Tani (group of farmer).**

Group of farmer is collection of farmers made based on similarity of interest, similarity of environment condition (social, economic, resource) and solidarity to improve and develop business of member (ministry of agriculture, 2010: p.5).

#### **4.4 Definition of Gapoktan.**

Gapoktan is a collection of several Kelompok Tani merging and cooperating to incline the economic condition and efficiency (ministry of agriculture, 2010: p.5).

The purpose of the incorporation of the group into Gapoktan according to Regulation of Ministry of Agriculture number 273/Kpts/OT.160/4/2007 is the development of farmer groups was aimed at capacity building of farmer groups in carrying out its functions, the increased ability of the members to develop agribusiness, strengthening farmer groups into strong and independent farmer organizations.

Gapoktan development is motivated by the weaknesses of accessibility of farmers to various institutional business services, such as weak against financial institutions, the marketing agencies, the providers of agricultural inputs as well as the resources. In principle, the Gapoktan institution is not only directed as an economic institution, but also expected to carry out other functions as well as having an important role to agriculture

#### **4.5 Definition of Penyuluh Pendamping (companion extension).**

Penyuluh Pendamping is agriculture investigator appointed by the mayor /regent or officer appointed to support the farmer, group of farmers and gapoktan when operate the PUAP program (ministry of agriculture, 2010: p.6).

Criteria of Penyuluh Pendamping (companion extension) (Central Team PUAP: 2010, p.4) are:

1. PNS companion extension (penyuluh pendamping) and THL-TB who have followed PUAP mentoring training;
2. Companion extension is prioritized residing in the village receiver PUAP or in another village in the region of Central Extension of Agriculture, Fisheries and Forestry (BP3K) or education institutions in the district;
3. Companion extension set by the Regent / Mayor serve in village getting PUAP.

While, task of Extension Companion (Central Team PUAP, 2010: p.5) are:

1. Identifying potential of rural;
2. Assisting and facilitating Gapoktan in preparing Joint Business Plan (RUB), Group Business Plan(RUK) and Members Business Plan (RUA) in accordance with the village seed enterprises;
3. Facilitating Gapoktan in access to technology, information markets, business opportunities, capital and means of production;
4. Guiding the implementation of the Gapoktan agribusiness development activities;
5. Motivating Gapoktan members in the development of agribusiness activities;
6. Assisting and facilitating Gapoktan in building partnerships with agribusiness entrepreneurs;
7. Helping Gapoktan solve problems in develop agribusiness;
8. Facilitating the development of Gapoktan institutional functions;

9. Facilitating Gapoktan in prepare the report;

#### **4.6 Definition of Penyelia Mitra Tani (PMT).**

PMT is an individual having skill in micro finance chosen by ministry of agriculture to do supervision and advocating to Penyuluh Pertanian and manager of Gapoktan in development of PUAP (ministry of agriculture, 2010: p.6).

Criteria of PMT (Central Team PUAP, 2010: p.3) are:

- a) Having minimal formal education Diploma III;
- b) Having expertise in the field of microfinance;
- c) Having computers basic skills;
- d) Domiciling in the District / City PUAP;
- e) Willing to follow the basic training of agribusiness, Gapoktan Unit Autonomous activities and PUAP reporting system (manual and e-form).

While, task of PMT (Central Team PUAP, 2010: p.5) are:

1. Doing Supervision and advocacy process of growing rural economic institutions (savings and business units -loans) through a companion extension;
2. Carrying out regular meetings with Extension Companion and Gapoktan;
3. Performing initial verification of the RUB and Other administration documents;
4. Implementing escort the use of BLM PUAP managed by Gapoktan;
5. Along with companion extension who have attended the TOT conduct training to Gapoktan and Extension companion;

6. Together with the District / City PUAP Technical Team conduct evaluation of the implementation of the PUAP previous year and make report to the Center PUAP Team through the Province steering committee c.q Provincial Secretariat PUAP.
7. Encourage rural economic institutions (business unit save - loan) that have successfully to become an microfinance agribusiness institution.

#### **4.7 The Purpose of PUAP.**

PUAP is intended for:

1. Poverty and unemployment reduction through creating and developing agribusiness activity on vilages aproprate to local potential.
2. Improving skill of Agribusiness actor, manager of Gapoktan, Agriculture investigator and PMT.
3. Empowering a farmer institutional and a rural economic to develop agribusiness activities.
4. Improving the function of farmer economic institutional become net or partner of financial organization in order to access (ministry of agriculture, 2010: p.2)

#### **4.8 The Target of PUAP.**

The objectives of PUAP are :

1. The developing agribusiness activity in 10.000 poor villages appropriate to agriculture village potential.
2. The developing of 10.000 Gapoktan belonged and managed by farmer.

3. The increase of prosperity of poor farmer house hold, small scale farmer / breeder and farmworker.
4. The developing of farmer agribusiness activity having cycle daily, weekly or seasonally (ministry of agriculture, 2010: p.3).

#### **4.9 Indicators Success of PUAP.**

Output indicators of PUAP are:

- a. Distribution of PUAP assessment to poor farmers and poor farmer house hold member of Gapoktan, as financial capital to support productive agriculture activity.
- b. Implementation facilitation of capacity reinforcement and capability of human resource of gapoktan officer, Penyuluh Pendamping and PMT.

While Outcome indicators of PUAP are:

- a. The increase of gapoktan capability to manage and as a facility of financial capital assistment farmer, farmer renting padi fields, farmworker and farmer house hold
- b. The increase of number of farmer, farmworker and farmer house hold geting finacial capital assistment.
- c. The increase of agribusiness activity in rural areas.
- d. The increase of farmer income, farm worker income and farmer house hold income.

Whereas the benefits and impacts Of PUAP program are:

- a. The increase of number Agribusiness activity and farmer house hold economic activity in PUAP locations.

- b. Gapoktan can function as farmer economic institutional in rural areas which is had and managed by farmer
- c. The reduction of poverty and unemployment in rural areas. (ministry of agriculture, 2010: p.3-4)

#### **4.10 Scope of Activities.**

PUAP scope of activities consists of:

1. Identification and verification of candidate locations as well as the village of receiving BLM Gapoktan PUAP;
2. Identification, verification and determination of the Village and the recipient Gapoktan PUAP BLM;
3. Training for facilitators, Extension Assistants and administratorsGapoktan;
4. Recruitment and training of PMT;
5. PUAP socialization and coordination activities;
6. Mentoring;
7. Distribution of BLM PUAP;
8. Guidance and Control;
9. Supervision;
10. Monitoring, evaluation and reporting.

#### **4.11 Stakeholder.**

Generally there are three stakeholders involved in PUAP program that are:

- Internal stakeholder
- Connected stakeholder and

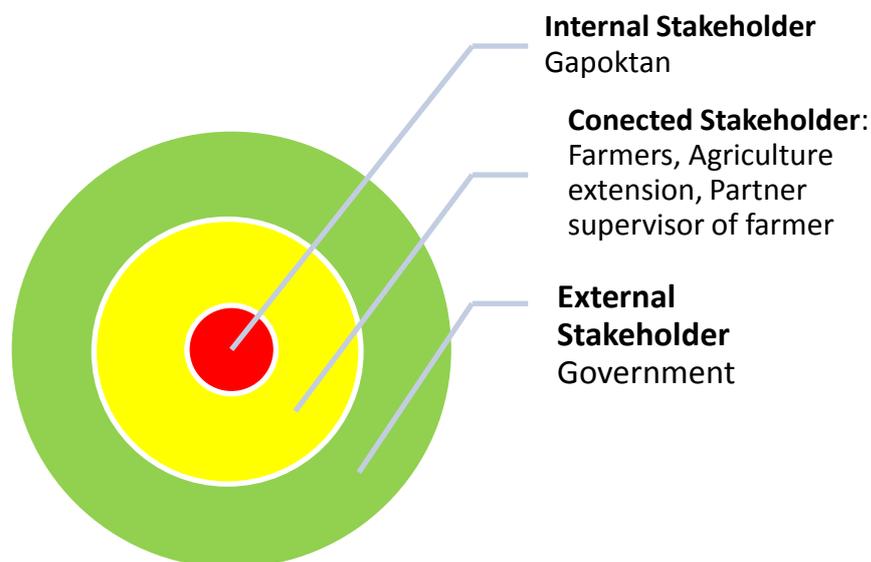
- External stakeholder

Internal stakeholder in PUAP is Gapoktan (Joint of Farmers Groups) itself as the receiver and the manager of PUAP fund. Gapoktan become central actor in program PUAP and have important role in determining the success of the program PUAP.

Government in program PUAP becomes external stakeholder because government is not directly connected to the Gapoktan. Government only formulates the program and then distributes the fund to Gapoktans. Although government conducts the supervision and guidance but it is not conducted directly but through a companion of program. This government involves government from central level until village level.

There are several connected stakeholder in program PUAP. First are farmers who have contract or relation with Gapoktan. Second are companion extension / agricultural extension. And the third or the last is Penyelia Mitra Tani / Partner Supervisor of Farmers. These two companions will help the farmer in manage the PUAP fund and help the farmer to create the agribusiness in their villages based on the potential of every villages.

**Figure 4.1 Stakeholder Mapping of PUAP Program**



Source: on the basis of discussion of author

**Table 4.1 Stakeholder of PUAP program**

LEVEL	STACKHOLDER	DUTIES
CENTRAL LEVEL	STEERING TEAM (government)	formulate policies in the development of PUAP
	IMPLEMENTER TEAM (government)	performing all PUAP activities starting from the preparation, execution, control, monitoring, evaluation and reporting
	CENTRAL SECRETARIAT (government)	coordinating implementation of PUAP at the national level
PROVINCIAL LEVEL	ADVISER TEAM (government)	seting the Implementation Guidelines as the elaboration of guidelines of PUAP;
		coordinating vilages and Gapoktans proposed as recipients BLM PUAP from district / city;
		carry out verification of administrative documents Gapoktan PUAP
		coordinating the implementation of PUAP and PNPM-Mandiri at provincial level
		conducting coordination and synchronization with district / city.
	PROVINCIAL SECRETARIAT (government)	coordinating and document verification Gapoktan recipients BLM PUAP 2013 of the district / city and helping in the flow of e-form reporting.

LEVEL	STACKHOLDER	DUTIES
DISTRICT LEVEL	Technical Team District (government)	setting technical guidelines of PUAP Development as the translation of Implementation Guidelines (Guidelines) set by the province;
		coordinating the proposed village, Gapoktan and administrators receiver BLM PUAP from vilages
		conducting verification administrative documents recipient of BLM PUAP
		coordinating the implementation of PNPM-Mandiri with PUAP at district / city level
		ratify and approve the RUB proposed by Gapoktan and other administrative documents of Gapoktan, and
		conducting guidance, controlling, monitoring and reporting PUAP implementation at the district level and vilage together with the PMT.
SUB-DISTRICT LEVEL	Technical Team Sub-District (government)	carrying out the identification and verification of the Village, Gapoktan and Administrator candidate receiving BLM PUAP
VILAGE LEVEL	Managing team of PUAP at the vilage (government & vilage aparatus)	proposed vilage, Gapoktan and Administrator candidate receiving BLM PUAP

(Source: ministry of agriculture, 2013)

#### **4.12 Process of Development and Control.**

##### *Development*

In order to maintain the continuity and success of PUAP, Central Team provide guidance for human resources at provincial level and district / city in the form of training. In addition, the Central Team coordinates with PNPM-Mandiri Team to conduct socialization and supervision in implementation of PUAP program at Provincial and District / City level. Development of PUAP implementation by the provincial fostering Team to District Technical Team is

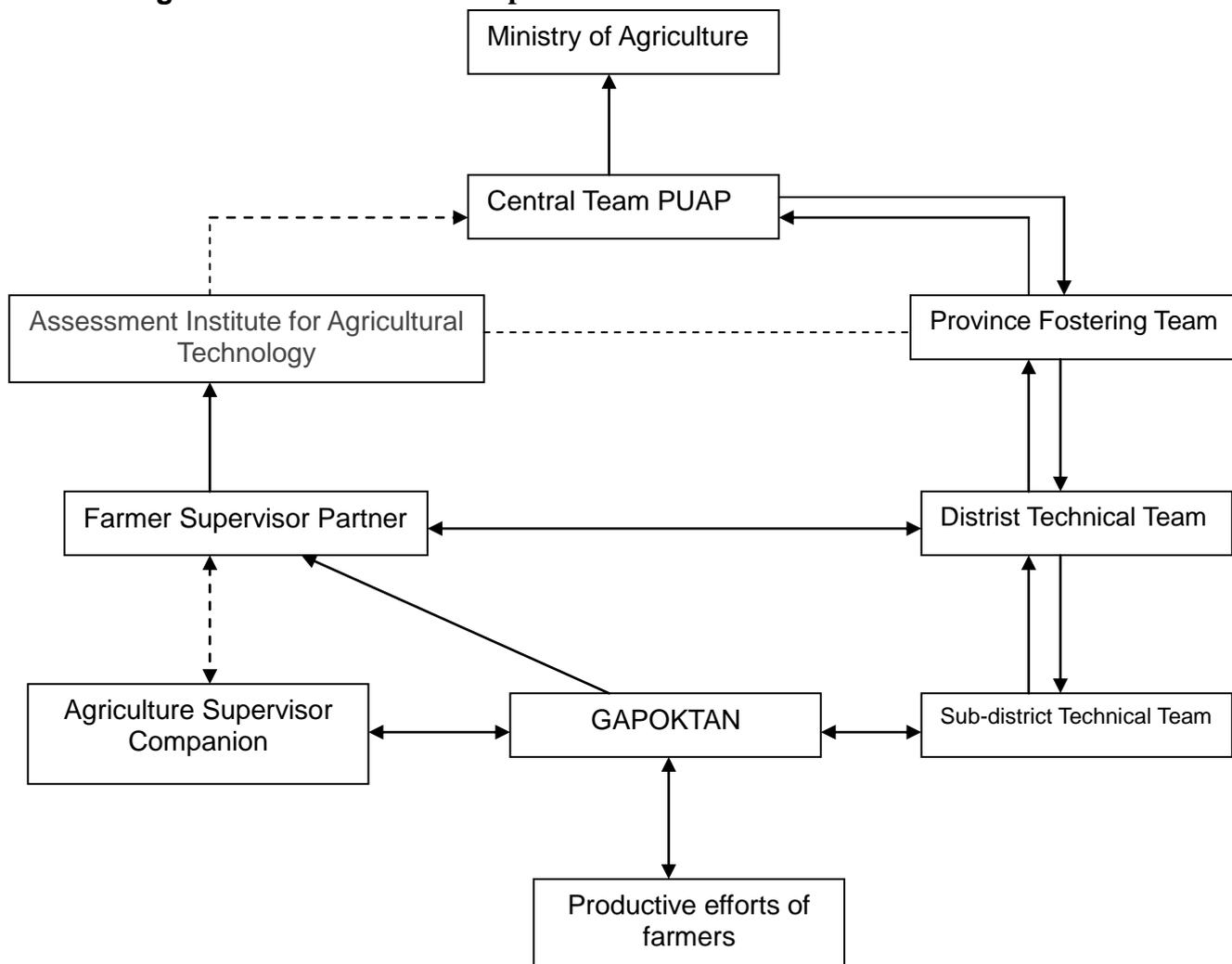
focused on: 1) Improving the quality of human resources to handle BLM PUAP at District level 2). Coordination and Control, and 3) develop a PUAP reporting system. Development of PUAP implementation by District Technical Team to the Sub-District Technical Team takes the form of training / appreciation to increase the understanding of the implementation of PUAP.

### *Controlling*

To control the execution of PUAP, Department of Agriculture developed the operation room as PUAP electronic-based Control Center which is managed by the Center for Agricultural and Information Data (Media Centre). Media Centre as an operation room manager responsible for developing and managing a PUAP data base that includes: Gapoktan data base, Agriculture Supervisor Extension, Farmer Supervisor Partner (PMT) and agribusiness of Gapoktan.

In addition, the Media Centre has task to prepare material of PUAP implementation progress report. The detailed flow of guidance and control PUAP can be seen in the picture below.

**Figure 4.2 Process of Development and Control**



Source: ministry of agriculture, 2013

**4.13 Some Existing Conditions of PUAP in Several Places.**

To provide an overview of the state of implementation of the PUAP program in some places I use the results of several researcher studies regarding PUAP program. *First is study entitled “Analisis Faktor-Faktor Penyebab Pelaksana Puap Tidak Berjalan Dengan Baik Ditinjau Dari Sisi Pemerintah Dan Petani Pelaksana” (Analysis of Factors Cause of The Implementation of PUAP Program*

Run Uneffective From Government Appearance and Farmer Appearance). Research was done by Ade Nurmarita Sari, Elva, Najmi Anniro (2009). The approach employed in this research is qualitative method. In this research the authors want to know the inhibiting factors of the implementation of PUAP program from government appearance and farmer appearance. The result from this research was there are several obstacles in implementation of PUAP program.

- From Government appearance :
  1. Uneffective socialization.
  2. Lack of coordination among the stakeholder.
  3. The characteristic of program is top down style, the program can't accommodate community aspiration.
  4. Poor of monitoring.
  5. There are no rule and punishment to guarantee the fund of PUAP use optimally.
- While from farmer appearance is:
  1. Low quality of human resource.

Second, Desi Kamira, Melinda Noer and Firwan Tan (2011), have conducted research with title “ Evaluasi Pelaksanaan Program Pengembangan Usaha Agribisnis Perdesaan (Puap) Di Kota Padang (Evaluation of Implementation of Rural Agribusiness Development Program in The City of Padang)”. This research is aimed to Describe and analyze the implementation of the program PUAP in the city of Padang and Analyzing the channeling of funds / credit PUAP by gapoktan / LKMA to farmers.

A type of research used in this study is a qualitative method. The data have been obtained in the field are identified, processed and analyzed with descriptive qualitative study by describing the focus of the research has been investigated in order to explain the conditions of implementation of the PUAP program. Then PUAP program analysis results are compared to guidelines / instructions, so it can be seen whether the implementation of the program complies with the provisions or not.

Based on the research and discussion that has been implemented can be concluded as follows:

- a) Implementation of the program in the city of Padang PUAP not fully implemented in accordance with the provisions. A total of 5 focus of study with 11 sub-study, as many as three sub-studies conducted more than 75% as applicable, while the other 8 are less than 75%.
- b) Implementation of revolving funds by gapoktan / LKMA implemented accordance with the provisions and no deviation. From 2 focus of study with three sub-studies, all conducted more than 75% in accordance with provisions. The deviation occurs because the boards less serious in understanding the purpose and objectives of the program PUAP, so some non borrower farmers also utilize the funds PUAP.

Third, Triane Widya Anggriani (2012), in her research entitled "Analisis Dampak Pelaksanaan Program Pengembangan Usaha Agribisnis Perdesaan (PUAP) Studi Kasus Gapoktan Rukun Tani, Desa Citapen, Kecamatan Ciawi, Kabupaten Bogor (Analysis the Impact of Implementation of Rural Agribusiness

Development Program, Case Study On Gapoktan Rukun Tani Citapen Village, Ciawi District, Bogor District) try to explain the impact PUAP program. Descriptive analysis was done in this research in order to explain the general figure about managing fund of PUAP in Gapoktan Rukun Tani.

The research methodology used to evaluate the impact PUAP program to income members (farmers) Gapoktan PUAP is a descriptive statistical method approach with impact evaluation (impact evaluation) approach. This is done by calculating the change in the level of income of the recipient PUAP Program funding in 2009 (Action Group) before intervention program (baseline) and after the intervention, which in 2012(impact). The results suggest that the The Rural Agribusiness Development Program should be maintained because it provides significant benefit to the community. Beside that, the role of facilitator of Gapoktan should be activated, because the management of gapoktan and the society still need direction to develop the business, including the administration proses and also farm crops and horticulture technological aspects to member PUAP intensively and sustainably.

Fourth, Anita, Salawati (2011) conducted research entitled “Analisis Pendapatan Penerima Bantuan Langsung Masyarakat-Pengembangan Usaha Agribisnis Perdesaan (BLM-PUAP) di Kabupaten Barito Kuala (Analysis of Income of Direct Beneficiaries Community-Development Rural Agribusiness (BLM-PUAP)in Barito Kuala District). This study aims to determine the general picture of the implementation of the Direct Community Assistance-Rural Agribusiness Development (BLM-PUAP) in the Barito Kuala District;

Comparison of recipient and non-recipient of BLM-PUAP and to analyze the factors affecting income—of recipient of Direct Community Assistance-Rural Agribusiness Development (BLM-PUAP). Research was conducted in Barito Kuala District as one of the districts receiving BLM-PUAP in fiscal year 2008 by taking two representatives sub districts, those are Tabukan and Mandastana. This study uses survey and interview methods directly through the technique of structured interviews (using questionnaires) with 100 respondents (50 BLM-PUAP recipients and 50 non-recipients).

The result of this study are the average income of the BLM-PUAP recipient was Rp 6.799.670, while for non-BLM-PUAP recipients was Rp 4.299,939 and there is a difference in income between the recipient and non-recipient of BLM-PUAP fund. Income was simultaneously affected by variable amount of BLM-PUAP funds, own capital, age, education level, experience, number of family members, and the dummy type of business. Partially, variables of BLM-PUAP Fund, amount of own capital, age, experience, and number of family members covered significantly affected the family income.

**Table 4.2 Existing conditions based on Previous Research**

No.	Researcher, Year, Title, Location	Objectives and Method	Result and Conclusion of Research	Relevance to this Research
1.	<i>“Analisis Faktor-Faktor Penyebab Pelaksana Puap Tidak Berjalan Dengan Baik Ditinjau Dari Sisi Pemerintah Dan Petani Pelaksana”</i> (Analysis	This research is aimed to know the inhibiting factors of the implementation of PUAP program from government appearance and farmer appearance.Method :	The result from this research was there are several obstacles in implementation of PUAP program. 1. From Government appearance : a) Uneffective	There are several obstacle in the implementation of PUAP program in another district must paid more attention.

No.	Researcher, Year, Title, Location	Objectives and Method	Result and Conclusion of Research	Relevance to this Research
	of Factors Cause of The Implementation of PUAP Program Run Uneffective From Government Appearance and Farmer Appearance). Research was done by Ade Nurmarita Sari, Elva, Najmi Anniro in Bogor, 2009.	qualitative	<ul style="list-style-type: none"> <li>socialization.</li> <li>b) Lack of coordination among the stakeholder.</li> <li>c) The characteristic of program is top down style, the program can't accommodate community aspiration.</li> <li>d) Poor of monitoring.</li> <li>e) There are no rule and punishment to guarantee the fund of PUAP use optimally.</li> </ul> <p>2. While from farmer appearance is:</p> <ul style="list-style-type: none"> <li>a) Low quality of human resource.</li> </ul>	
2.	Desi Kamira, Melinda Noer and Firwan Tan (2011). "Evaluasi Pelaksanaan Program Pengembangan Usaha Agribisnis Perdesaan (Puap) Di Kota Padang (Evaluation of Implementation of Rural Agribusiness Development Program in The City of Padang)".	This research is aimed to Describe and analyze the implementation of the program PUAP in the city of Padang and Analyzing the channeling of funds / credit PUAP by gapoktan / LKMA to farmers. A type of research used in this study is a qualitative method.	Based on the research and discussion that has been implemented can be concluded as follows: <ul style="list-style-type: none"> <li>a) Implementation of the program in the city of Padang PUAP not fully implemented in accordance with the provisions. A total of 5 focus of study with 11 sub-studies, as</li> </ul>	There are lot of weakness in the implementation of PUAP program such as PUAP not fully implemented in accordance with the provisions.

No.	Researcher, Year, Title, Location	Objectives and Method	Result and Conclusion of Research	Relevance to this Research
			<p>many as three sub-studies conducted more than 75% as applicable, while the other 8 are less than 75%.</p> <p>b) Implementation of revolving funds by gapoktan / LKMA implemented accordance with the provisions and no deviation. From 2 focus of study with three sub-studies, all conducted more than 75% in accordance with provisions. The deviation occur because the board less serious in understanding the purpose and objectives of the program PUAP, so some non-borrower farmers also utilize the funds PUAP.</p>	
3.	Triane Widya Anggriani (2012). "ANALISIS DAMPAK PELAKSANAAN PROGRAM PENGEMBANGAN USAHA	The aim of this research is try to explain the impact PUAP program.Descriptive analysis was done in this research.	The results suggest that the The Rural Agribusiness Development Program should be maintained because it provides significant benefit to the	Rural Agribusiness Development Program should be continued and the role of facilitator of

No.	Researcher, Year, Title, Location	Objectives and Method	Result and Conclusion of Research	Relevance to this Research
	AGRIBISNIS PERDESAAN (PUAP) Studi Kasus Gapoktan Rukun Tani, Desa Citapen, Kecamatan Ciawi, Kabupaten Bogor (Analysis the Impact of Implementation of Rural Agribusiness Development Program, Case Study On Gapoktan Rukun Tani Citapen Vilage, Ciawi District, Bogor District)		community. Beside that, the role of facilitator of Gapoktan should be activated, because the management of gapoktan and the society still need direction to develop the business, including the administration proses and also farm crops and horticulture technological aspects to member PUAP intensively and sustainably.	Gapoktan should be active.
4.	Anita, Salawati (2011). “ Analisis Pendapatan Penerima Bantuan Langsung Masyarakat-Pengembangan Usaha Agribisnis Perdesaan (BLM-PUAP) di Kabupaten Barito Kuala (Analysis of Income of Direct Beneficiaries Community-Development Rural Agribusiness (BLM-PUAP)in Barito Kuala District).	This study aims to determine the general picture of the implementation of the Direct Community Assistance-Rural Agribusiness Development (BLM-PUAP) in the Barito Kuala District; Comparison of recipient and non-recipient of BLM-PUAP and to analyze the factors affecting income-of recipient of Direct Community Assistance-Rural Agribusiness Development (BLM-PUAP).Method :	The result of this study are the average income of the BLM-PUAP recipient was Rp 6.799.670, while for non-BLM-PUAP recipients was Rp 4.299,939 and there is a difference in income between the recipient and non- recipient of BLM-PUAP fund. Income was simultaneously affected by variable amount of BLM-PUAP funds, own capital, age, education level, experience, number of family members, and the dummy type of business. Partially, variables of BLM-PUAP Fund, amount	BLM-PUAP fund increase the income of recipient. It means that PUAP program is usefull.

No.	Researcher, Year, Title, Location	Objectives and Method	Result and Conclusion of Research	Relevance to this Research
		qualitative and quantitative	of own capital, age, experience, and number of family members covered significantly affected the family income.	

#### 4.14 Source: Previous Research

#### 4.15 Progame Theory Matrix of PUAP program

From the explanation above regarding to PUAP program, then I tried to identify about Input, Activities, Out put, Intermediate Out come and End Out come of PUAP Program. To make clear the Understanding of PUAP program then I make the Program Theory Matrix of PUAP program based on result of my identification.

**Table 4.3 Progame Theory Matrix of PUAP Program**

End Outcome	Intermediate Outcome	Output	Activities	Input
Enhance the prosperity of farmers in rural area	Farmers easy to get soft credits.	The setablishment of microfinance institution of agriculture (cooperative of agriculture)	The distribution of PUAP Fund.	Fund
	The increase of number of farmer, farmworker and farmer house hold geting finacial capital assistment.	The increase of gapoktan capability to manage and as a facility of financial capital assistment farmer, farmer renting padi fields, farmworker and farmer house hold	Empowering communities in the management PUAP. e) training for supervisors and co-workers PUAP; f) recruitment and training of agriculture extension and PMT. g) training for management of Gapoktan;	Experts
	Farmers easy to sell their product, geting input for their production, assistancy when conduct their production.	The emergence of new agribusiness activities in all subsystem(The input subsystem, The production subsystem, The processing subsystem, The marketing subsystem, and The Support Subsystem)	Empowering communities in the management PUAP. - assistance to farmer, farmworker and farmer house hold geting finacial capital assistment by extension workers and PMT.	Human Resour ces ( extension of agricult ure, PMT, Farmer s)

#### **4.16 Conclusion**

Rural Agribusiness Development Program (PUAP) is a government policy for promoting community empowerment programs to reduce poverty and unemployment. Government to provide capital assistance for activities in the field of agri-business in accordance with agricultural potential target villages, but it will also improve the welfare of society. This program channel funds to affordable poor villages. BLM-PUAP received by each of the villages is Rp 100 million to develop rural agribusiness through Farmers Group Association (union). PUAP program objectives are:

1. Reducing poverty and unemployment through the growth and development of agribusiness activities in accordance with the potential of rural areas;
2. Improving the ability of agribusiness entrepreneurs, Gapoktan, extension and farmer partners supervisor;
3. Empower farmers and rural economic institutions for the development of agribusiness activities.
4. Improving the function of economic institutions of farmers become a network or financial institution partners in order to access to capital.

Implementation PUAP order to more leverage in achieving results, and then Gapoktan must be accompanied by a companion extension workers (penyuluh pendamping) and farmer partners supervisors (PMT). Penyuluh Pendamping is agriculture investigator appointed by the mayor /regent or officer appointed to support the farmer, group of farmers and gapoktan when operate the PUAP program (ministry of agriculture, 2010: p.6). PMT is an individual having skill in

micro finance chosen by ministry of agriculture to do supervision and advocating to Penyuluh Pertanian and manager of Gapoktan in development of PUAP (ministry of agriculture, 2010: p.6).

There are several criterias that must be fulfilled by the gapoktan. These criterias are; having human resource who is able to manage the agribusiness, having functioning organizational-structural, belonged and operated by farmer and legalized by mayor or regent (Ministry of agriculture, 2010: p.2).

Based on the results of research in several areas about the PUAP program we can know that the BLM-PUAP Increased fund the income of the recipient. It means that the program is useful. But in the other hand there are several obstacles in implementation of PUAP program. As follows:

1. From Government appearance :
  - a. Ineffective socialization.
  - b. Lack of coordination among the stakeholder.
  - c. The characteristic of program is top down style, the program can't accommodate community aspiration.
  - d. Poor of monitoring.
  - e. There are no rule and punishment to guarantee the fund of PUAP use optimally.
2. While from farmer appearance is:
  - a. Low quality of human resource.

Based on that condition then PUAP Program should be continued and the role of facilitator of Gapoktan should be more activated.

## CHAPTER 5.

### AGRIBUSINESS DEVELOPMENT AND MFI-A PUAP PROGRAM

To solve the economic problems which are so complex, Indonesia needs sharpening (focusing) economic development strategy that is expected to provide solutions to existing problems, without creating new problems. Therefore, the strategy chosen should have the characteristics (attributes) as follows (Saragih, 2001):

1. First, the strategy chosen should have the range ability to solve the broad economic issues like today, so when the concerned strategy is implemented, most of the economic problems can be solved;
2. Second, the strategy chosen to be implemented does not require the use of external financing (abroad loans and imports) which is too big, so it does not add to the foreign debt that has been great today;
3. Third, the strategy chosen should not start from zero, but can utilize the results of previous development, so not only led to some ambiguity in the society, but also the results of previous development not be in vain;
4. Fourth, the chosen strategy to be implemented must be able to bring the Indonesian economy to a brighter future, in which the Indonesian economy is able to be synergistic (interdependency economy) into the world economy and not the economy that depends on (dependency economy) in other countries.

Among the existing choices of economic development strategies, strategy development that meets the four characteristics above is agribusiness development

(Agribusiness Led Development) (Saragih, 2001), which is an economic development strategy that integrates the development of agriculture (including farming, animal husbandry, fishery, forestry) with the development of upstream and downstream industries of agriculture and services sectors which are concerned in it.

Agribusiness development strategy characterized by systems based on empowering the diversity of available resources in each region (domestic resources based), accommodating the diversity of the quality of human resources that we have, do not rely on imports and foreign loans which are large, export-oriented (in addition to exploit the domestic market), is expected to solve all of the existing economic problems. In addition, the agribusiness system development strategy that will gradually move from development that rely on natural resources and unskilled human resources (factor-driven), then switch to agribusiness development are driven by capital goods and more skilled human resources (capital driven) and then switch to agribusiness driven development of science, technology and skilled human resources (innovation-driven), is believed to be able to deliver the Indonesian economy having competitive power and synergistic in the world economy.

### **5.1 Prospects of the Development of Agribisnis System**

According to some economists, Indonesia has the prospect to develop agribusiness system viewed from the aspect of potential resources owned, national development policy, domestic and international market potential for agribusiness

products, and a map of the world competition (Saragih, 2001). The detailed explanations of the advantages are as follows:

1. Firstly, the development of agribusiness system in Indonesia has become the policy of the Indonesian government. The MPR as a representative of the people of Indonesia have determined the direction of economic development as set out in the GBHN (Guidelines of State Policy) from 1999 to 2004 in which one portion of it mandated the development of Indonesia's comparative advantages as an agricultural country and maritime. Referral Guidelines is nothing but the development agribusiness system.
2. Secondly, the development of agribusiness systems also comply with several laws that have been issued by the Indonesian government, namely the Law no. 22, 1999, Law no. 25 of 1999 and No. 25 of 2000 on Regional Autonomy. From an economic perspective, the essence of Regional Autonomy is accelerating regional economic development by utilizing the resources available in each region, as the agricultural State's potential had by the regions in Indonesia is nothing but the resources in agriculture or Agribusiness. In addition, the current structure of the economy almost all regions (GDP formation, absorption of manpower, business opportunities, export) the majority (approximately 80 percent) contributed by agribinsis, except for urban areas. Therefore, the development of agribusiness system is identical to the economic development of the region.
3. Thirdly, Indonesia has a comparative advantage (comparative advantage) in agribusiness as compared to other countries. Indonesian state has a rich

biodiversity of lands and waters in the world, land is relatively broad and fertile, and agro-climate that is friendly to agriculture activities or agribusiness. From wealth of natural resource which is owned, almost infinite number of agribusiness products that can be produced from the earth of Indonesia. In addition, Indonesia has a human resources (HR) agribusiness, social capital (institutional farmers, local wisdom, indigenous technologies) and agribusiness infrastructure that is sufficient to establish a system of agribusiness.

4. Fourth, the development of agribusiness systems based on domestic resources (domestic resources based, high local content) does not require the import and external financing (the foreign debt) which is large. This is in accordance with the demands of future development that no longer wants to add foreign debt because of Indonesia's foreign debt is already too big.
5. Fifth, in facing of free market competition, Indonesia may not be able to compete for the products that have been controlled by the developed countries. Currently, Indonesia has not been able to compete in the automotive and electronic industry, with developed countries such as Japan, South Korea, Germany or France. Hence, the Indonesian people should be able to choose products that enable Indonesia has a competitive advantage with other countries that lack the advantages of the products concerned. An Indonesian product which may have a competitive advantage is agribusiness products..

## **5.2 Group of Agribusiness Industry in Indonesia**

Indonesian agribusiness industry is divided into four major groups (Arifin, 2012), namely:

1. The primary industry group that relies heavily on the export market because the domestic market is not very developed and downstream secondary industries in the country is still very slow growing. Agribusinesses included in this industry group are: palm oil, rubber, coffee, cocoa, pepper, tea and others.
2. Staple food industry groups, which are generally dominated by sources of carbohydrates food and a little protein,
3. Horticulture industry group, with the mainstay are flowers and fruits plus a bit of ornamental plants and medicinal plants, and
4. Breeding base industry group, especially poultry and poultry products, with a slightly different character.

## **5.3 Characteristic of Agribusiness**

Agribusiness was firstly defined by David and Golberg (1957) as follows: "Agribusiness is the sum total of all operations involved in the manufacture and distribution of farm supplies all; production activities on the farm; and the storage, processing and distribution of farm commodities and items made from them".

From these definitions can be drawn some understanding of agribusiness agriculture in the broad sense. First is the type of business activity, which is related to agriculture. Agribusiness includes production of primary agricultural or commonly known as farming activities, as well as related activities in a broad

spectrum, namely the production and distribution of agricultural inputs, storage, processing and distribution of agricultural commodities following derivative products and financing of these efforts.

But it should be noted that the core of business of each of the fields of agribusiness enterprises is primary agricultural product or farm. Fertilizer factory farming exists because there is no need fertilizer. Agro-industry exists because there are agricultural products that yield the agro-industrial plant raw materials. Agribusiness can also be referred to as agriculture, business activities related to agriculture.

Second, agribusiness refers to the nature or orientation of agriculture as a commercial venture in pursuit of profit, Market-oriented agricultural business. Agricultural business that have subsystem characteristics (meet their own needs) or hobbies, do not include in agribusiness. Farm, including family farms, small-scale, not-for-maximizing production volume, but to optimize profit. Additional profit is the primary motivation in adopting a new technology. Therefore, the additional profit (marginal benefit) and cost reduction (marginal cost) are the two criteria of superior technology economic.

Third, agribusiness has autonomous characteristics. As a commercial enterprise, agribusiness managed freely by their owners and in the best interests of the owner. Farmers, for example, are free in choosing the commodities, technology and the use of farm facilities and infrastructure used. This principle is absolutely necessary for a private commercial enterprise. In Indonesia, the freedom of farmers have confirmed juridically, through legislation Cultivation

System. This means, the government or other parties should not force farmers to grow certain commodities or to use of certain inputs and technologies, to the extent it is not prohibited by law. If for the public interest, the government requires farmers to plant a particular commodity or using a particular technology, the farmers entitled to receive compensation for damage caused.

Fourth, farming problem is systemic, not just in farming (on-farm) but also even more often outside the farm (off-farm). Problems of agricultural development should be diagnosed and treated based on an approach system. Let farming is seen as the core of an agribusiness system based on commodities produced by the farm. Every business components in the agribusiness system helped influence on the diversity of farming. For example, symptoms of slowing the development of rice farming may be the result of the symptoms of saturation innovation technology of rice farming which is a function of the components of Agricultural Research and Development. However from this example it is clear that the function of Agriculture Technology Research and Development is one of the essential components of systems of agribusiness.

Fifth, agribusiness is viewed as a development paradigm. Each component of agribusiness is viewed as a system vertically integrated ranging from agricultural inputs procurement and distribution of agricultural products into the hands of the end consumer. In other words, agribusiness has to be managed integrative. This is a new paradigm in the development of the agricultural sector in Indonesia. As an integrator factor (the coordinating factor) is the market. The existing of a market for agricultural products is the first condition that must be

met in order to run agricultural development. Therefore, all agribusiness activities ranging from the most downstream to upstream should be directed to meet the market demand, both in terms of the accuracy of the quantity, quality and time.

#### **5.4 National Agribusiness Development Concept**

Agribusiness is easy to say but difficult to realize. Ideally agribusiness can be used as a "pulley" for the welfare of farmers; a powerful "weapon" to spur economic growth in the region, an integrated concept in an effort to increase agricultural production, better food, plantation, horticultural, fisheries and livestock. However, in practice were found several obstacles such as the low quality of human resources, poor management, lack of capital, as well as the scattered pattern of farming with small scale.

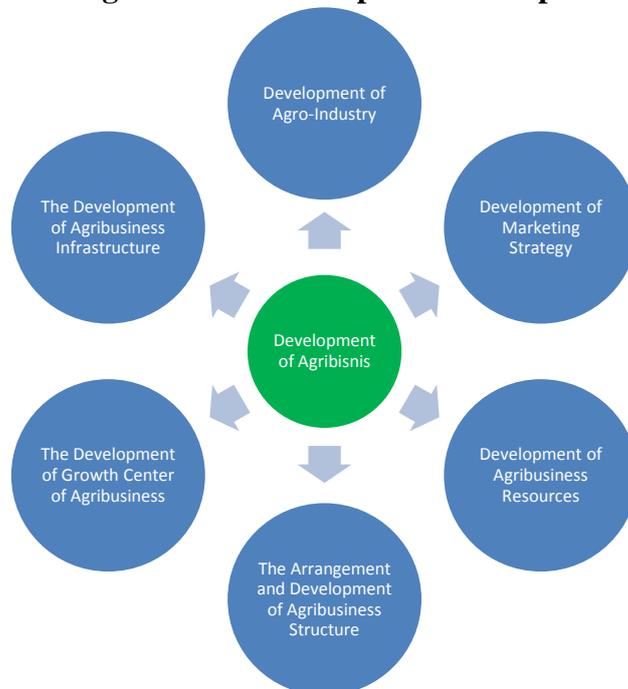
According Saragih (1998) there are at least six national agribusiness sector development approaches. These six approaches are:

1. First approach is the development of agro-industry (agro-processing industry) as a driving force agribusiness. In the past, when the orientation of agricultural development lies in the increase of production, at which time the driving force of agribusiness is the farming. Today and in the future, the orientation of the sector has changed the market orientation. With the ongoing changes in consumer preferences which are increasingly demanding more detailed and complete attributes product, then the motor of the agribusiness sector should be changed from farming to the processing industry (agro-industry).

2. The second approach is the development of a marketing strategy. Development of market-oriented agribusiness sector leads the marketing strategy become very important, even the most decisive success. Development of a marketing strategy is increasingly important role, especially for the future, where consumer preferences continue to change.
3. Third, agribusiness resource development. In order to the agribusiness sector can adapt to changes in the market, are required the development of agribusiness resources, in particular the use and development of technology, as well as the development of human resources (HR) of agribusiness as the actors in the development of agribusiness sector.
4. Fourth, the development and arrangement of agribusiness structure. The fragmented National agribusiness structure has created a transmission issue and double margins, which overall would be detrimental to the national agribusiness sector. Therefore, structuring and development of the agribusiness sector needs serious attention. The arrangement and structure of the national agribusiness development directed at two principal objectives: first to develop agribusiness structure a vertically integrated follow a flow of products (product line) so that the subsystem upstream agribusiness, primary agriculture, farming subsystem and downstream agribusiness subsystem are in the one management decisions. Second, develop business organization (economic) farmers to seize value-added agribusiness subsystems that exist on the upstream and downstream agribusiness subsystem.

5. Fifth, the development of agri-growth center. During this time, the location of national agro-industry development generally oriented to the consumer as well as the concentration of the urban sector and on the island of Java, which is the consumer centers. In the future, the orientation of the agro-industry location has been changed, from the centers of consumer orientation to the orientation center for the production of raw materials.
6. Sixth, agribusiness infrastructure development. To support the development of growth centers of the agribusiness sector, are needed the development of agribusiness infrastructure, such as road networks and transport (sea, air, river and road), electricity, water, livestock and fishing port, the port of export and others.

**Figure 5.1. National Agribusiness Development Concept**



Source: on the basis of discussion of author

## **5.5 MFIs and Development of Agribusiness**

Capital is the principal driving force for the development of enterprises. In farming, farming credit is one of the factors facilitating the development of agriculture. According Ashari (2009), capital can: (1) assist small farmers in overcoming the limitations capital with relatively small of interest, and (2) reducing the dependence of farmers on middlemen and moneylenders. The availability of capital for farming entrepreneurs is a must. Capital functions not only as one of the factors of production, but also plays a role in increasing the capacity of farmers to adopt technologies such as quality seeds, fertilizers, agricultural equipment, and post-harvest technologies.

Real conditions in rural communities in general are that the capital resources for farming is still weak and tend to be limited. According Syukur (2009) nearly 90 percent of independent farmers use their own capital to finance agricultural enterprises. When planting season arrives; farmers seek capital from a variety of ways in order to grow, including the use of personal assets. While the farmers' income and assets are also used for various family purposes such as for the food consumption, clothing, school children, health, and social costs.

The condition is caused by agricultural enterprises are mostly small farmers faced with limited access to business services, especially capital. The inability of rural communities in accessing capital from formal financial institutions due to: (1) the existence of formal financial institutions in rural areas is still very limited, (2) the procedures and requirements demanded by formal financial institutions is considered difficult and heavy, and (3) farmers are not able to access credit and

interest rate rules as specified in commercial ventures outside the agribusiness (Department of Agriculture, 2005).

The existence of MFI-A becomes one of the solutions in the financing of farming sector in rural areas because it has a strategic role as a link in the economic activity of the farmers. MFI-A also strengthens the institutional role of farmers in agribusiness development which cannot be separated from the lack of access of farmers' to a wide range of productive resources, namely: capital, technology, and market information (Ministry of Agriculture, 2008).

The general objective of the formation and development of the MFI-A is to help facilitate the capital requirements of farming for farmers. In particular the formation of MFI-A aims to: (1) improving ease farmers' access to finance schemes provided by the government or other parties, (2) improve farm productivity and production in order to encourage the achievement of value-added farming, and (3) encourage the development of rural economy and rural economic institutions, particularly Gapoktan (Hendayana, 2008).

MFI-A pattern is to facilitate services to customers (farmers), so the pattern which is developed by MFI-A have the following characteristic: (1) Pattern of the service is non-bank Pattern, so it can be simple, (2) there is credit for farmer groups; (3) In addition to the service of loan financing also holds savings or savings group members; (4) Administration performed a simple but still qualify as an organization of public accountability; (5) To support the legality of the operation, made letter of recognition in the form of Decree of the Regional government, so there is a clear legal guarantees (Hendayana, 2008).

Capital strengthening program is one way to help farmers overcome the limitations of capital from government started by Bimas credit implemented in 1967/1970. This condition then developed along with the development and needs in the field, among them became Farm Credit Program (KUT) in 1985.

In 2000 the government applied through the Food Security Credit program (KKP), which is followed by Credit Food Security and Energy (KKPE) as a refinement of KKP, Farmer Income Improvement Project / Small Fishermen (P4K), Institute of Business Group (PMUK), Independent Business Credit (KUM), Scheme Services for Financing Agriculture (SP3), Cow Breeding Business Credit (KUPS), and the People's Business Credit (KUR). These programs are focused to encourage food production, particularly rice farming financing (Herman & Andrianyta, 2012).

Since 2003, the government is also implementing the Strengthening of Capital Institute of Rural Economy Enterprises (DPM LUEP) having objective to protect farmers by buying paddy rice farmers in accordance with HPP (Government Purchase Price). In practice, DPM LUEP collaborates with Bulog. Ashari (2009) stated that the implementation of DPM LUEP in Ngawi East Java has a good performance, but as an instrument of price policy areas are still not in line with expectations, since the price of grain farmers are still under HPP.

In 2008, the Ministry of Agriculture implement PUAP program as a priority program implemented in an integrated manner with the activities of the Other Ministry or agencies under the umbrella of the National Program for Community Empowerment (PNPM). It can be defined that PUAP is government assistance for

rural communities by channeling capital of farming that are stimulants.

The distribution of grants each year is Rp. 100 million each Gapoktan in 10,000 villages spread over 33 provinces. The capital assistance funds are then called Direct Aid Society (BLM) PUAP. One objective of the PUAP program is to improve the functioning of economic institutions farmers become a network or financial institution partners in order to access to capital (Ministry of Agriculture, 2010).

### **5.6 Existence of MFI-A In Facilitate Agricultural Financing**

The presence of MFI-A is needed by farmers at least for two reasons (Pantoro, 2008). First is as one of the instruments in order to overcome poverty. Poor people generally have a micro-scale enterprise. In the terminology of the World Bank, they are referred to as economically active poor or micro entrepreneurs. In the configuration of the Indonesian economy, more than 90 percent of the business units are micro-scale enterprises. Developing micro enterprises is a strategic move as it will realize a broad base of development or development through equity. They need capital in order to develop their business capacity. With the increasing effort (into micro-scale enterprises), will effectively address the poverty suffered by themselves and expected to help people in the poor category. On the other hand, micro-finance scheme is in accordance with the needs of low-income people.

Second, MFI is required for the development of instruments to be one of the microfinance markets. Pragmatically, the microfinance market is the financial aspect of all economic processes in the micro segment covering everything related

to the savings and loan business. In this understanding of the was included word savings and loan in order to avoid a narrow understanding as if in the micro segment its business actors only need credit, forgetting that they have the potential to save money, and / or can be empowered to have the ability to save. In short, the microfinance market there is a huge potential in terms of supply (savings) and demand (credit). The establishment of MFI-A is a response to less sensitivity of formal financial institutions in engaging SMEs, so that its role can be regarded as a safety valve in the process of rural economic development.

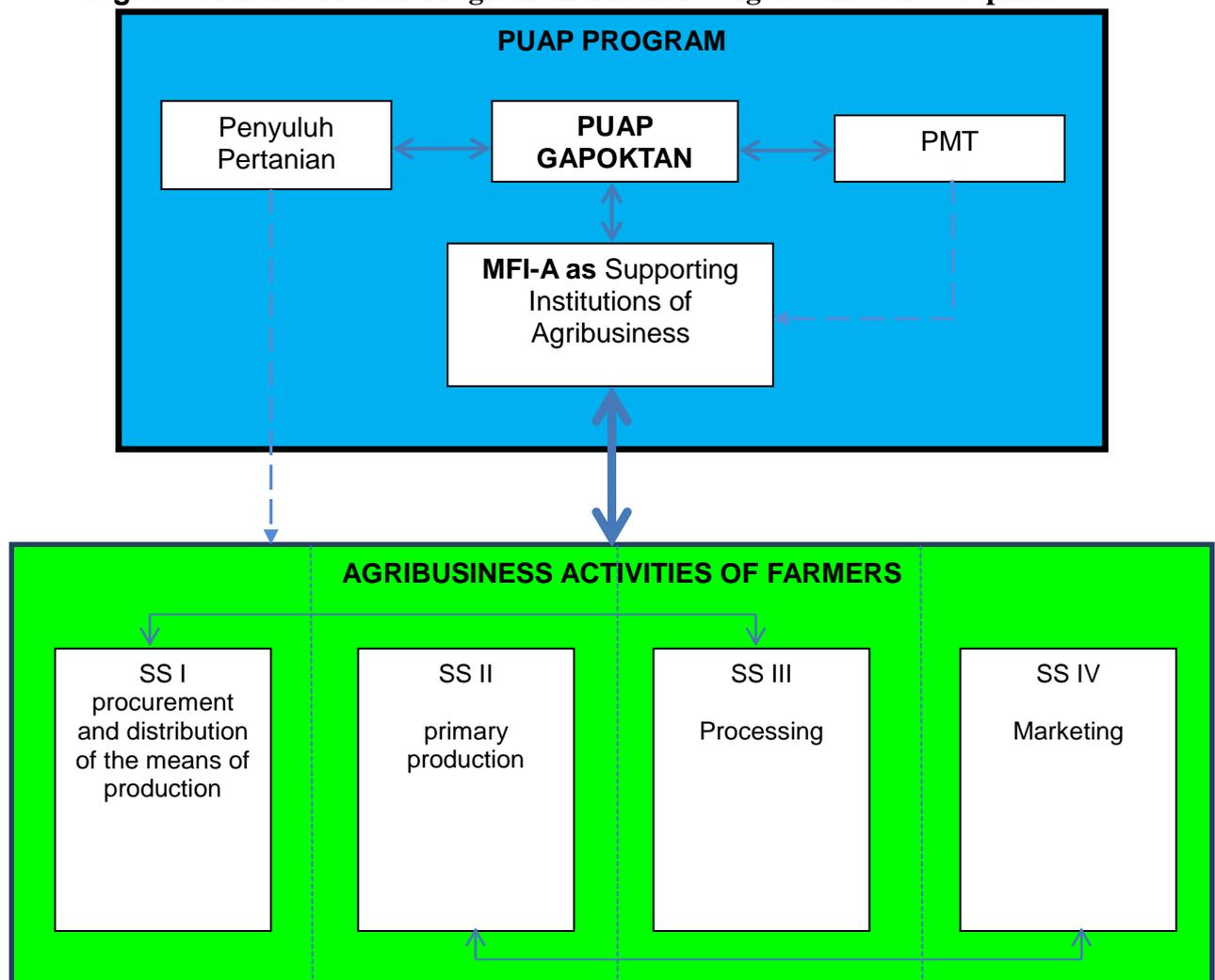
### **5.7 MFI-A PUAP Agribusiness And Rural Development.**

Development MFI-A in Gapoktan organizational structure in line with the format of the farmers institutional development in rural areas, which contains management functions including processing and marketing units, providing production facilities units, and micro finance institutional unit (lending and borrowing activities). Funds managed by MFI-A maximally utilized to fund agribusiness members. Development MFI-A on Gapoktan PUAP is a strategic steps to resolve the issue micro-financing farmers and agricultural laborers. Gapoktan recipient of BLM PUAP funds and become MFI-A is a necessity in order to accelerate the economic growth of the people in the rural area and accelerate poverty reduction efforts through the growth of agribusiness venture (Krisnamurti, 2005).

Empowerment Gapoktan PUAP that is grown become MFI-A is intended to be able to manage the assets and funds of PUAP funds and funds from its

members gathered by Gapoktan in order to provide appropriate forms of micro finance services needed by the poor and agricultural micro enterprises in the rural area.

**Figure 5.2 Role of PUAP Program on The Rural Agribusiness Development**



Source: on the basis of discussion of author

The main strategy to initiate the development of MFI-A in the farming sector, must remain grounded in the principles of institutional that operationally can be performed through socialization, coordination and advocacy from upstream to downstream. Thus it can be formulated that MFI-A development strategy

should focus on the future development of more effective and strategic models to involve various stakeholders, namely government (central and local), Banks, and NGOs are primarily related to the capital.

LKMA effective development process must be started on the initiative of farmers who are members of Gapoktan. Its activity is collecting personal fund founder as a capital base that comes from savings, compulsory savings and voluntary savings / savings, which are then combined with the BLM from the Center of the Ministry as mutual fund, and seek other sources of funding from the provincial and district / city, banks such as Bank or NGOs, so that the accumulation of capital raised bigger and stronger.

## **5.8 Conclusion**

Agribusiness development strategy characterized by systems based on empowering the diversity of available resources in each region (domestic resources based), accommodating the diversity of the quality of human resources that we have, do not rely on imports and foreign loans which are large, export-oriented (in addition to exploit the domestic market), is expected to solve all of the existing economic problems. In addition, the agribusiness system development strategy that will gradually move from development that rely on natural resources and unskilled human resources (factor-driven), then switch to agribusiness development are driven by capital goods and more skilled human resources (capital driven) and then switch to agribusiness driven development of science, technology and skilled human resources (innovation-driven), is believed to be

able to deliver the Indonesian economy having competitive power and synergistic in the world economy.

Indonesia has the prospect to develop agribusiness system viewed from the aspect of potential resources owned, national development policy, domestic and international market potential for agribusiness products, and a map of the world competition. There are at least six approaches to develop the sector of national agribusiness.

1. First approach is the development of agro-industry (agro-processing industry) as a driving force agribusiness.
2. The development of a marketing strategy.
3. The development agribusiness resource.
4. The development and arrangement of agribusiness structure.
5. The development of agri-growth center.
6. The development agribusiness infrastructure.

The availability of capital for farming entrepreneurs is a must. Capital functions not only as one of the factors of production, but also plays a role in increasing the capacity of farmers to adopt technologies such as quality seeds, fertilizers, agricultural equipment, and post-harvest technologies. Real conditions in rural communities in general are that the capital resources for farming is still weak and tend to be limited.

The existence of MFI-A becomes one of the solutions in the financing of farming sector in rural areas because it has a strategic role as a link in the economic activity of the farmers. MFI-A also strengthens the institutional role of

farmers in agribusiness development which cannot be separated from the lack of access of farmers' to a wide range of productive resources, namely: capital, technology, and market information (Hanafie, 2010).

To give service to the farmers MFI-A must have the following characteristic: (1) Pattern of the service is non-bank Pattern, so it can be simple, (2) there is credit for farmer groups; (3) In addition to the service of loan financing also holds savings or savings group members; (4) Administration performed a simple but still qualify as an organization of public accountability; (5) To support the legality of the operation, made letter of recognition in the form of Decree of the Regional government, so there is a clear legal guarantees. Development MFI-A on Gapoktan PUAP is a strategic steps to resolve the issue micro-financing farmers and agricultural laborers. Gapoktan recipient of BLM PUAP funds and become MFI-A is a necessity in order to accelerate the economic growth of the people in the rural area and accelerate poverty reduction efforts through the growth of agribusiness venture.

## CHAPTER 6.

### IMPLEMENTATION OF PUAP PROGRAM IN NGAWI DISTRICT

#### 6.1 Geographical Conditions Ngawi District

Ngawi District located on the west side of East Java Province, bordering with Jawa Tengah Province. This District is located in the line connecting the points of  $110^{\circ}10'$  until  $111^{\circ}40'$  East Longitude and between  $7^{\circ}21'$  –  $7^{\circ}31'$  South Latitude (BPS, 2012: p.3). While Region Boundaries Ngawi District are:

- a. In the north side is Grobogan District, Blora District (Jawa Tengah Province) and Bojonegoro District.
- b. In the east side is Madiun District.
- c. In the south side is Madiun District and Magetan District.
- d. In the west side is Karanganyar District and Sragen District (Jawa Tengah Province) (BPS, 2012: p.3).

This District administratively is divided into 19 districts and 217 villages. The area of Ngawi District is about 1.295,58 km<sup>2</sup>, about 39 percent or 504,76 km<sup>2</sup> is wet rice field. Topographic of Ngawi District consists of upland and smooth land. In the South area are hills and mountains area stretching from east to west, covering the sub-District of Kendal, Jogorogo, Ngrambe and sub-district Sine on the slopes of Mount Lawu. While generally, in the center area is laying areas that are a fertile agricultural land. The rest fifteen sub-Districts area are smooth land. Kedunggalar sub-District and Karanganyar sub-District are sub-Districts having largest area. Karanganyar sub-District had 138,29 km<sup>2</sup> or 10,67 percent and Kedunggalar sub-District had 129,65 km<sup>2</sup> or 10,00 percent (BPS, 2012: p.3).

**Figure 6.1 Map of Ngawi District**



Source: BPS, 2012: p.iii

**Table 6.1 Number of Villages, Area and sub-District 2011**

No	Sub-District	Number of Vilage	Areas (Km <sup>2</sup> )
1	Sine	15	80,22
2	Ngrambe	14	57,49
3	Jogorogo	12	65,84
4	Kendal	10	84,56
5	Geneng	13	52,52
6	Gerih	5	34,52
7	Kwadungan	14	30,30
8	Pangkur	9	29,41
9	Karangjati	17	66,67

No	Sub-District	Number of Village	Areas (Km <sup>2</sup> )
10	Bringin	10	62,62
11	Padas	12	50,22
12	Kasreman	8	31,49
13	Ngawi	16	70,56
14	Paron	14	101,14
15	Kedunggalar	12	129,65
16	Pitu	10	56,01
17	Widodaren	12	92,26
18	Mantingan	7	62,21
19	Karanganyar	7	138,29

Source : BPS 2012: p.13

Ngawi area is included in the watershed (DAS) of Solo and Madiun which met in the Ngawi district. In Ngawi there are seven river systems. Those river systems are: River Banger, Sawur, Sidolaju, AlasTuwo, Batu Bunder, Kenteng, and Ketonggo. Lately there were Occurrences discharge striking fluctuations in river water, it is showing the imbalance condition between the absorption of water into the soil with increased surface flow (run-off). This is happen due to environmental damage caused by forest destruction (BPS, 2012).

Area of Ngawi generally is divided into two areas that are the northern area and south area. The based of Grouping of regions is the flow of Bengawan Solo River. The details of grouping as follows:

- North Bengawan Solo consist of sub-district Karanganyar and Pitu
- South Bengawan Solo consist of sub-district Sine, Ngrambe, Jogorogo, Kendal, Gerih, Geneng, Kwadungan, Pangkur, Padas,

Karangjati, Bringin, Kasreman, Ngawi, Paron, Kedunggalar, Widodaren and Mantingan.

Southern region largely get irrigation from Bengawan Solo River so potential for food crops. While almost of the northern regions are rainfed and dry land. Most of the land use in Ngawi district is for agriculture. Land use in the Ngawi region is as the following: Agriculture: 50 476 ha (38.9%), Plantation: 2,275 ha (1.75%), Moor: 13 547 ha (10.45%), Grounds: 2,021 ha (1.55%), Forests: 45,428 ha (35.05%), Settlements: 16 323 ha (12.6%), Reservoir, Dam and Others: 3,057 ha (2.35%) (Regent of Ngawi, 2012: p.8).

## **6.2 Climatic Conditions of the Ngawi District**

The conditions Climate in Ngawi is tropical wit medium temperate. Ngawi is included in dry climates judged from the condition of rainfall with average rainfall below 3,000 mm<sup>3</sup> / year, that is 1603.63 mm<sup>3</sup> / year and have a rainy day with an average is equal to 158.85 days / year (BPS, 2012: p.14). Low rainfall in the district of Ngawi makes this area often experience difficult in irrigation, especially in paddy fields when dry season arrives. Then farmers must use diesel engines to retrieve underground water. The existence of several reservoirs in Ngawi like Pondok, Sangiran and Kedung Bendo Reservoir are also one of the supporting means in the agricultural sector.

**Table 6.2 Monthly Rainfall Averages 2007-2011 (mm<sup>3</sup>)**

Month	2007	2008	2009	2010	2011
January	25,95	24,95	28,01	23,45	21,92
February	14,00	25,60	26,88	27,41	16,29
March	25,50	24,73	29,56	27,34	25,43
April	26,08	17,68	14,12	22,08	23,18
May	12,57	12,66	14,56	21,04	22,90
June	16,17	11,50	18,95	15,43	16,17
July	11,11	-	19,40	14,31	13,36
August	-	15,92	-	12,89	-
September	14,00	16,66	-	21,82	9,03
Oktober	10,60	17,99	17,90	26,83	12,38
November	18,18	25,17	24,86	19,51	11,58
Desember	29,60	25,21	18,00	23,82	11,22

Source : BPS, 2012, p.21

### **6.3 Population Conditions of the Ngawi District**

In the end of 2011, Number of population of Ngawi District is 911.911 people, consist of 448.424 men and 463.487 women. Sex ratio in Ngawi district is 96, it means that there are 96 men in every 100 women. The numbers of populations in Ngawi District increases If it is compared to 17.236 people in 2010 or increase 1,92 persen in one year. The sub-district having most population is Paron sub-district having 88.510 people, and the least population is sub-district of Kasreman with 24.545 people (BPS, 2012: p.50).

Population density in 2011 is 704 people/km<sup>2</sup>. It means Increase about 14 people every kilometer square than the year before. The Ngawi sub-district is sub-district having the highest level density (1.199 people/km<sup>2</sup>) and Karanganyar is

sub-district having the lowest level of density (230 people/km<sup>2</sup>). In Ngawi the number of birth in 2011 is 8.015 people, divided into 4.002 male births and 4.013 female births. It increases until 2.49 percent if it is compared to 2010. The number of deaths in 2010 are 4.270 people, consisting of 2.239 men and 2.031 women. It increases about 3.19 percent if it's compared in 2010, (BPS, 2012: p.50).

**Table 6.3 End Year Population by Sex and Sex Ratio 2011**

District	Male	Female	Total	Sex ratio
Sine	23.176	26.204	49.380	88,44451
Ngrambe	21.936	22.171	44.107	98,94006
Jogorogo	24.098	24.489	48.587	98,40336
Kendal	28.813	29.200	58.013	98,67466
Geneng	27.876	28.238	56.114	98,71804
Gerih	18.294	19.358	37.652	94,50356
Kwadungan	14.180	14.528	28.708	97,60463
Pangkur	14.243	14.829	29.072	96,04828
Karangjati	23.239	25.181	48.420	92,28784
Bringin	15.978	16.458	32.436	97,08349
Padas	17.152	17.308	34.460	99,09868
Kasreman	12.288	12.257	24.545	100,2529
Ngawi	42.030	42.550	84.580	98,77791
Paron	43.626	44.884	88.510	97,19722
Kedunggalar	36.731	37.070	73.801	99,08551
Pitu	14.082	14.215	28.297	99,06437
Widodaren	34.860	36.648	71.508	95,12115
Mantingan	19.877	22.042	41.919	90,17784
Karanganyar	15.945	15.857	31.802	100,555
<b>Total</b>	<b>448.424</b>	<b>463.487</b>	<b>911.911</b>	<b>96,75007</b>
<b>2010</b>	<b>439.536</b>	<b>455.139</b>	<b>894.675</b>	<b>96,57182</b>

District	Male	Female	Total	Sex ratio
2009	438.223	453.828	892.051	96,56147
2008	437.808	451.416	889.224	96,98549
2007	431.354	450.867	882.221	95,67212

Source : Ngawi in Figure 2012, p.55

Most of population in Ngawi district work as farmer. Population in the Ngawi region based on livelihood is as the following: farmer (302.514), student (213.381), unemployment (171.303), others (150.428), private employee (56.199), civil servant (14.000), police/army (4.086) (Regent of Ngawi, 2012: p.22).

Similar to national condition, poverty is still the main problem faced by population in ngawi. Based on the book Ngawi District in Figures, during the last three years the number of poor households in the district ngawi actually continued to decline, but the numbers are still very large about 55 percent (BPS, 2012: p.75).

**Table 6.4. Number of Prasejahtera (poor) household – Sejahtera III<sup>+</sup> (rich) household**

Years	Prasejahtera (%)	Sejahtera I (%)	Sejahtera II (%)	Sejahtera III (%)	Sejahtera III <sup>+</sup> (%)
2009	58.27	9.09	9.69	22.65	0.29
2010	57.35	8.48	10.36	23.46	0.34
2011	55.29	8.76	11.54	24.05	0.36

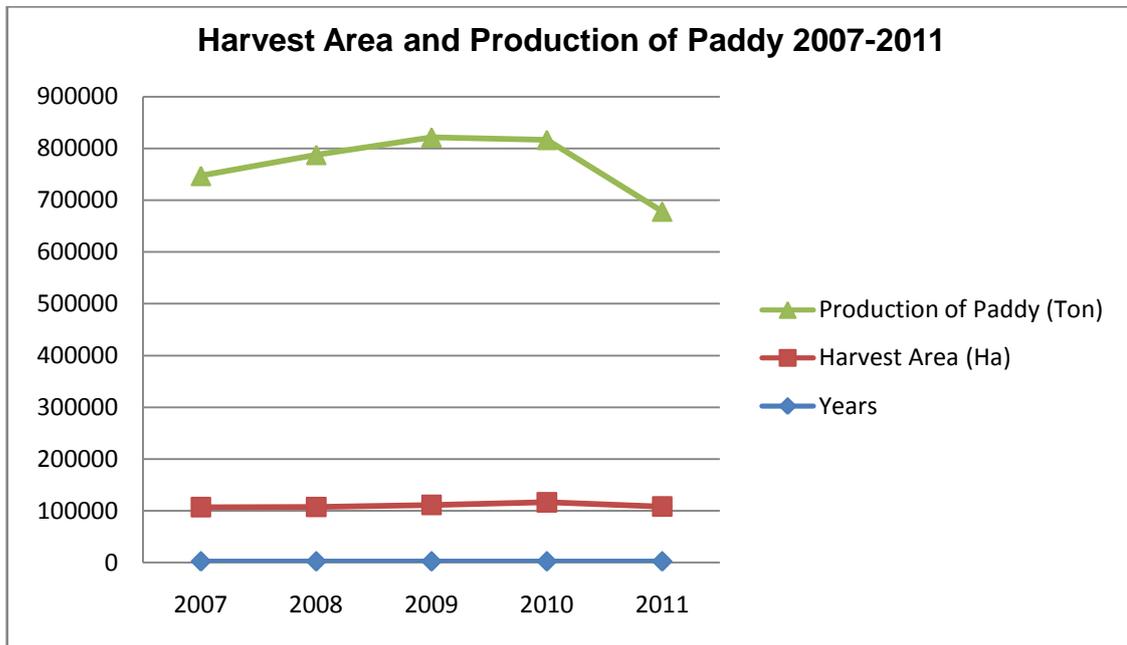
Source : BPS, 2012: p.75

#### 6.4 Agriculture

For Ngawi agriculture is still the mainstay of the sector. Imagine, from 129.598 ha of Ngawi area about 72 percent of them in the form of wetland, forest and

plantation land. This sector absorbs about 76 percent of the total workforce. From 5 sub-sectors of agriculture (food crops, plantations, livestock, forestry and fisheries), commodity food crops especially paddy was the major contributor to the total value of agricultural production. (Galuh, 2011). Agricultural development in the district ngawi more focused in order to increase the income of farmers considering the majority of the population are farmers. And prospect of agricultural are very good because it is supported by a wet tropical climate and adequate rainfall per year, which allows for the development of agriculture here. Not surprisingly, Ngawi be one buffer areas of food in East Java and national as well. Unfortunately for 2011 paddy production has decreased from 697.501 ton in 2010 to 572.984 ton in 2011, its mean paddy production decrease 17,85 percent. This condition may be caused by the reduction of harvest area in Ngawi. From 2010 until 2011 Ngawi district experienced derivation in number of harvest area from around 114.200 Ha in 2010 became 106.000 Ha in 2011(BPS, 2012, p.133).

**Figure 6.2. Harvest Area and Production of Paddy 2007-2011**



Source : BPS, 2012: p.133

Estate Crop in Ngawi consist of coconut, sugar cane, cocoa. Crop that has the largest area in the district ngawi is Sugar cane crop having area around 5.959,5 Ha. The production of sugar cane in 2011 increase 114.947 quintals or rose 35,79 percent if compared to 2010. Expected sugar cane production increase from year to year in order to encourage increase of the sugar production in Ngawi district. Ngawi district has various Big and small livestock farms, those livestock farms consist of cows, buffaloes, goats, and sheep. In the other hand the poultry species are consist of domestic hen, laying hens, broiler hen. In 2010, except the buffalo, which dropped 50 heads of cattle or 2 percent the total number of livestock increased compared to the year 2009. While for Inland Fisheries, Ngawi district has areas around 1.381.895 hectares with the total production is 1.690.308 Kg. Species of fish bred in Ngawi district consist of lele (catfish), patin, carp, Mujair,

etc. The development of fish production rise continually from 2009 to 2011. By the program of "GEMARIKAN" (fond of fish) the government of Ngawi encouraging people of Ngawi to eat fish (BPS, 2012, p.130-131).

Welfare of farmers indicated through Value Farmers Exchange (Nilai Tukar Petani/NTP) in Ngawi experienced slowdown compared to previous years. This slowdown was caused by a rise in prices received indexes by farmers lower than raising the prices paid index farmers. Decline in the condition of the welfare of farmers in the Ngawi was caused by several factors such as increased production costs (the price of fertilizer, land rent) and extreme weather factors at the end of 2009. Developments in early this year tend to be the same in the previous year.

#### **6.5 Condition of Farmers in Ngawi District**

Actually the condition of Ngawi district is similar with national condition, in which the farmer face basic problems faced by the farmers in Indonesia generally that are lack of acces to source of financing, market, and technology. Generally farmer in ngawi district have paddy fields but most of them have paddy field in small areas. This condition is caused by almost farmers in Ngawi district got their paddy fields from their parents that have been divided in accordance with the number of their child.

In addition Ngawi District also many farmers who do not own agricultural land. They earn income by working as a farm worker. As a farm worker in a time growing season (4 months) they will only work for an average of 2 months that is at harvesting other people's farms and when work for rice planting and

maintenance other people's farms. To harvest the rice plant belongs to someone else one season usually they will get a reward in the form of grains of approximately 360 Kg. If the valued in money around Rp. 1,440,000.00. As for the work of planting and maintenance of rice they will work for about one month and for one day they would get paid about Rp. 50.000.00, so that if in the total amount of their income for the planting and maintenance amounting to Rp. 1,500,000.00. So that their total revenue during one growing cycle rice is Rp. 2,940,000.00. That much money they have should be able to use to fulfill their needs for 4 months.

**Figure 6.3 Images of Harvesting Activities**



**Figure 6.4 Images of Activities done by farmers in one growing season.**



In the other hand for farmers having paddy field they still process their paddy field in traditional ways as follow:

- a. The irrigations fields in Ngawi district still dependent on rain,it makes farmers in dry season not planting their paddy fields or planting with plants having low economic values such as cassava.
- b. Almost farmers planting a single crop at the same time, when the harvest feast come it make the price go down and the farmers cannot obtain maximum benefit.
- c. Many farmers planted rice full year, this condition give same effect with the previous condition.
- d. Lot of farmers do not use hybrid seeds but seeds from the previous harvest season then this condition make the farmers geting harvest not in maximum number and usually the quality of seed resulted decrease time by time.
- e. Farmers usually sell their harvest before the harvest time. This condition usually is caused by the farmer borrow such number of money to the

middleman in planting season as the consequences they must sell their product to the middleman with price under the market price.

In addition to the exchange rate of farmers in Ngawi is still low at around 98. This means that the income of farmers down and smaller than its expenditure. This shows that the welfare of farmers in the district Ngawi still low.

## **6.6 Development Strategies of Ngawi District**

Economic potential of Ngawi District are especially there in the agriculture, forest resources, trade and deeds. There is huge potential will require efforts in such a way so as to accelerate the growth of the economy of the people. Such efforts were influenced both by external and internal factors. External factors consist of central government policy in the field of economy, East Java provincial government policies, and the development of regional economy around Ngawi district. Non economic conditions in the form of social situations and stable political environment also influenced the level of economic growth of a region. While internal factors consist of a series of efforts made Ngawi district government to encourage regional economic growth through fiscal policy / regional budgets , strengthening economic independence through the development of Micro Small and Medium Enterprises ( MSME ) , Co-operative , processing industry , tourism and trade , as well as the provision of infrastructure, repair and maintenance markets .

By considering the the potential, conditions, problems, challenges and opportunities that exist in Ngawi and consider the culture of living in society, the

vision which is owned Ngawi district in 2010-2015 was: "The Realization Of The Prosperous Ngawi And Have Moral Based on Rural Development " (Bappeda Ngawi, 2010).

The elaborations the meanings of this vision are as follows:

**Realization:** the condition of desired end

**Ngawi:** the unity of the region and community with all the potential in the system administration of Ngawi.

**Prosperous:** Ngawi community conditions those are able to meet physical and spiritual needs with economic independence that is viable and competitive.

**Moral:** to create the Ngawi society imbued by appreciation of religious values, noble character and cultured with indicators of social piety in an conducive and comfortable atmosphere.

**Based on Rural Development,** the main subject of the development is empowerment in the rural areas accompanied by growth and equity across the region of Ngawi.

To achieve its vision, the Government Ngawi formulated the following mission (Bappeda Ngawi, 2010):

- a. Eradicate extreme poverty in an integrated and sustainable way;
- b. Improving basic services in education and health care that are qualified and competitive;
- c. Develop business climate and democratic economy based on agriculture;
- d. Renewal governance areas and rural as well as public services which are good, clean and accountable;

- e. Improving the quality of infrastructure in accordance with the carrying capacity of the environment and space function;
- f. Increasing cultural that is based wisdom and religion in a conducive environment.

In the development of region to achieve the desired conditions in accordance with the vision and mission, Ngawi government set a general strategy of regional development as follows (Bappeda Ngawi, 2010):

1. Sustainable development centered on the human resources (people centered development) , which emphasizes community participation ( participatory - based development ) in planning , implementing , and supervising programs related to the development of their own livelihood
2. Siding to the poor ( pro - poor ) rural -based , gender mainstreaming and environmentally sound.
3. Equitable development and economic growth , particularly , the development of agricultural and forest communities oriented agribusiness.
4. Development of social and political life of a civilized society and based on religious harmony.

### **6.7 Implementation of PUAP Program in Ngawi District**

As well as other regions in Indonesia PUAP program has been running since 2008 in Ngawi district, this means that PUAP program has been running for more than five years in Ngawi district. In 2008 there were 45 gapoktans in Ngawi district received PUAP program funding which spread over 13 districts. For the year 2009

there were 46 gapoktans received PUAP funding, while for 2010 and 2011, respectively 22 and 34 gapoktans, while for the year 2012 does not exist but in 2013 there will be 10 gapoktans will receive a grant PUAP.

In the implementation of PUAP programs in Ngawi district gapoktans were accompanied by penyuluh pertanian (agricultural extension worker) and penyelia mitra tani (supervisor farmer partner). Every gapoktan is accompanied by one penyuluh pertanian. While the amount of penyelia mitra tani in Ngawi district are six. One person appointed in 2008, two in 2009, one person in 2010 and two in 2011. All those Penyelia Mitra Tani are selected and chosen by the ministry of agriculture through national selection. After chosen then all Penyelia Mitra Tani are included in training for Penyelia Mitra Tani. From the results of the monitoring done by penyelia mitra tani found that most of the Gapoktan in Ngawi still have almost the same problem, namely the lack of ability to make administrative bookkeeping this is due to lack of knowledge of farmers on financial administration. But there is something interesting about this problem, it turns out there is one Gapoktan that able to make the neat administration because it uses someone that understands the problem financial administration by lifting someone from vocational graduates. This gapoktan is gapoktan in kartoharjo village. as said by Mr. Sadik, as Supervisor Mitra Tani, he said that:

“Ada salah satu gapoktan yang berhasil melakukan pembukuan dengan rapi karena memiliki anggota lulusan SMK, gapoktan tersebut adalah Gapoktan Tani Makmur desa Kartoharjo.”

“There is one gapoktan which can successful make bookkeeping neatly because this gapoktan has vocational school graduates members, this gapoktan is Gapoktan Tani Makmur Kartoharjo village.”

The other problems there are still manager of Gapoktan who have not realized the utilization of these funds, which is to be developed in rolling and sustainable way. Crop failure turned out to be the reason for overdue payment recipients, coupled with the system of agreement with other members of the group are not clear. There were some members Gapoktan that utilize the funds for other purposes that are not appropriate Business Plan Members (RUA).

Generally the implementations of the PUAP program in Ngawi are vary widely, there are successful run the program properly, there are normal and there are less successful. As said by Sadik:

"Secara umum pelaksanaan program PUAP di kabupaten Ngawi sangat bervariasi mulai dari yang buruk sampai yang paling baik."

"Generally the implementation of the PUAP program in the district Ngawi is very varied ranging from poor to the Best."

Based on progress reports obtained from penyelia mitra tani (supervisors farmer partners) and the results of interviews with some supervisors there are several gapoktan successful manage funds, channeling and increasing the number of members, is able to bring up the new agribusiness so as to increase farmers' income, but there are also in the opposite conditions.

#### *6.7.1 Case in two gapoktans*

##### **a. Gapoktan Tani Makmur**

Gapoktan Tani Makmur is located in the Kartoharjo village, Ngawi district. Gapoktan Tani Makmur was established in 2009 and has received funding PUAP

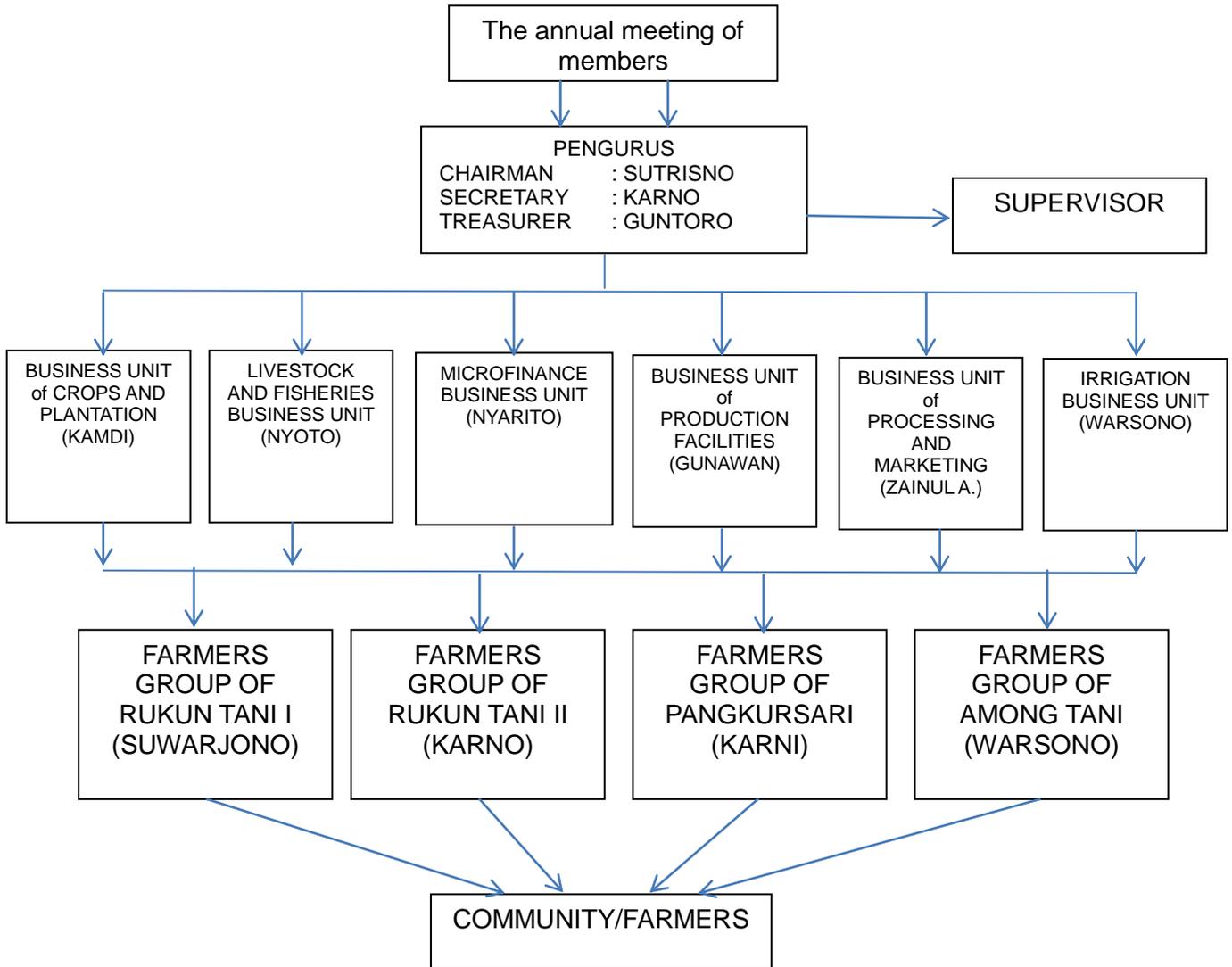
in 2011. It can be said that Gapoktan Tani Makmur just get PUAP funds, but even like this according to Penyelia Mitra Tani, Gapoktan Tani Makmur is Gapoktan most successfully run the PUAP program and ever represent Ngawi at the provincial championship. This is based on my interviews with Mr.sutrisno which says that:

"Gapoktan Tani Makmur pernah mewakili Ngawi dalam lomba pelaksanaan program PUAP ditingkat provinsi karena dinilai sebagai Gapoktan yang paling berhasil melaksanakan program PUAP."

"Gapoktan Tani Makmur ever represented Ngawi in the championship of PUAP program in provincial level because it is considered as the Gapoktan Most Successful implements the PUAP program."

As for Tani Makmur Gapoktan organizational structure can be seen in the image below.

**Figure 6.5 Organizational structure of gapoktan Tani Makmur**



Source: Gapoktan Tani Makmur

According to Sutrisno the determinations who become officials of gapoktan Tani Makmur was done by general election. The election was done at village office hall. The candidates of Gapoktan Tani Makmur come from all poktan (farmers group). The vision of gapoktan tani makmur is “farmers unite to advance” while its missions are: serve the needs of farmers, business culture, improve the local economy and connect sense. Until now, the progress of the number of members and the fund of gapoktan Tani Makmur is very promising. Based on my

literature review at the beginning of the formation of the number of member-owned gapoktan are 100 people with the initial amount funding of gapoktan is 15 million rupiah. For now (august 2013) the number of members has reached 125 people and funds had to be 136.352.300 rupiah.

Based on interviews that we did with the chairman and treasurer gapoktan Tani Makmur can we know that there are some activities that have been carried out by this Gapoktan.

"Ada tiga jenis kegiatan yang dilakukan oleh Gapoktan Tani Makmur yaitu: Kegiatan Organisasi, Kegiatan Administrasi dan Kegiatan Permodalan."

"There are three types of activities performed by Gapoktan Tani Makmur namely: Activities of organization, administration activities and activities of business capital.

For the organization's activities there are seven activities that are performed by gapoktan Tani Makmur, namely:

1. Held members meeting to discuss Accountability Report of Manager, Supervisors and Work Plan.
2. Working meeting.
3. Consulting organizations and businesses.
4. Guidance and coaching members generally.
5. Regular meeting.
6. Sending officers and members to attend refresher courses or training.
7. Conduct refresher courses or training of bookkeeping and management organization.

In administration there are three kinds of activities that have been carried

out, namely:

1. Improve the administration of the organization in accordance with the instructions related agencies.
2. Complete and work the data which incomplete yet.
3. Implement accounting administration with accounting systems.

While there are eight activities of capital venture undertaken by gapoktan, namely:

1. Improved services to members in accordance with the procedures or rules gapoktan.
2. Buying and selling of agricultural product from members.
3. Accept time deposits of its members in accordance with the provisions gapoktan.
4. Received savings with Services reward gapoktan.
5. Discipline liabilities members and prospective members.
6. Seek additional funding from the provincial government.
7. Open special capital for vendors who become members.
8. Distribute fertilizer to each poktan.

Gapoktan currently has a new program that became the mainstay of the program and attracted the attention of several parties. The program is a round vegetable vendor financing program. Mr. sutrisno said that:

"Saat ini gapoktan punya program baru yang menjadi program andalan yaitu pemberian bantuan kepada pedagang sayur keliling."

"At this time gapoktan have a new program that became the mainstay, the program is the provision of assistance to itinerant vegetable vendors."

This program was launched in July 2013 by giving loans to 20 people the round vegetable vendors. This loan is given without any guarantee and payment systems in accordance with the wishes of traders. Maximum amount initial loan is 500,000 rupiah. As for the hope of gapoktan for merchants with this program are:

1. Could increase the capital to the merchant so turnover is increasing and growing.
2. Facilitate traders in the capital with light interest without warranty.
3. Boost merchant's / farmer family's economic.

**Figure 6.6 Images of Round vegetable vendors**



Before launching the program whole board held a meeting in advance to determine which program will be the mainstay of this gapoktan. Based on observations in the field and then finally the board get an idea about which program will be the group's mainstay program, that is provides loans to members to be a vegetable vendor capital. To determine the amount of credit to be granted, the manager also performs on field observations in advance. The manager came to around some vegetable vendors at the market. They asked what about the money that is needed for the initial capital cost for merchandise. The answer they give is indeed very varied, ranging from Rp 250.000, 300.000 rupiah, 500.000 rupiah to 750.000 rupiah. After a thorough discussion of the manager and trader of

vegetables, finally decided that the amount of the loan to be given is 500,000 rupiah. The loan repayment period is for one year with an interest rate of 2%. To determine the success of this program, each one-year there is an evaluation of the program by collecting traders who gets credit for knowing the benefits, barriers and inputs for the future improvement of the program.

From interviews with some of the merchants I conclude that this program is helping farmers. Farmers who usually only get income from other people working in the land for two months each growing season or every 4 months with the size of three million rupiah, now they can earn an income from selling vegetables on a daily basis as much as 50,000 rupiah to 100,000 rupiah a day. Or in other words each 4-month growing season or they get a big infusion 6,000,000 rupiah up to 12 million rupiah. In fact, these efforts will also reduce the expenses of round vegetable traders, because they are able to meet the needs of the kitchen by take the rest of their commodity.

In addition, the credit assistance program for vegetable vendors also have been successful brings up a new venture for land owners farmers. In the past as well as farmers in other villages in the district Ngawi, nearly a full year of their land planted with rice plants. The presence of circumference of the vegetable farmers, many farmers who cultivate land partly with vegetable crops such as eggplant, spinach, mustard greens, beans and other vegetable crops. By planting vegetable farmers also benefit, which is able to increase their income. Due to growing vegetables, farmers not only earning 4 months after the rice harvest but also earn income from selling vegetables at vegetable vendors every 2 or 3 days.

In addition to having excellent programs itinerant vegetable seller financing, gapoktan Tani Makmur also has a loan program that is the same as other gapoktan gapoktan-namely financing and supply of fertilizers to farmers. With two of the program has also helped transform the lives of farmers and, because of the presence of these two programs, farmers no longer need to borrow money from moneylenders and banks so that the results obtained are also more optimal If farmers borrow money to moneylenders or banks, then interest loans is far above the loan rate in MFI-A. There is even a moneylender that sometimes requires farmers to sell their crops to moneylenders at a price below the market price. The greatness of this gapoktan is they able to manage this program for almost 4 years without any bad debts.

When asked about what prescription that he wears in order to the officials gapoktan gain the trust from the community Mr. sutrisno answer:

"Prinsip yang saya gunakan untuk memimpin gapoktan adalah keterbukaan, tidak ada yang ditutupi terutama masalah keuangan. Kita selalu melaporkan laporan keuangan apa adanya, apa yang tertulis sesuai dengan kenyataannya."

"The principles I use to lead gapoktan is openness, there are not covered, especially financial problems. We always inform the financial report honestly, what is written in accordance with reality."

At the time the board will receive funding PUAP gapoktan invite all residents to listen socialize and briefings about PUAP program delivered by officers of the district. This has a purpose that the officers and members gapoktan will have the same views about PUAP program. This event was not only attended by the residents and gapoktan's officers alone, but also attended by village

officials who will be monitoring team. In the course of managing the funds PUAP gapoktan officials held social gathering once each month to discuss issues that are being developed in the community. Both the business and the credit of PUAP funds problems. This social gathering is followed by the board in each of the farmer groups. Besides held social gathering every month, every four months gapoktan board held meeting with members to submit progress reports and financial reports. So, that all members know the development of existing programs and funding.

**Figure 6.7 Image of Socialization PUAP Program at Gapoktan Tani Makmur**



To maintain harmony between managers and employees, solve problems and improve the performance of MFI-A held two meetings each month and manager evaluation. This meeting consisted of a meeting between farmers in each group and a meeting between farmers' group manager at Gapoktan. The meeting in farmers 'group is held every 27th of the month when a meeting between farmers' group manager at gapoktan held every 13th of the month.

Meeting in each group are usually used to discuss the issue encountered by

farmers eg of outbreaks of disease the rice plant to be solved together among farmers or if not able to overcome will be delivered in gapoktan for later forwarded to the companion extension. in addition to discussing the problems encountered group meeting is also used for the submission of financial reports MFI-A to farmers so that there is transparency and there is no negative perception of farmers to the MFI-A board. For meetings in Gapoktan also discusses the same thing that the problems encountered farmers and submission financial reports of MFI-A to the board of farmer groups for later passed on to the farmers.

Another interesting thing that I have found in this gapoktan is that almost two years the savings and loan program is running in this gapoktan there is never encountered any bad debts. When I ask for the Mr. Sutrisno and the Mr. Karno as chairman and treasurer what tricks they do so there is no bad loans they both replied:

1. First, the mutual trust between management and members.
2. Second, every maturity due date payment, board will always send a notice.

The Exciting from this MFI-A is when there are customers who have not paid or paid late, the manager sends a notification to the client but only the client itself and the manager know about it. So customers do not feel ashamed and keep good relationship with the manager. Because according to experience of managers the customer's rather than often do not want to pay but usually forget to pay.

Based on my document research in gapoktan Tani Makmur there are three types of lending system, namely:

1. Lending system in which the loan principal and interest paid three times with a period of twelve months (paid quarterly / every harvest season)
2. Lending system in which the loan principal and interest are paid one time for a period of four months.
3. Lending system in which the borrower can borrow more than one million by borrowing one million first, then he can borrow up to 3 million with a guarantee BPKB.

When applying for credit or a loan each borrower must obtain approval from their own farm administrators group then submit it to gapoktan, so the farmer groups also have a responsibility if any member who delinquent loan payments. This method distinguishes gapoktan Tani Makmur with other existing gapoktan in Ngawi. If another gapoktan direct approval from gapoktan, because they assume that if a determination from the gapoktan will be easier to control. Whereas according to the fact it will be easier to control if the approval is done by the group because they are closer to the farmers and who better know condition of farmers.

According to some people in the village kartoharjo PUAP program is very helpful their economies. With this PUAP program people find it more convenient when they want to seek additional capital and the way out from difficulty, as the results of my interviews with several gentlemen in the stall. They said that

“Saya merasa sangat terbantu dengan adanya program ini pak, ketika saya membutuhkan tambahan uang saat musim tanam saya tidak perlu lagi jauh-jauh pergi ke bank untuk cari pinjaman uang, disamping itu syaratnya mudah dan bunganya rendah. Saat ini bunga pinjaman di bank untuk pinjaman musiman sudah mencapai lebih dari 2% sedangkan disini bunganya dibawah 2%.

"I was greatly helped by the existence of this program sir, when we need of extra money for the planting season I did not have far to go to the bank to seek a loan of money, in the other hand the requirements are very easy and also lower interest loan. Currently in bank interest loans for seasonal loans could reach 2% more while in Gapoktan below 2%".

While there was also man who said

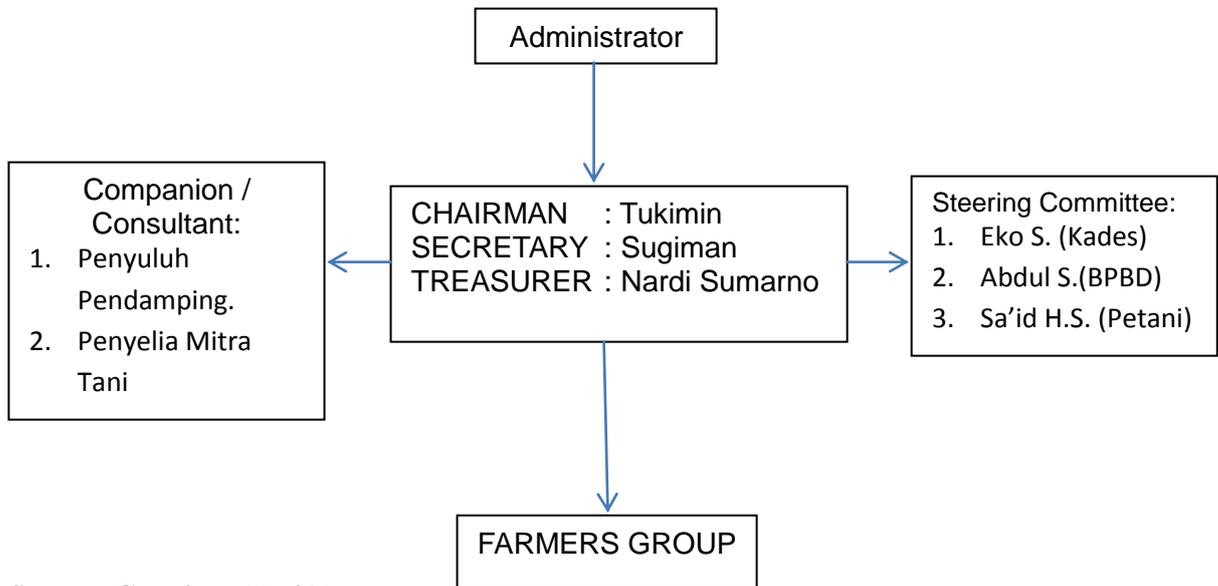
"Dengan Program ini kita sering ketemu dengan sesama ;petani dan penyuluh pertanian sehingga jika ada wabah penyakit tanaman padi atau tanaman lain kita bisa saling tukar informasi untuk mengatasinya."

"With this program we often meet with fellow farmers and agricultural extension so if there is diseases outbreak of rice or other crops we can exchange information and knowledge to resolve the issue".

b. Gapoktan Tani Bersatu Dawung

Gapoktan Tani Bersatu is located in the Dawung Village District of Jogorogo. This is the sixth gapoktan in districts of Jogorogo that receive funding PUAP. Gapoktan Tani Bersatu Getting PUAP funding in 2010. Gapoktan Tani Bersatu is led by Mr.Tukimin assisted by Mr.Sugiman as secretary and Mr.Nardii Sumarno as treasurer. Based on my document research until now gapoktan Tani Bersatu has been successful in increasing the number of members and the amount of funds managed. Number of member increase from 100 people to 132 people and the amount of funds that originally 100 million rupiah become 113.062.104 rupiah. Gapoktan Tani Makmur is a combination of four farmer groups in the village Dawung that are: Ngudi Santoso, Ngudi Rejeki, Ngudi Rahayu and Ngudi Mulyo, as for the organizational structure is as follows.

**Figure 6.8 Organizational structure of Gapoktan Tani Bersatu**



Source: Gapoktan Tani Bersatu

As well as in gapoktan Tani Makmur, the determining officials in gapoktan Tani Bersatu also held with the general election and the candidates were also taken from all existing farmer groups. This selection process is also known by the head and officials of village Dawung. From the observation that I have done do I know that gapoktan Tani Bersatu does not have a clear vision and mission. This can be seen from the least of type of activities conducted and not have a program that became the mainstay of groups such as those in gapoktan Tani Makmur. Activities in gapoktan Tani Bersatu are loan activities and provision of fertilizers for members.

And when I tried to find out more about the management of the activities I get that savings and credit management activities carried out in a way that is less professional. According to Mr. Nardi:

"sampai saat ini pengelolaan dana PUAP saya sendirian yang mengurus mas tidak ada yang membantu karena ketua dan sekertaris

gak pernah turut campur membantu" menurut bapak Nardi."

"Until now the management of PUAP fund is done by me alone sir, no help because the chairman and secretary never intervened to help"

This is in contrast with what happens in gapoktan Tani Makmur, which already has a business unit in charge of lending and borrowing activities.

Apparently treasurer not only deals with savings and loans activity alone, he is also still in charge for the provision of fertilizer. Then I ask again whether you are alone taking care of everything or you are just existing officials? He replied

"Saya tidak mau dikatakan bahwa saya adalah satu-satunya pengurus gapoktan karena daftar pengurus sudah ada di struktur organisasi. Meskipun kenyataanya say yang menjalankan semuanya."

"I do not want to be said that I only the officials of gapoktan because the list of officials have been included in the organizational structure of gapoktan, despite the fact that I was carry out of everything".

With this fact, several routine activities as exist in gapoktan Tani Makmur was not possible to be done. So there are the lack of coordination between the officials and the officials with members, and its financial reports only done very simple, there is only a monthly cash report. According to Mr. Nardi this occurs due to lack of willingness of the board, especially the chairman gapoktan. This is because the chairman is not a pure farmer, a farmer is a side job, and the main job is civil servants.

According to Mr. Nardi the worse is the head of gapoktan is one customer who delinquent the loan payments. He said that:

"Parahnya lagi mas salah satu yang menunggak pembayaran kredit adalah ketua gapoktan."

"The worse sir, someone who is delinquent loan payments is chairman gapoktan.

So it is possible that this is one of the causes that make many members delay the payment of loans. In the gapoktan Tani Bersatu there happens a lot of delay of credit payment and when Mr. Nardi collect the credit, some members said that the chairman also not paid it yet. But on the other hand actually for about two years, namely in 2011 and 2012 in the district Jogorogo and surrounding it have occurred crop failure. So even before the due date has been given notice and have been given an explanation about the penalty of the delay in payment, members still have not been able to pay it off.

Other possible cause is less effective of socialization at a time will get funds PUAP. Not as well as practiced by gapoktan Tani Makmur, gapoktan Tani Bersatu not invite all members to listen to the direction of the officers of the district. They only socialize to representative members so there are many members who consider the PUAP funds is grant without any obligation to develop and roll it to other members. Based on my literature research, the form of a loan program in gapoktan Tani Bersatu is same as with the form in gapoktan Tani Makmur, the difference is still only for the purpose of agricultural enterprises have not been to other businesses. For the credit application process is also different. Gapoktan Tani Bersatu when give approval without involving farmer groups, according to Mr. Nardi this is done with the reason for easy control. But the fact is opposite, because the actual farmer groups who know about its members.

After running about three years there have been some public opinion in the village Dawung about PUAP program. There are some people who have got funding PUAP say that:

“Program PUAP sangat membantu usaha pertanian saya terutama masalah dana, sayangnya pengelolaannya kurang optimal.”

“PUAP program greatly helped my farm business especially in term of funding problem, unfortunately less than optimal management.”

. While there are some people who say that he has not been able to feel the benefits of the program PUAP because until now have not get the fund because there are many members who have not paid off the loan.

#### *6.7.2 Implementation From The Side Of Penyelia Mitra Tani (PMT) And Penyuluh Pendamping*

There are a things that caught my attention on the mentoring process done in Ngawi district, the PUAP office of district Ngawi a workplace of Penyelia Mitra Tani exist within the Office of Dinas Tanaman Pangan dan Holtikultura, while Agricultural Extension workplace at the office of Badan Ketahanan Pangan. in my opinion this would cause difficulties in coordination. But when I ask, according to them all this time the coordination runs smoothly.

Based on interviews with companion, according to him there are some issues and challenges they face during conducted the mentoring task. According to agricultural extension challenge often faced are:

1. Many farmers still difficult to understand explanations of agricultural extension. So it requires patience and a specially tricks to deliver.
2. Many farmers who still adhered to the customs or traditions that are less able to accept new things.

3. And finally there are still many farmers who keep their own volition or act their own way.

Whereas according to Supervisor Mitra Tani, during carried out his duties there are some problems that are often encountered. These issues are:

1. Number of personnel currently owned very less. Currently one Penyelia Mitra Tani should accompany more than fifteen gapoktans, whereas according to Mr. Sadik one of senior Penyelia Mitra Tani, ideally one Penyelia Mitra Tani maximum only accompanies four gapoktans.
2. Operating expenses of the central government often comes too late. This has resulted in some of the work being hampered one of which is the evaluation and reporting activities to the provincial level.
3. Time training provided to the gapoktan officials that will get funding PUAP very short, which is about five days, in the other hand participants from Ngawi district were coupled with some participants from other areas so the result is far from the expected.
4. Many administrators of gapoktan are old so assessed lack willingness to work as well as had by the young administrators and usually somewhat stodgy.
5. Salary they received according to Penyelia Mitra Tani are less when compared to supervisor other programs. And for those who are married that value is less.

*6.7.3 Implementation Of PUAP Program In Ngawi District Related To The Process, Role Of Actor And Indicator Success Of PUAP.*

In implementation of PUAP there are ten activities (scopes activities of PUAP) that must be done, that are:

1. Identification and verification of candidate locations as well as the village of receiving BLM Gapoktan PUAP;
2. Identification, verification and determination of the Village and the recipient Gapoktan PUAP BLM;
3. Training for facilitators, Extension Assistants and administrators Gapoktan;
4. Recruitment and training of PMT;
5. PUAP socialization and coordination activities;
6. Mentoring;
7. Distribution of BLM PUAP;
8. Guidance and Control;
9. Supervision;
10. Monitoring, evaluation and reporting.

In the implementation of the program at the district level PUAP there are three actors involved, Extension Assistant, Supervisor Mitra Tani and Administrators Gapoktan.

The Outline Duty of Extension Companion is helping agribusiness growth potential according to the village, ranging from the identification of potential villages, facilitating gapoktan in preparing the growing of agribusiness and guidance to the business. While the task of Supervisor Mitra Tani is give assisting

in term of rising microfinance institutions in the vilages. And the task of the officials of gapoktan is managing funds of PUAP.

Based on PUAP general guidelines there three indicators of success that is owned by PUAP program: Output indicators, outcome indicators and Benefits and Impacts indicators, as we were described in the explanation of PUAP program.

Output indicators of PUAP are:

- a. Distribution of PUAP assessment to poor farmers and poor farmer house hold member of Gapoktan, as financial capital to support productive agriculture activity.
- b. Implementation facilitation of capacity reinforcement and capability of human resource of gapoktan officer, Penyuluh Pendamping and PMT.

While Outcome indicators of PUAP are:

- a. The increase of gapoktan capability to manage and as a facility of financial capital assistment farmer, farmer renting padi fields, farmworker and farmer house hold
- b. The increase of number of farmer, farmworker and farmer house hold geting finacial capital assistment.
- c. The increase of agribusiness activity in rural areas.
- d. The increase of farmer income, farm worker income and farmer house hold income.

Whereas the benefits and impacts Of PUAP program are:

- a. The increase of number Agribusiness activity and farmer house hold economic activity in PUAP locations.

- b. Gapoktan can function as farmer economic institutional in rural areas which is had and managed by farmer
- c. The reduction of poverty and unemployment in rural areas. (ministry of agriculture, 2010: p.3-4)

From ten scope of work owned PUAP program in the general guidelines, actually the implementation of PUAP program in the district Ngawi has covered ten of these activities. But there are still some activities that require attention such as the weakness of the socialization process in some gapoktan and less optimal of facilitation given Penyelia Mitra Tani due to lack of personnel.

In carrying out their tasks Supervisor Mitra Tani and Agricultural Extension has been able to perform its role well in some gapoktan. But in some gapoktan can not run. This can be seen from there are no emergence of new agribusiness and still many bad loans in some gapoktan. On the other hand there are also officials gapoktan who well carry out their role and some are not. There are some officials who abuse their authority and there are some officials who run their authority well.

From research findings above, we get that Gapoktan Tani Makmur can be said has successfully run the program PUAP, while Gapoktan Tani Bersatu has not successfully implemented. This case we can see from the achievements of each gapoktan related to indicators success of PUAP program.

For indicators output both gapoktan been able to meet the first criteria of the indicators of output, they are able to channel PUAP funds to the Members. Just the difference is if in gapoktan Tani Makmur these funds can continue to grow and roll in its members, whereas at gapoktan Tani Bersatu funds cannot be developing

and rolling smoothly because many funds are stuck in some members. While for the second criterion only gapoktan Tani Makmur has successfully implemented capacity and capability building of human resource.

Next for outcome indicators Gapoktan Tani Bersatu cannot meet the first criterion, namely the increasing ability gapoktan in facilitating and managing venture capital assistance. Gapoktan Tani Bersatu not optimal carry out its function because there is only one official gapoktan that runs almost all the officials tasks. Whereas for the second to fourth criterion it was up short despite still in low levels, because of no ability to distribute the money smoothly. The opposite occurred in gapoktan Tani Makmur, gapoktan Tani Makmur was able to facilitate and manage the fund so that the number of members who PUAP get help continue to grow (the second criterion), the number of agribusiness activity is also growing (last round vegetable trading business development) (third criterion) and thereby increasing the income of farm households (fourth criterion).

While for the benefit and impact indicators gapoktan Tani Makmur has been able to develop the household economy business and agribusiness in the Kartoharjo vilage, while gapoktan Tani Makmur only able to increase the supply of fertilizer alone. Gapoktan Tani Makmur also successfully functioning itself as economic institutions for farmers in its village by providing savings and credit services and create new jobs for people in his village to become itinerant vegetable vendors so it can reduce unemployment in the village of Kartoharjo. Gapoktan Tani Bersatu actually also already function itself as an economic institution but merely providing savings and credit services only and it is still far

from optimal and cannot create new jobs.

Viewed from the side of agribusiness implementation PUAP in the Ngawi district really could bring integrated agribusiness activities. According to the concept of agribusiness offered by the minister of agriculture and Soeharjo agribusiness is a series agricultural activities consisting of four sub-systems. The four sub-systems are the upstream sub-system, primary sub-system, sub-downstream systems and supporting sub-systems. By looking at the concept of agribusiness above then we can say that the implementation of the program has appeared PUAP integrated agribusiness system, because there are sub-system of upstream (supply of fertilizers), sub-system of primary (production), sub-systems of support (itinerant vegetable trading business) downstream sub-system (micro finance institution). Unfortunately, it only appears at gapoktan Tani Makmur, whereas at gapoktan Tani Bersatu has not appears yet.

As we all know that the profile of farmers in Indonesia is weak farmers as well as unbankable it is with condition of farmers in Ngawi. Therefore there were needed microfinance institutions to overcome this problem. Departure from it, government expects that the Implementation PUAP in Ngawi district is able to create financial institutions in each village to help the farmers. From research findings above we can assume that the PUAP program has successfully spawn microfinance institutions in each village that had received funding PUAP and can touch all levels of society, because those institutions have provided models of unsecured loans. Usually farmers who do not have assets will have trouble getting credit from bank because they have no collateral. But unfortunately there are still

microfinance institutions that still need help and guidance in order to be optimally performing its functions. Such as microfinance institutions in gapoktan Tani Bersatu which has bad credit.

In implementing the program there are two companions PUAP assigned to assist the smoothness of implementation the program, namely Penyuluh Pertanian and Penyelia Mitra Tani. According to Ife by there are four the escort role, namely: facilitative role, educational role, people's representatives and technical role role. I think the companion in Ngawi district already played all the roles. May the role that need to be refined further is educational role in order to make better introducing PUAP program to the community because there are still many people who do not understand well about PUAP program. The evidence is there are still a lot of irregularities in the implementation of PUAP program in Ngawi.

From the above explanation we get picture that in Ngawi there is gapoktan which have not successfully implemented the PUAP program. This gapoktan is gapoktan Tani Bersatu. According to Sadik and Kamto as Penyelia Mitra Tani actually in Ngawi there are some gapoktan whose condition similar to gapoktan Farmers Unite, but even like that we should not be discouraged and remain optimistic that there is hope that the implementations of PUAP in Ngawi will appropriate with expectations if conducted continuous evaluation and improvement. There is evidence that some gapoktan in Ngawi also capable of well implementing the PUAP program, one of these gapoktans is gapoktan Tani Makmur.

## **6.8 Analysis Constraining and Supporting Factors**

This analysis uses the theory of George Edward II, which has set four conditions (critical variables) to achieve a successful implementation of a policy, namely: communication, resources, disposition or behavior and bureaucratic structure.

### **A. Communication.**

Communication plays a very important role in the successful implementation of a policy. As presented by Edward III that policy decisions and orders must be forwarded to the appropriate person and communicated clearly and accurately in order to be understood quickly by implementer (Edward III, 1980: Q17). Edward III further revealed that some of the things that contribute to inconsistent communication and cause adverse impacts to the implementation of the policy, such as the transmission, consistency and clarity.

Communication processes that occur in the implementation of the PUAP program are communication in terms of socialization and coordination program. From the results of research conducted with interviews ranging from officers in the district until the member gapoktan I get that communication in gapoktan Tani Makmur has to run well. While for gapoktan Tani Bersatu communication process cannot run as expected.

In communication at process of socialization gapoktan Tani Bersatu cannot convey properly to its members and officials the shape of programs, so there are still irregularities in the implementation of the PUAP program. Gapoktan Tani Bersatu cannot convey that PUAP funds should be developed and rolled out and not to be enjoyed without obligation to return, as result there many bad credits

happen. Gapoktan Tani Bersatu also do not know that the unit loan activities should be separated from gapoktan or become a business under gapoktan, so it cannot run optimally. For process communications coordination gapoktan Tani bersatu also have not held regular meetings as the process coordination.

Different things happen in gapoktan Tani Makmur. gapoktan Tani has successfully explained to members that the funds PUAP should be developed and rolled out so that all members can enjoy it, and finally there was no bad credit. Besides that gapoktan Tani Makmur has also succeeded in making savings and loans into separated business unit under gapoktan, so administrators of gapoktan not preoccupied with savings and loans activities, and can perform other more important tasks such as supervision and assistance to members' businesses. Gapoktan Tani Makmur also holds regular meetings as a form of communication coordination. It can be happen because principal of openness which has been used by gapoktan Tani Makmur.

From the description above, it seems that there has been no clear communication that creates the perception of members and administrators in gapoktan Tani Bersatu different with what the officer says at the time of socialization besides that it also has been no transmission communication for the coordination process.

#### B. Resources.

As described by Edward III in his book that if the exercising policy less resources needed to run it, then the implementation will not be effective despite the order of the implementation has been delivered with accurate, clear and

consistent (Edward III, 1980: p.53). The sources that support the implementation of the policy are: staff, information, authority and facilities.

a) Staff.

In the staff resources, there are two important things that must be met, namely: the adequacy and competence of staff.

Based on the results of research which has been conducted it can be said that there are still issues with the staff resources in the implementation of PUAP programs in the Ngawi district. These issues are the lack of an existing Penyelia Mitra Tani in Ngawi and gapoktan Tani Bersatu's administrators who do not have the competence to carry out their duties, especially the chairman and secretary. Currently numbers of Penyelia Mitra Tani in the district Ngawi are 6 people while the number gapoktan that have received PUAP funding more than 140 gapoktan. Roughly can be assumed that one person Penyelia Mitra Tani must accompany more than 20 gapoktan, a tough job for Penyelia Mitra Tani. According to Sadik Penyelia Mitra Tani ideally maximum assists four gapoktans, but even like that Penyelia Mitra Tani still trying to carry out their duties as well as possible, although it must be realized that the results are far from expectations. According to Kamto a companion will be able to play optimally if he did not just come once in one month or once in one week, but he also must be able to stay in the accompanied location for several days so well known about the problem and the potential that exists in the area. For Penyelia Mitra Tani in Ngawi this is not possible to

be done because of lot of gapoktans that must be accompanied they sometimes in one day should accompany more than one village.

While for the problems of staff that exist at the gapoktan Tani Bersatu, it is actually about willingness of the officials to work. Because if we see their ability actually they were able to work, they have high educational background and also work as civil servant.

b) Information.

Information resources that we want analyze are: information related to the ways of implementing the policy and information about the data of implementer's compliance to regulatory and government regulations that have been established. It means that the implementers have to know whether other people involved in the implementation of these policies comply with the law.

For the first resource of information already contained in the implementation program PUAP throughout Indonesia. The form of this resource is the Regulation Minister of Agriculture: 16/Permetan/Ot.140/2/2008 about General Guidelines of PUAP.

While data about compliance with laws and regulations, it do not exist in the implementation of PUAP in Ngawi. There were no assessments from the government to actors involved in PUAP program to be rewarded or punished.

c) Authority

Authority is legitimacy to the implementer in carrying out the policies established politically. When the authority does not exist, then the implementer power in front of the public was not legitimated and could derail the implementation process.

In running PUAP there are two kinds of authority given first is the authority to manage the funds and second is authority assistance. For the management of the funds officials of gapoktan got it when they won the election to determine officials of gapoktan. Unfortunately there are some board gapoktan who abuse the authority so the authority is not effective anymore. This is consistent with what leo Agustino convey in his book (2012, p.152) that effectiveness of authority will recede if misused by the implementer. This can be seen in gapoktan Tani Bersatu, when the chairman of gapoktan abused the authority many members doing same think, and when they reminded, they answer that the chairman also to do the same.

Whereas for the assistance authority, agricultural extension and Penyelia Mitra Tani has been appointed by the government through decree of ministerial agriculture. And from the results of research until now there were not fraud of assistance authority.

d) Facilities

Edward III said that the executor may have sufficient staff, capable and competent but without adequate supporting facilities the implementation of the policy will run ineffectively. From the results survey that I do, facilities

which not exist yet is the office for the secretariat of gapoktan. Almost all gapoktan not have their own offices. All gapoktan are still using the house of one of the administrators. But even so based on my observations so far it is not too be problem in the implementation of the PUAP program in Ngawi.

#### C. Disposition

Disposition is the third important factor in the approach to implementation of public policy. If you want effective implementation of a policy then the policy implementers must not only know what they must to do but also must have the will to implement it. The things that need to be observed on this variable are the appointment of bureaucrats and incentives. If we look at the research findings we can assume that there is a problem with appointment of bureaucrats in gapoktan Tani Bersatu. In this gapoktan appointed administrators apparently have a lack of good behavior, especially the chairman and secretary gapoktan. They do not want to carry out tasks that become their responsibility, for the consequences treasurer replaces their duties. For variable incentive, Penyelia Mitra Tani felt that the salary they receive is still lacking and operational funding from the central government often comes too late, resulting in a lot of their work was also delayed because there was no financial support.

#### D. Bureaucratic Structure

Although available the resources to implement the policy such as: the implementers know what to do and have a desire to carry out the policy, the possibility that the policy was not implemented properly could still happen if there

is a weakness in the structure of the bureaucracy. Policies that are so complex require the cooperation of many people, when the bureaucratic structure is not conducive then this will cause the existing resources to be ineffective and inhibit the implementation of policies. Bureaucracy should be able to support the policy defined by the way a good coordination. There are two variables of bureaucratic structure presented by Edward III, namely: Standard Operating Procedures (SOPs) and Fragmentation.

From two variables above, becoming a problem in implementation in the district of Ngawi is fragmentation. In Ngawi district, the position of Penyuluh Pertanian is administratively under the Badan Ketahanan Pangan while Penyelia Mitra Tani is under the Department of Agriculture, Food Crops and Horticulture. As the result there is fragmentation among companions that will cause problems in coordination between them. Although at the time of the interview they said that there was no coordination problem but it would be better if they were in one institution.

## **6.9 Changes in Community and Community Capacity Case in Gapoktan**

### **Tani Makmur.**

PUAP program is a community development program that issued by the Indonesian government to help farmers. Ngawi is one of the districts in East Java province in which most of the people are farmers and farm workers. The condition of farmers in Ngawi as well as the condition of farmers in Indonesia is still cause for concern. Farmers in the district Ngawi still mired in poverty due to lack of access

to capital, markets and technology. By looking at these conditions, then the PUAP program is suitable with district development strategies ngawi that one of his goals is to improve the welfare of farmers.

PUAP program has been running for almost 6 years in Ngawi and almost all of the village through the village Gapoktan have received assistance. From the research I have done we get that in the district Ngawi PUAP program gives different results on each Gapoktan, there are successful and some are not. One of Gapoktans who successfully run the PUAP program is gapoktan Tani Makmur. Gapoktan Tani Makmur has succeeded in improving the welfare of farmers in the region with a variety of activities that have been done.

For that, the following section I will try to conceptualize and translate the existing activities in the Gapoktan Tani Makmur that later can be applied in other gapoktans, so that will also able to succeed such a prosperous farmer group union, although conditions differ between gapoktan. Because by conceptualize and translate such activities, people will easily understand the activities and behaviors to be used by them even though the situation is different. And in the end they are able to apply the activity and behavior on their own conditions (Miyoshi, 2012). To do it we will use the Community Policy Structure Models offered by Miyoshi generated by the Program Theory based on the relationship ends and means (Miyoshi, 2012).

**Table 6.5 Program Theory Matric of Gapoktan Tani Makmur**

End Outcome	Intermediate Outcome	Output	Activities	Input
Enhance the prosperity of farmers in Kartoharjo Vilage	Farmer workers get additional income as round vegetables vendor. Farmers easy to sell their product	Credit capital for round vegetables vendor. The emergence of round vegetables vendor.	Issued credit for round vegetables vendor.	PUAP Fund, farmers, Gapoktan, extension workers and PMT.
	Farmers easy to getting input for their production.	Credit for farmers with low interest, ensured the fertilizer needs of farmers,	Issued credit for farmers and sell fertilizer by way of instalments.	
	Farmers easy to solve their problem.	Farmers receive supervision and guidance.	Social Gathering. Assistance to farmers by extension workers and PMT.	

*6.9.1 New Activities and Changes in Community.*

Since 2009, in the Kartoharjo village has established an institution formed from a combination of several groups of farmers in that village. The agency is a Gapoktan Tani Makmur. In September 2011 this gapoktan obtain the PUAP funds from the central government. Based on my interviews with several farmers in the village Kartoharjo and manajer of Gapoktan Tani Makmur I get that PUAP program in Kartoharjo village has been able to improve the welfare of farmers in this village. They feel really helped with this PUAP program.

PUAP program has prompted several new activities and changes in this

group union. The Activities and changes consist of:

1. Lot farm worker and small farmers in the village who have additional income as around vegetable merchants. Since the program featured gapoktan was issued that is credit capital for around vegetable traders the many farm worker and small farmer who switch jobs as around vegetable merchants. As around vegetable traders they get more income. Because, when became farm worker they will only work for two months during the growing season (4 months) with income of 2.94 million, -. While when they become around vegetable traders they will get entry per day around 50,000 to 75,000, - per day. In other words, capital lending program for itinerant greengrocer has encouraged the creation of new agribusiness effort in Kartoharjo village, namely agricultural products marketing efforts. According gapoktan board, which encourages them to issue this program is the magnitude of potential vegetable and horticulture crops in the village Kartoharjo and surrounding villages. And for the vegetable and horticulture farmers, they are often difficult to sell their products, because they have to go to the market alone or they sell it only to consumers in the area around farmers. In the presence of these itinerant vegetable seller not only sold their products to consumers around the farmers alone but has to reach other villages, districts and even other merchants are to sell to neighboring districts like Magetan, Madiun and Bojonegoro.
2. Currently vegetables and horticulture farmers in the village Kartoharjo easily sell their crops. With many small farmers and farm workers who became itinerant vegetable seller, the demand of vegetables and horticultural crops in

the village Kartoharjo increased. It is easier for farmers to market their vegetables and horticultural crops. Vegetable farmers who previously had to sell their crops to market themselves now do not need any more go to market because every afternoon there are itinerant greengrocer who came to his house to buy the crops. Even there are some vegetable vendors who come to harvest and wrap the farmers' crops. It has shown that it has formed a new network in gapoktan prosperous farmer. That is, network marketing agricultural products, especially vegetables and horticultural crops. And with this vegetable traders, many farmers who also started replacing some of their rice plants with vegetable plants.

3. While new planting season is coming, usually small farmers in village Kartoharjo and almost all small farmers in District Ngawi difficulty in obtaining funding for the production, buying seeds, buying pesticides, herbicides and fertilizers. But since the credit assistance program produced by gapoktan Tani Makmur, farmers in the village Kartoharjo no longer felt the inconvenience. previously, before the program is available, farmers should come into the bank to get a loan, but often farmers do not get loans from banks due to the condition of the farmers who have difficulty if the presence of conventional banks that require a lot of conditions and the risk if lending to farm. And finally to meet the needs of the growing season farmers have come to middlemen or moneylenders with the consequences of high interest loans or they have to sell their crops to middlemen at a price below the market price. At present, farmers are no longer difficult to get a loan because they

will easily get a loan from MFI-A formed by gapoktan that does not require a lot of terms and the interest rate is relatively small under conventional banks. On the other hand with efforts to provide fertilizer that can be paid by way of installment also provide facilities for the farmers in the village Kartoharjo. They do not have to queue up again at the shops of fertilizer distributor. Because gapoktan has been able to put into function itself as a distributor of fertilizer in the village Kartoharjo and can meet the needs of fertilizer all farmers in the village of Kartoharjo. In this case, can be interpreted that the PUAP program has been successfully grow Supporting agribusiness unit sub-system and the procurement and distribution of the means of production.

4. Every month were held a social gathering once in each farmer group and in the group union (gapoktan). Gathering in each farmer group is held annually on 27, while in the Gapoktan social gathering is held every 13th. Arisan (social Gathering) is a group of people who collect money on a regular basis in each particular period. Once the money is collected, one of the members of the group will come out as the winner. The determination of the winner is usually done by way of the lottery, but there is also a social gathering group that determines the winner of the agreement. In Indonesia, the culture of social gathering, every time one member win money in the lottery, the winner has the obligation to hold a meeting in the next period social gathering will be held. Gathering operating outside the formal economy as other systems to save money, but this activity is also intended for meetings that have an element of "forced" because members are required to pay and come whenever

lottery will be held. Thus indirectly social gathering also has become tool for capital formation of farmers to farm financing. Social gathering also used as a place for farmers to exchange information and discussion to resolve the issue at hand. Usually every social gathering farmer invites agricultural extension agents to join to the discussion. In addition social gathering is also used by a Gapoktan to submit financial report to the members gapoktan.

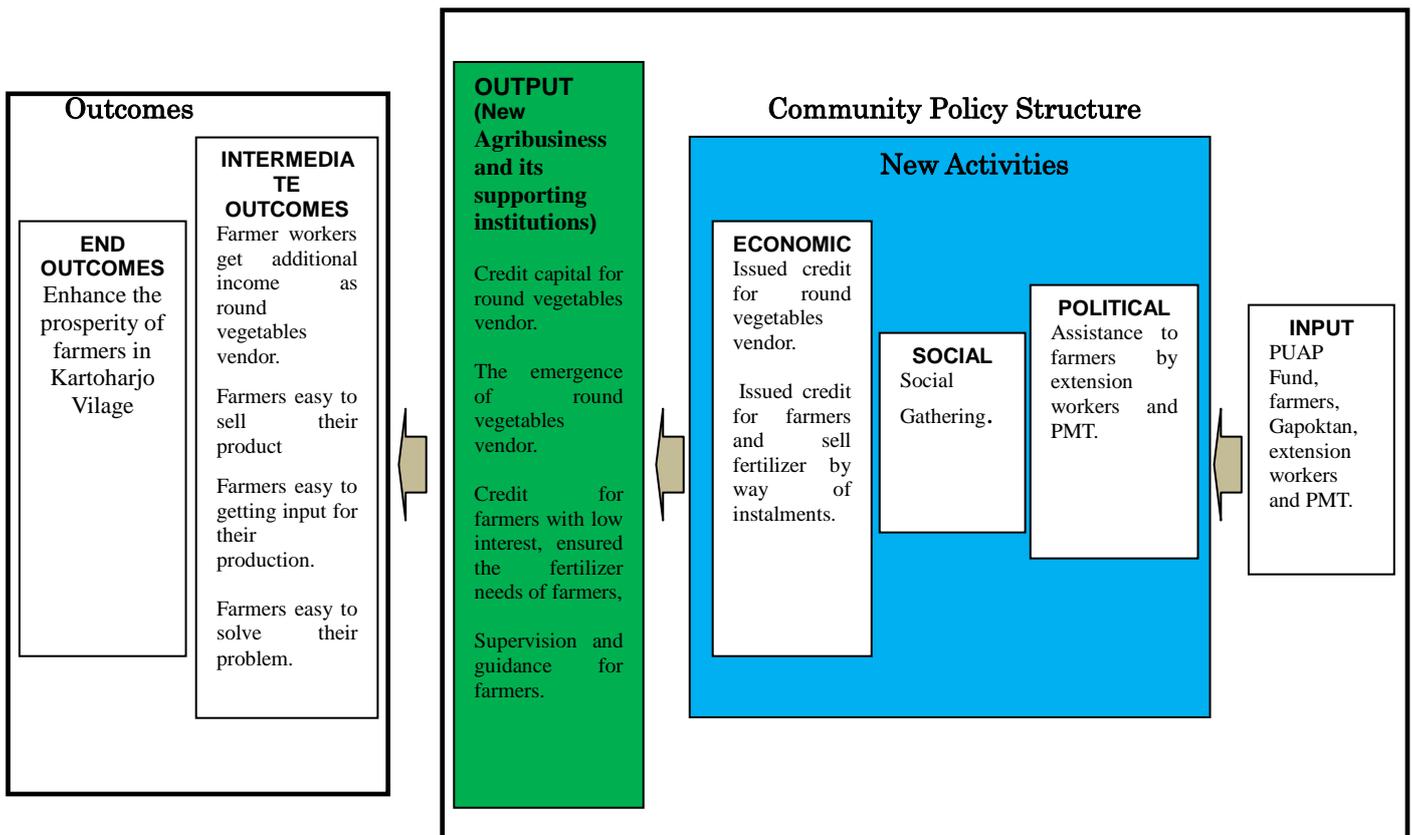
5. With the implementation of the PUAP program in Kartoharjo village, Kartoharjo village more frequently visited by extension workers companion. At least once every month extension will be invited to attend the meeting event which is held in conjunction with the social gathering activities, both social gathering at the farmer group level and at the level of farmers' groups combined (gapoktan). At this meeting the farmers can deliver faced problems such as diseases that attack their crops to the forum or directly to the present agricultural instructor for help solving the faced problem. In addition, the event also can be used as a means to disseminate new case information associated with agricultural activities like, a new better way how to plant, superior agricultural products or the development of new disease outbreaks.

From the description above we can say that in the village Kartoharjo has undergone tremendous change since received funding PUAP. In the village kartoharjo has emerged a new agribusiness ventures, as follows agricultural products marketing effort that is characterized by the appearance of itinerant greengrocer in the village Kartoharjo, the emergence of units of agribusiness supporting sub-system and the procurement and distribution of the means of

production. Currently in the village Kartoharjo exist institutions of fertilizer distribution business and agricultural financing managed by gapoktan Tani Makmur.

In addition, more intensive agriculture instructor staffs do guidance to farmers and carry out its functions as supporting sub-system. From The five sub-system of agribusiness that have not appeared in the village you see Kartoharjo is a sub-system of agricultural product processing. Actually there is potential for grain milling business unit in the village Kartoharjo. Because of the potential for paddy village is big enough and there are still many farmers who sell in the form of grain not in rice yet.

**Figure 6.9. Policy Structure Of PUAP in Gapoktan Tani Makmur**



### 6.9.2 *COMMUNITY CAPACITY.*

According to Miyoshi model, community capacity development has three main elements, namely: Strategic Component, Characteristic of the Community and Function of Community Capacity (Miyoshi, 2012). Community characteristics that exist in this model consists of a sense of community, Commitment, ability to set and Achieve objectives, ability to recognize and access to resources. According to Prof. Miyoshi characteristics possessed by a community will determine the capacity of the community (Miyoshi, 2012).

While for the function components, Prof. Miyoshi argues that community characteristics can function as the community capacity by alter the characteristics becomes a real function of the community planning, implementing and evaluating public policy structures as community activities. On the other hand, the leadership, human resources, organizations and networks that exist in the community also can enhance its own characteristics. The emergence of leaders, existence of human resources, establishment of organizations, and formation of networks are all intrinsic, but influences can be exerted externally (Miyoshi, 2012).

There are four new activities conducted by gapoktan Tani Makmur since get PUAP fund from the government. These activities were classified in to three kind of activities, that are: Economy activities, Social activity and Political Activity. The economy activities consist of: Issued credit for round vegetables vendor, Issued credit for farmers and sell fertilizer by way of instalments. And then for Social activity and Political activity there are Arisan or Social Gathering activity

and Assistance to farmers by extension workers and PMT. The activities first emerging are Issued credit for farmers and sell fertilizer by way of instalments, Arisan or Social Gathering activity and Assistance to farmers by extension workers and PMT. All the activities conducted by Gapoktan Tani Makmur based on my observation and interviews have effect on the characteristic of community. Next I will try to describe the effect of each activity one by one.

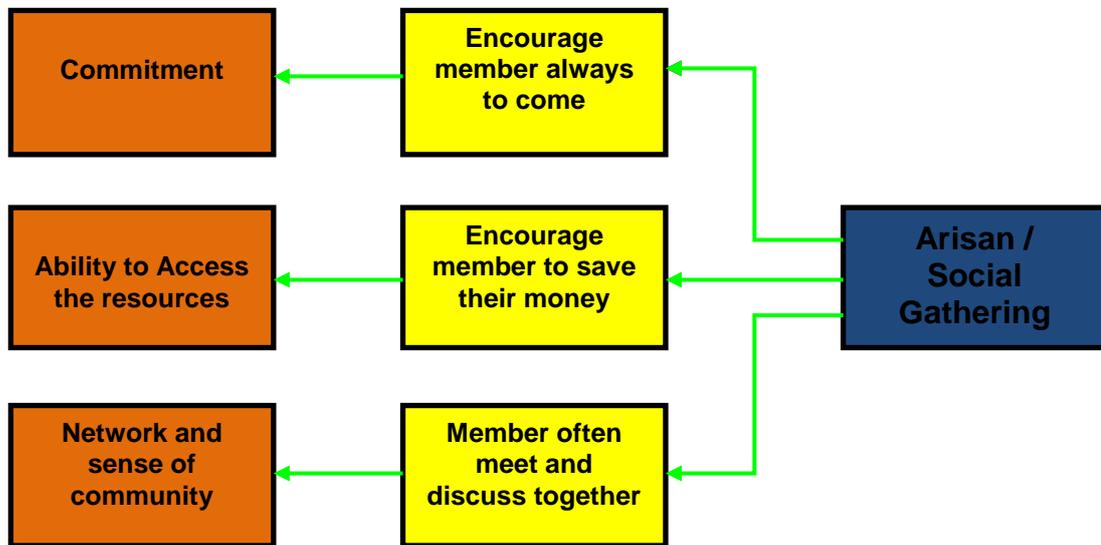
a. Social gathering is a forum to collect the money that is socially meaningful, and it can be said there is social capital to be contained in it, because the members will gathering benefit in turns. Each member must be honest and follow the trust, if the social gathering norms are violated by someone then that person will receive sanctions from the group. Compliance of each member to the institution of social gathering is a social capital in that financial institution. Judging from its understanding, social gathering has many benefits. Could be a means to train yourself to save (money, goods) because there is an element of coercion in here, that we are forced to pay each month, so for person who is difficult to set aside money, gathering could be an alternative if he want to collect a certain amount of money. The thing that should be observed in the Arisan is the commitment of members to pay each month. Smoothness gathering will be hampered if there was one member who does not fulfill his commitments. Additionally for people who are lazy to get-together, social gathering could be a reason for opening up to the outside environment, because we are forced to come to the meeting if you want our name out to receive the money.

Social gathering conducted in Gapoktan Tani Makmur, not only to collect money as explained above but also used for the delivery of the financial statements of the board of gapoktan, sharing information among fellow farmers about new things or issues being addressed and the board usually also deliver development programs which is being done and ask for advice and evaluation to the members about the program for the improvement of the program.

From the above explanation we can see that social gathering in gapoktan Tani Makmur has a character to lead to all of the members present at a meeting or meeting activities which have been updated with social gathering activities. In other words, could increase community commitment. According to the PMT and agriculture instructor this case cannot be found in other gapoktan. Activities meeting or meetings at other gapoktan rarely attended by members because they are not updated with event social gathering or other activities that do not have the strength to pull up to encourage members to attend. Because most members of the farmers after a hard day work in the fields by night they already feel tired and lazy to come.

Regularly gathering and discussion with members has improved and strengthened string of silaturahmi (brotherhood) and network among farmers. Finally sense as one community among them increased as well. The impulse to save what is in the social gathering event has also increased the capacity of farmers in financial matters to access the resource.

**Figure 6.10 How Arisan/Social Gathering Influence the Characteristic of Community**

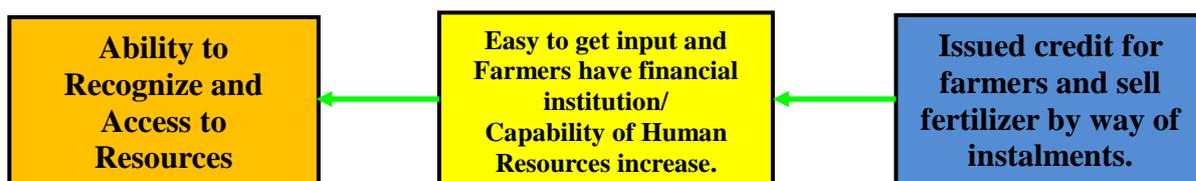


b. Issued credit for farmers and sell fertilizer by way of installments. After getting grants PUAP, in accordance with the guidelines of the Ministry of Agriculture PUAP then Gapoktan Tani Makmur immediately establish microfinance institutions agribusiness. The program first issued by microfinance institution is a credit program for the farmers and the supply of fertilizer for farmers. This loan program is done because the majority of farmers in Kartoharjo village are small farmers which are usually difficult to obtain capital when the growing season.

Capital normally were used by them to pay people who process their land for planting, to pay people cultivating their land, pay people mowing grass, buy fertilizer and buy insecticide. So with the loan program, farmers no longer need to get funding from moneylenders or middlemen, they already had their own capital providers. Besides, with the provision of fertilizer businesses with payment installments also allows farmers to obtain inputs for their production

activities. Unfortunately the credit program is only suitable for those who have farms, for farmers worker usually they just use it for consumption purposes only not for productive business.

**Figure 6.11 How Issued Credit For Farmers And Sell Fertilizer By Way Of Installments Influence Characteristic of Community**



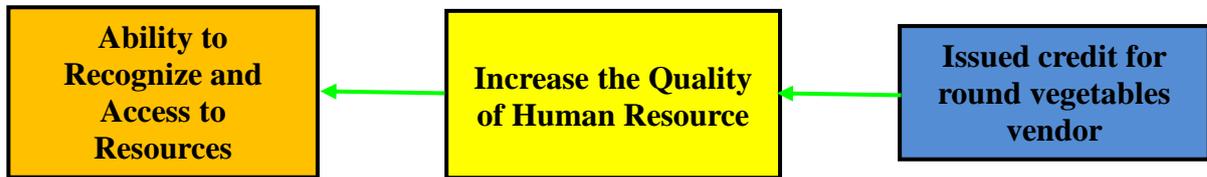
c. Assistance to farmers by extension workers and PMT. To assist the smooth implementation of the program PUAP gapoktan accompanied by extension workers and PMT. Extension agents play a greater role in guiding farmers to find or develop agribusiness in accordance to potential of the village as well as assisting farmers during the production process. While the PMT play bigger role in assisting the management of MFI-A's in the group. Interesting case in this gapoktan is when administrators, extension agents and PMT realize that the existing credit, are less able to help farmers workers, because not being able to make them more productive and only for consumption purposes only. Then they were meeting together and find a solution by looking at the potential outcome of vegetables and horticulture in the village Kartoharjo and vegetable and horticulture growers who are difficult to sell their products, and then they decided to give special credit to itinerant greengrocer. And this program then became flagship programs of this group which are able to attract the attention of the government of Ngawi district.

**Figure 6.12 How Assistance to farmers by extension workers and PMT Influence Characteristic of community**



d. Issued Credit for round vegetables vendors. As I mentioned earlier that this activity appears based on concern gapoktan board and the companion program PUAP in Kartoharjo village against workers farmers in the village who do not have land and farmers with small land. They are not yet able to take advantage of the resources available in the Village agribusiness for a better life. Then from the results of the meeting and the discussion eventually was issued financing program for itinerant greengrocer. To determine the amount of credit to be given the manager gapoktan found several vegetable traders to know how much minimum capital required by itinerant greengrocer, and finally was decided that the loan amount was Rp. 500.000,00. By releasing this program farm worker in Kartoharjo village have the ability to change and improve the quality of life. They are able to take advantage of the resources available in the country to transform and improve the fortunes of their life.

**Figure 6.13 How Issued Credit for round vegetables vendors Influence Characteristic of Community**



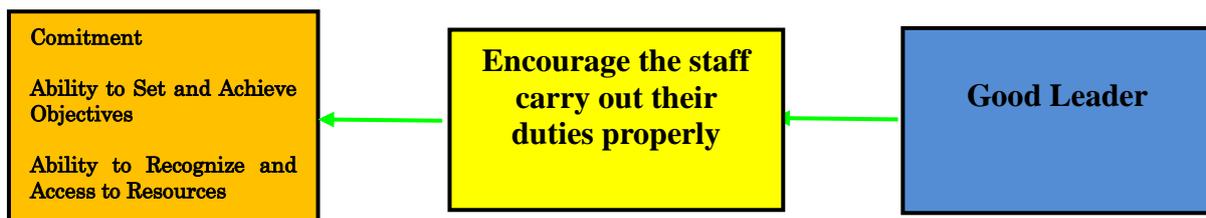
Besides influenced by the above activities Characteristic of community are also influenced by elements of community capacity. According to Miyoshi models there are four elements in community capacity, namely leadership, human resources, organization and networks.

From the observation and survey, I was amazed with the existing leadership in Gapoktan Tani Makmur, all administrators carry out their duties with full responsibility and sincerely implement. There is a slogan which is used as a spirit in performing the task, ie " ..... DO and WORK first..... inshaAllah reward will come later ... " said the head of Gapoktan Tani Makmur, Mr. Sutrisno. Now that slogan became reality. Gapoktan Tani Makmur often got help and award from the government after was considered successful. They often got help agricultural inputs ranging from fertilizer, medicinal plants to agricultural equipment. And the most proud of is once represented the Ngawi district in PUAP championship.

I was so amazed by the figure of a prosperous farmer group union chairman, Mr. Sutrisno. He can focus to manage gapoktan. After I did further research I know that he is a farmer who is already established and successful in the village. He has a rubber plantation on the island of Borneo which each month is able to provide input at 6 million Rupiah without have to work. Plantations are taken care of by his brother who lives at Borneo.

When I discussed with the companion program PUAP, indeed it is which makes why this gapoktan able to run the PUAP program properly, when a leader or chairman gapoktan can focus without having burdened other matters then the result will be good. But when the group union leaders could not focus because he is still burdened by family problems then the result will not be optimal. Even according to them who lead the implementation of the PUAP program should not farmers who usually have a family and elderly, but young people who are still unemployed, unmarried and willing to work. Then he will be able to focus compared to farmers who are elderly and married.

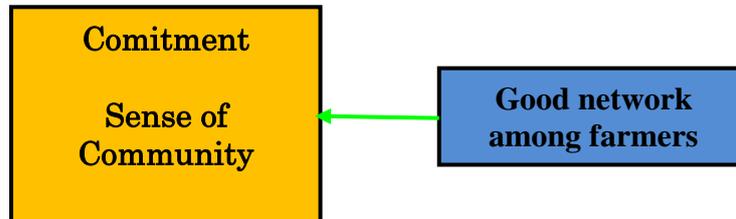
**Figure 6.14 How Leadership Influence Characteristic of Community**



Gathering activities conducted each month has reinforced straps silaturahmi (brotherhood) or networking among farmers. They know each other and become increasingly close ties among them. They are so easy to help each other. In Java there are indigenous cultural tolerance (tenggang rasa) and mutual cooperation (gotong royong). Where, when there is a relative or close friend who need help then that person would easily help. Then the community service spirit will be higher. Besides that, there is also a term ewuh-pekeuh in Java or high embarrassment to people we know. In which each of us make mistakes or fraud and known by people we know we will feel extremely embarrassed. And the more

extensive the network or our acquaintances we will be trying to keep obeying the rules.

**Figure 6.15 How Network Influence Characteristic of Community**

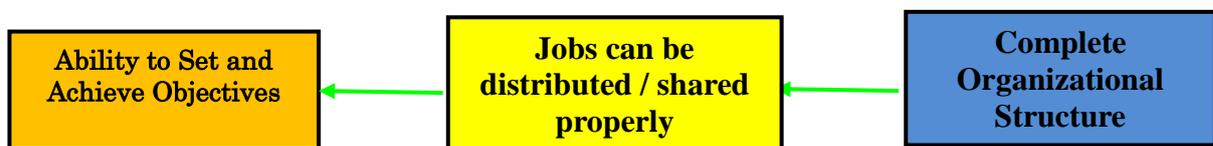


From interviews and discussions with the companion program PUAP I get that the existing organizational structure in Gapoktan Tani Makmur is a structure that is quite complete. In the organizational structure consists of six business units in agriculture (agribusiness). Good organizational structure is organizational structure that appropriate to strategy. In other words, the organizational structure follows the strategy.

Therefore, the determination of the structure of the organization is one of the important factors in the implementation of the strategy, so that all activities of the organization that carried out by the organization can be well implemented. With the existing of business-unit makes existing workload can be well divided and distributed by gapoktan. With the division of tasks or jobs will make organization easier to plan activities and will achieve the objectives of activities that will and being implemented. And supported by good leadership from the head of the group has made all the board so responsible and sincere implement their obligations.

Besides that, this Gapoktan has established two years before receiving PUAP funds that is in 2009. In Ngawi according PMT there were many Gapoktan Instant rise and just for getting PUAP fund. The interval time between the establishment and the Acceptance of Funds PUAP Gapoktan were so close, and then the existing institutions have not been too ready to run the program.

**Figure 6.16 How Organization Influence Characteristic of Community**



Existing human resources in this group union is also quite adequate. For example in this gapoktan there is people who expert in the field of administration. According to PMT as technical assistance to develop the microfinance business unit which one of his main tasks is to help make the financial reports and the administration of the microfinance business unit, said that they really helped by the existence officers preparing of financial Report and administration who are experts in that matter.

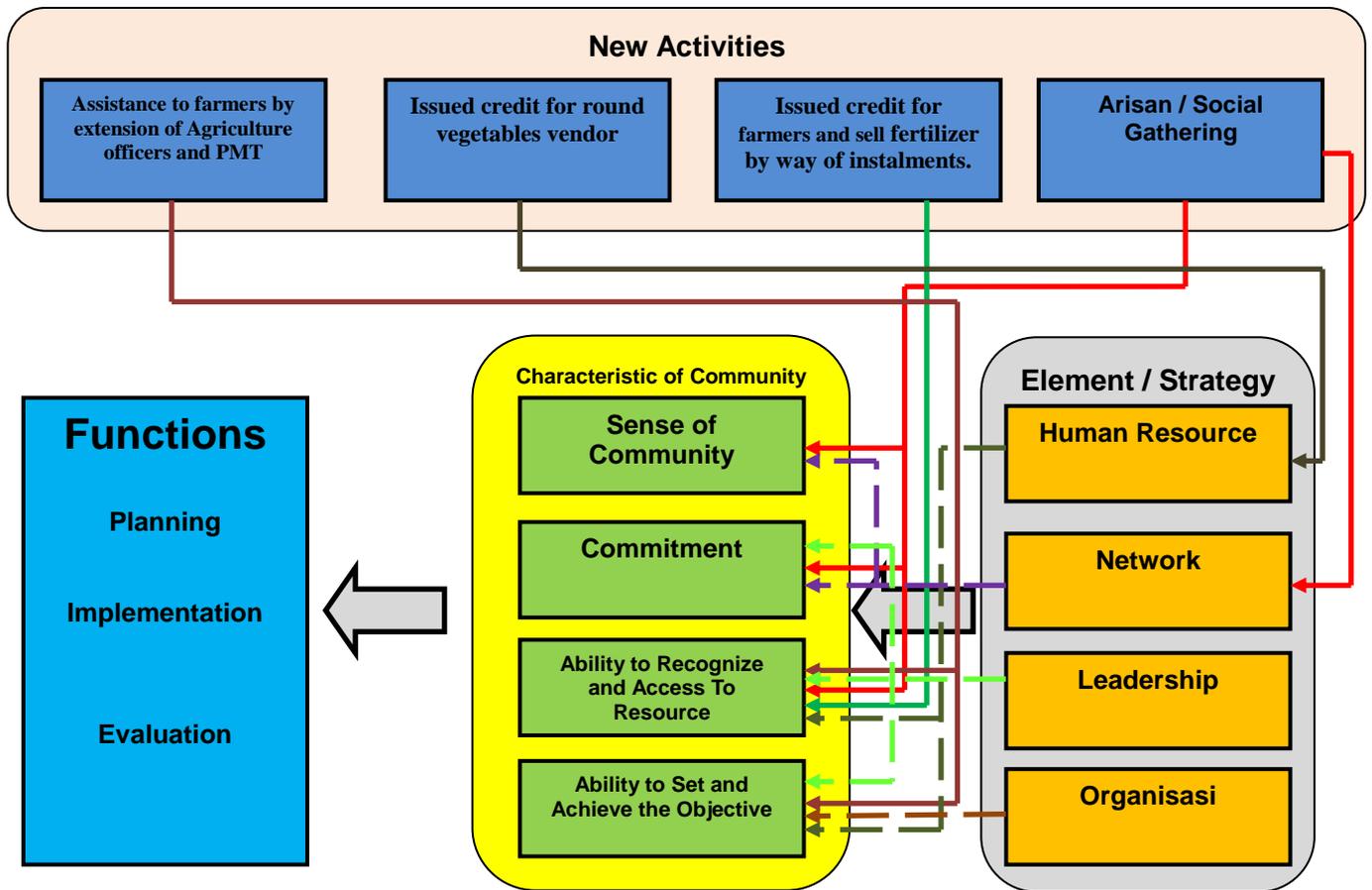
Gapoktan Tani Makmur since its inception will have received a grant PUAP prepare experts in the administrative matters and who are good at taking care of and financial matters, namely by employing young woman who graduates from SMEA in the village. From the observation PMT financial reports and administration reports of gapoktan Tani Makmur is the most neat and clear report. By the presence of this expert, the obligation of gapoktan in the matters of

administration and reporting can be met properly. Besides that, the leader chosen to lead this Gapoktan is also very good like what has been described above.

**Figure 6.17** How Human Resource Influence Characteristic of Community



**6.18. Community Capacity Development in Gapoktan Tani Makmur**



## **6.10 Conclusion**

To Ngawi agriculture is still the mainstay of the sector of economy. Imagine, from 129.598 ha of Ngawi area about 72 percent of them in the form of wetland, forest and plantation land. This sector absorbs about 76 percent of the total workforce. From 5 sub-sectors of agriculture (food crops, plantations, livestock, forestry and fisheries), commodity food crops especially paddy was the major contributor to the total value of agricultural production. Generally farmer in ngawi district have paddy fields but most of them have paddy field in small areas and also many farmers who do not own agricultural land. In the other hand for farmers having paddy field they still process their paddy field in traditional ways and the exchange rate of farmers in Ngawi is still low at around 98. This means that the income of farmers down and smaller than its expenditure. This shows that the welfare of farmers in the district Ngawi still low.

In the strategy of development that is owned by the district ngawi mention "Equitable development and economic growth, particularly, the development of agricultural and forest communities oriented agribusiness", this shows that development and economic growth will put emphasis on the agricultural sector. And agricultural development in the district Ngawi will orient to agribusiness. By look at that, then we can say that the PUAP program has the same objective with Ngawi district development strategies. In the other words we can say that PUAP program is highly relevant to the development strategy of Ngawi district.

Based on progress reports obtained from penyelia mitra tani (supervisors farmer partners) and the results of interviews with some supervisors there are

several gapoktan successful manage funds, channeling and increasing the number of members, is able to bring up the new agribusiness so as to increase farmers' income, but there are also in the opposite conditions.

Based on the the results of research the diversity of implementation of PUAP program in Ngawi were caused by of several the things below.

Constraining Factors:

1. Socialization process conducted by gapoktan still not optimal.
2. The lack of an existing Penyelia Mitra Tani in Ngawi
3. The lack of willingness of the officials of gapoktan to work.
4. There were no assessments from the government to actors involved in PUAP program.
5. The abuse of authority by the officials of gapoktan.
6. Bad appointment of bureaucrats in gapoktan.
7. Lack of financial support.
8. There is fragmentation among companions.

Supporting Factors:

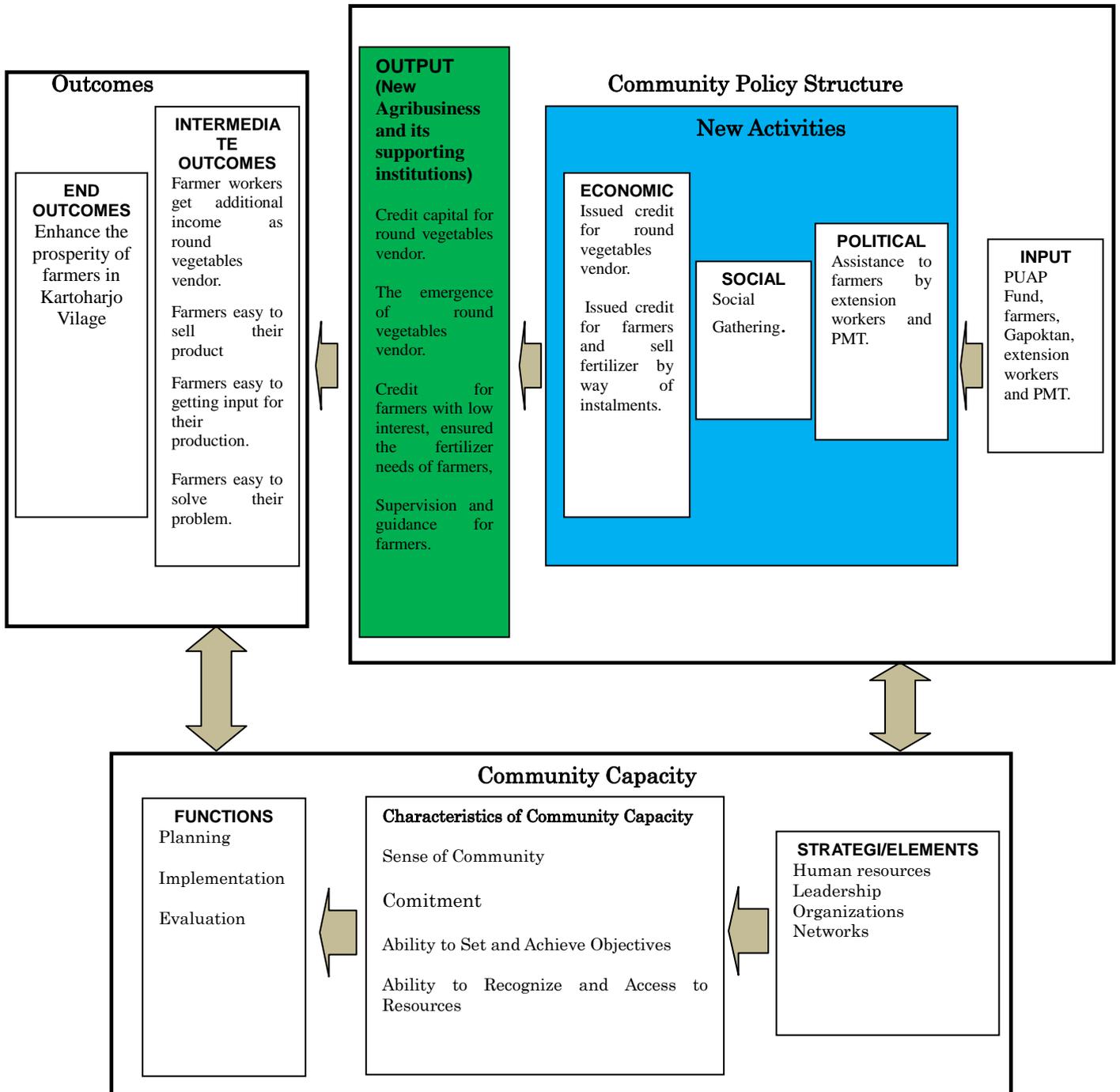
1. Principle of openness that has been implemented by official of gapoktan. This principle has made the process of communication and coordination esier to be done. Because there are some meeting between official gapoktan and members of gapoktan.
2. Good behavior had by most of actors involved in the implementation of PUAP program.

Successful implementation of PUAP in the district ngawi has brought changes in the community, as what happen in community in Kartoharjo Vilage. In the village kartoharjo has emerged a new agribusiness ventures, as follows agricultural products marketing effort that is characterized by the appearance of itinerant greengrocer in the village Kartoharjo, the emergence of units of agribusiness supporting sub-system and the procurement and distribution of the means of production. Currently in the village Kartoharjo exist institutions of fertilizer distribution business and agricultural financing managed by gapoktan Tani Makmur.

In addition, more intensive agriculture instructor staffs do guidance to farmers and carry out its functions as supporting sub-system. From The five sub-system of agribusiness that have not appeared in the village you see Kartoharjo is a sub-system of agricultural product processing. Actually there is potential for grain milling business unit in the village Kartoharjo. Because of the potential for paddy village is big enough and there are still many farmers who sell in the form of grain not in rice yet.

The new activities conducted in implementation of PUAP program also increased the Characteristic of Community capacity and the community has been able to perform its functions to plan, implement and evaluate the program. There is also good leadership that make characteristic of community enhance. With a good leadership, community has been able to establish common goals and achieved those goals. And finally the community is able to improve the welfare of farmers in the village by some of the programs that have been run.

**Figure 6.19. Community Policy Structure and Community Capacity in Gapoktan Tani Makmur.**



## CHAPTER 7.

### CONCLUSION AND RECOMENDATION

#### 7.1 Conclusion

Indonesia is one of agriculture country that largely its population works as farmers. With its abundant wealth of nature, ironically the conditions of farmers in Indonesia are still many who are under the poverty line. This was due to the weak ability of farmers to access to capital, markets and technology. This condition that makes the Indonesian government issued PUAP Program (Rural Agribusiness development) through the ministry of agriculture.

Agribusiness development strategy characterized by systems based on empowering the diversity of available resources in each region (domestic resources based), accommodating the diversity of the quality of human resources that we have, do not rely on imports and foreign loans which are large, export-oriented (in addition to exploit the domestic market), is expected to solve all of the existing economic problems included the problems of farmers.

PUAP program channels funds to affordable poor villages. Fund of PUAP received by each of the villages is Rp 100 million to develop rural agribusiness through Farmers Group Association (Gapoktan). The availability of capital for farming entrepreneurs is a must. Real conditions in rural communities in general are that the capital resources for farming is still weak and tend to be limited. The existence of MFI-A becomes one of the solutions in the financing of farming sector in rural areas because it has a strategic role as a link in the economic

activity of the farmers. The development of MFI-A on Gapoktan PUAP is a strategic steps to resolve the issue micro-financing farmers and agricultural laborers. Gapoktan recipient of BLM PUAP funds and become MFI-A is a necessity in order to accelerate the economic growth of the people in the rural area and accelerate poverty reduction efforts through the growth of agribusiness venture.

For Ngawi agriculture is still the mainstay of the economy sector. But similar to the national condition, the welfare of farmers in the district Ngawi still low, the exchange rate of farmers in Ngawi is still low at around 98. In Ngawi PUAP program has been running more than 5 years. PUAP program is **highly relevant** to the development strategy of Ngawi district said that “Development and economic growth will put emphasis on the agricultural sector” and if the program can run properly it will help the farmers in Ngawi. Based on progress reports obtained from penyelia mitra tani (supervisors farmer partners) and the results of interviews with some supervisors there are several gapoktan successful manage funds, channeling and increasing the number of members, is able to bring up the new agribusiness so as to increase farmers' income, but there are also in the opposite conditions.

Based on the research we can see that, in order to make the program can run smoothly then the microfinance business unit should be coupled with other activities, as said Aryo (2012, p.31) “if we want to tackle poverty using microfinance institutions, we must take a special delivery that touches the poorest people. Therefore, microfinance institutions should have strong social

intermediation services and aligned with the financial intermediation services when provide comprehensive assistance to the poor”. As it seems in the case of two gapoktans I observed. In one gapoktan the existing activities only microfinance business and consequently PUAP program less works. While in the other gapoktan there were Arisan (Social Gathering) activity and mentoring by officers the companion PUAP program, and then the PUAP program can be well implemented and succeeded in increasing the ability and well-being of farmers.

Successful implementation of PUAP in the district ngawi has brought changes in the community, such as emerged a new agribusiness ventures and the emergence of units of agribusiness supporting sub-system and the procurement and distribution of the means of production. The new activities conducted in implementation of PUAP program also increased the Characteristic of Community capacity and the community has been able to perform its functions to plan, implement and evaluate the program. And there is also good leadership that make characteristic of community enhance.

## **7.2 Recommendations**

PUAP program that is running in the Ngawi district is in line with the Development Strategy of Ngawi district. In order to expand its agribusiness potential and could help farmers PUAP program should be running smoothly by considering the number of things or the following circumstances:

- Before receive PUAP fund, gapoktan has to conduct good socialization about this program. Socialization should be attended by all members of gapoktan and invites the companions.

- The number of Penyelia Mitra Tani (PMT) must be adjusted to the number of gapoktan, at least each Penyelia Mitra Tani (PMT) accompanies 4 gapoktan.
- Every gapoktan have to choose officials having willingness to work and good behaviour. Penyuluh Pertanian can help the gapoktan to do this. Because usually the officials of gapoktan are taken from officials of poktan in which the Penyuluh Pertanian know well about the personality of each officials of poktan.
- To encourage the gapoktan to do its job well, government should make assessment and give rewards to the gapoktan successfully implementing the program.
- In order to make the program can run smoothly then the microfinance business unit should be coupled with other activities such as Arisan (Socila Gathering), asisstancy, training and education, study of religion, etc that can increase the characteristic of community. Because by good characteristic had by community / gapoktan, community will able to solve the problems above.

Besides points above to optimize the performance of the PUAP program in the district Ngawi, the other gapoktans also can imitate what has been done by Gapoktan Tani Makmur. In which Gapoktan should be able well and carefully to identify potential Agribusiness that already exist in the village, like what happened in gapoktan Tani Makmur. Gapoktan Tani Makmur have successfully identifying potential of harvest vegetables in its village then be able to expand credit for the round a vegetable vendor that eventually can help vegetable farmers to sell their agricultural products and improve the lives of farm workers and small

farmers. To be able to do this each gapoktan should get maximum assistance from the PMT and agricultural companion and support from local government of the district of Ngawi.

In the following recommendation I will try to make some suggestions that can be used to help some gapoktan in some areas to develop agribusiness enterprises in its region based on the identification of potential areas conducted by Bappeda (Local Planning and Development Agency) in the book of Medium Term Development Plan 2010-2015.

1. For most area of the sub-District of the Padas and the sub-District of Kasreman, great potential located in this area are corn and soybeans. Seeing to that potential, the types of businesses that can be developed is a corn and soybean processing business. For corn commodity, business that could be developed is the business of making marning corn, making corn chips business and fodder for chicken, birds and other animals. Meanwhile, efforts for commodity of soybeans that could be developed are the business of making tofu, tempeh and tempeh chips. During this time the business of making tempeh and tempeh chips only in the area around Padas and Ngawi sub-Districts. Therefore, it should also be developed in the area sub-District of Kasreman. With the presence of these efforts will be able to absorb a lot of labor and finally can reduce unemployment and improve the sale value of commodity corn and soybeans.
2. For Paron, Kedunggalar and Ngrambe sub-district the biggest commodity is rice. Businesses that can be developed in these areas are the business of

development of organic rice. Organic rice development efforts will be able to increase the sale value of commodities that will ultimately improve the welfare of farmers. Besides that, the development of organic rice will also be able to make the condition of agricultural land better. During this time the rice cultivation in this region still use chemical fertilizers and insecticide.

3. Commodity of tobacco is a considerable potential plantation commodity for ngawi district. This commodity will easily be met in the district Karangjati. Based on the existing potential of tobacco in this region, the agribusiness venture that can be developed in this area is the business of manufacture of chopped dried tobacco as the main ingredient of cigarette industry. This effort will need much labor and this effort will also be able to absorb much labor and will be able to reduce unemployment.
4. Preservation of the largest fisheries in the pool at District of Ngawi is in Sub-District of Ngawi with total production is 189.756 kg, whereas for the preservation of the largest FLOATING fisheries is in Sub-District of Bringin with total of 'production is 68.823 kg due to a reservoir Pondok. And the largest general water conservation is also in the Bringin sub-district with total production is 43.536 kg. By Looking the potential of inland water fisheries in these two sub-districts Agribusiness effort that can be developed in these two districts, among othe is fish processing efforts, such as fumigation of fish or other food manufacturing with basic ingredients of fish, collecting and marketing of fish to some other areas.

5. Besides the potential for freshwater fish in Ngawi also exist a local specialty food manufacturing business, ledre bananas. Where this effort requires pretty much bananas as basic ingredients, therefore it is very possible for the development of banana cultivation in Ngawi.

Based on my experience during the stay in Japan (Beppu) there are some activities in Japan that could be developed in the Ngawi area based on the potential above. These activities are known in Japan by the term Onpaku or Decentralized Hands on Exhibition. These activities invite people outside the area to be involved in the daily activities of people in the area where the activity is carried out by paying some money. Following activities are Onpaku activities that can be developed in Ngawi By using donation PUAP, guidance from mentors and support from local government of Ngawi,.

1. Come on Creating and enjoying marning and corn chips, let's make and enjoy tempeh and tempeh chips. Marning corn and corn chips is a traditional Indonesian food that is made from corn, while the tempeh and tempeh chips are traditional Indonesian foods that use soybean-based materials. These activities can be done in the area of the Padas and Kasreman sub-districts. The visitors will be taught how to create marning and corn chips, tempeh and tempeh crisps. After all these activities they will be invited to enjoy the foods of their own making.
2. Come on planting organic rice for the better future of the earth ". This activity is suitable for farmers in other areas who want to do a comparative study about how to cultivate organic rice well. Here farmers will be educated how

to plant and care for a good rice planting in accordance with Standard of development of organic rice.

3. Feeding the fish, fish harvesting, processing fish and enjoy it. In this activity, visitors will be introduced to how to care for fish, fish harvest, making food from fish and enjoy these preparations. This activity will be carried out in the Ngawi and Bringin sub-districts especially in reservoirs Pondok, because it has the big potential of freshwater fish.
4. Activities to make ledre bananas. Ledre banana is a special food of Ngawi District of using banana-based materials. For these activities visitors will be invited and taught direct practice makes ledre bananas then finally they also can enjoy the ledre made by them. Besides that, visitors are also expected to buy some bananas ledre bananas.

Looking at the description above, we can see that if it can be optimized with good planning, effective implementation and supported with adequate resources, PUAP program can be used to support the implementation of OVOP programs (one Village one Product) and onpaku program in Ngawi in order to develop the capacity of rural communities in the district Ngawi. Actually all those are little part of potential had by Ngawi, with more detail observation I believe that there are still lot of resources in Ngawi can be developed as agribusiness activities or OVOP program and also as Onpaku program.

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