

3.4.4 South Sulawesi Province

(1) Present Situation of South Sulawesi and its Evaluation.

1) General Situation in South Sulawesi

South Sulawesi province, with an area of 62,438 square kilometers and a population of 7,346,000, consists of the capital city Ujungpandang, 21 districts, 2 cities, 182 sub-districts and 2,401 villages. There are both dry and rainy seasons, with an annual temperature of 20° C to 30° C, humidity from 78% to 90% and monthly maximum precipitation of 340 ml to 356 ml (1990 - 1993). There is a range of mountainous districts in the north and center of the province, with large forest and field areas, and flat paddy fields with well equipped irrigation in the center and the south. The province is classified as an irrigation region according to the type of agro-ecosystem.

The province is regarded as a food supply base, due to its geographical position and agricultural potential, especially for eastern Indonesia. Agricultural development is aimed at the improvement of productivity and efficiency, horizontal diversification aimed at expanding the export of agricultural products especially plantations, livestock and marine products, and strengthening the links between agriculture business and agro industry to achieve an improvement in farmers' and fishermen's incomes and living standards.

The province's working population is about 2.66 million of which 58%, or 1.54 million people, are engaged in agriculture (including livestock raising, plantations, forestry and fisheries). The importance of agriculture is significant in the province's economy, but productivity is lower compared to other industries such as manufacturing.

Agriculture is more developed than in other provinces, except for Java island. In particular, the production of rice, green beans, corn and citrus fruit is superior to the rest of the nation. The breeding of laying hens, edible chickens, ducks, beef cattle and buffalo is common.

2) Organization and Management

There are 536 KUD in the province, of which 378 are KUD Mandiri. There are 23 KUD Mandiri INTI in total, one for each prefecture and city. With a membership rate per adult population of 10.2%, the number of cooperative members per KUD is 765 and the number of KUD per sub-district is 3.0.

The main businesses are fertilizer distribution, rice marketing and operating rice milling units

(RMUs), as well as operating savings and loan businesses, managing kiosks and telephone services. The membership rate for farmers in the whole province is 26.3%, but the membership rate of KUD in Kelompok Tani is 90%. Directors' meetings are mostly held once a month, and farmers accounted for half the directors, who are also teachers, ex-soldiers and ex-village heads. As many as 85% of KUD have full-time directors. Audits by auditors are usually held 4 times a year, and they take 2 to 4 days per session, with a focus on business operations and accounting. The average number of employees is 3.47 and hardly any KUD have appointed people to provide farming or educational guidance.

Generally, the scale of organizations of KUD in South Sulawesi province is small, and the number of members and employees is lower than the national average. The business implementation system is inadequate and services for members are not being operated sufficiently. Measures for improving employees' working motivation and the ability of general managers are an urgent necessity. With regard to the management of KUD in the province, all current surplus funds, business volume, total assets, and the ratio of owned capital to equity capital are higher than the national average. In addition, the ratio of current surplus funds to business turnover is higher than the national average, while the ratio of current surplus funds to total assets is the same level as the national average.

One of the 3 KUD surveyed did not have telephones installed. There is a shortage of basic office machinery including photocopy machines. There are rice hulling machines and RMUs in many KUD, which are located in this area, which is regarded as an irrigation region according to the agro-ecosystem system. However the scale of facilities is unbalanced and some units are not functioning properly.

In terms of management control, there is a shortage of planning and administrative functions, so general managers could be appointed as planning and administrative officers. Because the absolute amount of equity capital is low in spite of the high ratio of equity capital, there is a lack of funds to provide facilities and a shortage of working capital. KUD do not have strength in building up assets. As most businesses involve cash settlement transactions, it is easy to run short of funds to buy rice, and cooperative members also have to save cash to buy materials. As there are few employees, internal audit and checking systems are inadequate.

3) Economic Business

The main businesses activity of KUD in the province involves chemical fertilizer marketing, rice purchasing and post-harvest processing and marketing for government organizations. Some KUD are engaged in purchasing products that can be converted into cash, such as cloves, providing finance for farmers, purchasing businesses and other operations.

4) Credit and Other Businesses

In the case of the 5 KUD in South Sulawesi we surveyed, the total amount of institutional loans was Rp 593.3 million and the average amount per KUD was Rp 118.7 million. It is hard for KUD to borrow facility funds and working capital from banks. In the case of the KUD we surveyed, the average balance of debt provided by KUD to KUD cooperative members is Rp 30.5 million per KUD, and the balance of agricultural production loans provided to cooperative members by means of institutional finance per surveyed KUD is Rp 205.1 million. Most KUD in South Sulawesi province levy public charges and some KUD are also providing telephone services.

The primary factor which is restricting KUD development is the difficulty for KUD to borrow sufficient working capital from financial institutions. The biggest creditor for KUD in the province is the BRI, and loans are mainly for producing and collecting rice. It is also hard for KUD to obtain loans for working capital or investment capital for other business activities. That is to say, BRI usually does not carry out medium or long-term financing.

In order to expand access to institutional finance, KUD need to make efforts in a) maintaining close contact with private-sector commercial banks which deal with farming loans; b) expanding savings and loan businesses with local rural banks and regional development banks; c) developing bank policies or procedures to supply stand-by credit without specifying its use to KUD; and d) increasing loans from private-sector joint venture companies.

Factors that are restricting the growth of savings and loan business include a) weak incentives caused by low interest rates; b) the inefficiency of administrative management e.g., for loan procedures; and c) inappropriate management of loan funds.

Measures that should be adopted to overcome these problems include the use of PUSKUD credit association fund plans, expanding TPSP credit from BRI and other banks, increasing the rate of interest on cooperative members' savings to the market level, promoting savings and encouraging the payment of interest.

The primary factors that are preventing an increase in KUD income which would result from an expansion of loans to members comprise a) a lack of KUD participation in loan risk; b) a lack of KUD employees, in terms of quality and number, who can manage loan funds; c) a lack of communication and coordination between KUD, participating banks and farmer groups; d) insufficient KUD marketing and purchasing capability; and e) complicated loan procedures.

5) Human Resource Development and Guidance Activities

The educational and training institutions of government and cooperative organizations concerned with KUD in South Sulawesi, and their relevant details are listed below (1995).

BALATKOP : Trained 874 people from cooperatives and small enterprises.

This includes 41 directors and 50 employees from KUD.

PUSKUD : Carried out training in clove accounting.

DEKOPINWIL : This is an annexed training institution which had 290 trainees in 1994. Examples of activities are DEKOPINDA executive training, training of government staff in cooperatives, taxation, and credit businesses.

DEKOPINDA : 18 out of 23 DEKOPINDA carried out training and had 21,539 trainees. Examples of training courses are principles of cooperatives, legislation, taxation, management, financial control, credit business and accounting systems.

KUD establish educational funds for appropriating expenses for education and study, and the amount of savings in these funds for the KUD surveyed in the province ranges from 2.5% to 5% of their current surplus. General managers and employees of these KUD attend courses in the above institutions.

None of the KUD in the province has a guidance department. In fact, general managers organize various guidance courses during their daily duties as part of services for cooperative members.

In other words, guidance is provided in farming, including rice growing or livestock raising, as well as in family planning, product knowledge and health counseling, but there is no specialized system for such guidance activities. In addition, farming and other forms of guidance are being carried out by means of cooperation with agriculture extension officers.

6) PUSKUD

PUSKUD in South Sulawesi was established in 1974, and 415 out of 536 KUD are members. The number of employees is 248 including 1 general manager and 8 section managers.

Business activities include exporting tapioca and coffee, collecting and consigning soy beans, corn and cloves, and purchasing sugar and fertilizer. PUSKUD is also active in a wide range of businesses such as construction, transportation, marine transportation, rice milling, public telephone services, processing cloves, sericulture, coconut plantations, marine products, poultry, handling goats and cows, credit business and taxi operations.

As of the end of December 1995, PUSKUD had total assets of Rp 81.0 billion and equity capital

of Rp 6.3 billion. Total business profit was Rp 109.2 billion, including cloves - Rp 58.8 billion (53.9%); and sugar - Rp 26.3 million (24.1%). These two products account for 78% of the total.

(2) Analysis of Needs of Farm Households and Needs for Activation of KUD

Respondents : 60 persons (46 cooperative members, 14 non-cooperative members)
(57 persons were engaged in farming)
KUD surveyed : KUD Semagat, KUD Lamasi, KUD Marutu

An overview of the results of the farmer survey is presented in Appendix II in the Appendices volume. However, the relation between the results collected from the survey and the basic plan for activation of KUD in 7 provinces is described below.

1) Plan for Strengthening of Organization and Management

The average number of members per household was 2.18, indicating progress in achieving several members. On the other hand, there were many farmers who were not members, so there is a need to encourage membership among farmers. As many as 53% of the members who responded thought the membership fees were priced at a suitable level. As for compulsory savings deposits, 31 out of 46 cooperative members thought the amount was appropriate, while 8 people replied it was rather low. From hereon, an increase in equity capital can be expected to result from a review of the amount of compulsory savings deposits. Many respondents thought KUD activities were beneficial, and respondents who did not think KUD activities were useful were non-members. As respondents expressed a strong sense of trust and satisfaction toward KUD, and 9 out of 12 non-member respondents said they wanted to join KUD and use their business services, it would be possible to encourage membership. However, the other 3 people listed reasons why they did not want to join KUD as "they do not know the role of KUD" and "fertilizer supply is late", so there is a need for a thorough promotional campaign.

2) Plan for Strengthening of Economic Business

Few farmers buy agricultural machinery from KUD but farmers have a strong desire to use machines including rice-planting or plowing machines, so they hope that KUD will become more involved in this operation. Many members use Waserda (KUD retail shops) and they hope to see improvements like expanding the size of shops. As for promoted products, various products including parawija (20 households), chicken farming (16 households), fruit trees (13 households), fish farming (18 households), vegetables and beef cattle (5 households) and cocoa

(4 households) were listed. Moreover, there are desires for KUD to engage in joint marketing and joint purchasing, expand warehouses and establish shared facilities.

3) Plan for Strengthening of Credit Business

With regard to loans, some people wanted the types of loans to be increased and their financial limit to be raised, but most people were satisfied with the level of interest rates.

4) Plan for Strengthening of Human Resource Development and Guidance Activities

With regard to KUD employees, 72% of member respondents said they worked hard but non-members held negative views concerning the accuracy and speed of their work so the clerical ability of employees needs to be improved. Information on agricultural technology is obtained from both farming and other forms of guidance and PPL, and there is a desire for KUD to strengthen guidance activities concerning fertilizers, agrochemicals, and agricultural machinery and implements. As regards educational guidance, 16% of respondents wanted it to be increased and members still lack a good understanding of educational guidance, which KUD have not yet started to organize.

(3) Plan for Strengthening of Organization and Management

1) In order to strengthen the business functions of small-scale KUD, sub-district KUD conferences should be established to discuss measures to boost cooperative membership or improve businesses and services from the whole sub-district point of view. In addition, these plans should be carried jointly when this is possible.

2) In order to prevent the occurrence of dishonesty, injustice and errors, directors or general managers should be encouraged to check figures by learning methods to verify the accuracy of accounting figures, and the frequency of audits by auditors and KJA audits should be increased.

(4) Plan for Strengthening of Economic Business

1) General rice processing centers should be established in some areas as a model to improve the quality of rice and marketing methods. As RMUs at some KUD have limited hulling capability, it is impossible to provide husk supplies. Consequently, we believe it would be possible for rice processing centers to respond to the requests listed below.

- 2) PUSKUD's large-scale RMUs should be used jointly with medium and small-scale KUD, so that those KUD are able to increase the amount of rice to supply to BULOG or general markets.
- 3) New and more efficient RMUs, warehouses, husk drying facilities and finishing machines should be established in some KUD, and transportation means and other kinds of infrastructure should be supported.
- 4) Shipping and processing facilities for coffee, cocoa and coconuts should be developed by improving existing facilities and by adopting new technologies.
- 5) Chicken and poultry breeding should be strengthened at the KUD level by KUD themselves. In addition, in order to overcome the problem of insufficient working capital, KUD should cooperate with existing private enterprises by engaging in joint ventures.
- 6) Production of fodder for beef cattle, dairy cattle and chickens should be improved and expanded by using local material like rice husks, straw and corn.
- 7) A system for processing food products (e.g. cookies or cakes) from crushed rice, corn or green beans by means of simple machines should be introduced in order to sell these products at local markets.
- 8) Agricultural machinery maintenance centers and car repair shops should be established at the KUD level or a regional level.

(5) Plan for Strengthening of Credit Business

- 1) Many KUD in South Sulawesi have formed an effective business relationship with commercial banks including BNI, Danamon Bank and Panin Bank. KUD should continue extending such financial business relationships, as well as promoting additional loans from joint venture companies. It would be best either to obtain direct loans or to obtain loans through production/marketing tie-ups, as proposed by PUSKUD Hassanuddin.
- 2) The excellent results (TPSP program) achieved by the savings and loan business operations of KUD Belopa, which is one of the 5 KUD surveyed in Sulawesi Province, indicate that as long as KUD carry out savings promotion and loan management properly, savings and loans will increase dramatically. In addition, it proves that women fulfill an effective role in the mobilizing savings in farming villages and the management of loans used to support family businesses. Advanced KUD in this province that use proper systems to expand their savings and loan business

operations should be used as a model for other KUD.

3) The investment yield on the capital of members of KUD in South Sulawesi is 3.5%, which is the lowest level among the 7 provinces surveyed. This means that generally investment yields of KUD in the province are no match for the current interest rate on one year fixed term bank deposits at all. Our conclusion following an analysis of management, is that KUD in the province will improve investment yields dramatically by expanding marketing operations and increasing their borrowings.

4) The average amount of savings per South Sulawesi KUD member farm household was Rp 8,883, ranking 4th among the 7 provinces. KUD in the province should promote member saving plans, and this includes paying market interest rates to increase the amount of savings deposited at KUD by members.

5) Savings and loan business operations conducted by KUD in South Sulawesi Province represented 2.2% of all KUD business turnover, ranking 3rd among the 7 provinces. KUD should use borrowed funds to expand their savings and loan business operations.

(6) Plan for Strengthening of Human Resource Development And Guidance Activities

In South Sulawesi, education activities by BALATKOP and cooperative organizations are vigorous. In future, it is desirable to be independent in cooperative education and play a part of functions of BALATKOP, the division of functions between primary KUD, district union, provincial union and federations are to be identified. The average number of KUD employees is comparatively small and the measures are as mentioned in the former part of the common plan for KUD in 7 provinces.

The specific matters to be added to the common plan in South Sulawesi are as follows.

1) In South Sulawesi, employees of KUD in charge of farm guidance are assigned mainly for paddy farming. However, since the farm guidance is just started and the number of KUD adopting farm guidance is still small, the steps are necessary to commence farm guidance at KUD Mandiri Inti first and phase in other middle class KUD. The employees in charge of farm guidance are not specified and their source of technical information is obtained from PPL and PPS. Cooperatives sectors in South Sulawesi has no technical training facilities for obtaining farm management technology and agro-processing technology. Therefore, in a bid to support farm guidance of KUD, with joint investment of BALATKOP (KANWILKOP), DEKOPINWIL, PUSKUD, KUD and national level federations (INKUD, DEKOPIN), farm management technical

training centre are to be established and to be operated by DEKOPINWIL. Instructors are to be obtained with cooperation of Ministry of Agriculture, PPL and PPS, PUSKUD and private research institutions. Also, instructors are to be fostered in the Post Harvest Technology Centre in West Java. The preparatory committee shall be organized by relating organizations to materialize the training centre based on middle term plan. In response to the agricultural development plan of the province, the contents of the training handled at the centre are training on rice milling technology, repair of farm machineries agro-processing and production materials and others. The target for trainees are KUD employees in charge of farm guidance and leaders of commodity-wise groups. Also, in the training of farm machineries, the workshops can be utilized to serve the neighbouring farmers when training is not conducted.

2) Regarding computerization, the system for rationalization of clerical works is to be developed jointly by DEKOPINWIL, PUSKUD and KJA and formulate training programs for employees of KUD for its dissemination. Especially, computerization for saving and loan business are to be grappled with as soon as possible to use the unified system in the province.

3.4.5 North Sumatra Province

(1) Present situation of KUD in North Sumatra and its Evaluation

1) General Situation in North Sumatra

North Sumatra is classified as a highland and irrigation region according to its type of agro-ecosystem, and large quantities of rice, maize, cassava and beans are produced there. Production of rice is the second highest after South Sulawesi Province in Indonesia except for Java Island, and more maize is produced than in West Java. As for vegetables, cabbages, tomatoes, radishes, carrots and potatoes are extensively produced, and in the case of fruits, large quantities of durian, pineapples and tangerines are cultivated. Livestock raising is characterized by the fact that the number of breeding heads of pig represents 25% of the national total.

2) Organization and Management

Only 204 of the 594 KUD are Mandiri (34%), and the independence of KUD is not well developed. Also, because 70 KUD have suspended their business operations, there is a need to make great efforts to become independent from hereon. The average number of cooperative members is as low as 526, which is a third of the national average, and the adult membership rate is no more than 5.9%. The average number of employee is 3.7 people which is less than a half of

the national average, and many KUD have no employees. Despite such conditions, new KUD with only a few employees are being established. This is due to dividing the establishment of KUD according to the division of administrative sub-districts (Kecamatan), and this leads KUD to become small-scale. Because of their small scale, many KUD lack capability to carry out business effectively, so it is important to promote amalgamations in possible cases in order to avoid division.

Farmers comprise 80% of members. Of the 5 surveyed KUD, 1 KUD had a farmer membership rate of 40%, 2 KUD had a corresponding rate of 20% and 2 KUD had a rate of around 5%. This indicates that there are many KUD which do not recruit many members among farmers, so there is a strong possibility of increasing the number of cooperative members.

Most KUD had 5 directors, and many KUD, except small-scale KUD, hold directors' meetings once a month. Many KUD have 3 auditors and audits by auditors take place regularly 4 times a year. KJA carries out audits even for non-member KUD, and only 31 out of 90 KUD which were audited by KJA are members of KJA. Moreover, directors carry out business personally at KUD which have few or no employees.

3) Economic Business

The main business activities of KUD are limited to supplying and marketing fertilizer and agrochemicals, and handling plantation products (rubber, oil palms). The average level of business turnover is Rp 4.56 million, which is only three quarters of the national average and the scale of business is also small. Fertilizer business accounts for 65.6% of total business volume and is the largest product handled. Although 442 KUD are supplying consumer goods at 594 kiosks, this business accounts for only 2% to 3% of their total business turnover at most. Generally, there is not a positive attitude to marketing businesses apart from rice marketing. A shortage of working capital is preventing business development. In the corn growing region, there was a KUD which could not compete against traders because of a lack of kernel removal machines and trucks.

4) Credit and Other Businesses

Almost no voluntary savings have been committed, and even these savings are carried out, no interest is paid in most cases. Most loans involve institutional finance such as KUT funds, and few loans use savings as the source of finance. Moreover, the amount of overdue institutional loans is high, and collecting loans is a substantial task.

5) Human Resource Development and Guidance Activities

When we look at the state of training carried out by the provincial government and the Institute of Cooperative Education, there is a lack of activity except for BALATKOP, which accepted 90 trainees from KUD in 1995, and DEKOPINWIL, which conducted training courses for 70 provincial level cooperative leaders. As regards DEKOPINDA, only 4 out of 17 provinces carried out training, and many places do not even have any staff. Moreover, PUSKUD does not provide training. It is an absolute necessity to cultivate competent staff in order to activate KUD, and there is a need to establish training systems and provide support for the cost of participation in such training courses.

Savings in educational funds are extremely insufficient, and very few KUD are reserving these funds. Only 2 out of the 5 surveyed KUD were putting savings aside in educational funds.

Almost no farming or other forms of guidance are carried out, except for the KUD staff in charge of fertilizer operations who explained how to use fertilizer when they supplied it and production guidance which was carried out by cooperative chiefs. This is due to a shortage of employees. In addition, better living guidance was not being provided at all. However, there is a strong desire among members for the guidance activities, and this plays an important role in expanding KUD businesses by strengthening understanding between KUD and members. Moreover, KUD can be expected to gradually train staff responsible for guidance activities and they can be expected to carry out such activities.

6) PUSKUD

PUSKUD in North Sumatra has been established since 1982, when two PUSKUD organizations merged. The qualification for membership in PUSKUD is to be a cooperative, but the membership rate among KUD is only 62%, because of a lack of capacity to pay the membership fees (Rp 150,000) and the monthly compulsory saving deposits (Rp 5,000). There are 5 directors and 3 auditors, and directors' meetings are held 8 times a year, in addition to joint meetings comprising directors and auditors, which are held 5 times a year. One of the directors works full-time and all directors are KUD cooperative chiefs. Under the board of directors there are 6 managers, including one general manager, who are carrying out daily business. The number of employees is 33, including 26 people who work at the main office.

The main business activity is handling cloves and sugar. Sugar represents 55% of the Rp 34.79 million in business turnover (including profits from clove accounting). In the case of fertilizer operations, PUSKUD handles transportation but not purchasing or supply activities.

PUSKUD held a deficit brought forward from the previous term and is making efforts to reduce it, but it still amounted to Rp 1.027 billion at the end of fiscal 1995. However, as PUSKUD is producing a current surplus, we believe the deficit brought forward from the previous term will gradually be eliminated.

(2) Analysis of Needs of Farm Households and Need for Activation of KUD

Respondents 60 persons (46 cooperative members, 14 non-cooperative members)
 (58 persons were engaged in farming)

KUD surveyed: KUD Singalor Lau, KUD Dolok Malawau, KUD Citama

An overview of the results of the farmer survey is presented in Appendix II in the Appendices volume. However, the relation between the results collected from the survey and the basic plans for activation of KUD is described below.

1) Plan for Strengthening of Organization and Management

The average number of members per household was 1.23, indicating the achievement of several members per household, but there are many non-farmers (13 households), so there is a need to encourage membership among farmers. Moreover, there is a need to encourage membership among non-farmers as well. As many as 46% of the members who responded thought the membership fees were priced at a suitable level, and all responders thought they were inexpensive in Singalor Lau. As for compulsory savings deposits, 30 out of 46 members thought the amount was appropriate, while 14 people replied it was rather low. From hereon, an increase in owned capital can be expected to result from a review of the amount of compulsory savings deposits. Only 37% of respondents thought KUD activities were beneficial and they expressed little trust and satisfaction toward KUD. All the non-member respondents said they wanted to join KUD and use their business services, so it would be possible to encourage membership.

2) Plan for Strengthening of Economic Business

Many members use Waserda (KUD retail shops) and they hope to see improvements in the shops and range of goods sold. As for produce that are being promoted, various products were listed including parawija, poultry farming, fish farming and vegetables. Moreover, there was a strong desire for KUD to engage in joint marketing (76%), joint purchasing, extension of warehouses and establishing shared facilities. It would be desirable for KUD to respond to these wishes from hereon as this would increase the use of businesses and lead to the activation of KUD.

3) Plan for Strengthening of Credit Business

The average amount of savings of members was about Rp 350,000, and the average amount of voluntary savings deposits at KUD was Rp 16,900, most of which were deposited in other banks. As for loans, there was a strong desire for KUD to increase the types of loans, and to raise members' finance limits (71.6%). Respondents were partially satisfied with the level of interest rates (48%). With regard to loan repayments, 90% of respondents said they had already repaid their loans and 10% of respondents said they were unable to repay them on time. Voluntary savings deposits need to be promoted by paying interest at the market level, so there is a need to train employees at banks and other financial institutions. In addition, guidance needs to be provided in strengthening loan supervision and loan management and collection.

4) Plan for Strengthening of Human Resource Development and Guidance Activities

With regard to KUD employees, 90% of member respondents said they worked hard, and most of them were satisfied with the accuracy and speed of their work. Information on agricultural technology is obtained from PPL (Penyuluh Pertanian Lapangan/Agriculture Extension Officer), and nobody said that they had received technical guidance from KUD. Respondents hoped KUD would strengthen guidance concerning fertilizers and agrochemicals, as well as farming guidance. In the case of better living guidance, 38.3% of respondents wanted it to be reinforced, and this desire is growing among members so there is a need for KUD to consider increasing better living guidance from hereon.

(3) Plan for Strengthening of Organization and Management

1) In order to strengthen the business functions of small-scale KUD, sub-district KUD conferences should be established to discuss measures to encourage membership and improve businesses and services from the whole sub-district point of view. Whenever possible, such plans should be carried out in cooperation between the conference and small-scale KUD.

2) To enable members at KUD that have ceased operating to make use of businesses, the government should introduce measures to let the members of KUD that are unable to resume business operations use neighboring KUD.

Furthermore, KUD that are unable to resume business operations should be dissolved and the government should be responsible for dealing with these non-performing assets.

3) In order to prevent the occurrence of dishonesty, injustice and errors, directors or general

managers should be encouraged to check figures by learning methods to verify the accuracy of accounting figures, and the frequency of audits by auditors and KJA audits should be increased.

(4) Plan for Strengthening of Economic Business.

- 1) Facilities for collecting and processing rice, cash crops, vegetables and fruit, chickens and livestock should be established by adopting technologies or improving existing facilities.
- 2) Methods of purchasing, grading, packaging and shipping vegetables should be developed.
- 3) Feeds should be produced by using local materials such as corn, cassava, coconuts oil palm strained lees, and rice bran.
- 4) Factories for processing locally produced pork and a product marketing system should be established.
- 5) Warehouse capacity should be expanded.

(5) Plan for Strengthening of Credit Business

- 1) A lack of access to institutional finance is significantly delaying the expansion of KUD in North Sumatra. Three out of the five KUD surveyed in the province said there were no loans to cater for the need for working capital or facility investment funds. Considering the importance of the agricultural sector in the province and the scale of potential businesses in the case of the 592 active KUD currently providing services for agriculture, the reasons for restricting the provision of credit in North Sumatra should be ascertained, and measures to solve the problem should be devised.
- 2) The business functions of PUSKUD in the province should be strengthened, and the closer production/marketing relationships should be forged between PUSKUD and KUD. In particular, KUD should strengthen contacts with joint venture companies in order to expand their sources of capital.
- 3) The investment yield on the capital of members of KUD in North Sumatra was 13.0%, ranking 3rd among the 7 provinces. This means that investment yields of KUD in the province are generally no match for the interest rate on current one year fixed term bank deposits. Our conclusion following an analysis of management is that KUD in the province could improve investment yields by expanding marketing and using loan funds, so this example should be applied.

4) The average amount of savings in North Sumatra KUD per member farm household was Rp 14,666, the highest among the 7 provinces. The main reason for this is that the number of members per KUD in North Sumatra is lower than in the other provinces except South Kalimantan, which makes the amount of savings per person relatively high. In general, the KUD in North Sumatra have a very poor savings record. Among the KUD surveyed, only one said that they had voluntary savings deposits and no KUD paid interest on members' savings. KUD in this province should therefore promote savings plans by paying interest on savings and encouraging members to make savings deposits.

5) Savings and loan business operations conducted by KUD in North Sumatra province represented 3.0% of all KUD business turnover, ranking 2nd among the 7 provinces. KUD should therefore use loan funds to expand their savings and loan business operations.

(6) Plan for Strengthening of Human Resource Development And Guidance Activities

In North Sumatra, education activities of DEKOPINDA sectors are not active and depending on training courses in BALATKOP. However, DEKOPINWIL has a plan to buy the old training facility of BALATKOP and strengthen their own training activities. It is necessary to strengthen the function of DEKOPINDA at this occasion by grappling with a middle term plan. The number of employees are generally small with the average of 2.1, KUD are not operating farm guidance and better living guidance. The followings are the additional plan for North Sumatra to the common plan for 7 provinces.

1) Strengthening activities of DEKOPINDA and accumulation of education fund in KUD

In DEKOPINDA which has no employees, headed by directors, it is necessary to play the roles of district level educational institution for KUD and grapple with eg: "a three year plan for strengthening of DEKOPINDA" to boost business budget, business contents and recruit employees. For that purpose, it is necessary to formulate a concrete education plan eg: a members education plan to provide services to KUD, with participation of KUD Mandiri-Inti, DEKOPINDA, KANDEPKOP and representatives of KUD in the District, shall be established to provide necessary services to KUD as returns to the membership fee.

2) Establishment of Farm Guidance Section at KUD MANDIRI INTI

For the first stage, setting up farm guidance section can be started in KUD MANDIRI INTI at District level as a model of guidance activities. As employees of KUD are not experienced in providing farm guidance, KUD need to recruit candidate PPL or retired PPL as farm advisor of KUD. Regarding the establishment of farm management technical training centre, as the needs

are not matured yet, the liaison meeting between Ministry of Agriculture District Office and PPL shall be organized as a place of exchange of information.

3) Organizing women's group in KUD

In North Sumatra, the ratio of women members in KUD is very high. These women shall be organized for promotion of better living activities as a supporting organization to KUD. If such women's group is organized in KUD, linked with business of KUD, women's group of KUD can cooperate in saving promotion or joint purchasing of daily necessities in KUD in future. At KUD, even though number of employees is small, it is necessary to decide staff in charge of promotion of better living activities by fostering women's organization.

3.4.6. East Java Province

(1) Present Situation and Evaluation of East Java Province KUD

1) General Situation in East Java Province

As an agroecosystem, East Java Province is positioned as a region with two main characteristics, a highland region and an irrigated region. The land area is 47,922 square kilometers and the population is 33,380,000. The climate, in common with other provinces in the country, consists of two seasons, a dry season and a rainy season, but in one part of the eastern area there are climate changes such as lower rainfall. The topography of this province is categorized into lowlands, a mountainous region and a central secluded mountain region in the ratios 60%, 20% and 20%, respectively.

In the 6th five-year-plan, the development growth rate is targeted at 9.6% in industrial areas, which is high, and in agricultural areas at 2.5%, which is the lowest rate in the plan. In agriculture, the productive area of agricultural products and livestock is decided based on the geography. The yields on rice and other secondary edible products are higher than for other provinces in the country. The yields on corn, cassava and peanuts are the highest and those for rice and sweet potatoes are the second highest in the country. Even in the case of yields on livestock and horticultural products, East Java Province often competes with West Java Province for the highest yields. As for plantation products, the growing of coconuts and tobacco is prosperous and the yield on tobacco accounts for more than 50% of the country's total yield.

According to the 1993 census, the agricultural population of East Java Province was accommodated in 4,245,000 houses. Also, according to research in 1991, the contribution rate of agricultural areas, which account for 56% of the total population, versus the total yield of the

province was 23%. Therefore, the productivity of agriculture is low compared to other areas. Agricultural income per person is Rp 610,293, which is as low as about one third of the income of other industries. Attempts are being made to improve agricultural income by activating farmers' organizations, promoting horticulture and livestock, especially beef cattle, and establishing good rice growing districts.

2) Organization and Management

The number of KUD in the province is 752 and 669 of these are KUD Mandiri. The Mandiri ratio is 89%, which is well above the national average. Mandiri INTI have been established in all 38 districts.

Business is centered on fertilizer and rice production but there are some KUD which handle beef cattle, milk, palawija, cloves and sugar cane. In addition, 568 KUD are running savings and loan businesses, 387 KUD are managing cooperative retail shops and 20 KUD are operating Telephone Post Kiosks (WARTEL).

Most KUD possess rice milling units (RMU), warehouses, drying areas, dryers and other facilities related to rice production. Some KUD have gasoline supply facilities, motorbike repair factories and roofing tile factories.

The membership rate is 11.5% of the adult population, which is slightly higher than the national average. The average number of cooperative members per KUD was 3,111, which is more than twice the national average.

Problems concerning the management of cooperatives are as follows:

- a. an insufficient increase in the number of members and poor involvement by the members in KUD activities.
- b. There are not many KUD which have the departments or the staff to provide farm guidance or better living guidance. There are insufficient services such as marketing information that members require, technical instruction for running agricultural businesses, including technical information, and guidance for improving the members' lives.

Looking at the management situation of KUD in comparison with the national averages, the figures are quite large. For example, the current surplus is 1.2 times the national average, total business turnover is 2.8 times the national average, total assets are about 2.3 times the national average and owned capital is 1.5 times the national average. However, the owned capital ratio is 31.7%, which is considerably lower than the national average. Generally, the ratio of debt is high for many KUD.

The ratio of current surplus to total business turnover averages 0.5% for the province, which is

considerably lower than the national average, and on the whole the earnings of KUD are low. The ratio of current surplus to total assets averages 1.6% for the province, which is considerably lower than the national average.

Problems concerning the management are as follows:

- 1) New businesses do not materialize because not only are the funds insufficient, but also there are not enough departments and human resources for planning and management.
- 2) Accounting standards are not thoroughly complied with and few KUD calculate departmental profit and loss in a timely manner.
- 3) Only some KUD have introduced computers and clerical work and general work procedures have not been rationalized.

3) Economic Activities

The main activities of the KUD in this province are the collection of rice and milk, purchasing of cloves, supply of cattle, fodder and chemical fertilizers, loans to farmers and sales of consumer goods.

In 1995, 452 KUD purchased 189,333 tons of rice and polished rice and sold 151,247 tons to BULOG. The supply to BULOG is gradually decreasing because of:

- 1) insufficient funds for purchase and,
- 2) market conditions.

In 1994, the KUD had 782 RMUs, 2,010 drying areas and 274 rice dryers. Most RMUs were installed by the OECF and the Kennedy Round Program.

Milk is an important product. Therefore, KUD have cooler stations and also collect, refrigerate and deliver fresh milk. The handling charge is a large source of income for the cooperative business. As of 1994, there were 65 KUD / milk cooperatives in East Java Province. A few KUD / cooperatives have their own district business cooperatives. The East Java Cooperatives account for 31% of the national yield of milk, which is second only to West Java.

The number of head of beef cattle and dairy cattle is large but few KUD are involved in the meat business. The technical standards of the milk cooperatives in the province are higher than those of other agricultural product cooperatives.

Private companies purchase farm products through farmers' organizations from farmers who are members of the KUD. The self-governing organizations inside the KUD in the province sell farm products.

The sale of chemical fertilizer is still part of the main business activities of the KUD and this influences the overall agriculture of the whole province. In 1995, 680 KUD sold 1,300,000 tons

of fertilizer. The farmers buy improved seeds, agricultural chemicals and other things at general markets.

The main problems are the low frequency of usage of the KUD inside their own area, except for fertilizer and milk, and that the effect of the KUD on the local economy is small.

In the future, the keys to activation of the KUD are whether they can establish manufacturing systems at a level which can influence the local market economies and whether they can propose cooperative sales plans which will provide benefits to both customers and cooperative members. Also, business between the KUD and the members involves cash transactions and they do not have a settlement system using members' accounts. This fact weakens the relationship between the KUD and the KUD members.

4) Credit Business

Savings and loans business operations in East Java in fiscal 1995 reached a level of Rp 6,700 million, which is only 0.5% of the total KUD business in the whole province. The main factors restricting business expansion are:

- *interest rates which are not attractive to the cooperative members so voluntary savings are not increasing;
- *loans which are overdue;
- *repayments which are overdue and loans which become unrecoverable because of inappropriate loan management practices.

In the last few years, the total amount of loans to farmers from banks in East Java Province has decreased. The main restrictions on the increase of the KUD loan business are decreased.

- *there is insufficient communication and coordination between the KUD, handling banks and farmers' groups concerning loan planning, loan procedures, loan management and collection of loans;
- *a lack of systematic appointments and training of KUD staff who manage the loans;
- *the KUD are not participating enough in loan risk management.

The main factor inhibiting the growth of the KUD in the East Java Province is that they cannot get enough working capital and investment funds from the banks. None of the KUD surveyed had loans for working capital to support general business operations. The lack of working capital restricts the growth of quantity of products and services as well as the amount of money generated by business (especially the rice polishing business).

Under these circumstances, in order to improve the income of the members and the KUD, it can

be said that the expansion of access to institutional funds holds one key to their growth. For that purpose, a management system which can be relied on by the debtors, and the cooperation and the support of the members should be presented.

5) Human Resource Development and Guidance Activities

A system of government educational and training organizations and cooperative organizations has been established in East Java Province and each type of organization provides training. BALATKOP trained 97 directors, five managers, eight staff members and 60 leaders of cooperative members from the KUD. PUSKUD provided training for clove accounting and DEKOPINWIL provided the KUD and other cooperatives with 11 directors' training courses, three managers' courses and eight staff member courses and accepted 30 cooperative educational trainers from 10 districts for training. Each of the 37 DEKOPINDA ran nine training courses four times. Each training course was given to ten cooperatives for ten days duration.

The educational activities of the cooperative organizations in the East Java Province are far more prosperous than other provinces. According to BALATKOP, the needs of the KUD managers' in training were as follows:

- *Managers: cooperative audits, accounting systems, cooperative management.
- *Directors: business management, savings and loan, organization operation.
- *General managers: management methods, savings and loan, organization operation.
- *Staff members: electricity supply business management.

Concerning the educational activities of five KUD, the characteristic point is that every KUD had put aside educational funds. Also, the ratio of educational funds to the current surplus was 5%. The directors of these five KUD took part in the training provided by BALATKOP, DEKOPINWIL and the others. For example, one director had seven days of sales business management training at BALATKOP, the president had three days of clove accounting training at PUSKUD, an auditor had seven days of audit training at DEKOPINWIL, the general managers had three days of shop management training at KANWILKOP and the staff members had savings and loan business training and so forth at BALATKOP.

At five advanced KUD which were surveyed, although the level of advancement depends on the main products at the KUD, each KUD had an agricultural business technical adviser for rice, dairy farming, livestock management and vegetable production. In the case of dairy farming, one of the characteristics is that staff members with professional skills such as veterinarian license holders, fertilized egg transplantation experts, artificial insemination experts and so forth are giving advice. Three KUD are giving educational guidance mainly in relation to product knowledge.

6) PUSKUD

PUSKUD (Provincial Level Business Federation of KUD) in the East Java Province is a federation of 30 KUD / cooperatives. The main business activities are transportation arrangements for fertilizer, purchasing of cloves for INKUD, purchasing and processing of cassava and sales of other consumer goods. In 1995, total business turnover amounted to Rp 12,988 million and assets owned were worth Rp 57,186 million. Subsidiary companies include salt factories, feed factories, car repair factories, coffee grading companies, rice polishing factories and tempeh (soy bean) manufacturing companies. PUSKUD's challenge is whether they will be thought of as promising in local promotion plans, whether they can cooperate to develop business which contributes to the KUD's development and whether they can reinforce their connections with the KUD.

(2) Analysis of Needs of Farm Households and the Needs for Activation of KUD

Respondents: 60 (45 members, 15 non-members) (55 persons were engaged in agriculture.)

KUD Surveyed: KUD Budi Makmur, KUD Tani Jaya, KUD Satyam Jayate (three KUD).

An overview of the results of the farmer survey is presented in Appendix II in the Appendices volume. However, the relation between the results collected from the survey and the basic plans for activation of KUD is described below.

1) Organization and Management

The average number of the members per house is 1.84, which shows some houses have more than one member. But there were still ten non-member farm houses and it is necessary to encourage those farmers to join the KUD. Of the members who responded to the research questions, 53% answered that the membership fees were priced at a suitable level. In Satyam Jayate, nine respondents said that the fees were inexpensive. As for compulsory savings, 21 out of 45 members answered that the amount was appropriate and 11 said that it was small, which means it is possible to increase owned capital by reviewing the amount of compulsory savings in the future.

Concerning KUD activities, 42% of the members answered that they were beneficial. None of the members said that reliability and satisfaction were insufficient. Eleven out of 15 non-members want to join and use the KUD for their businesses, which means it is possible to encourage them to join the cooperative.

2) Economic Business

Many members who use Waserda (the KUD's cooperative retail shops) are expecting improvements such as a greater selection of products (35%). In answer to a question on which

products to promote, vegetables (15 people), Palawija (12 people), beef cattle (18 people) and dairy farming were suggested. Also, with regard to the mechanization of agriculture, means of transportation is the biggest demand (50%) so if the KUD can respond to this demand in the future, they will enjoy more business usage and become activated.

3) Credit Business

The average savings of members questioned in the survey are Rp 3,860,000 and out of this amount, the average amount of voluntary savings at the KUD is Rp 1,570,000, which shows the members' high usage of the KUD (40%). Concerning loans, the average balance of loans is Rp 4,670,000 and of this amount, loans from the KUD average Rp 3,120,000 (66%), which shows that the members' dependence on the KUD is high. The demand from the members for a larger variety of loans and an increase in loan limits is high (71.6%). Concerning interest rates, the results of the research show that most members were satisfied (68%) but 9% answered that the interest rate was high compared to other banks. Concerning the repayment of loans, 84% answered that they had repaid them, but 16% answered that they could not make the repayments even when they became due. Reinforcement of loan qualification procedures and guidance in management and collection of loans are required while loan interest rates should be decreased.

4) Human Resource Development and Guidance Activities

Concerning KUD staff members, most members are satisfied with their accuracy and speed (64%). The members are given agricultural technical advice by the PPL (Agriculture Extension Officer), the KUD and neighboring farmers, and dependency is slightly higher on the PPL. The members expect the KUD to reinforce the advice given in relation to fertilizers, agricultural chemicals and agricultural production. In the case of better living guidance, 20% answered that reinforcement is required and the KUD need to do something to improve such instruction in the future.

(3) Plan for Strengthening of Organization and Management

1) Each member should be encouraged to maintain an agricultural business repayment account to receive sales proceeds and make repayments for purchases from the KUD through that account. Since the management of the accounts requires high-level clerical skills, skillful staff need to be assigned.

2) A computerized savings and loan business system should be phased in starting with the large KUD in order to increase the convenience of the members as well as the accuracy and speed of clerical operations.

For the time being, multiple KUD should share a computer. In order to save on software costs in the future, a promotional organization should be set up by DEKOPINWIL, PUSKUD and KJA.

3) Business handling charges should be raised in order to increase the current surplus and the internal reserves derived from the surplus.

(4) Plan for Strengthening of Economic Business

1) To solve the problem of lack of working capital, the KUD should adopt ideas such as consignment sales, joint purchasing and sharing of facilities. With these, for example, manufacturing of fodder, breeding of beef and dairy cattle, breeding facilities for calves, handling of fruits and vegetables, grading, packaging, shipping and processing would become possible.

2) The KUD should start business cooperation (purchasing, transportation, price negotiation) with private companies in the supply of goods for consumption to retail shops, agricultural consumption and agricultural machinery and its maintenance.

3) The KUD should start joint business activities with private companies for the collection of fruit and vegetables, grading, processing and shipment

4) Medium-sized milk processing factories should be established in order to ship the products to the domestic market and sell surplus milk under a common brand name.

5) Through the use of computers, a farmers' account repayment system should be started.

6) A business information system should be established.

(5) Plan for Strengthening of Credit Business

1) The main sources of capital for the KUD in the East Java Province are the BRI and the BUKOPIN and these institutional funds are used to support business growth. But the KUD in the East Java Province have also gradually succeeded in forming relationships with other commercial / development banks (such as BNI, Danamon Bank and BPD) or non-banks such as the National Savings Cooperative, KPI and joint venture partners for dairy products such as "Nestle". The KUD in the East Java Province should actively and continuously seek out sources of capital such as banks and non-banks to support the growing demand for funds.

2) The savings of the farmers in the East Java Province are higher than most other provinces. But most of the savings are not placed with the KUD. The KUD in the East Java Province should make good use of women's and farmers' saving bodies and actively encourage the people in the farming areas to save money.

3) The average amount of savings per house for KUD member farmers in the East Java

Province is Rp 8,217, the fifth highest level in the seven provinces. This fact shows that the East Java KUD do not lay special emphasis on savings by their members. Most KUD do not provide interest on their members' savings. It would be desirable for KUD to actively encourage saving by paying interest which is as close as possible to the market interest rate.

4) Savings and loan operations conducted by the East Java Province KUD are equivalent to 0.5% of total business turnover, the lowest level in the seven provinces. This fact shows that the East Java KUD do not lay special emphasis on savings and loan business. It would be desirable for the East Java KUD to expand their savings and loan business considerably using loan funds.

5) The investment yield on the capital of East Java KUD members' investments is 4.9%, which ranks sixth out of seven provinces. Generally, the investment yield of the East Java KUD is far lower than the current yield on one year term deposits from the banks. According to management analysis, the KUD of this province will increase sales, expand the use of loan funds and dramatically improve investment returns.

6) The KUD in the East Java Province have become actively engaged in the management of telephone service centers (WARTEL), monthly fee collection for government TV stations (TVRI) and a new loans service. These new business moves are important for the raising of KUD funds and will expand more.

(6) Plan for Strengthening of Human Resource Development and Guidance Activities

In East Java, the average number of employees in KUD is higher than the national average and education activities by BALATKOP and cooperative organizations are vigorous. In future, it is desirable to be independent in cooperative education and play a part of functions of BALATKOP, the division of functions between primary KUD, district union, provincial union and federations are to be identified as mentioned in the former part of the common plan for KUD in 7 provinces.

The specific matters to be added to the common plan in East Java are as follows.

1) In East Java, employees of KUD in charge of farm guidance are assigned mainly for dairy farming and poultry farming. Their source of technical information is PPL and PPS and Cooperatives sectors in East Java has no technical training facilities for obtaining farm management technology and agro-processing technology. Therefore, in a bid to support farm guidance of KUD, with joint investment of BALATKOP (KANWILKOP), DEKOPINWIL, PUSKUD, KUD and national level federations (GKSI, INKUD, DEKOPIN), farm management technical training centre are to be established and to be operated by DEKOPINWIL. Instructors are

to be obtained with cooperation of Ministry of Agriculture, PPL and PPS, PUSKUD, GKSI and private research institutions. The preparatory committee shall be organized by relating organization to materialize the training centre based on middle term plan. In response to the agricultural development plan of the province, the contents of the training handled at the centre are training on agro-processing (livestock and fruits), dairy farming technology, poultry technology, beef cattle fattening, feed mill operation, production materials and others. The target for trainees are KUD employees in charge of farm guidance and leaders of commodity-wise groups.

2) Regarding computerization, the system for rationalization of clerical works is to be developed jointly by DEKOPINWIL, PUSKUD and KJA and formulate training programs for employees of KUD for its dissemination. Especially, computerization for saving and loan business are to be grappled with as soon as possible to use the unified system in the province.

3.4.7. Lampung Province

(1) Present Situation and Evaluation of Lampung Province KUD

1) General Situation in Lampung Province

Lampung province is situated in the south east of Sumatra Island. The land area is 35,386 square kilometers and the population is 6,427,000. The capital is Bandal Lampung city and the province consists of administrative districts which are divided into three districts, one city, 77 sub-districts and 1,923 villages. The climate, in common with other provinces in the country, consists of two seasons, a dry season and a rainy season, and it is characterized as warm and very humid with a lot of rain. Agriculturally and botanically this province is divided into two areas, East Lampung and West Lampung. East Lampung consists of alluvial plains, damp soil and river areas. West Lampung consists of hill and mountain regions and most parts are covered with thick forests. The agroecosystems of the North Lampung district and the Middle Lampung district, which have both been surveyed, are categorized respectively as lowland and irrigated regions. Because of the geographical position, which is close to West Java Province, the target is to add high value to farm products, promote agriculture and encourage agricultural diversification. In the 6th five-year plan, the most important points concerning the development of this province, especially agricultural development, are as follows:

1. Proceed with efforts to transform traditional agriculture into a system of agriculture which has a stronger relationship with agribusiness and agroindustry and to engage in agricultural development that can be sustained;
2. Proceed with efforts to prepare transportation infrastructure, such as roads, marine transportation

and so forth;

3. Promotion of agribusiness and agroindustry leading to exports;
4. Attempts to recover forests and implement practical uses of natural resources.

Under this plan, the target growth rate for farm products is characterized by the setting of a low growth rate for principal foodstuffs such as rice, corn, cassava and so forth and a high growth rate for products for which demand is expected to grow, such as, fruits, vegetables and so forth.

The labor force in agricultural areas (including livestock farming, the marine products industry, forestry and plantations) accounts for 80% of the total labor force. Moreover, agriculture accounts for 41% of gross domestic product, the largest share by industry, and its role in the provincial economy is still large. But as is clear from these numbers, labor productivity in agricultural areas is low.

The income of farmers in the Lampung Province depends greatly on agriculture. In the North and Middle Lampung districts, there are many farmers who grow foodstuffs and plantation products such as rubber, sugar cane, coconut, nutmeg and so forth. Agriculture in the Lampung Province is characterized by the large yield of plantation products such as pepper, coconut, coffee and so forth from small scale farms but the yield of rice and secondary foodstuffs is also comparatively large. In other words, large quantities of corn, cassava and soy beans are produced and exceeded only by those in East and West Java provinces.

2) Organization and Management

There are 255 KUD in the province and 140 of those are KUD Mandiri. KUD Mandiri are situated in all 77 sub-districts inside the province. There are five KUD Mandiri INTI, one each in four districts and in one city. The membership rate is 7.1% of the adult population and the number of members per KUD is 941.

The main business of the KUD in this province is the supply of fertilizer, sale of rice and management of rice milling units (RMU). Some KUD breed beef cattle and manage plantations.

The members of the farmers' groups (Kelompok Tani, KT) who are also KUD members total 70%. As in other KUD cases, the KT organizes the planting, applies for Farmers' Business Loans (KUT) through the KUD, arranges the quantity of rice to be collected as well as the purchase of fertilizer and also cooperates with the KUD to provide training in agricultural business skills.

Directors' meetings are held six to twelve times a year and many KUD have full-time directors. Many of the directors are farmers. Audits by auditors are usually carried out more than once a quarter and they cover business operations and accounting. The auditors are mainly farmers and

some are public servants and members of parliament. The number of KUD cooperative members in this province is a little over 60% of the national average, which shows the size of organization is small. As mentioned before, the membership rate at 7% is also low. Promotion activities are insufficient and organization of farmers' groups and women's groups is not progressing. Many of the KUD have only small assets and the services provided for the members cannot be said to be sufficient.

Looking at the economic situation of the KUD in Lampung Province, current surpluses, total business turnover and total assets are 70 to 80% of the national average. Owned capital is about Rp 60 million, which is 50% of the national average, and the owned capital ratio is 31%, which is lower than the national average. Most of the external capital is raised by means of institutional loans. This money is simply loaned to the members and does not help the KUD's assets to grow.

Since voluntary savings do not attract interest, the savings balance is small and the total amount of voluntary savings as a percentage of total assets is less than 5%.

The members expect to loan money via KUT (Farmers' Business Loans) but because of a lack of funds, the KUT are not sufficient to meet the demand. Also, delays in repayments of KUT often occur.

The clerical ability of the KUD cannot be said to be high, the number of staff is insufficient and the internal checking system is also insufficient. There are some KUD which do not have telephone lines installed and it is difficult to increase the number of rice milling units (RMU), warehouses and trucks and expand their capacity.

As for management and administration, generally, a lack of funds, a lack of planned management functions, difficulties in raising assets and a lack of staff are apparent.

3) Economic Business

The economic activities of the KUD in the Lampung Province involve the collection and shipping of agricultural products (rice, cassava, rubber, sugar cane, cloves and coffee), sale of chemical fertilizer, loans to farmers and sale of consumer goods. The main businesses are the sale of fertilizer and the collection and shipping of rice.

As for the KUD's facilities, there are 20 RMUs, eight warehouses, drying areas for cloves and copra and collection areas for rubber.

Among cash crops, such as, rubber, sugar cane, coconut and cloves, cloves are delivered to the National Cloves Buffer Stock through PUSKUD, while with the other cash crops, primary processing is performed by local provincial companies and private companies and then all products are shipped out of the province.

4) Credit and Other Business

The total savings (composed of membership fees, compulsory savings and voluntary savings) of the members in the Lampung province in 1993 was Rp 1.79 billion and the total amount of the average savings of the surveyed KUD (same as above) was Rp 21 million (1995). The KUD cannot easily loan money from banks for the purpose of investment to build new facilities and expand their business and working capital. The way for the KUD to expand access to institutional loans is to bring the business relationship between commercial banks, which handle agricultural loans, and the KUD closer together and to increase loans to joint ventures from the cooperative companies.

Also, in order to have the members increase their savings, interest needs to be paid on voluntary savings, and in order to expand the loan business, the loan process needs be simplified and speeded up.

5) Human Resource Development and Guidance Activities

Training and guidance for human resources related to the KUD in the Lampung Province are carried out only by BALATKOP (Provincial Cooperative Training Centre). In fiscal 1995, the KUD-related people who attended the training provided by this training facility consisted of 105 directors, 58 general managers and 40 staff members. Since this province is close to Jakarta, people often attend training at the training facility in Jakarta. According to the BALATKOP in Lampung Province, the needs of the KUD managers in training are as follows.

Auditors: internal checking systems, accounting systems, business plans

Directors: business guidance, cooperative organization management, business plans

General managers: management methods, business expansion, accounting, budget control

Staff members: business management, accounting, sales, processing, distribution

Managers have also attended the BALATKOP from the five surveyed KUD in this province. The areas of training were business management, management, accounting, savings and loans, rice polishing techniques, agricultural processing, electrical business and so forth.

Looking at the conditions of training for members in these KUD, at some KUD, farm advisers in charge of rubber planting and cattle breeding are assigned to training. Also, some KUD were observed where the staff members gave advice to increase product knowledge as well as advice on management issues related to improvement of life style. Concerning technical advice for agricultural business, Agriculture Extension Officers and Cooperative Guidance Officers are exchanging information by holding periodical meetings.

6) PUSKUD

The PUSKUD in the Lampung Province is handling various business such as sugar, flour, fertilizer, fodder, trading of fuel, transportation of fertilizer, processing of coffee, and so forth. In particular, sales of sugar accounted for 51.3% of gross sales. 184 out of the 255 KUD inside the province are members. The executives consist of five directors and three auditors. There are 51 staff members and of these, seven are business managers, one is a general manager and nine are female staff.

Total assets in fiscal 1995 amounted to about Rp 4.85 billion and owned capital was Rp 1.41 billion. External funds consisted of long-term and short-term loans from banks totaling Rp 1.34 billion, which accounted for 32.7% of total assets. Long-term loans from INKUD and BULOG totaled Rp 1.58 billion, which also represented 32.7% of total assets. Total business turnover was Rp 4.1 billion, comprising Rp 1.65 billion for sugar, Rp 640 million for flour, Rp 500 million for rice and Rp 2.1 billion for service businesses. Total business turnover was equivalent to 21.7% of total assets.

(2) Analysis of Needs of Farm Households and Needs for Activation of KUD

Respondents: 60 persons (40 cooperative members, 15 non-cooperative members)
(44 persons were engaged in farming)

KUD surveyed: KUD Usaha Borsama, KUD Kencana Jaya, KUD Tri Widodo (three KUD)

An overview of the results of the farmer survey is presented in Appendix II in the Appendices volume. However the relation between the results collected from the survey and the basic plans for activation of KUD described below.

1) Plan for Strengthening of Organization and Management

The average number of members per household is 1.88, indicating progress in achieving several members per household. On the other hand, there were nine non-member farm households and it is necessary to encourage membership among farmers. As many as 87% of the members who responded thought the membership fees were priced at a suitable level. As for compulsory savings deposits, 35 out of 45 members thought the amount was appropriate while eight people replied it was rather low. From hereon, an increase in owned capital can be expected to result from a review of the amount of compulsory saving deposits. 73% of the members thought KUD activities were beneficial and expressed a strong sense of trust and satisfaction toward the KUD. Eleven out of the 15 non-member respondents said they wanted to join the KUD and use their business services, and as there are no obstacles to joining the KUD, it should be possible to

encourage membership.

2) Plan for Strengthening of Economic Business

Many members use Waserda (KUD retail shops) and they hope to see improvements in the range of goods sold (46%). As for the promotion of produce, parauja (41 persons) and poultry farming (21 persons) were mentioned. Moreover, there was a strong desire (81%) for joint marketing and purchasing through the KUD and sharing of the facilities, which indicates the members' awareness of the cooperation is high. Therefore, the KUD's responding to this desire will lead to an activation of the KUD.

3) Plan for Strengthening of Credit Business

The average amount of savings of the members surveyed was Rp 570,000 and Rp 120,000 (21%) of this was in the form of voluntary savings deposits at the KUD, which shows that the members' use of the KUD is low. The average balance of loans is Rp 870,000 and Rp 330,000 (37%) of this was from the KUD, which shows the members' use of the KUD is low. There is a strong desire (65%) for the types of loans to be increased and finance limits to be raised but most (77%) of the member respondents were satisfied with the level of interest rates. However, 5% of the member respondents thought the interest rate was higher than other banks. Also, 14% of the member respondents said that they could not make repayment even when the loans matured, which indicates the need to improve loan supervision and guidance concerning repayment plans.

4) Plan for Strengthening of Human Resource Development and Guidance Activities

With regard to KUD employees, some member respondents said that their work was accurate but not fast so an improvement in the clerical system is desired. Of the farmers surveyed, 75% are receiving technical agricultural guidance from the PPL (Agricultural Extension Officer) and 25% from the KUD, which shows that dependence on the PPL is higher. Respondents hoped that guidance relating to fertilizer and agricultural chemicals as well as farming guidance would be strengthened. Of the respondents, 11% wanted better living guidance to be reinforced. There is a need for the KUD to consider what type of efforts they should make in better living guidance as they deepen the members' understanding in this area.

(3) Plan for Strengthening of Organization and Management

1) In order to reinforce the business functions of small KUD, sub-district KUD conferences should be set up, the conference members should discuss increasing the membership as well as improving business and services from the viewpoint of the whole sub-district and cooperate in

carrying out possible plans.

2) In order to prevent injustice, unfairness and errors, directors and general managers should learn methods for checking accounting figures and encourage KUD employees to check accounting figures and increase the frequency of audits by auditors and the KJA.

(4) Plan for Strengthening of Economic Business

1) Joint purchasing and selling for the purposes of grading, packaging, shipping and processing of locally grown fruits and vegetables should be initiated.

2) Joint businesses should be set up to purchase raw materials such as cassava, corn, pineapple scraps, sugar cane heads, copra, oil palm strained lees, bran and so forth, as well as produce fodder for sale to local consumers (to cattle companies) .

3) Joint businesses should be set up to grade and carry out primary processing of latex purchased from small farms.

4) Small generators should be installed.

5) Cultivators should be introduced to sugar cane cultivating regions and sugar cane seeds should be improved.

(5) Plan for Strengthening of Credit Business

1) Cooperative business relationships based on joint ventures should be established directly with advanced KUD in Lampung Province. With the necessary funds supplied by the business partners, it would be desirable to support the connections between the growing and marketing of high-value-added agricultural produce as well as construction of and fund-raising for high-value-added processing facilities in appropriate areas.

2) The investment yield on the capital of cooperative members of the KUD in Lampung Province is 11.1%, which ranks fourth out of the seven provinces. Generally, the KUD in the province earn a yield lower than that on current one year fixed term bank deposits. The KUD in the Province should improve sales and enhance the use of borrowed funds to improve yields.

3) The amount of savings per KUD cooperative member farm household in Lampung Province was Rp 6,000, which ranks sixth out of the seven provinces. The KUD in this province should expend more energy on collecting savings from members.

4) Most KUD are currently proceeding with plans for strengthening compulsory and voluntary savings but the total savings are still quite low. The fact that most KUD in Lampung Province are not paying interest on members' savings was revealed in the survey. In Lampung Province, in order to encourage members to have faith in KUD savings and increase the level of their savings,

it is important to provide a suitable level of interest on all types of savings.

5) Savings and loans business operations reached a level of 1.3% of the total business of the KUD, which ranked fourth out of the seven provinces. The KUD in this province should increase the savings and loans business by making use of borrowed funds.

(6) Plan for Strengthening of Human Resource Development and Guidance Activities

In Lampung, the average number of employees in KUD is higher than the national average. However, as the education activities by cooperative organizations are inertia, they are using BALATKOP and training in Jakarta. In future, it is desirable to be independent in cooperative education and play a part of functions of BALATKOP, the division of functions between primary KUD, district union, provincial union and federations are to be identified. For that purpose it is imperative to strengthen activities of DEKOPINDA and DEKOPINWIL. As Lampung is close to Jakarta, it is possible to invite instructors from various institutions of cooperative and non cooperative in Jakarta and it is possible to conduct training at KUD Mandiri Inti. Therefore, while promoting middle term plan to strengthen DEKOPINDA, it is possible to conduct necessary member education by using meeting room of KUD centering on directors of DEKOPINDA. Farm guidance and better living guidance are conducted only by limited number of KUD, development of model KUD would be necessary. The specific matters to be added to the common plan in Lampung are as follows.

1) In Lampung, commodities produced are diversified and employees of KUD in charge of farm guidance are assigned for the major commodity produced in the KUD operation area, however, the number of those employees in charge of farm guidance is small. Their source of technical information is from PPL and PPS and Cooperatives sectors in Lampung has no technical training facilities for obtaining farm management technology and agro-processing technology. Therefore, in a bid to support farm guidance of KUD, with joint investment of BALATKOP (KANWILKOP), DEKOPINWIL, PUSKUD, KUD and national level federations (GKSI, INKUD, DEKOPIN), farm management technical training centre are to be established and to be operated by DEKOPINWIL. Instructors are to be obtained with cooperation of Ministry of Agriculture, PPL and PPS, PUSKUD, GKSI and private research institutions. The preparatory committee shall be organized by relating organization to materialize the training centre based on middle term plan.

In response to the agricultural development plan of the province and response by KUD, the contents of the training handled at the centre are training on agro-processing (livestock, fruits, rubber, sugar cane, cassava), horticultural technology, paddy farming technology, beef cattle fattening, feed mill operation, production materials and others. The target for trainees are KUD employees in charge of farm guidance and leaders of commodity-wise groups.

2) Regarding computerization, the system for rationalization of clerical works is to be developed jointly by DEKOPINWIL, PUSKUD and KJA and formulate training programs for employees of KUD for its dissemination. Computerization in saving and loan business is to be grappled with as soon as possible adopting the unified system in the province.

3.4.8 West Nusatenggara Province

(1) Present Situation and Evaluation of West Nusatenggara KUD

1) General Situation in West Nusatenggara

West Nusatenggara's position makes it a lowland agroecosystem. The land area is 20,153 square kilometers and the population is 3,547,600. The province consists of two islands, Ronboku and Sunpawa. The capital of the province is Matarum City on Ronboku Island. The province is composed of administrative districts which are divided into six districts, one city, 59 sub-districts and 524 villages. The climate is classified as tropical-oceanic. As in other provinces, this province has a dry season and a rainy season but there are some regions which are drier due to the influence of the Australian continent so the dry season is rather long and the rainfall is reduced. The annual rainfall is between 1,000 mm and 1,300 mm.

The vegetation on Ronboku Island differs from that of Sunbawa Island. Ronboku Island has plenty of level, rich soil which is suitable for planting foodstuffs and gardening produce. Sunbawa Island is mountainous and does not have many river sources. Quite a lot of the land is covered by savanna type vegetation so this island is not suitable for the planting of general produce.

In West Nusatenggara, 58% of the total labor force is engaged in agriculture and it produces 45% of the total yield of the province's production. Therefore, the economy of this province relies greatly on agriculture.

As a development target in the 6th Five-Year Plan, great importance is placed on construction, production and commerce which can be expected to show a 9% growth rate. A 3.1% growth rate is expected in agricultural development and the development targets are:

- a) provision of infrastructure such as irrigation, roads and so forth.
- b) improvement in the quality of human resources.

Concerning agricultural production, yields and productivity in West Nusatenggara, along with South Kalimantan, are low out of the seven provinces surveyed. Rice is the largest and most

important yielding agricultural product in this province, amounting to 1,180,000 tons, but a soy bean yield of 1,130,000 tons was recorded, which was exceeded only by East Java, Middle Java and Lampung Provinces. The business size per farm household is small and the ratio of households with 0.5 hectares or less of farmland is 67.2%.

In the future, the expansion of the paddy rice business via irrigation development plans as well as the development of the cattle business on Ronboku Island will provide significant opportunities for increasing income.

2) Organization and Management

There are 134 KUD situated in all the 59 sub-districts inside the province and all are authorized KUD Mandiri. Also, each sub-district has one KUD Mandiri INTI.

The main business of the KUD is the supply of fertilizer as well as the polishing and sale of rice. Most KUD are involved in savings and loans business and the management of retail shops. The number of KUD running Wartel is increasing. Most of the members are engaged in agriculture. They believe the merits of becoming members is that they can obtain agricultural materials more easily.

The membership rate for adults is 18.1% and the average number of members is 1,799. Both numbers are higher than the national average. The average number of employees is 10.3, which is higher than the national average.

Looking at the economic situation, on average, the business turnover amount is Rp 690.8 million, which is more than the national average. However, the current surplus is Rp 5.7 million, which is around 80% of the national average. In terms of financial conditions, total assets amount to Rp 175.3 million, which is three quarters of the national average and owned capital is Rp 79.8 million, which is 70% of the national average. The ratio of owned capital is 45.5%, which is slightly lower than the national average. As for profitability, the ratio of the current surplus to business turnover is, on average, 0.8% in the province, which is slightly lower than the national average at 1.1%.

Problems concerning the management of KUD are as follows:

- (a) The membership rate of KUD is still low.
- (b) Planning and administration functions related to starting up new businesses (stock breeding, poultry, soy beans, dried fish, and so forth,) are weak.
- (c) Few KUD are carrying out internal audits and widespread teaching of audit methods is not being undertaken.
- (d) The absolute amount of owned capital is small and there is a lack of working capital so

there is a strong desire for soft loans. However, the balance of such loans is still small so it does not provide a proper source of finance for the KUD.

- (e) Most businesses are still paid in cash and agricultural settlement accounts have not been opened.
- (f) Business progress management and profit and loss progress management are insufficient.
- (g) Few KUD have introduced calculation of profit and loss by area and / or computers.

3) Economic Business

The main business activities of the KUD in West Nusatenggara are the purchasing of cash crops such as rice, cloves, corn, cassava, coffee, coconuts, cane, cashew nuts and so forth, the sale of chemical fertilizer, loans to farmers and the sale of consumer goods.

The sale of fertilizer is still a main business activity of the KUD. In 1995, 109 KUD sold 90,760 tons of chemical fertilizer. Farmers can buy agricultural chemicals and seeds and other consumer goods at general markets.

In 1995, there were 261 RMUs, 147 polished rice dryers, and 235 rice drying areas owned by the KUD. Most drying areas and rice polishers were broken and the KUD did not have the means to repair them, while the members did not use them very often. Because of these factors, the quality of the polished rice often does not meet BULOG's standards and, therefore, fails inspections.

In 1995, 79 KUD purchased 28,946 tons of rice and polished rice and 34 KUD sold a total of 9,002 tons of rice to BULOG.

The KUD do not have refrigerated warehouses or other agricultural processing facilities. Some KUD have the facilities to remove dust and store cloves, cashew nuts and cane. There were 127 KUD retail shops.

The primary processing of coconuts, cane and tobacco is handled by private companies in local areas. The members collect and deliver raw cane to the KUD (example KUD - Karya Utan). The KUD acts as collection agents and trades these products with private companies. (This KUD also sells marine products locally.) Some private companies have their own cattle breeding facilities as well as poultry farms and ship cattle and poultry to large consumer regions, such as, Bali Island, East Java, and so forth, which are close to West Nusatenggara. In this province, the growing of fodder and dairy farming are not carried out. Also, there is a very old, privately owned slaughter house.

4) Credit Business

The savings and loans business in West Nusatenggara has increased from Rp 3,700 million in 1994 to Rp 5,100 million in 1995, which is 5.0% of the total KUD business in the whole province.

The size of the savings and loans business of the surveyed KUD was small except for KUD Karya Utan. The main factors inhibiting expansion are:

- Lack of increase in voluntary savings of the members.

- Loan procedures and loans which take a long time to come through.

- Repayments which are overdue and loans which become unrecoverable because of inappropriate loan management practices.

In the last few years, the total amount of loans to farmers from banks in the West Nusatenggara Province has decreased. As a result of a survey of five KUD in the province, it was discovered that the total amount of institutional loan funds of the surveyed KUD was Rp 150.3 million and the average amount per KUD was Rp 30.1 million. The surveyed KUD complained that it was difficult to borrow for investment and expansion of their business. The loan balance of the members, including loans from the savings and loans areas, was Rp 18.1 million per surveyed KUD. (However, one KUD accounted for two thirds of the total balance.) The average balance of agricultural loans taken out via institutional loans for members was Rp 34.1 million per surveyed KUD.

The main factors affecting the loans business are:

- Complicated loan procedures.

- Lack of practical training for KUD employees who handle loan management.

- Avoidance by the KUD of directly bearing loan risks.

The main factors inhibiting the expansion of KUD business in the West Nusatenggara Province are that it is difficult to borrow working capital and investment capital, required for business, from the banks. The surveyed KUD were restricted in expanding their purchasing of agricultural produce and in offering such services as storage and the supply of fertilizer. They were also restricted in the continuous operation of production facilities (for example, rice polishing facilities). These restrictions were due to a lack of funds.

5) Human Resource Development and Guidance Activities

BALATKOP which is an educational and training organization set up by the West Nusatenggara government has been established and they have trained 198 directors, 52 general managers and 93 staff members. PUSKUD, DEKOPINWIL and DEKOPINDA are not handling educational and training activities and these upper-level organizations do not have a strong training function in this province.

According to BALATKOP, the needs of KUD managers in training were as follows:

Managers: Savings and loans, diversification of business, business planning.

Directors: Management of cooperative organizations.

General managers: Management methods, business expansion.

Staff members: Office administration, savings and loans.

Four out of five surveyed KUD have sent managers for training at BALATKOP. For each KUD, although the training areas undertaken differ, the results are as follows:

Electrical business: 11 persons; Rice polishing techniques: 7 persons

Retail shop management: 6 persons; Accounting: 6 persons; Savings and loans: 6 persons

Business management: 1 person.

Five KUD have put aside educational funds and the rate of the funds as a percentage of the current surplus was between 2% and 5%.

Of the five KUD surveyed, only KUD Ritam was well staffed with three farm advisers and three better living advisers. Guidance for the rice, tobacco and poultry businesses was provided as part of farm guidance, while guidance for product information, control of living costs and birth control was given as part of better living guidance. The technical information resources for the advisers farm are Agricultural Extension Officers. The Agricultural Extension Officers have 60 offices inside the province and 394 officers are assigned there. On average, there are seven Cooperative Guidance Officers per district.

6) PUSKUD

The PUSKUD in the West Nusatenggara Province (established in 1987) is a federation of cooperative businesses which holds 126 KUD / cooperatives under its mantle. Their business activities include the purchase and supply of rice and polished rice, rice polishing, the sale of fertilizer, sale of sugar and other necessities of life, the collection of cloves, coffee, pumice (Batu Apung) and other agricultural products, and the sale of consumer goods. They are also developing joint business operations with PT Goro, which is a private wholesale company. Their sales in 1995 were Rp 3,158.4 million.

(2) Analysis of Needs of Farm Households and Need for Activation of KUD

Respondents: 60 persons (45 cooperative members, 15 non-cooperative members)
(all engaged in farming)

KUD surveyed: KUD Kita, KUD Karya Utan, KUD Doro Cumpa.

An overview of the results of the farmer survey is presented in Appendix II in the Appendices volume. However, the relationship between the results collected from the survey and the seven provinces' basic plans for activation of KUD is described below:

1) Plan for Strengthening of Organization and Management

The average number of members per household was 1.43, indicating progress in achieving several members per household. On the other hand, there are 15 non-member households so there is a need to encourage membership among farmers. 53% of the members who responded thought the membership fees were priced at a suitable level and 42% thought they were inexpensive. As for compulsory saving deposits, 35 out of 45 members thought the amount was appropriate while ten people replied that it was low. From hereon, an increase in owned capital can be expected to result from a review of the amount of compulsory savings deposits. 37% of the members thought KUD activities were beneficial so there was a low level of confidence and satisfaction shown toward the KUD. Fourteen out of 15 non-member respondents said they wanted to join the KUD and use their business services and as there are no obstacles to joining the KUD, it should be possible to encourage membership. One non-cooperative member respondent said there is no necessity to join the KUD.

2) Plan for Strengthening of Economic Business

Concerning agricultural materials, many member respondents are purchasing fertilizer (93% of the surveyed farm households) and agricultural chemicals (71.6%). The member respondents are purchasing clothing and other necessities of life from Cooperative Retail Shops (Waserda) and there is a strong desire for the improvement of these shops. As for the produce that is being promoted, parawija (29 persons), fruit trees (12 persons) and poultry farming (16 persons) were mentioned. Moreover, there was a strong desire (65%) for KUD to engage in joint marketing so it would be desirable for KUD to respond to these wishes from hereon.

3) Plans for Strengthening of Credit Business

The average amount of savings of the members surveyed was Rp 3.86 million. On average, Rp 1.57 million (40%) of this was in the form of voluntary savings deposits with the KUD, which indicates the use of the KUD is high. Concerning loans, the average balance of loans was Rp 4.67 million and of this amount, loans from the KUD averaged Rp 3.12 million (66%), which shows that the members' use of the KUD is high. Many people (60%) wanted the types of loans to be increased and their finance limits to be raised. Concerning the repayment of loans, 15% answered that they could not make the repayments even when they became due. Guidance in loan supervision procedures and the management of loan collection is required.

4) Plan for Strengthening of Human Resource Development and Guidance Activities

Concerning KUD staff members, 22% of the respondents thought the staff were not working well.

Evaluations of the accuracy and speed of their work were low and an improvement in the clerical system is desired. Fifty-seven member households surveyed out of 60 were given agricultural technical advice by the PPL (Agriculture Extension Officer) but not very often. The members expect the KUD to give guidance in agricultural production (55%) and for selection of fruits and packaging (60%). The KUD are not conducting practical better living guidance and 21% of the respondents expressed a desire for reinforcement in the future. Therefore, there is a need for the KUD to consider what type of efforts they should make in better living guidance as they enhance the members' understanding in this area.

(3) Plan for Strengthening of Organization and Management

1) In order to reinforce the business functions of small KUD, sub-district KUD conferences should be set up, the conference members should discuss increasing the membership as well as improving business and services, from the viewpoint of the whole sub-district, and cooperate in carrying out possible plans.

2) KUD which have more than one general manager should put one of them in charge of management planning, and development plans for new business markets, fund raising, and so forth, should be devised and carried out.

3) Each member should be encouraged to maintain an agricultural business repayment account to receive sales proceeds and make repayments for purchases from the KUD through that account. Since the management of the accounts requires high-level clerical skills, skillful staff need to be assigned.

4) A computerized savings and loans business system should be phased in starting with the large KUD in order to increase the convenience of the members as well as the accuracy and speed of clerical operations.

For the time being, multiple KUD should share a computer. In order to save on software costs in the future, a promotional organization should be set up by DEKOPINWIL, PUSKUD and KJA.

(4) Plan for Strengthening of Economic Business

1) To solve the problem of a lack of working capital for the processing of cane, coconuts and cashew nuts, business relationships should be strengthened, for example, by starting joint businesses with private companies and holding provincial cooperative conferences.

2) The technical quality of rice polishing units, drying areas, warehouses and means of transportation should be improved.

3) Since wide open spaces are available, cattle breeding should be started. In order to respond to the demand from East Java (Surabaya) and Bali Island, which are big consumption areas, the breeding of dairy cattle, beef cattle and poultry should be encouraged.

4) Medium-sized fodder factories should be set up to make use of raw materials such as locally grown cassava, rice bran and copra lees.

5) Activities such as, joint marketing, joint purchasing, the sharing of facilities (agricultural equipment and machines), and so forth, should be introduced.

(5) Plan for Strengthening of Credit Business

1) In West Nusatenggara Province, the main suppliers of bank loans for KUD are BRI and BUKOPIN. No other banks have cooperated with the KUD in the past. Companies with marketing and processing experience should be selected as joint venture partners. It is desirable that a supply of supplementary funds be received from the partners to support the KUD in their purchase of products and to allow them to proceed with the intermediate processing of special high-value-added products which can be commercially manufactured in NTB.

2) The investment yield on the capital of KUD cooperative members in the province was 7.4%, which ranks fifth out of seven provinces. Generally, the investment yield of West Nusatenggara KUD is much lower than the current yield on one year term deposits from the banks. According to management analysis, it is desirable for the KUD of this province to increase sales, expand the use of loan funds and improve investment returns.

3) The amount of savings per KUD member farm household in West Nusatenggara was Rp 10,000, which ranks third out of seven provinces. Part of the reason for the rather high level of savings per household is that in NTB the average number of cooperative members per KUD is small and so savings per household appear relatively large. However, the level of savings is generally low in this province. The KUD in NTB should increase their savings in order to increase working capital to support the whole management structure.

4) Savings and loan operations conducted by the West Nusatenggara Province KUD were equivalent to 5% of total business turnover, which was the highest in the seven provinces. It is encouraging that the activities of savings and loans operations accounted for such a high rate against the total amount of business activities. However, in actual fact, the business operations of the KUD in NTB are sluggish because of a lack of funds. Therefore, the savings and loans business accounts for a relatively high proportion of the entire turnover of the KUD. Although the business turnover of the KUD in this province is higher than the other provinces surveyed, the KUD should increase their savings and loans business more by using borrowed capital if possible.

(6) Plan for Strengthening of Human Resource Development
And Guidance Activities

In West Nusa Tenggara, the average number of employees in KUD is higher than the national average. However, as the education activities by cooperative organizations are inertia, they are using BALATKOP. In future, it is desirable to be independent in cooperative education and play a part of functions of BALATKOP, the division of functions between primary KUD, district union, provincial union and federations are to be identified. For that purpose it is imperative to strengthen activities of DEKOPINDA and DEKOPINWIL. While promoting middle term plan to strengthen DEKOPINDA, it would be possible to conduct necessary training by using meeting room of KUD centering on directors of DEKOPINDA. Farm guidance and better living guidance are conducted only by limited number of KUD and development of model KUD would be necessary.

The specific matters to be added to the common plan in West Nusa Tenggara are as follows.

1) In West Nusa Tenggara, commodities produced are diversified and employees of KUD in charge of farm guidance are assigned for the major commodity produced in the KUD operation area (mainly for estate crops), however, the number of those employees in charge of farm guidance is small. Their source of technical information is derived from PPL and PPS and Cooperatives sectors in West Nusa Tenggara has no technical training facilities for obtaining farm management technology and agro-processing technology. Therefore, in a bid to support farm guidance of KUD, with joint investment of BALATKOP (KANWILKOP), DEKOPINWIL, PUSKUD, KUD and national level federations (INKUD, DEKOPIN), farm management technical training centre are to be established and to be operated by DEKOPINWIL. Instructors are to be obtained with cooperation of Ministry of Agriculture, PPL and PPS, PUSKUD, and private research institutions. The preparatory committee shall be organized by relating organization to materialize the training centre based on middle term plan. In response to the agricultural development plan of the province and response by KUD, the contents of the training handled at the centre are training on agro-processing (cassue nuts, coconut, fruits, rattan, coffee), horticultural technology, paddy farming technology, beef cattle fattening, repair of farm machineries, production materials and others. The target for trainees are KUD employees in charge of farm guidance and leaders of commodity-wise groups.

2) Regarding computerization, the system for rationalization of clerical works is to be developed jointly by DEKOPINWIL, PUSKUD and KJA and formulate training programs for employees of KUD for its dissemination. Especially, computerization for saving and loan business are to be grappled with as soon as possible to use the unified system in the province.