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# **Economic impact of the implementation of the rural agribusiness development program (PUAP)**

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## **Abstract**

The purpose of this study is to describe the implementation and evaluation of the benefits generated by the Rural Agribusiness Development Program (PUAP) in the area of the farming community. This study applied qualitative method, and was conducted at Bendosewu Village, Blitar. The data is taken from observation, interviews and document analysis. The results of the study revealed that the PUAP program, in particular, had more or less provided changes for the community. In conclusion, the implementation of the PUAP program in Karya Tani Farmers Association was considered to have had an economic impact on the farming community as the target group.

**Keywords:** Agribusiness, Agricultural, Development, Economic Evaluation, Program Impact.

## **Impacto económico de la implementación del programa de desarrollo de agronegocios rurales (PUAP)**

### **Resumen**

El propósito de este estudio es describir la implementación y evaluación de los beneficios generados por el Programa de Desarrollo de Agronegocios Rurales (PUAP) en el área de la comunidad agrícola. Este estudio aplicó el método cualitativo y se realizó en Bendosewu Village, Blitar. Los datos se toman de la observación, entrevistas y análisis de documentos. Los resultados del estudio revelaron que el programa PUAP, en particular, tenía cambios más o menos proporcionados para la comunidad. En conclusión, se consideró que la

implementación del programa PUAP en la Asociación de Agricultores de Karya Tani tuvo un impacto económico en la comunidad agrícola como grupo objetivo.

**Palabras clave:** Agronegocios, Agricultura, Desarrollo, Evaluación económica, Impacto del programa.

## 1. INTRODUCTION

Poverty is considered to be a common issue in agricultural countries, especially in rural areas (ANRIQUEZ AND STAMOULIS 2007). Rural areas only rely on the agricultural sector as their main livelihood (BERCHOUX, ET AL. 2019). According to the National Medium-Term Development Plan conducted by the BAPPENAS (2017), the agriculture is an important sector that influences national economic development. Bappenas also explained that the agricultural sector has a strategic role as providers of food and industrial raw materials, GDP contributors, foreign exchange earners, absorbing labor, providers of feed and bioenergy ingredients, acting as a reduction in greenhouse gas emissions, and the main source of household income rural.

Agricultural businesses desperately need input as follows: land, labor, and capital (SCOONES 2009). However, the farming community does not have adequate land and capital access as a factor of production, so efforts to increase production do not run optimally. Therefore, the role of the government is pivotal in helping farmers gain official capital that does not burden them (FAYÇAL AND ALI

2016). This plan is expected to be effective in eradicating poverty, both short and long term

Every policy or program prepared by the government will produce output or the impact of program implementation. WIBAWA (1993) explained that the various impacts could be used as evaluations. First is the impact on the economy. The impact includes the level of income, added value obtained from the target group, and the profit and loss ratio of the program. The second is the impact on the decision process. The results of implementing a program can influence decision making for the next program. Third is the impact on attitude. These impacts include changes in attitudes, behavior, and ways of thinking of the target group. Fourth is the impact on quality of life. The implementation of a program was declared successful if there was an increase in health, an increase in reading culture, and an increase in awareness of the importance of education.

The agricultural sector has a close relationship with the needs of rural communities who earn their living as farmers (TANENTZAP, ET AL. 2015). Agriculture requires knowledge that can examine phenomena and problems that often occur. One of the sciences that can examine this problem is agricultural economics. The field of study explains the relationship between economics and agriculture. Economic impacts can study human behavior and efforts (directly or indirectly) in relation to the production, marketing, and consumption

of agricultural products (HANAFIE 2010; BARRETO & ALTURAS, 2018).

Agribusiness systems are considered capable of optimizing the agricultural sector as a driving force of development (BABU, MANVATKAR AND KOLAVALLI 2015). The application of agribusiness in farming can be used to support the performance, increase the independence, and improve the economy of farmers. Therefore, this study focuses on the economic impacts that occur in the implementation of one of the government programs, namely Pengembangan Usaha Agribisnis Pedesaan (PUAP, Rural Agribusiness Development Program). This program is specifically designed to solve the issue of poverty and unemployment in rural areas, especially farmers. To facilitate coordination between farmers, farmer groups are formed in each region by the name of the Farmers Association or Gapoktan (Gabungan Kelompok Tani). The Farmers Association is a farmer's institution that organized PUAP to distribute business capital assistance to its members. As the key executor of PUAP the Farmers Association are assisted by PUAP experts. With the establishment of Farmers Association, the rural farming community is expected to be able to strengthen the agricultural sector. The institutional strengthening was attempted to improve the capability of farmers and provide high quality resources.

The ultimate goal of the PUAP program is to form a Farmers' Association as an economic institution that serves as the foundation of

the farming community. Following that aim is the formation of LKM-A (Lembaga Keuangan Mikro Agribisnis, Agribusiness Microfinance Institutions) so as to facilitate access to members of the Farmers Association in obtaining capital. Moreover, the PUAP program is also expected to be able to have a positive impact in relation to the economy of the farming community, in hope that the welfare of the farming community can be improved.

One evaluation that can be used to see the implementation of the PUAP program is by conducting an impact evaluation; evaluate the impact by seeing changes that occur from the farming community due to the implementation of the PUAP program. By using summative evaluation or impact evaluation, namely the assessment of a program carried out by adjusting the goals or targets after the PUAP program is implemented at a certain time.

The PUAP program is a program which activities are oriented in economics. It can be seen that the results of this program tends to relate to economic activities. Assessment on the economic impacts that occur from the implementation of the PUAP program can be done through comparison, by comparing and contrasting the current situation with what happened before the intervention, and comparing what has happened with the specific goals or objectives of the program or policy.

The PUAP program is one of the programs designed by the Ministry of Agriculture (GOVERNMENT 2007). This program aims to reduce poverty, unemployment, and social inequalities that occur between rural and urban areas. The President of the Republic of Indonesia, Susilo Bambang Yudhoyono, the sixth president of Indonesia, launched the *Pengembangan Usaha Agribisnis Pedesaan* (PUAP, Rural Agribusiness Development Program) in conjunction with the *Program Nasional Pemberdayaan Masyarakat-Mandiri* (PNPM, Independent National Community Empowerment Program) on April 30, 2007 in Palu, Central Sulawesi. The PUAP program, officially implemented in 2008, is integrated PNPM-Mandiri. The Minister of Agriculture formed a Rural Agribusiness Business Development Team through *Keputusan Menteri Pertanian* (KEPMENTAN, the Decree of the Minister of Agriculture) Number 545/Kpts/ OT.160/9/2007 (GOVERNMENT 2007). PUAP is a form of facilitation of business capital assistance for farmers who became its members, be it farm owners, sharecroppers, farm workers and farm households.

In implementing the PUAP program, the government has appointed the Farmers Association as the main implementer of the program. The Farmers Association acts as a farmer institution where the distribution of funds is directly given to the community, and is specifically supervised by the Farmer Partner Supervisor and Field Companion. The goal of the PUAP Program is the establishment of *Lembaga Keuangan Mikro Agribisnis* (LKM-A, Agribusiness

Microfinance Institutions), which are financial institutions owned by each Farmers Association in order to be able to independently handle capital problems.

In controlling the implementation of the PUAP program the Ministry of Agriculture develops *operation room* as an electronic-based PUAP control center controlled by the *Pusat Data dan Informasi Pertanian* (Pusdatin, Agricultural Data and Information Center). Pusdatin has the duty to manage all data related to PUAP through *operation room*. In addition, Pusdatin also holds the responsibility of preparing material for the progress reports on the implementation of PUAP.

The first activity is the administrative process, in which each Farmers Association designs a *Rencana Usaha Bersama* (RUB, Joint Business Plan). In the preparation of RUB, Farmers Association is accompanied by a *Penyuluh Pendamping Lapangan* (PPL, Field Facilitator and Companion) in each village. PUAP BLM itself is an aid from the central government directed by the farmers in the villages, the Rp 100,000,000.00 grant for each village is managed directly by the Farmers Association. Before managing the grant funds, the Farmers Association received various kinds of education and training as an effort to increase the capacity of farmers to be able to manage the funds well.

## **2. METHODOLOGY**

This study applied qualitative method. Qualitative research seeks to understand the meaning associated with a phenomenon (FAUZININGTYAS, ET AL. 2019). The phenomenon in this research is the implementation of the PUAP program, the researchers tried to conduct an assessment by looking at the impact of the implementation of the PUAP program.

The research was conducted in Bendosewu Village, Kabupaten Blitar. The location is a part of Kabupaten Blitar's Agriculture and Food Service, Kecamatan Talun's Agriculture, Forestry, and Fisheries Counseling Agency (BP3K, Badan Pelaksana Penyuluhan Pertanian, Perikanan, dan Kehutanan), and "Karya Tani" Farmers' Groups.

There are some considerations in choosing the location of the study. The Agriculture and Food Service of Kabupaten Blitar was chosen to be the subject of research because the service had a role as leading sector of the program being studied by the researchers, namely the PUAP program. Then Kecamatan Talun's BP3K was chosen due to it being the organization from which the field counselors are taken. Then Karya Tani Farmers Association itself is a Farmers' Association in Bendosewu Village and is the implementer of the PUAP program in the village.

The informants were determined in a purposive manner. However, when conducting the researchers in the field, the researchers also applied snowball sampling. The informants in this study were those who were considered having the most in-depth understanding about the economic impact of the implementation of the PUAP program in the Karya Tani Farmers Association.

In qualitative research, the instrument or research tool is the researcher himself (PEZALLA, PETTIGREW AND MILLER-DAY 2012). The functions of the researchers as research instruments include the ability to set the focus of research, choose informants as sources of data, conduct data collection, analyze data, interpret data and make conclusions.

The data collection techniques of this research were observation, interviews and document studies. The observation technique used was passive participatory observation, in which in a study the researcher is present at the study site, but is not involved in the activities carried out by the source being observed. The interview technique used by researchers when in the field is a structured interview technique by preparing supporting instruments, namely a list of written questions (ALSHENQEETI 2014). In addition, to support the fluency of the interview process, the interviewer can also bring interview support tools such as tape recorder, pictures, brochures, and other media. For the document studies for data collection, the following are the documents used by researchers; General Guidelines

for PUAP Implementation, List of Development of PUAP Implementation in Kabupaten Blitar, RPJM Bendosewu Village dated 2015-2020, and The Financial Report of Karya Tani Farmers Association.

Data analysis techniques that were applied in this research are data reduction, data presentation, and conclusions drawing, and verification

### 3. RESULTS AND DISCUSSION

The government, through the Agriculture and Food Service of Kabupaten Blitar, has sought to ensure that the grant funds from PUAP can be successfully managed with the community. Of the many Farmers Association who received PUAP assistance in Blitar, the results of the implementation varied. The development of PUAP funds managed by the Karya Tani Farmers Association is quite rapid. The development of funds can be seen in Table 1.

Table 1: Development of PUAP Funds in Karya Tani Farmers Association Dated 2013-2016

Development of PUAP Funds in Karya Tani Farmers Association			
2013	2014	2015	2016
Rp. 133,835,000	Rp. 153,149,000	Rp. 177,419,000	Rp. 197,392,000

Table 1 shows that from year to year, the PUAP funds managed by Karya Tani Farmers Association have increased. The increase every year is approximately 20 million. Based on the excerpts of the interview that has been deciphered, it can be seen that the implementation of the PUAP program caused rapid development in Bendosewu. This can be seen from the development of PUAP funds, which was initially Rp. 100,000,000.00 and becomes 190 million in the 5 years of implementation. In addition, PUAP funds also began to be diverted to other businesses besides savings and loans; though buying rice planting machines which would later be expected to be able to provide easy and efficient agricultural tools for farmers and provide added value to the finances of the Farmers Association. The results were in accordance with the expectations of the government and initial objectives of the PUAP program, that these funds must be managed well and directed to the agribusiness.

The government has made a lot of effort in order for PUAP to be implemented well by the farming community. As the supervisor of the implementation of PUAP in Blitar, the Agriculture and Food Service hopes that PUAP funds can be utilized to the maximum extent and that target group is expected to be responsible in every use. Mr. Djohan explained about the responsibilities related to the implementation of the PUAP program, especially in Blitar.

The supervision from the government is done through the cash book, we are expected to attach the passbook. Usually, the supervisor

tends to ask us many questions if we send to them our cash book, but if we send the passbook, they would only need to match the transactions.

They would not be able to find the gap and mistakes. Based on the results of interviews that have been presented by the informant, it can be seen that there is a supervision carried out by the government through controlling or examining the financial statements of each Farmers Association. Initially, the supervision was carried out every month, but as the program progressed, it is carried out to adjust to the turnaround period of the loan. The Karya Tani Farmers Association applies 6 months of loan repayments, thus the supervision is conducted every 6 months.

In an effort to carry out strict supervision, the government gave advice to the entire Farmers Associations, in which after the loan repayment period, the money was directly deposited into the bank account. It is expected that the report does not only come in the form of a cash book for it is considered to be less-credible. However, when completed with a passbook, it is not possible for the financial statements to be manipulated, thus the government will smoothly carry out the monitoring process without any suspicions.

The results of the implementation of the PUAP program in Bendosewu Village have grown quite rapidly. This can be seen from the development of PUAP funds that reach 20 million annually. Then, the efforts made by the government to save PUAP funds to remain

sustainable even though assistance had been eliminated. In addition, the government is also trying to keep giving direction to the Farmers Association, suggesting them to direct their efforts towards agribusiness in accordance with the objectives of PUAP.

Before the PMT contract runs out, financial monitoring and reporting from PUAP is the authority of PMT. However, until now there has been no continuation from the government to decide the delegation of authority to continue the tasks of the PMT. In the case of Karya Tani Farmers Association, they report and control the progress every 6 months in accordance to the PUAP fund turnover period.

The Economic Impact of Program Pengembangan Usaha Agribisnis Pedesaan (PUAP, Rural Agribusiness Development Program) .Based on the results of the interview, the PUAP program is considered to have been able to ease the burden of the farming community, especially in terms of working capital and managing agricultural land. However, when viewed from the objectives of the PUAP program, it is still unable to improve the welfare of farmers. This is due to how farmers are still not said to be prosperous until now.

On the other hand, the PUAP program also aims to open employment opportunities in rural areas through agribusiness. Yet, farmers are still reluctant to direct PUAP funds to conduct agribusiness, some of the community still use these funds for savings and loan activities. The Karya Tani Farmers Association also felt that

all this time the goals of PUAP had not yet been achieved. Farmers receive many benefits through PUAP program. The most significant benefit, especially in terms of capital, is that the PUAP program can ease the burden on farmers by providing grants of Rp. 100,000,000.00.

Some farmers use the funds for capital in managing their fields. In addition, farmers also purchase livestock as savings. Then savings and loans from the Farmers Association are also used for non-agricultural businesses, as they need capital in opening shop stalls. The PUAP program is proven to be able to assist and improve the community, especially for capital issues. The funds are used for various types of activities, provided they can develop and be able to provide benefits to the farmers themselves.

The existence of the PUAP program, especially in Kabupaten Blitar, has provided a change to the community. With given capital, people are increasingly encouraged to manage their land better, it is seen that the land that was once arid has now been transformed into fertile land and certainly can improve the economy in the community. With the loan from the Farmers Association, the community feels helped, especially regarding capital issues to manage agricultural land.

Moreover, with PUAP funds, the community can develop other businesses outside the agricultural sector such as livestock and trading businesses. Areas such as limestone hills, through PUAP program, can become a mean of farming; the areas are not only planted with food

crops but also with horticultural plants such as chili. There is another change experienced by the community, especially in the economic field, such as the problem of capital and income, and fulfillment of the needs of farmers.

#### **4. CONCLUSION**

Overall, it can be concluded that the implementation of the PUAP program in the Karya Tani Farmers Association, Bendosewu Village, Kecamatan Talun, Kabupaten Blitar, caused rapid development for the target group. The PUAP program is seen to give a positive economic impact for the farming community in Karya Tani Farmers Association. However, from the marketing perspectives, the PUAP program has not provided a change for farmers as the target group.

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