UNIVERSITI PUTRA MALAYSIA

EFFECTIVENESS OF BUSINESS PARTNERSHIPS IN OIL PALM NUCLEUS ESTATE AND SMALLHOLDER SCHEME IN WEST AND CENTRAL KALIMANTAN PROVINCES, INDONESIA

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By

MUHAMMAD SALEH MOKHTAR

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia,
In Fulfilment of the Requirements for the Degree of Doctor of Philosophy

October 2005
DEDICATED

To

My Lovely Wife: Kurniati, and

My Lovely Daughters: Ayu Lestarie and Witrue Amalia

My Parents, Parents in-law, Sister, Brothers, and Friends
Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Doctor of Philosophy

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October 2005

Chairman : Professor Md. Ariff Hussein, PhD
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Nucleus Estate and Smallholders (NES) Scheme is a scheme of business partnership between estate company as “nucleus” and smallholders as “plasma”. The objectives of this study were: (i) to examine the effectiveness of the business partnership from the smallholders’ and estate companies’ point of view, (ii) to identify the social and economic factors affecting effectiveness of the business partnership, (iii) to identify strategic factors of the business partnership from estate companies’ point of view, (iv) to measure the perception of stakeholders towards the new estate crops/oil palm development models, and (v) to identify strategic factors for the implementation of the new estate crop models.

This study comprises three sub studies. The first was a study on the effectiveness of business partnership in oil palm NES scheme from smallholders’ point of view, based on 150 smallholder respondents chosen on a purposive multi stage stratified random
The study found that, in general, effectiveness of the business partnership in oil palm NES scheme in the study area was adequate, with an achievement rating scale of 692 or 69.2% of the maximum rating scale of 1,000. Effectiveness of the business partnership from both smallholders’ and estate companies’ point of views was adequate, with an achievement rating scale of 663 or 66.3% and 735 or 73.5% of the maximum rating scale, respectively. Results of the multiple regression analysis showed that seven of the 13 independent variables affecting effectiveness were found to be significant. They were: (1) commitment of estate companies (CCOM), (2) role of the estate companies (CORS), (3) role of smallholders’ organizations (OFRS), (4) farm capital of smallholders (CAPL), (5) price of fertilizers used by smallholders (PFER), (6) distance of smallholders’ home to oil palm plot (DIST), (7) types of ownership of the NES (OWNS). Results of path analysis showed that six of the seven variables i.e. DIST, OWNS, CCOM, CORS, OFRS, and PFER had both direct and indirect effects on effectiveness (EFES). CAPL, however, had only direct effect on EFES. CAPL, however, had the highest total positive effect on EFES, followed by OFRS, CCOM, OWNS, CORS, and PFER. While, DIST had a relatively high negative total effect on EFES. The economic factors that had a significant total effect on the
effectiveness (EFES) were CAPL and PFER, and DIST; and the social factors that had a significant total effect on EFES were CCOM, CORS, OFRS, and OWNS. The other variables namely, estate company’s cooperative behavior (COBS), smallholders’ income from other sources (NFFI), satisfaction of smallholders (FSAT), smallholders’ family labor participation (LABS), credit availability (CRED), and the government supports (GOVS) had insignificant total effect on EFES.

Based on results of the SWOT analysis, it can be inferred that most of the internal strength and weaknesses factors affecting effectiveness of the business partnerships in oil palm NES Scheme were related to organization, followed by human resource, marketing, and operation. On the other hand, most of the external opportunity and threat factors were related to economics, policy and ecology.

Five strategies were recommended for improving the effectiveness of the business partnership in a descending order of priority. They are: (i) all parties involved, estate companies, government, and smallholders, should be very committed in carrying out their responsibilities and safeguarding their rights as stated in the contract agreement and the relevant government regulations, (ii) the government and estate companies should provide empowerment programs for smallholders, farmers’ organizations, and officials at various levels, (iii) estate companies and smallholders should constantly improve cooperation and place each other as valued partners, (iv) estate companies and government should ensure constant supply of production inputs/fertilizers to smallholders, and (v) top management of NES scheme should assist in strengthening capability of site management and their supporting staffs.
Perception of the stakeholders towards the new oil palm development models was good, even though to implement them, investors and farmers' cooperatives would face many problems due to internal weaknesses and external threats. The internal strengths and weaknesses affecting implementation of the new oil palm development models were mostly related to human resource, organizations/institutions, and finance. On the other hand, the external opportunity and threat factors were mostly related to policy, economics and social and culture.

Five strategies were recommended for accelerating the implementation of the new oil palm development models. In a descending order of priority, namely: (i) providing strong and clear regulations and guidelines; (ii) campaigning more to promote and familiarize the new models to investors, smallholders, and other stakeholders, (iii) providing empowerment programs for smallholders, and smallholders' organizations, (iv) reengineering mechanism to reduce unnecessary government bureaucracy in getting land use right (HGU); and (v) increasing assistance by the government to financial and risk institutions in providing services to smallholders.
Abstark tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

KEBERKESANAN PERKONGSIAN PERNIAGAAN DI BAWAH SKIM SYARIKAT ESTATE DAN PEKEBUN KECIL KELAPA SAWIT DI PROVINSI KALIMANTAN BARAT DAN KALIMANTAN TENGAH, INDONESIA

Oleh

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Skim Syarikat Estate dan Pekebun Kecil (NES) adalah skim perkongsian perniagaan antara syarikat estet sebagai “nukleus” dan pekebun kecil sebagai “plasma”. Objektif kajian ini adalah untuk: (i) mengkaji keberkesanan perkongsian perniagaan menurut pandangan pekebun kecil dan syarikat estet, (ii) mengenalpasti faktor sosial dan ekonomi yang mempengaruhi keberkesanan perkongsian perniagaan, (iii) mengenalpasti faktor strategik berkenaan perkongsian perniagaan menurut pandangan syarikat estet, (iv) mengukur persepsi mereka yang berkepentingan terhadap model pembangunan perladangan kelapa sawit yang baharu, dan (v) mengenalpasti faktor strategik bagi perlaksanaan model tanaman estet/ pembangunan perladangan kelapa sawit yang baharu.

Kajian ini meliputi tiga sub kajian. Sub kajian pertama adalah kajian keberkesanan perkongsian perniagaan di bawah skim kelapa sawit NES menurut pandangan pekebun...
Kecil berdasarkan 150 responden dari kalangan pekebun kecil yang dipilih menggunakan kaedah pesampelan “rawak berstata berperingkat bertujuan”. Sub kajian kedua adalah kajian keberkesanan perkongsian perniagaan di bawah skim NES menurut pandangan syarikat estet berdasarkan 50 responden yang dipilih menggunakan pesampelan “bertujuan”. Sub kajian ketiga adalah kajian tentang persepsi mereka yang berkepentingan tentang model pembangunan tanaman estet yang baharu berdasarkan Perintah MOA No. 357/2002, dengan menggunakan 52 responden yang dipilih menggunakan kaedah pesampelan “bertujuan”.

Kajian ini mendapati bahawa, secara amnya, keberkesanan perkongsian perniagaan di bawah skim NES di lokasi kajian adalah mencukupi dengan skala penilaian pencapaian 692 atau 69.2% daripada skala penilaian maksimum 1,000. Keberkesanan perkongsian perniagaan menurut pandangan kedua-dua pekebun kecil dan syarikat estet juga mencukupi dengan skala penilaian pencapaian masing-masing 663 atau 66.3% dan 735 atau 73.5% daripada skala penilaian maksimum. Keputusan analisis regresi berganda menunjukkan bahawa hanya 7 daripada 13 variabel yang mempengaruhi keberkesanan didapati signifikan. Variabel ini adalah: (1) komitmen syarikat estet (CCOM), (2) peranan syarikat estet (CORS), (3) peranan organisasi pekebun kecil (OFRS), (4) modal ladang pekebun kecil (CAPL), (5) harga baja yang dibayar oleh pekebun kecil (PFER), (6) jarak dari kediaman pekebun kecil ke plot kelapa sawit (DIST), dan (7) jenis pemilikan NES (OWNS). Keputusan analisis jalanan pula menunjukkan bahawa enam daripada tujuh variabel iaitu DIST, OWNS, CCOM, CORS, OFRS dan PFER mempunyai kesalangsung dan tidak langsung terhadap keberkesanan (EFES). CAPL, walaubagaimanapun, hanya mempunyai kesalangsung
langsung terhadap EFES. CAPL mempunyai kesan keseluruhan positif terhadap keberkesanan (EFES) yang tertinggi, diikuti dengan OFRS, CCOM, OWN, CORS, dan PFER. Sementara itu, DIST mempunyai kesan keseluruhan negatif terhadap keberkesanan (EFES) yang tertinggi. Faktor ekonomi yang mempunyai kesan keseluruhan yang signifikan terhadap keberkesanan (EFES) adalah CAPL, PFER dan DIST; faktor sosial yang mempunyai kesan keseluruhan terhadap keberkesanan (EFES) adalah CCOM, CORS, OFRS dan OWN. Variabel lain iaitu semangat kerjasama syarikat estet (COBS), pendapatan pekebun kecil bukan daripada sumber kelapa sawit (NFFI), kepuasan pekebun kecil (FSAT), tahap penglibatan buruh keluarga pekebun kecil (LABS), keberadaan pinjaman (CRED), dan bantuan kerajaan (GOVS) mempunyai kesan yang tidak signifikan terhadap keberkesanan (EFES).

Berdasarkan keputusan analisis SWOT, boleh dibuat kesimpulan bahawa hampir kesemua faktor kekuatan dan kelemahan dalaman yang mempengaruhi keberkesanan perkongsian perniagaan di bawah skim kelapa sawit NES adalah berkaitan aspek organisasi/institusi, dan diikuti dengan faktor sumber manusia, pemasaran dan operasi. Sebaliknya, kebanyakan peluang dan ancaman luaran adalah lebih bersifat ekonomi, politik/dasar dan ekologi.

Terdapat lima strategi yang disarankan untuk mempertingkatkan keberkesanan perkongsian perniagaan mengikut susun atur keutamaanya iaitu (i) kesemua pihak yang terlibat iaitu syarikat estet, kerajaan dan pekebun kecil harus memberi komitmen dalam melaksanakan tanggungjawab mereka dan menjaga hak mereka seperti yang ditulis di dalam kontrak perjanjian dan peraturan negeri yang berkenaan, (ii) kerajaan 

dan syarikat estet seharusnya menyediakan program empowerment untuk pekebun kecil, organisasi pekebun dan pegawai di semua peringkat, (iii) syarikat estet dan pekebun kecil seharusnya sentiasa meningkatkan kerjasama mereka dan meletakkan masing-masing sebagai rakan perniagaan yang berharga, (iv) syarikat estet dan kerajaan seharusnya menyediakan bekalan input pengeluaran/baja yang tetap kepada pekebun kecil, dan (v) pegawai atasan di dalam skim NES seharusnya menolong memperkuatkan kemahiran pengurusan di ladang tanaman dan staf sokongannya.

Persepsi mereka yang berkepentingan terhadap model pembangunan kelapa sawit yang baharu adalah baik walaupun pelabur dan koperasi pekebun kecil menghadapi pelbagai masalah untuk melaksanakannya oleh kerana kelemahan dalaman dan ancaman luaran. Berdasarkan keputusan analisis SWOT, kekuatan dan kelemahan dalaman yang mempengaruhi keberkesanan perlaksanaan model pembangunan kelapa sawit yang baharu kebanyakannya berkaitan sumber manusia, organisasi/institusi dan kewangan. Sebaliknya, faktor peluang dan ancaman luaran kebanyakannya berkaitan dasar, ekonomi dan sosio-budaya.

Terdapat lima strategi untuk menjana perlaksanaan model pembangunan kelapa sawit yang baharu mengikut susun atur keutamaannya iaitu: (i) menyediakan peraturan dan garis panduan yang kukuh dan jelas, (ii) berkempen untuk mempromosikan dan membiasakan model baharu ini kepada pelabur, pekebun kecil dan mereka yang berkepentingan, (iii) memperkayaskan mekanisme untuk mengurangkan birokrasi kerajaan dalam mendapatkan hak penggunaan tanah, (iv) menyediakan program empowerment kepada pekebun kecil dan organisasi pekebun kecil, dan (v)
empowermen kepada pekebun kecil dan organisasi pekebun kecil, dan (v) meningkatkan bantuan kerajaan kepada institusi kewangan dan risiko dalam menyediakan perkhidmatan kepada pekebun kecil.
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I certify that an Examination Committee met on 25th October 2005 to conduct the final examination of Muhammad Saleh Mokhtar on his Doctor of Philosophy thesis entitled “Effectiveness of Business Partnerships on Oil Palm Nucleus Estate and Smallholder Scheme in West and Central Kalimantan Provinces, Indonesia” in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.

MUHAMMAD SALEH MOKHTAR

Date: 25 October 2005
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