



**FACTORS AFFECTING THE PERFORMANCE OF
VILLAGE UNIT COOPERATIVES
IN WEST LOMBOK
INDONESIA**

by

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DECLARATION

I hereby declare that the substance of this thesis has not already been submitted for any degree and is not currently being submitted for any other degree. To the best of my knowledge, all resources used and any help received in preparing this thesis have been acknowledged in this thesis. I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

Adelaide, 3 October 1997

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ABSTRACT

The overall objective of this study was to analyse factors affecting the performance of village unit cooperatives or *koperasi unit desa* (KUD) in West Lombok, Indonesia. This study used both primary and secondary data. The primary data were collected by interviewing 288 selected KUD members, 160 non-members, and 20 KUD managers using a specially designed questionnaire. The secondary data were collected from relevant agencies in West Lombok.

Comparisons were carried out between KUD members and non-members on their land holdings, crop rotations, education level and income. KUD members managed significantly less land than non-members on average, and mostly did not own the land they farmed. KUD members tended to grow legumes while non-members preferred fruits or vegetables. In terms of education level and income, there were no significant differences between KUD members and non-members, although the distributions were more even for members.

Summary statistics for surveyed cooperatives are as follows. KUDs in West Lombok were mostly established between 1979 and 1981 with working areas ranging from 235 to 22,225 hectares. Current membership ranged from 1085 to 7892. In terms of personnel, most directors and auditors were educated up to year 12 level, while managers had mostly completed an undergraduate degree.

Performance of KUDs was analysed in three ways: business performance, member satisfaction and achievement of targets for programmed activities — activities required and capitalised by the government. On average the KUDs had

returns on assets of 3.1 per cent, compared to a 14 per cent interest rate at the state bank in West Lombok. However, the achievement of programmed activities targets on average was more than 100 per cent. This means that KUDs were successful as government policy agents. Even though the business performance seemed poor, most members were satisfied with the overall KUD activities.

Regarding determinants of KUD performance, the value of programmed activities significantly affected business performance. The achievement of programmed activities targets was influenced by the number of members and the population in the working area. In terms of member satisfaction, six aspects of this indicator were derived through factor analysis. No general conclusion could be drawn because each aspect was affected by different factors. Length of period of membership influenced member satisfaction with organisation of the KUDs, while age and education level of members influenced member satisfaction with rules. Satisfaction with credit supplements and farm input provision were influenced by income. Moreover, the value of rice production in wet season influenced member satisfaction with dividends. Member satisfaction with rice procurement by KUD was influenced by the opportunity of growing paddy in plant season II.

The study concluded that the performance of KUDs was mostly related to the amount of business which was related to government policies. The implication is that reducing the level of governmental policy requirement and giving KUDs more opportunities to develop their own business could improve KUD business performance.

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I alone am responsible for the views expressed and for those deficiencies which may remain.

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