

**AN INSTITUTIONAL IMPROVEMENT ON AGRICULTURAL
EXTENSION IN ENHANCING THE AGRICULTURE PERFORMANCE
IN CENTRAL JAVA PROVINCE - INDONESIA**

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ABSTRACT

The objectives of the study are : (1) to evaluate the performance of agricultural extension agents in enhancing the promoted crops production in Central Java; (2) to formulate the development model on agricultural extension institutions capacity of Central Java; (3) to estimate the transaction cost needed to revitalize the agricultural extension institution. The research employed primary data which was collected from interviewing respondents and key persons, comprising 200 farmers and 30 extension agents. They were selected by utilizing *multi stages sampling method*. Grobogan, Klaten, and Magelang Regencies were selected area to represent the promoted crops of soya bean, paddy, and vegetable, respectively. Focus group discussions (FGD) and indepth interviews were also conducted to facilitate the mixed-method (quantitative and qualitative) analysis to construct the expected model on revitalizing and estabilizing the agricultural extension institution. The relevant secondary data were also employed and it were gathered-from statistical Bureau (BPS), Ministry of Agriculture, Board of Empowering Community (Bapermas), etc and previous studies as well as other published reports. The descriptive statistics were used to analyze and describ the profiles of respondents, the performance of extension agents, and estimating the costs needed to revitalize and to establish the institution of agricultural extension (in provincial, regencial, municipality and sub-district levels) using transaction cost approach.

The agribusiness activities in the selected study area are rather inefficient. Hence, there is an opportunity to optimize the agribusiness production through the extension program. The agricultural extension agents in Grobogan and Klaten were found to perform only marginally. This is due to the lack of the extension agents and worsely, they were not sufficiently competent in polyvalent substances for crops, horticulture, fisheries, veterinary, and forestry. Meanwhile, in Magelang Regency, the extension agents were considered low in their performances as their capacity was limited on vegetables. In fact, the stipulated capacity for each agricultural extension agent was in polyvalent. The number of extension agents have not met the ideal condition. The examined three scenarios of agricultural extension institutional models: (1) centralized model; (2) the existing model of desentralized one; (3) the proposed model by modifying the existing model with revitalization effort. The cost of centralized extension model was lower than the

decentralized extension one. However, transaction cost spent to execute the scenario of revitalization on the agricultural extension organization in order to strengthen the extension agents' capacities were much higher (about 110 billion). Transaction cost per unit needed for revitalizing the agricultural extension organization in national, provincial, regencial, municipal, sub-district are about: Rp 26 Billion; Rp 32 Billion; Rp 700.3 Million; Rp 51 Million, respectively. At the national level, the transaction cost is mostly spent for operational and maintenance and establishment cost, while at the provincial level, the cost mainly goes to operational and maintenance; and at regencial / municipal is for establishment cost. Subsequently, in the sub-district level the cost is needed for setting up the legal-formal on appointment and / or assignment of the organization and operational and maintenance. Overall, the transaction cost is mostly used to finance the operational and maintenance and establishment costs of the revitalized institution for improving agribusiness' performance capacity in Central Java Province. It is rather difficult to implement the proposed model of revitalization of agricultural extension organization, but if we want to see the performance of agribusiness in the study area for change impressively, then the prescription formulated by this study is to be needed by all stakeholders.

Key words: enhancement, capacity, agriculture, extension, institution, transaction cost, Central Java, Indonesia.