

**INCREASING THE VALUE-ADDED OF THE COCONUT
PROCESSED PRODUCTS AND ITS IMPACT TO THE
SOCIETY'S ECONOMIC BEHAVIOR IN PACITAN
REGENCY**

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ABSTRACT

Business plan is an integral part before starting a business to developing the business. An entrepreneur should have entrepreneurial spirit in order to dominate the market and take opportunities. The coconut processed products have potential of high economic value, which should be taken into attention. This study was aimed to identify the types of coconut processed products which are potential to develop; design a business plan; and identify the economic behavior of society towards the increasing value added.

The research location was centered on the centers of coconut plants in Pacitan regency and the data gained were descriptively analyzed. The data were gained through surveying the location and activities, conducting in-depth interview, and distributing questionnaires. The results showed that the potential coconut processed products were brown sugar, coconut oil, and nata de coco as the sources of family income and surrounding community. Based on the financial aspects analysis of the brown sugar, coconut oil and nata de coco industries, those industries are feasible to conduct. The industries have role for the employment sector and will have positive multiplier effect for other economic sectors.

Keywords: Business Planning, Coconut Processed Products, Society's Economic Behavior, Descriptive-Qualitative Research, Consumer Behavior.

INTRODUCTION

Coconut plant (*Cocos nucifera* L.) is a versatile plant that has potential of high economic value. This plant is versatile since all the entire plant (roots, leaves along the veins, stems, and fruit) can generate financial returns. Its roots can become pharmaceutical materials; its leaves can be used as a wrapper of diamond-shaped rice and others, as house roof, and as decorations which have value of art. Its leave bones can be used as materials for broomstick and other crafts; and old coconut can be processed into coconut milk for the needs of most of the typical dishes of Indonesian society, or can be made as coconut oil that has potential economic value.

Coconut plantations in East Java are included in 10 major coconut producing areas in Indonesia. The coconut areas covering 297.632 hectares are divided into 293.367 Ha of smallholder's farms, 1,907 Ha of Perkebunan Nusantara company, and 2,358 Ha of private plantations or PBS. The following table displays the data of development of areas, coconut production and productivity in East Java in the period of 2008 - 2012:

Table 1. Development of Area, Coconut Production and Productivity in East Java, 2007 - 2011

Year	Area(Ha)	Productivity (Ton)	Productivity (Kg/Ha)
2008	292.928	248.260	1.390
2009	293.644	250.391	1.388
2010	293.750	257.891	1.396
2011	296.921	271.768	1.494
2012*	297.632	277.119	1.456
Average	294.975	261.086	1.425

*) temporary number

Source: *Horticulture Department of the Government of East Java Province*

Centers of smallholders coconut plants in East Java are the area of 293 367 hectares which are divided into 52.066 ha in Sumenep, 25.960 ha in Banyuwangi, 25.899 ha in Pacitan, 20.043 ha in Blitar, 18.440 ha in Tulungagung, 16.191 ha in Trenggalek, 14.547 in Malang, 12.882 ha in Jember, 8.140 ha in Tuban, and the rest is spread in 26 regencies/cities (Horticulture Department of the Government of East Java Province).

Pacitan is one of the central areas of coconut trees. As a district that is geographically located in upland areas and is close to the Southern Coast of Java, Pacitan is one of coconut producer in East Java. Coconut plant has long been hereditary cultivated by the Pacitan people, so that this plant has spread across

Pacitan. The area of the plant in Pacitan is approximately 24.631 ha. Of the total area of 14.631 ha, it can produce 19,817,418 coconut grain and 11,163,000 tons of brown sugar. The details of area and the production in each district are displayed in the following Table:

Table 2. Areas and Production of Coconut in 2010

NO	Sub regency	Area (Ha)	Production		LQ	
			Grain	Brown sugar	Grain	Brown sugar
1	Donorojo	2,119	1,473,312	3,344,419	0.89	3.60
2	Punung	2,038	1,061,090	489,601	0.64	0.53
3	Pringkuku	2,455	1,530,170	579,565	0.93	0.62
4	Pacitan	3,012	2,674,290	0	1.62	0.00
5	Kebonagung	2,976	2,846,822	2,436,139	1.72	2.62
6	Arjosari	1,586	1,278,565	0	0.77	0.00
7	Nawangan	589	473,106	0	0.29	0.00
8	Bandar	407	345,320	0	0.21	0.00
9	Tegalombo	1,413	944,371	0	0.57	0.00
10	Tulakan	3,214	2,949,962	2,265,667	1.79	2.44
11	Ngadirojo	2,678	2,309,095	2,047,609	1.40	2.20
12	Sudimoro	2,144	1,931,315	0	1.17	0.00
	Total	24,631	19,817,418	11,163,000		
	Average production / sub regency		1,651,452	930,250		

Source: Forestry and Horticulture Department of Pacitan Regency, 2010

Based on the data presented in the above table, it is known that by looking at the resulting production of either coconut grain or brown sugar, as well as considering the planting area, of the 12 districts there are 5 districts that can be considered as the center of the development of coconut cultivation. These five districts are Pacitan, Kebonagung, Tulakan, Sudimoro and Ngadirojo. In the five districts, by using the LQ method, the resulting production of either coconut grain or brown sugar produces LQ above 1, which means that the coconut is basis commodity.

Considering that the coconut is a plant that has potential economic value with ease of access to both production and marketing which hardly face obstacles in Pacitan, but the resulting product is still traditionally processed such as coconut grain, coconut oil and brown sugar. By observing the consumption behavior of purchasing power and the income earned by the coconut craftsman community, it has not been described as having positive significance compare to the its potential of great economic value. Moreover, the business income is still low and fluctuative so that less supports the needs of coconut farmers adequately.

In this case, the only way necessary to conduct is to formulate strategies for improving the value-added of the production result, one through diversification of production processing. However, the opportunities for product diversification as the development of the whole coconut plant that can be used to bring the value of income and the enhancement of high value-added need real and continuous

initiative and support from local government. Institutional policies, production (technology and quality of results), marketing, and management of human resources improvement are required to support the goal of sustainable results.

Brown sugar has become a vital source of livelihood for farmers in the production centers. One of the centers of brown sugar production in East Java is in Pacitan regency, especially in Kebonagung, Donorejo and Tulakan. The development of business units and workers absorbed can be seen in the following table:

Table 3. Business Unit and Workers

Type of Industry	YEAR						Location
	2006	2007	2008	2009	2010	2011	
Brown sugar							
- unit	6732	4132	7410	7146	4928	4943	Kebonagung, Donorojo and Tulakan
- worker (person)	14105	14137	14259	14271	9877	9907	

Source: Forestry and Horticulture Department of Pacitan Regency, 2010

Business development of coconut plants to provide additional income as the follow-up action of the objectives and expectations of the people in Pacitan is by production development, not only to produce brown sugar but also to developed as coconut oil, nata de coco (from coconut meat), as well as to process its stems, leaves, and bone leaves which have high investment value.

The figure below is a coconut tree which has the potential to be developed as a finishing product, crafts, and home appliances.



Figure 1. Pohon Kelapa

Source: Horticulture Department of the Government of East Java Province

The potentials of coconut plants in Pacitan must be intensified, as regulated in the Technical Guidelines of Coconut Plants Development in 2013, the Directorate General of Horticulture Ministry of Agriculture in December 2012, as quoted below:

"The development and utilization of coconut plant as downstream industry has not been maximally done, as well as the utilization of the by-products and its waste which will increase the value-added of coconut products, which in turn will be able to increase the income of coconut farmers".

Therefore, the need for structured business planning or Business Plan on the development of coconut plant processing in a comprehensive manner, especially regarding the feasibility of the investment and identification of the type of coconut plant processing products, as an alternative to increase the income of the society and as value-added, is required in order to affect and to improve the family welfare of the society, especially the coconut farmers in Pacitan.

Problem Formulation

1. What kinds of coconut products that are potential to be developed in Pacitan?
2. How to plan business plan of processing the coconut products in Pacitan?
3. How does the economic behavior of society toward the increased value-added for the processed coconut products in Pacitan?

Purpose

1. Identify types of processed coconut products potential to be developed in Pacitan.
2. Develop business planning to process coconut products in Pacitan.
3. Identify the economic behavior of society towards the increased value-added of processed coconut products in Pacitan.

THEORETICAL APPROACH

1. Business Planning

Business Planning (Business Plan) is a written document that describes the plan of the company/entrepreneur to take advantage of business opportunities (business opportunities) contained in the external environment (Robbins and Coulter, 2003), explains the competitive advantage business, and explains various steps to be taken to become business opportunity into a tangible form of business (business operations) (Wheelen and Hunger, 2004).

The definition of a business plan explained above contains the supporting concepts, in which is planning is one of them. The business plan is an integral part of business planning in general. It distinguishes business planning in general with a business plan that is specifically associated with the business opportunity that will be exploited by the company.

Planning is the initial determination of the final results the company wants to achieve and how to achieve these results, followed by the devices needed to ensure the achievement of corporate goals (Stoner et al., 1995). Planning includes the vision, mission, business objectives to be achieved, the strategy to be used in

achieving the objectives of the company, the company defined business policies, programs, procedures, and budget (Jackson and Musselman, 1992).

2. Functions of Coconut

Figure 2. The Functions of Coconut

Source: http://www.dekindo.com/content/potensi/tanaman/produk_kelapa.pdf

There are many functions of coconut that can be processed with the explanation of the picture above. Both coir, shell, and coconut meat to its processes (brown sugar / nata de coco / virgin coconut oil).

3. Impact to the Economic Behavior

As one of the food ingredients, coconut oil as cooking oil has significant role in the national economy. From the economic aspect, the development of coconut oil will increase the income of coconut farmers. The industry also has very important role in absorbing employment and has a positive multiplier effect for other economic sectors. As in other manufacturing industries, coconut crops processing industry has positive impact on the economic and social, in which the improved socioeconomic environment will also improve the family welfare.

An entrepreneur should be able to understand consumer behavior, especially loyal consumer of a product. The influence of environmental factors consisting of the factors that may have impact on the continuity of consumer behavior as resulted from economic activities must be maintained. As in many things that are shown by research results on consumer behavior or patterns of behavior of economic, there are successful impacts of the activities that provide much information about marketing environment. For example, a decrease in the market potential of a company identifies that the company is likely to have problems in achieving its growth targets. Similarly, problems also arise if the potential market is increasing but the company loses its market share and consumers. Introduction to economic trends, such as social and cultural changes in consumer behavior can become indications of problems or opportunities that are not obviously appeared" (Malhotra & Naresh, 2005)

RESEARCH METHOD

1. Research Type and Framework

The study was conducted using a survey method to obtain in-depth information by interviews, and using secondary data collection (documents). The research framework model is as follows:

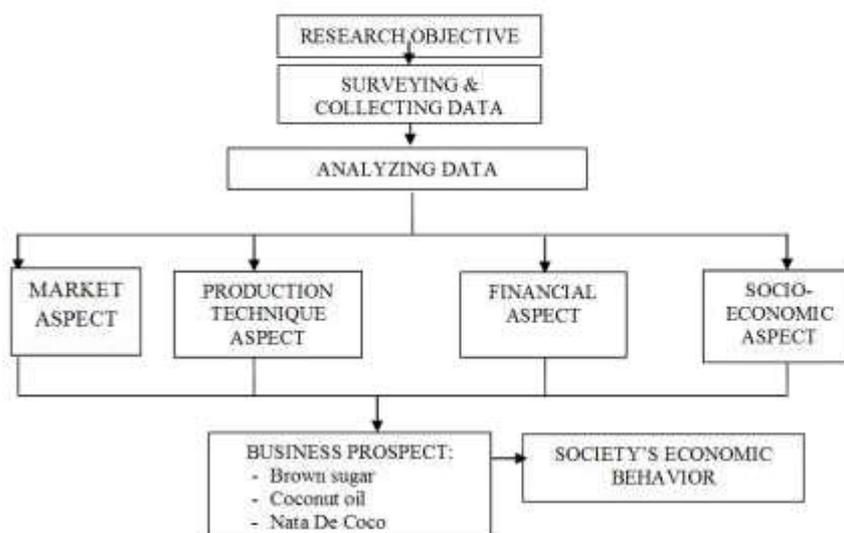


Diagram 1: framework of the impact of production increase for coconut plants to the society's economic behavior in Pacitan

2. Research Site

The site of this research on increasing the coconut plant production was conducted in Pacitan, especially in the areas that have become the centers of coconut plants; Kebonagung, Donorejo and Tulakan.

3. Method of Data Analysis

Descriptive analysis approach was chosen to provide answers for the solutions of the problems formulations of this study, which are described into four aspects:

- a. Marketing aspect. The analysis on the marketing aspect was to see the development of demand and supply of products produced. The analysis tools used were a linear trend method, time series method, and so on.
- b. Technical aspect. The analytical tools used in technical aspects were needs analysis of the machines and production equipment.
- c. Financial Aspects. Methods in analyzing the financial aspect are the analyses of the uses of sources and funds, method of determining funding needs, method of selecting the source of funds, cash flow analysis, and method of investment evaluation.
- d. Socio-Economic Aspect. The existence of a business will have an impact on the socioeconomic conditions to the surrounding communities. The analytical framework tools of social and economic aspects used were: business impact

analysis to the creation of employment opportunities, business impact to the regional economy, the impact on the surrounding community businesses and so on.

RESULT AND DISCUSSION

1. Types of coconut oil products potentially developed in Pacitan.

The research results using the survey method and in-depth interview at Kebunagung, Donorejo and Tulakan as the three central locations of coconut plants showed that most of the productions are brown sugar, coconut oil, and nata de coco that is still potential to be developed. The diversification of processed coconut products were raw products such as coconut water or nata de coco which are very possible to be done since it is not too difficult to be technologically produced and processed, while its economic value and marketing are potential enough. Nata de coco is 'health drink' because it has high fiber content but low calories.

Both the production of brown sugar and coconut oil were normally processed by the craftsmen as their side job, but there were some who treated this as main job. This business is categorized as the type of home industry which takes process at their homes independently. The production process was done with simple equipment, such as cauldron, stirrer and wood-burning stoves.

2. Preparing a business plan for processed coconut products in Pacitan

Based on the results in the central locations of the coconut plant production, coconut could be processed into brown sugar, coconut oil, and potential nata de coco to be developed. Furthermore, the business plan would be drawn up respectively as follows:

A. Brown sugar

1. Marketing aspect. Marketing of products was to sell directly to the market and to be directly deposited to the consumers. The price of brown sugar was determined by the season. When it is rainy season, the sap production is higher so that the price of brown sugar is decreased; on the other hand when it is dry season, the sap production is lower so the price of brown sugar is increased. In general, the price of brown sugar is fluctuated for Rp. 10.000-20.000 per kilograms.

2. Technical aspect. Production equipment required were relatively simple, such as a bamboo-made tube to place the coconut sap, clay-made pot, mixer, stove, firewood, filter, machete bugs, and wood-made mold. Techniques and utilization of these tools affected the quality and the capacity of the brown sugar.

3. Financial aspect. The assumptions of the analysis of the financial aspects of the brown sugar business in Pacitan is shown by the following table:

Table 4: Estimation of Profit from Brown Sugar Production

No.	Product	Volume	Unit	Selling price (Rp.)	Seling (Rp.)
1	Block brown sugar	30,000	Kg.	6,000	180,000,000
2	Powdered brown sugar	150,000	Kg.	8,000	1,200,000,000
Total					1,380,000,000

Source: processed primary data

Based on the estimation of the profit and operational cost above, the projection of profit-loss of brown sugar production is displayed as follows:

Table 5: Projection of profit-loss of brown sugar production

a. Description	Year I	Year II	Year III	Year IV	Year V
Income	1,380,000,000	1,380,000,000	1,380,000,000	1,380,000,000	1,380,000,000
Costs					
Operational cost	1,219,147,500	1,219,147,500	1,219,147,500	1,219,147,500	1,219,147,500
Depreciation cost	31,050,000	31,050,000	31,050,000	31,050,000	31,050,000
Total cost	1,250,197,500	1,250,197,500	1,250,197,500	1,250,197,500	1,250,197,500
Profit/Loss	129,802,500	129,802,500	129,802,500	129,802,500	129,802,500
Tax (25%)	32,450,625	32,450,625	32,450,625	32,450,625	32,450,625
Profit after tax cut	97,351,875	97,351,875	97,351,875	97,351,875	97,351,875
Cashflow	128,401,875	128,401,875	128,401,875	128,401,875	128,401,875

4. Socioeconomic aspect. The impact of economic and social impact of brown sugar production activities are as follows:

- a. Employment, for the people living around brown sugar production centers.
- b. Increase the value-added generated by brown sugar entrepreneurs to increase investment and to finance situation fee for their children.
- c. Optimize the utilization of brown sugar producing region.

B. Coconut Oil

1. Marketing aspect. Similarly with the processed brown sugar, coconut oil as coconut processed products in Pacitan was still traditional industry with very small industrial compared to the available potential. The market demand was actually high, as indicated by the stock shortage at the market. Unfortunately the quantity produced was very limited given the difficulty of the production process.

2. Technical aspect. In general, steps in modernly and traditionally processing coconut by both large, medium and small industries are all similar. The core of the production process is to separate the oil from the coconut meat. Production equipment required are relatively simple, namely a knife, grater, squeezing tool, the pan to boil the milk to produce the oil, and filter tools.

3. Financial aspect. The assumption analysis of the financial aspect for the coconut oil production in Pacitan is shown in the following table.

Table 6: Estimation of Production and Income

No	Description	Unit	Production/ day	Production/ month	Production/ year
A. Product type					
1	Coconut oil	Kg.	3,000	75,000	900,000
2	Oil cake	Kg.	2,000	50,000	600,000
B. Selling price					
1	Coconut oil	Rp./Kg	12,500	12,500	12,500
2	Oil cake	Rp./Kg.	1,500	1,500	1,500
C. Selling price					
1	Coconut oil	Rp.	37,500,000	937,500,000	11,250,000,000
2	Oil cake	Rp.	3,000,000	75,000,000	900,000,000
	Total	Rp.	40,500,000	1,012,500,000	12,150,000,000

Based on the estimated production and revenues as well as the estimated annual operating costs as shown in the above table, it can then be calculated the profit/loss projection from the following investment plan.

Table 7: Projection of Profit/Loss of Coconut Oil Production

Description	Year I	Year II	Year III	Year IV	Year V
Income	12,150,000,00	12,757,500,00	13,395,375,00	14,065,143,75	14,768,400,938
	0	0	0	0	0
Costs					
Operational cost	11,260,182,50	11,823,191,62	12,414,351,20	13,035,068,76	13,686,822,205
	0	5	6	7	
Depreciation cost	208,130,000	208,130,000	208,130,000	208,130,000	208,130,000
Total cost	11,468,312,50	12,031,321,62	12,622,481,20	13,243,198,76	13,894,952,205
	0	5	6	7	
Profit/loss	681,687,500	726,178,375	772,893,794	821,944,983	873,448,733
Tax (25%)	170,421,875	181,544,594	193,223,448	205,486,246	218,362,183
Profit after tax cut	511,265,625	544,633,781	579,670,345	616,458,738	655,086,549
Cashflow	719,395,625	752,763,781	787,800,345	824,588,738	863,216,549

4. Socioeconomic aspect. Similar to other processing industries, coconut oil processing industry actually has a positive impact on economic and social development, yet at some level, can have negative impact on the environment. As one of the food ingredients, coconut oil as cooking oil has a significant role in the national economy. From the economic aspect, the development of coconut oil will significantly increase the income of coconut farmers. The industry will also have a very important role for the employment and will have a positive multiplier effect for other economic sectors. Although the numbers of coconut oil producers were relatively small, but coconut oil is more favorable in terms of income, as can be seen from more established lifestyle and social status.

C. Nata De Coco

1. Marketing aspect. Given to the fact that the processed nata de coco is a new diversification in Pacitan, the current marketing is still in the stage of recognition process. Marketing channels to consumers can be through wholesalers and retailers. Serving the overflow demand on special days such as fasting, Eid, new year, etc. The supply of nata de coco does not depend on the season considering that coconut production continues throughout the year. It is expected that the nata de coco process can have good prospect, considering that the government greets this product properly.

2. Technical aspect. The process of making nata de coco consists of six steps: filtering; cooking and mixing the excipients; placing in the trays and cooling; inoculation (planting/stocking) the seeds (starter); curing (fermentation); harvesting and post-harvesting (processing up until the semi-finished or ready for consumption). Nata de coco production does not require formal education or specialized knowledge but rather requires skill and persistence. Energy needs can be met from their own families or from neighbors.

3. Financial aspect. Based on the assumptions of producing nata de coco for 12.500 cups per day with the selling price of Rp. 72.000,-/box (24 cups in each box) then the annual income is estimated as follows:

Table 8: Estimation of Income from the Nata de Coco Production

No.	Description	Unit	Production/ Day	Production/ Month	Production/ Year
1	Total production	Box	500	12,500	150,000
2	Selling price Consumer price	Rp./box Rp.	72,000 36,000,000	72,000 900,000,000	25,000 3,750,000,000

Based on the annual income and operational cost, the projection of profit/loss and cash flow is as follows:

Table 9: Projection of Profit/Loss of Nata de Coco Production

Description	Year I	Year II	Year III	Year IV	Year V
I Pendapatan	3,750,000,000	3,937,500,000	4,134,375,000	4,341,093,750	4,558,148,438
I Costs					
Operational cost	3,435,582,000	3,607,361,100	3,787,729,155	3,977,115,613	4,175,971,393
Depreciation	85,655,000	85,655,000	85,655,000	85,655,000	85,655,000
II Total Cost	3,521,237,000	3,693,016,100	3,873,384,155	4,062,770,613	4,261,626,393
V Profit/Loss	228,763,000	244,483,900	260,990,845	278,323,137	296,522,044
√ Tax (25%)	57,190,750	61,120,975	65,247,711	69,580,784	74,130,511
/I Profit after tax cut	171,572,250	183,362,925	195,743,134	208,742,353	222,391,533
/I Cashflow	257,227,250	269,017,925	281,398,134	294,397,353	308,046,533

4. Socioeconomic aspect. Pacitan is one of the centers of coconut plants in East Java which has great potential for the production of nata de coco. Many informal craftsmen work sporadically yet continuous at home or as home industry. During certain seasons, the women workers are highly required since they are known as persistence. It of course has a positive multiplier effect in term of employment for the sectors of income and other economic empowerment sectors.

Identifying Society's Economic Behavior toward the Increase of Value-Added of The Processed Coconut in Pacitan

1. Status keluarga meningkat dengan kesadarannya menyekolahkan dan kuliah anak nya ke luar kota;
2. Sudah bisa berinvestasi/menabung;
3. Ada keberanian menambah modal usaha dengan mencari pinjaman ke Bank

The impact of the increase of the production results is due to better operating results or the development of the coconut plants which can be enjoyed by the coconut farmers, brown sugar/virgin coconut oil producers, and nata de coco producers. It will have significantly positive impact to their family economy in specific, and to the society and the local government in general, such are:

1. Has role in employment and has positive multiplier effect for other economic sectors;
2. Building business optimism;
3. Providing chances for the farmers to sell their production to the cities;
4. Increasing the welfare of the farmers;
5. Improving farmers' social awareness;
6. Increasing farmers' family status, indicated by providing higher education opportunities to their children;
7. Improving the awareness of investment and money saving improved;
8. Motivating courage to increase their capital by seeking bank loan.

CONCLUSION AND SUGGESTION

Conclusion of the Brown Sugar Analysis

1. Small industries of brown sugar conducted by people of Kebonagung, Donorejo and Tulakan are the source of income for the people and surrounding community.
2. Demand and supply of brown sugar in the market is very fluctuative. The demand is very high on the eve of Ramadan and Eid. The offer depends on the rainfall. During dry season, the sap produced is very little so that the brown sugar produced is only in small quantities, yet the opposite happens during rainy season.

3. Based on the analysis of the financial aspects of the brown sugar business in Pacitan, this business is feasible to conduct.

Conclusion of the Coconut Oil Analysis

1. Small industries of coconut oil conducted by people of Kebonagung, Donorejo and Tulakan are the source of income for the people and surrounding community.
2. The commodity of coconut oil can be developed as an agroindustry commodity which is financially feasible to run in Pacitan;
3. This commodity has high enough value-added so that the payback is quite short; two years and nine months.
4. Because of its feasibility, banks can provide commercial loans as financial support for the industry of coconut oil.

Conclusion of the Nata de Coco

1. Small industries of nata de coco conducted by people of Kebonagung, Donorejo and Tulakan are the source of income for the people and surrounding community.
2. This household scale industry is sporadic; only in production before fasting month, Eid, and New Year.
3. This nata de coco industry has a promising future as a health food since it has high fiber and low in calories so it is good for the digestive system.
4. In terms of input supply, business continuity of this industry is guaranteed since the coconut water input is not affected by season.

SUGGESTION

Suggestion for the Brown Sugar Production

1. Investment on the equipment is needed to increase production capacity and to improve the quality of the product. This is because the market opportunity is still widely open and so far it has not been optimally utilized by coconut sugar producers.
2. Financial supports from formal financial institutions (banks) are highly required to procure equipments, repair machines, or purchase new machine. In order to motivate the entrepreneurs to access credit from the banks it is necessary to have financing schemes that can accommodate the production cycle and the nature of brown sugar industry.
3. To improve the marketing pattern, the employer should receive training on good marketing strategy to increase sales of products and get a good price.

Suggestion for the Coconut Oil

1. The coconut farmers are expected to further understand that the value added of coconut products are if the coconut are processed into coconut oil that is better than the copra or coconut grains;
2. The producers of coconut oil can increase their production capacity by expanding it, with is financed through applying credit investment or working capital loans to the banks and or the government;
3. The Government is also expected to continuously support the growth and development of coconut oil processing industry with condusive regulations/with soft loans.

Suggestion for Nata De Coco

1. By looking at the bright market prospects, government and the entrepreneurs need to improve the quality standards of nata de coco products that meet market preferences and health criteria.
2. The intervention of local government is needed to accelerate the development of a partnership between businesses large, medium and small and households, in the aspect of input supply and output marketing.
3. Financially, this industry is worth to finance by the bank, nevertheless the bank must conduct more comprehensive credit analysis with the precautionary principle. Banks are advised to pay attention to a greater ability to pay.

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