THE ANALYSIS OF FARMER’S FUNDS IN DETERMINING THE COST OF CAPITAL ON RICE FARMING BUSINESS IN LOEA DISTRICT KOLAKA TIMUR REGENCY

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ABSTRACT

Financing is very important for farmers to manage their farming because capital is very important in lowland rice farming. This study aims to determine the financing pattern of lowland rice farming in the Loea District, East Kolaka Regency. This study aims to identify the financing pattern of lowland rice farming in the Loea District, East Kolaka Regency. This research was conducted from July 2021 to February 2022 in Loea District, East Kolaka Regency, Southeast Sulawesi. The population of this study was 241 people. Using simple random sampling where obtained 36 members of the rice farmers who carried out the financing pattern as the research sample was obtained. The variables in this study are the respondent’s identity, including age, education, number of family dependents, and farming experience; Financing patterns, including self-financing and partner financing. Data analysis used descriptive qualitative analysis. The results showed that the financing pattern for lowland rice farming in Loea District, East Kolaka Regency, was a self-financing pattern using capital and costs derived from the farming actors themselves and partner financing patterns using capital and other costs borrowed through formal and non-formal institutions.

Keywords: cost; financing; paddy

INTRODUCTION

The agricultural sector is one sector that has the potential for economic activity. For this reason, the government needs to examine the potential of the agricultural sector that can be developed so that it can help the regional economy and can create jobs that have an impact on the workforce (Rompas et al., 2015). One of the areas in Southeast Sulawesi Province that has potential in agriculture to support the economy is East Kolaka Regency. East Kolaka Regency is one of the rice-producing areas in Southeast Sulawesi in 2020 reaching 118,936 tons. One of the sub-districts that is a contributor to lowland rice production in East Kolaka Regency is from Loea District of 11,141 tons (Kolaka Regency Central Bureau of Statistics East, 2021).

Farming activities carried out by the community consist of various types of businesses besides farming, the community also sells their agricultural products, to carry out their farming activities, the community in Loea District applies a financing pattern. Various government policies implemented in the form of low-interest capital institutions have developed at the farmer level, such as BRI, village units, Rural Banks (BPR), pawnshops and cooperatives. With these various financial institutions, it is hoped that farmers’ needs for low-interest loans can be met, and they no longer need to borrow money from high-interest loan sharks (Supriatna, 2009).

Increasing farmers’ access to financial sources can increase the use and technical mastery of agricultural inputs, which can encourage increased agricultural productivity (Mulyaqin, 2016). By accessing agricultural finance, farmers can increase production and income. However, increasing farmers’ access to funding sources still faces many obstacles. The various types of project credit issued by the Indonesian government are still not as good as expected, especially if project credit outreach is used as a parameter of success. Even formal financial institutions such as banks cannot act as distributors of agricultural finance (Yoko & Prayoga, 2019). The pattern of financing is very
influential for farmers in managing their farming because in farming, capital is very important (Hermawan & Andrianyta, 2013).

Loea sub-district has a banking institution, namely BRI which provides financial institutions to farmers through the People’s Business Credit (KUR) system. KUR is a micro-scale bank credit product that is devoted to financing the agricultural sector. However, most farmers still often use informal sources of financing such as from traders in production facilities, moneylenders, or rice mills. Financing through traders of production facilities is used by farmers when the managed farm enters the maintenance period. The maintenance period costs in the process. Smallholders prefer to use non-formal financing systems compared to formal financing systems because of the procedures for obtaining formal financing that are difficult for smallholders to follow and administrative requirements that smallholders cannot fulfill. Therefore,

The pattern of financing greatly influences the continuity of lowland rice farming. Pakasi (2017), states that there are four types of financing. Namely the pattern of government financing, the pattern of bank financing, through Bank Indonesia, the pattern of financing for capital entrepreneurs’ loans and the pattern of self-financing. Hamza et al. (2018) suggests that there are seven sources of costs for farmers. Seven sources of financing came from intermediary loans, contributing 45.28%, followed by own costs 43.52%, and the remaining relatively small from moneylenders, families, rice mills, cooperatives and friends. The interest rate charged varies from 3% to 50% per growing season. Indarto et al. (2018) in his research stated that 1. Small, medium and micro business groups who do not dare to take risks with existing funds and do not dare to obtain funding sources from banks or other channels 2. Small, medium and micro business groups who dare to take risks, namely using financing from banks and other financial institutions. Syamsiyah et al. (2019) said that the profit-sharing financing pattern at PT Sarana Lampung Virtual resulted in an increase in turnover. Astina (2017) in his research stated that the financing of small-scale fishermen to meet their business capital needs through cooperatives, stalls, moneylenders, and also their relatives. The problems that are often faced by lowland rice farmers in Loae District are lack of capital, capital is an absolute necessity to continue farming. Agricultural capital is classified as a form of wealth, in the form of money or goods, which is used to produce something directly or indirectly in the production process (Mamondol, 2018). According to Mariati et al. (2022) states that a lack of capital in farming financing will result in low profits so that it will be difficult for farmers to obtain capital in the following season. So this research was conducted with the aim of analyzing the financing pattern of lowland rice farming in Loea District, East Kolaka Regency

**MATERIALS AND METHODS**

This research was conducted in Loea District, East Kolaka Regency, Southeast Sulawesi Province from April to October 2021. The population in this study was the head of the family who worked as lowland rice farmers, totaling 241 people. Consisting of 114 lowland rice farmers who carry out self-financing patterns and 127 lowland rice farmers who carry out partner financing patterns. Sampling was carried out using the Proportional Simple Random Sampling method. In research sampling, if the total population is less than 50, it is better to take all of them as research samples. If the total population is greater than 50 can be taken between 10-15% (Rianse & Abdi, 2012). The types of data used in this research are primary data and secondary data. The variables in this study are the identity of the respondents including age, education level, number of dependents, capital, and business experience, as well as financing patterns, including self-financing and partner financing, costs consisting of fixed costs and variable costs, revenues and income. Analysis of the data that will be used to determine the pattern of financing in lowland rice farming is analyzed using qualitative descriptive.

**RESULTS AND DISCUSSION**

**Characteristics of Respondents**

The identity of the respondent is a description of the respondent's economic condition which also affects his ability to manage his farming business. The identity of the respondents described in this study includes age, education, number of family dependents and farming experience.

Table 1 shows that most of the respondent farmers who plant lowland rice in the Loea area are farmers of productive age, namely aged 15-54 with a total of 33 respondents or 92% while respondents who are of non-productive age are only 3 people or 8% of 36 total respondents (Nurdiyansah et al., 2020). Based on these data, it is known that the physical ability to work and adopt new innovations is quite good in carrying out their farming. This is in line with the opinion Indrayanı &
Andri (2018) that healthy young farmers have the physical ability to work than old farmers, young farmers generally accept new things more quickly so they can think more creatively. The formal education of the respondents varied, including elementary school graduation, junior high school graduation, high school graduation and bachelor degree. The respondents of paddy rice farmers who have an elementary education level of 6 people (17%), junior high school as many as 9 people (25%), high school education level as many as 18 people (50%) and a strata 1 education level as many as 3 people (8%) who is the highest level of education. The last education level of paddy rice farmers is already high because all of them have taken formal education. This is in accordance with the opinion Deviani et al. (2019) that education generally affects the way farmers think. Education can be obtained from both formal and non-formal education. Farmers who have the right formal education can better cope with the changes taking place in agriculture.

Table 1. Characteristics of respondents

<table>
<thead>
<tr>
<th>Characteristics of Respondents</th>
<th>Rice Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Number</td>
</tr>
<tr>
<td>&lt;15 years old</td>
<td>0</td>
</tr>
<tr>
<td>15 – 54 years old</td>
<td>33</td>
</tr>
<tr>
<td>&gt;54 years old</td>
<td>3</td>
</tr>
<tr>
<td>Level of education</td>
<td></td>
</tr>
<tr>
<td>Elementary School</td>
<td>6</td>
</tr>
<tr>
<td>Junior High School</td>
<td>9</td>
</tr>
<tr>
<td>High School</td>
<td>18</td>
</tr>
<tr>
<td>Bachelor</td>
<td>3</td>
</tr>
<tr>
<td>Farming Experience</td>
<td></td>
</tr>
<tr>
<td>&lt;5 years</td>
<td>4</td>
</tr>
<tr>
<td>5 – 10 years</td>
<td>10</td>
</tr>
<tr>
<td>&gt;10 years</td>
<td>22</td>
</tr>
<tr>
<td>Number of Family Dependents</td>
<td></td>
</tr>
<tr>
<td>1-3</td>
<td>25</td>
</tr>
<tr>
<td>4-6</td>
<td>11</td>
</tr>
</tbody>
</table>

Lowland rice farmers in Loea District who are still inexperienced are 4 people (11%) with a low period of farming experience, namely under 5 years, while those who have sufficient experience in farming with a range of 5-10 years are 10 people (28%) and There are also 22 respondents (61%). Based on existing experience, it is hoped that farmers can develop and manage their own businesses well, so that young and experienced farmers have more mature crop management skills than relatively older farmers, and they can act more carefully. This is in line with the opinion Maramba (2018) states that experience is an educational process obtained from events or events outside of school, it is very useful for someone to do better than before, especially experience in farming to develop his farm.

Respondents of lowland rice farmers in Loea District who have 1-3 dependents are small families totaling 25 people (69%) and those who have 4-6 dependents are medium families totaling 11 people (31%) and families with more than 6 dependents people for lowland rice farmer respondents is 0 or none (0%). This means that the consequences of the distribution of labor and respondents' income are sufficient to meet household needs for consumption and other needs such as education and health. The large number of dependents will encourage farmers to carry out activities, especially in finding and increasing family income to meet the daily needs of family members. The large number of dependents will encourage farmers to carry out activities, especially in finding and increasing their family income so that the daily needs of family members can be met. This is in line with the opinion Purwanto & Taftazani (2018), that the number of family dependents is closely related to the income earned. This situation encourages farmers to continue to increase their income to meet the needs of their families. Because the more dependents in the family, the more necessities of life, and if the majority of dependents in the family are not productive, on the contrary the smaller the number of dependents in the family, the picture of life will be better and farmers will be richer, but on the other hand, more and more family members if you are active in farming, the opportunity to earn higher incomes is greater.
Rice Farming Financing Pattern

In lowland rice farming in Loea District, East Kolaka Regency, there are two financing patterns carried out by farmers, namely the self-financing pattern and the partner financing pattern. This research was conducted by (Yulianjaya & Hidayat, 2016) regarding the partnership pattern of small farmers and large farmers and (Sita et al., 2018) regarding tea farmer partnerships. For more details regarding the financing pattern carried out by respondent farmers in Loea District, East Kolaka Regency, it is in Table 2.

Table 2. Financing patterns for lowland rice farmers in Loea District East Kolaka Regency

<table>
<thead>
<tr>
<th>Financing Pattern</th>
<th>Number of people</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self Pattern</td>
<td>17</td>
<td>47</td>
</tr>
<tr>
<td>Partner Pattern</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. BRI (KUR)</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>b. Middlemen/Traders</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>c. Investors</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 2. shows that the number of respondent farmers in Loea District, East Kolaka Regency who use the self-financing pattern is as many as 17 people with a percentage of 47%, and those using the partner financing pattern are 19 farmers with a percentage of 53%. This shows that more farmers choose partner financing patterns than self-financing patterns. The reason some farmers choose the self-financing pattern is because they are afraid to take risks which if the harvest fails, the farmers are unable to repay the partner loans so that the debt bondage is getting bigger. However, there are also some farmers who are able to meet the financing of their farming, so there is no need to borrow capital. Whereas, The reason some farmers choose a partner financing pattern is due to the lack of capital they have, so they need financial assistance or other financial institutions to overcome these problems. This is different from research (Napitupulu et al., 2019) that the partnership financing pattern of Tanjung Jabung Barat Regency and Muaro Jambi Jambi Province is more dominant than the self-financing pattern. The following will explain in detail the pattern of financing for lowland rice farming in Loea District, East Kolaka Regency through independent and partner financing patterns.

1. Self Financing Pattern

The self-financing pattern adopted by respondent farmers in Loea District, East Kolaka Regency is that all costs (variable and fixed) incurred are borne by the respondent farmers themselves. Financial management carried out by farming actors is the result of previous production income, and part of the income to be received is reserved for further funds. There are also some respondents who use the capital from their daily salary to do other work. This financing pattern has also been carried out by (Anggadini, 2016) and (Yunus, 2021) regarding the pattern of financing with capital from own business.

2. Partner Financing Pattern

The pattern of partner financing by respondent farmers in Loea District, East Kolaka Regency, namely all costs incurred by lowland rice farmers, including variable and fixed costs originating from the farmers themselves, as well as financing from formal institutions or funding sources from informal funding. Formal institutions such as investors, families or other farmers. Farmers who use partner financing do not mean low farmer income, but the way of life of respondent farmers has a low level of fund management. Consumerism and low capital management of interviewed farmers force farmers to work with formal financing institutions or informal partner financing models (such as with families/other farmers) (partners) to achieve farming sustainability. Although basically the partner financing model is less profitable for farmers because there are several complicated stages of formal partner financing (BRI) to obtain funding. The following will explain in detail the pattern of financing for lowland rice farming in Loea District, East Kolaka Regency through several partner financing patterns.

a. BRI uses the KUR (People's Business Credit) System

The stages of requesting capital for partner farmers are starting with applying for funds to Bank BRI in the form of an investment treasury/funds for submitting an application for a farmer loan loan to a bank, provided that a business license, a photocopy of the Family Card (KK), marriage certificate and guarantee letter are attached. The bank will then survey loan applicants and disburse funds if the data submitted by farmers is appropriate. The amount of capital loan funds issued by banks depends on the amount of price guarantees guaranteed by farmers as loan applicants.

In addition to the complicated stages, the amount of loan interest is also one of the burdens that must be borne by farmers. In one year, the bank interest that must be borne by cooperative farmers is 24% of the loan principal or 2% of the monthly loan principal. On the other hand, farmers only have
one year to pay off their loans. If the farmer fails to return the capital when it is due, the goods that are guaranteed become the property of the bank. This partner financing pattern has also been studied by [Pakasi, 2017] regarding the pattern of financing for MSME partners made from nutmeg with banks.

b. Middlemen/Traders

The implementation of a non-formal partnership financing pattern between one farmer and another in Loea District, East Kolaka Regency is based on the principle of mutual trust and kinship. Farmers who borrow are not charged interest on loans or collateral for goods, but there are other agreements. This agreement is in the form of cooperation which is only made verbally between the borrowing farmer and the lending farmer. The agreement referred to is like financing with traders who provide capital loans in the form of fertilizer to be returned at harvest in the form of money according to the price of the borrowed fertilizer. However,

When entering the harvest season, farmers who borrow collect their crops to farmers who give loans with the intention of being weighed. Weighing is done at the borrower's house and witnessed directly by the other farmers concerned. Farmers will get a note on the number of harvests at a predetermined price. Weighing is done at the borrower's house and witnessed directly by the other farmers involved. Farmers will receive a record of the number of harvests at a predetermined price. After that, the two parties will calculate the amount of agricultural income based on the number of partner farmers' loans after the harvest period is over. This partnership pattern has also been studied by [Fadilah, 2012] and [Widyani, 2014] regarding financing patterns from various partner institutions, one of which is through middlemen/traders.

c. Investors

The respondent farmers in Loea District, East Kolaka Regency who carry out partner financing patterns with investors are 4 people. The implementation of this partnership financing pattern is carried out with a land-grab system. Respondent farmers who do not own land manage land owned by investors (other farmers) with an agreement that all costs of managing lowland rice farming are borne by the investor. However, when getting production results, the estimated total costs incurred by investors are returned first. After that, the income earned is divided between the respondent farmers and investors. This partner financing pattern has also been studied by [Santoso, 2016] regarding the financing pattern of paddy rice farmers' partners with investors.

CONCLUSIONS

Based on the results of research regarding the financing pattern for lowland rice farming in Loea District, East Kolaka Regency, it can be concluded that the financing pattern for lowland rice farming in Loea District, East Kolaka Regency, is a pattern of independent and partner financing. The self-financing pattern uses capital and costs sourced from the respondent farmers themselves, while the partner financing pattern uses capital and other costs borrowed through formal and non-formal institutions.

REFERENCE


