

# Agribusiness Development Strategy Through Agribusiness Microfinance Institutions: Evidence from Rural Indonesia

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**Abstract** - In fact, agricultural productivity are directly proportional to the limited access of farmers to sources of capital financing. Rural Agribusiness Development Program implemented through the provision of funds for strengthening farmer business capital, so this activities are needed to find out how to direct program activities so that they are right on target and effective. The aim of this research is to analyze and formulate strategies that can be carried out in the development of the Rural Agribusiness Development Program. The sample used in this study were farmers located in Pacet, Dlanggu, Ngoro, Jetis, and Dawarblandong Districts, Mojokerto Regency, which amounted to 60 sample farmers. The result are position of Defense and Maintenance Strategy, so the strategy that should be carried out is to develop and optimize the implementation of the Rural Agribusiness Development program by using a hold and maintain strategy.

**Keywords:** Rural Agribusiness Development Program, Farmer, and Strategy.

## I. INTRODUCTION

Agriculture is the leading sector of development in East Java Province with its uniqueness within the framework of the national economy. East Java Province is a province with large agricultural commodities and has a major role in supplying agricultural products for national needs. The agricultural sector is divided into 7 sub-sectors, namely food crops, horticultural crops, plantation crops, livestock, agricultural services and hunting, fisheries, forestry, and logging. One of the agricultural sectors in East Java Province that has advantages is the food crop agriculture sector (BPS Jatim, 2013).

In 2019, the role of the agricultural sector in the East Java economy was ranked third after the manufacturing industry category (30.24%) and the wholesale and retail trade, car and motorcycle repair categories (18.46%), which was 11.43 percent. In the last five years, the role of the agricultural sector has continued to decline by 2.22%. The magnitude of the role of the agricultural sector in 2015 was 13.65%, then in 2016 it decreased to 13.44%, then decreased again in 2017 to 12.84%, then in 2018 to 12.90%, until in 2019 to 11.43% (BPS Jatim, 2019).

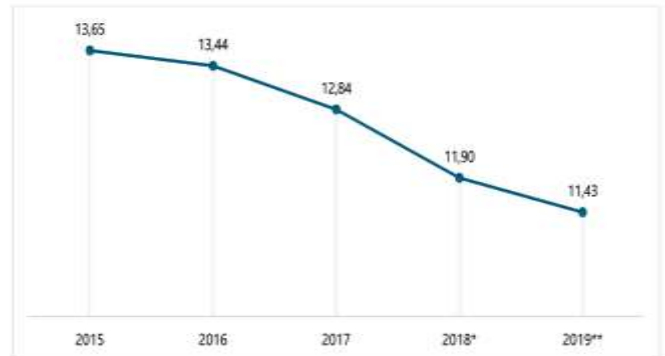


Figure 1. Contribution of Agriculture Sector Category to East Java GRDP-ADHB (percent) 2015-2019

Source : BPS (2019)

This phenomenon arises when efforts to increase agricultural productivity are directly proportional to the limited access of farmers to sources of capital financing. Limited capital also makes the quantity and quality of the results obtained by farmers not optimal. Capital is not only a factor of production but also a driver of farmers' capacity to adopt technology (Anik et al., 2017). This has prompted the government to issue programs in response efforts, one of which is a program for the agricultural sector, namely Rural Agribusiness Development.

Rural Agribusiness Development Program is a form of facilitation of business capital assistance for member farmers, both owner farmers, sharecroppers, farm laborers, and farm households whose management is accompanied by assistant extension workers and Farmer Partner Supervisors (PMT). This program has been started in 2008 with distribution through Gapoktan as the executor Rural Agribusiness Development Program. This is done with the aim that Gapoktan can become an economic institution owned and managed by farmers. Funding Rural Agribusiness Development Program prioritized for underdeveloped areas but have the potential for agribusiness development (Kementerian Pertanian, 2010). Rural Agribusiness Development Program this is done with the aim that Gapoktan can become an economic designed in a participatory manner with farmers, farmer groups, and farmer groups combined (Gapoktan) as the main actor facilitated by the government from the Ministry of Agriculture to the village or sub-district level (Dirjen Sarpras Pertanian, 2013).

Rural Agribusiness Development Program implemented through the provision of funds for strengthening farmer business capital through Gapoktan coordination and then managed in one of the Gapoktan sub-activities which can eventually be developed into an Agribusiness Microfinance Institution. The existence of an Agribusiness Microfinance Institution is one of the solutions in financing the agricultural sector in rural areas because it has a strategic role as a liaison in the economic activities of farming communities. Agribusiness Microfinance Institution also plays a role in strengthening farmer institutions in agribusiness development which cannot be separated from the weak access of farmers to various productive resources, namely: capital, technology, and market information.

The general objective of establishing and developing Agribusiness Microfinance Institution is to help facilitate the need for farming capital for farmers. In particular, the establishment of Agribusiness Microfinance Institution aims to:

1. Facilitate farmers' access to financing schemes provided by the government or other parties
2. Increase farm productivity and production in order to encourage the achievement of added value for farming
3. Encouraging rural economic development and rural economic institutions, especially Gapoktan

Mojokerto Regency is one of the recipients of Rural Agribusiness Development Program funds in the East Java region starting in 2008. The number of Gapoktan recipients of the Rural Agribusiness Development Program from 2008 to 2015 was 228 Gapoktan spread over 18 sub-districts. The Rural Agribusiness Development Program, which has been running since 2008 in Mojokerto Regency, needs to be known whether Rural Agribusiness Development Program funds have been used for agribusiness development that leads to improving the community's economy. To achieve the goal of establishing the Agribusiness Microfinance Institution, it is necessary to evaluate the management of the implementation of Rural Agribusiness Development Program activities. Evaluation of the Rural Agribusiness Development Program program and the implementation of Rural Agribusiness Development Program activities are needed to find out how to direct program activities so that they are right on target and effective. The performance of the program program which includes the performance of inputs, processes, outputs, and outcomes will be used as the knowledge that will support the evaluation of the program as a whole (Sahat et al., 2011). This evaluation will later be used as the basis for formulating strategies so that the program program can be implemented optimally.

The aim of this research is to analyze and formulate strategies that can be carried out in the development of the Rural Agribusiness Development Program.

## II. LITERATURE REVIEW

### 2.1. Rural Agribusiness Development (PUAP)

Rural agribusiness development (PUAP) is one of the government's efforts to increase the empowerment of farmer group associations (gapoktan) so that they are able to manage and develop their business activities independently and sustainably in the agricultural sector. The puap program has been regulated in the regulation of the minister of agriculture of the republic of indonesia number 06/permentan/ot.140/2/2015 concerning guidelines for rural agribusiness development, to increase the success of channeling blm-puap funds to gapoktan in developing farmers' productive businesses. This Rural agribusiness development (PUAP) is a business capital assistance from the Joint Farmers Group in developing agribusiness businesses in accordance with the agricultural potential of the target villages in the context of poverty alleviation and job creation in rural areas.

The PUAP program, which has been implemented by the Ministry of Agriculture since 2008, is implemented through the following approaches: 1) Community empowerment in PUAP management; 2) Optimization of agribusiness potential in affordable poor villages; and 3) Facilitating business capital for small farmers, farm laborers, and poor farm households.

### 2.2. Microfinance Institutions

Microfinance institutions or mfis according to the financial services authority or ojk are financial institutions whose function is to provide business development services and community empowerment. In its category, mfis are non-bank financial institutions. Many MFIs in the community have been formed and spread from urban to rural areas, on the initiative of the government, private sector and non-governmental organizations in formal, non-formal, and informal forms with their respective characteristics. However, these MFIs have the same function as intermediaries in the activities of an economy.

The above definition is in line with what is written in Article 1 paragraph 1 of Law No. 1 of 2013 concerning Microfinance Institutions or what is often referred to as the MFI Law. What needs to be underlined is that Microfinance Institutions are institutions that carry out their duties not solely for profit.

## III. RESEARCH METHODS

The research was carried out in Mojokerto Regency by taking 5 sub-districts as samples, including Pacet, Dlanggu, Ngoro, Jetis, and Dawarblandong Districts. A sampling of farmers used the purposive sampling method where the sampling of data sources is based on a certain balance (Sugiyono, 2016). The consideration made by the researcher is that farmers in these sub-districts besides receiving Rural Agribusiness Development Program since 2008, their capital assets are still active today, including those that have developed or not.

The sample used in this study were farmers located in Pacet, Dlanggu, Ngoro, Jetis, and Dawarblandong Districts, Mojokerto Regency, which amounted to 60 sample farmers which can be seen in detail in Table 1.

TABLE 1.  
NUMBER OF RESEARCH SAMPLES

No	Subdistrict	Rural	Gapoktan Names	Number of Sample Farmers		Quantity
				PUAP	Non-PUAP	
1	Pacet	Nogosari	Tani Jaya	6	6	12
2	Dlanggu	Dlanggu	Sumber Abadi	6	6	12
3	Ngoro	Wonosari	Tani Wonosari	6	6	12
4	Jetis	Jolotundo	Karya Tani	6	6	12
5	Dawar blandong	Pucuk	Sari Rejeki	6	6	12
Total Respondents				30	30	60

The data analysis used is a SWOT analysis consisting of IFE, EFE, IE, and SWOT matrices. The use of SWOT analysis is very suitable for the objectives to be achieved in this study. The stages in conducting analysis using the SWOT method are carried out through three important stages, namely the data collection stage (identification and evaluation of internal and external factors of rural agribusiness development through agribusiness microfinance institutions, data analysis stage, and decision-making stage).

#### IV. RESULTS AND DISCUSSION

##### 4.1 Matriks IFE

The IFE matrix is compiled based on the identification of strengths and weaknesses, key success factors (KSF) from the internal environment which are then summarized in an IFE table. The results of the weighting and rating questionnaires for these internal factors (strengths and weaknesses) will later be taken into account so that the average value is obtained (Rangkuti, 2014).

The results of the calculation analysis obtained a total score of the internal factors of the Rural Agribusiness Development Program in Mojokerto Regency of 2.492. The calculation of this value shows that the internal position has an intermediate position, which means that the Gapoktan already has above-average capabilities in utilizing its strengths and anticipating its weaknesses (Rangkuti, 2014).

TABLE 2.  
MATRIKS IFE

Internal Strategic Factors		Weight	Rating	Score
Strength				
1.	Intensive communication	0,114	2,867	0,327
2.	Availability of savings and loan units	0,096	2,833	0,272
3.	Capable and skilled Gapoktan members	0,082	2,267	0,187
4.	There is government legalization of Gapoktan institutions	0,092	3,233	0,298
5.	Gapoktan business has great potential	0,070	2,833	0,200
6.	Gapoktan has a relatively wide network	0,040	2,533	0,101
7.	Gapoktan has a clear and planned program	0,044	2,233	0,097
8.	Ability to achieve appropriate goals and activities	0,027	2,200	0,059
				<b>1,541</b>
Weakness				
1.	The education level of Gapoktan members tends to be low	0,084	2,467	0,207
2.	Farmers' financial management is not optimal yet	0,078	1,633	0,128
3.	Limited land ownership of Gapoktan members	0,099	2,567	0,254
4.	The assets/facilities owned by Gapoktan are not sufficient	0,049	2,300	0,112
5.	Less effective coaching	0,047	1,700	0,080
6.	Long enough farming experience	0,041	2,000	0,082
7.	The low involvement of institutions in farming activities	0,037	2,400	0,088
				<b>0,951</b>
<b>Total</b>				<b>2,492</b>

4.2 *Matriks EFE*

The EFE matrix is compiled based on the identification of its strengths and weaknesses, and key success factors (KSF) from the external environment which are then summarized in an EFE table. The results of the weighting and rating questionnaires for external factors (opportunities and threats) will later be taken into account so that an average value is obtained (Rangkuti, 2014).

The results of the calculation analysis obtained a total score of the external factors of the Rural Agribusiness Development Program in Mojokerto Regency of 2,479. The calculation of this value shows that the internal position has an intermediate position, which means that the Gapoktan already has an above-average ability in reading opportunities and overcoming existing threats (Rangkuti, 2014).

TABLE 3.  
MARIKS EFE

External Strategic Factors			
	Weight	Rating	Score
<b>Opportunity</b>			
1. There is support and assistance from the government	0,149	2,667	0,397
2. Intensive coaching	0,139	2,867	0,398
3. Financial support from private companies	0,049	2,033	0,099
4. Availability of adequate market and road infrastructure	0,104	2,800	0,292
5. Many parties are interested in collaborating	0,059	2,000	0,118
			<b>1,305</b>
<b>Threat</b>			
1. Farming is highly dependent on weather and climatic conditions	0,158	2,867	0,452
2. Increasing number of imports of agricultural products	0,086	2,767	0,237
3. Limited access and number of production facilities	0,082	2,300	0,189

4. The government credit scheme is difficult for farmers to access	0,093	1,867	0,174
5. Loans from loan sharks and debt bondage are easy to find and access	0,081	1,500	0,122
			<b>1,174</b>
<b>Total</b>			<b>2,479</b>

4.3 *Matriks I-E*

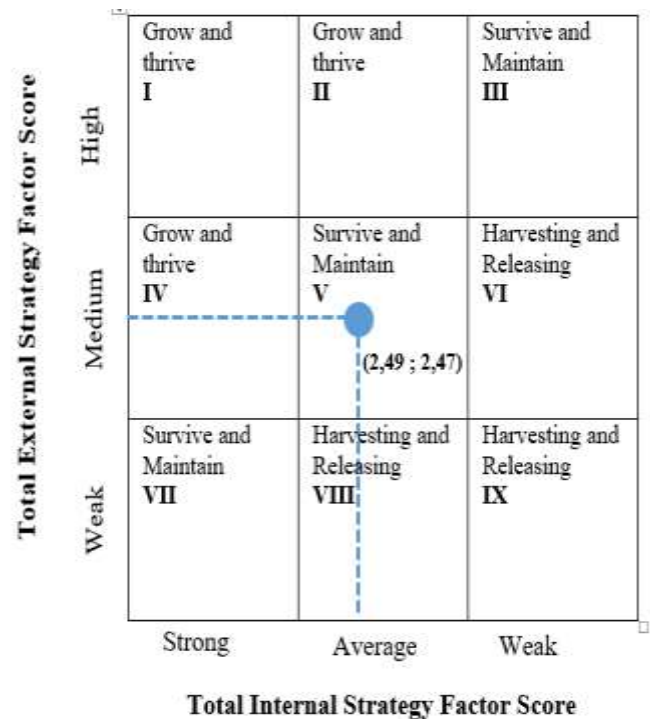


Figure 1. Matrik I – E

The IE matrix analysis shows a picture of the position that combines the average value of the internal factors (strengths and weaknesses) possessed with the external factors (opportunities and threats) faced. The results of the IE matrix can be used to determine and develop appropriate strategies to be implemented (Rangkuti, 2014). Based on the results of the analysis of the IFE matrix and the EFE matrix, it is known that the total score for the strategic factors is 2.49 and 2.47, respectively. The total score determines the position of Gapoktan in area V with the position of Defense and Maintenance Strategy (David, 2006).

TABLE 4.  
Matriks SWOT

<b>INTERNAL FAKTORS</b>	<b>STRENGTH</b>	<b>WEAKNESS</b>
	<ol style="list-style-type: none"> <li>Intensive communication</li> <li>Availability of savings and loan units</li> <li>Capable and skilled Gapoktan members</li> <li>There is government legalization of Gapoktan institutions</li> <li>Gapoktan business has great potential</li> <li>Gapoktan has a relatively wide network</li> <li>Gapoktan has a clear and planned program</li> <li>Ability to achieve appropriate goals and activities</li> </ol>	<ol style="list-style-type: none"> <li>The education level of Gapoktan members tends to be low</li> <li>Farmers' financial management is not optimal yet</li> <li>Limited land ownership of Gapoktan members</li> <li>The assets/facilities owned by Gapoktan are not sufficient</li> <li>Less effective coaching</li> <li>Long enough farming experience</li> <li>Low involvement of institutions in farming activities</li> </ol>
<b>EKSTERNAL FAKTORS</b>	<b>STRATEGI S-O</b>	<b>STRATEGI W-O</b>
	<ol style="list-style-type: none"> <li>Holding regular meetings to make it easier to discuss problems, assistance, socialization, and cooperation development</li> <li>Holding regular promotional activities for production to increase revenue while strengthening the network</li> <li>Increase member awareness to always support institutional activities</li> </ol>	<ol style="list-style-type: none"> <li>Improving the professionalism of Gapoktan members</li> <li>Periodic coaching in deepening financial management (can be through collaboration with private parties)</li> </ol>
<b>OPPORTUNITY</b>	<b>STRATEGI S-O</b>	<b>STRATEGI W-O</b>
<ol style="list-style-type: none"> <li>There is support and assistance from the government</li> <li>Intensive coaching</li> <li>Financial assistance from the company</li> <li>Availability of adequate market and road infrastructure</li> <li>Many parties are interested in collaborating</li> </ol>	<ol style="list-style-type: none"> <li>Holding regular meetings to make it easier to discuss problems, assistance, socialization, and cooperation development</li> <li>Holding regular promotional activities for production to increase revenue while strengthening the network</li> <li>Increase member awareness to always support institutional activities</li> </ol>	<ol style="list-style-type: none"> <li>Improving the professionalism of Gapoktan members</li> <li>Periodic coaching in deepening financial management (can be through collaboration with private parties)</li> </ol>
<b>THREAT</b>	<b>STRATEGI S-T</b>	<b>STRATEGI W-T</b>
<ol style="list-style-type: none"> <li>Farming is highly dependent on weather and climatic conditions</li> </ol>	<ol style="list-style-type: none"> <li>Improving the quality and quantity in order to be able to survive against imported products</li> </ol>	<ol style="list-style-type: none"> <li>Conduct training on agricultural technology support to expand knowledge</li> </ol>

<ol style="list-style-type: none"> <li>Increasing number of imports of agricultural products</li> <li>Limited access and number of production facilities</li> <li>The government credit scheme is difficult for farmers to access</li> <li>Loans from loan sharks and debt bondage are easy to find and access</li> </ol>	<ol style="list-style-type: none"> <li>Build facilities and infrastructure that support farming activities</li> <li>Improving the work of the savings and loan unit so that it can improve the welfare of Gapoktan members</li> </ol>	<ol style="list-style-type: none"> <li>Improving the quality of facilitators to support the success of farming activities</li> </ol>
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V. CONCLUSION

Analysis of the IFE matrix and the EFE matrix, it is known that the total score for the strategic factors is 2.49 and 2.47, respectively. The total score determines the position of Gapoktan is in area V with the position of Defense and Maintenance Strategy. The strategy that should be carried out is to develop and optimize the implementation of the Rural Agribusiness Development program by using a hold and maintain strategy.

To develop a rural agribusiness development program (PUAP) as an effort to continue the program in Mojokerto Regency, suggestions that can be given regarding the Government include:

- Placing policy priorities and increasing the budget for direct assistance to communities
- Conducting coaching and training on food crop cultivation for members of Gapoktan PUAP intensively and with an individual approach
- Conduct regular monitoring and evaluation of PUAP gapoktan members

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