

# Analysis of A Farmer's Ability on Entrepreneurship To Accumulate Business Capital: Evidence on Jabung, Malang

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## ABSTRACT

The research aims is to analyse an ability of entrepreneurship farmers or farmer groups to accumulate business capital. Analyse on the ability of entrepreneur in accumulating capital, analyse an existence of institutional village, then increase social entrepreneurship in the regions if it is related to regional capability, regional resilience, and food security. For many benefits are provide input to the village government and the government on social entrepreneurship to improve food security and increase regional resilience. This research was used a descriptive qualitative research method, such as depth interview informants and documentation. Then, take a sample with gathering all data using research instruments. The results, in the village need the social entrepreneurial development with build the unit business activities to provide the material support like seeds or fertilizer to the farmers. Also need it a capability to get the market timing in selling the farmer production.

**Keywords:** farmer ability, market timing, social entrepreneurship, business capital

## 1. INTRODUCTION

In the era of open markets and free competition, economic actors try to maximize their decisions in order to obtain high value added. Business decision making will be oriented to the benefits obtained in order to accumulate the level of profits in the form of investment. These decisions are made by entrepreneurs in the region as well as those in rural areas, and in rural areas some of the decisions are made solely by marginal farmers. Decisions are made in the business so that the family income obtained can be maximized. The decision to invest or not invest is made solely by farmers and does not base on the time value of money, but rather consider business risks, so that farmers' decisions will affect their wealth and regional wealth (Baker, 2002). An increase in regional wealth will be able to increase resilience regional economy, because it encourages the provision of regional income sources. Jabung district is located in East Malang, including in Malang Regency. This area is an agricultural production area, especially cassava/kaspe plants. Cassava or kaspe production from Jabung sub-district is partly sold to the chips processing plant in Malang, Sidoarjo and part to

the Central Java region, for example Magelang and Kudus. Even some of the production is used by Indofood.

The current problem of farmers is suspected to be due to financial literacy and relatively weak investment and do saving. In the case of transaction prices for cassava that will be sold, very limited information can be obtained. The position of farmers is very urgent to be able to sell with the information they have. Determining "good" or best/expensive price is very difficult to catch, in fluctuate demand. In other words, looking for market timing is very difficult to estimate and determine these demand and supply. Here, sufficient market information is needed and mastering the sales channel. In other words, farmers must be able to obtain data on market prices and conditions in order to get the point where prices are the best. Because it is too late to decide and when prices fall, the condition of cassava yields that will be sold becomes worse/too cheap because it is old (too long time). Entrepreneurship of farmers is still low because the environment is not yet supportive to create. The price will determine the level of profit to be obtained, so determining the right market timing will be able to help increase profits and the amount of capital it will have. The amount of money received from the current harvest will be used to run their business, as working capital in the next period.

Business capital is collected and prepared for expenses during the next planting period. Everyday, costs incurred during one period are the cost of planting and living expenses. The usual pattern of funds used for one year or one period is living expenses and other consumptive costs. The next problem for farmers is the use of crops that are used consumptively, so they will experience shortages at the next planting time. Many landowners or farmers are ensnared with *ijon* or have their land sold, so they do not incur business risks and return to being "farm labourer's". Whereas, the cassava chip factory does not want to know the real problems of farmers. The factory wants a regular supply of sweet potatoes, cheap prices, and good quality cassava, or in other words, the supply chain is guaranteed.

Even, the greater the conditions referred to above, the smaller the regional income that can be obtained, the regional economic security will also be lower, including food security will be lower. The low regional income from agricultural products, brings the low value of the region. There are allegations that regional land ownership will be controlled by people outside the area. The imposition of retribution and local taxes becomes difficult to obtain. The price of existing assets in the region will become increasingly declining, because the results of crop production cannot be predicted.

Problems are need to be investigated about the amount of capital accumulation obtained by farmers to support operational costs. The capital accumulation carried out by farmers in this region has already used entrepreneurship. The role of institutional village in developing levels of farmers income and smallholders

## 2. LITERATURE REVIEW

### 2.1. Business Capability

Business activity is an effort of farmers to create jobs. Trying means better being a little king than being a big slave, by being a factory worker and a civil servant. A boarding school caretaker said that of the 220 million people in Indonesia, almost 90% carry out activities, and many are still in the poverty line. Though the wealth of this nation is so abundant because it is located in a strategic area by crossing the equator, soil fertility and fisheries potential that is so great. But natural resources cannot yet be enjoyed by farmers. This is proven by the large number of big companies colonizing the country's natural resources. So many say like rats die in rice barns. The nation and society are still poor, which is still a concern.

This concern about inspires everyone to rise from adversity and make use of the people by starting the renewal step by seeking maximum livelihood. There are a variety of businesses in the area, ranging from organic farming whose marketing under the brand name "Green Life" can reach

large supermarkets. Participation in organic farming or "Green Life" can help preserve the environment.

This great potential will certainly have an effect on increasing income for the country and supporting national economic resilience. And to help realize that, an understanding of business is needed. One effort that can be done is to increase understanding, especially about business management, especially about how to manage the financial output.

### 2.2. Investment and Financial Literacy

Every organization must be able to carry out its efforts so that its business can run smoothly. Or in other words, boarding school administrators must understand financial literacy. The ability of financial management meant here is the ability of financial literacy. According to Manurung (2009, p.24) said that financial literacy is a set of skills and knowledge that enables an individual to make effective decisions with all their financial. "Krishna, Rofaida, and Sari (2010) explained that financial literacy helps individuals to avoid financial problems. "Financial difficulties are not only a function of income (low income). Financial literacy can be interpreted as financial knowledge, with the aims of achieving prosperity (Lusardi & Mitchell, 2007). Financial literacy is become more important now than ever before, not only for families, and professional economic practitioners. Financial institutions, student loan communities, financial experts and educators and others have identified by personal financial management education as a priority (Cude, et al., 2006). Increasing financial literacy is a work that needs to continuously. An understanding of good financial management becomes a way out of a variety of homework, including reducing poverty. A higher on the level of financial literacy will have an impact on revenue.

Orton (2007) stated that financial knowledge is inseparable in life because it would useful for making financial decisions, but experience in various countries shows that public financial knowledge is relatively less high. The results of the pra survey at the beginning of 2012 showed that there was still a weak understanding of the financial thinks.

There are many factors that affect to the financial literacy. Nidar & Bestari (2012) found that the groups of these factors into several categories based on demographics, social and economic characteristics, financial experience, financial education, economic conditions, family characteristics, aspirations, and geographical location. Several previous studies (Xiao et al., 2008; Mandell & Klein, 2009) concluded that the best way to improve behavior in adulthood is to teach good behavior since childhood, including financial behavior.

According to Monticone (2010) said that it can determine financial literacy include demographic characteristics (gender, ethnicity, education and cognitive abilities), family

background, wealth, and time preferences. Whereas, Capuano & Ramsay (2011) explained that personal factors (intelligence and cognitive abilities), social and economics can determine a person's financial literacy and financial behavior.

In Indonesia, personal finance education is still rarely found either in elementary schools to tertiary institutions (Nababan & Sadalia, 2012). An education plays an important role in the formation of financial literacy both in informal education in the family environment and formal education in the tertiary environment. In the one family, the level of financial literacy is determined by the role of parents in providing support in the form of financial education.

---- family education, the child is brought to a desired value system or life attitude and accompanied by the example of parents who have indirectly brought the child to certain views and habits .... (Widayanti, 2012). Social phenomena according to Schutz (1967) said that it can be based on two motives such as motive cause and effort motivation. Motive caused by something effort that wanted or expected after someone.

Financial thinks can cause stress for the farmer and low self-confidence. The existence of financial knowledge and financial literacy will help individuals in managing personal financial planning. The individual try to maximize the time value of money and the benefits obtained by individuals can be even greater and will improve their standard of living.

According to Lusardi & Mitchell result in 2007 (in Rasyid, 2012) stated that financial literacy can be interpreted as financial knowledge, so it can perform and achieve the goal of achieving prosperity. This can be interpreted that preparations need to be made to welcome globalization, more specifically globalization in the financial sector. According to Hudson and Bush statement in 2008 (see Husson and Bush in Widyawati, 2012) interpreted that financial literacy as the ability to understand financial conditions and financial concepts and to turn that knowledge appropriately into behavior.

Bhushan and Medury (2013) explained that financial literacy is very important for several reasons. First, consumers who have financial literacy can go through difficult financial times, due to the fact that they may have accumulated savings, bought insurance and diversified their investments. Second, Bhushan said that financial literacy also directly correlates with positive financial behavior such as timely bill payments, loan installments, savings before they run out and using credit cards wisely. Financial literacy is influenced by motives, this means that the management of the farmers in saving money to maintain their life and to maintain the resilience of the region area.

### ***2.3. Analysis of Conditions and Road Map***

Business and business competition processes bring improvements in overall business processes, including the

use of raw materials in supply chains, and product life cycle management which this is called the horizontal value chain. The business process processes will bring about modernization and will integrate with every stage in the horizontal value chain to provide a large increase in industrial processes. Smart products are able to store historical information in the past and future processes needed to transform into a complete product. Knowledge of industrial manufacturing processes is stored in products and makes it possible to provide alternative routes in the production process. The use of information technology provides benefits in saving time for customers and employees, and reducing transaction costs (Aladair G in Dangolani, 2011).

The development of information technology has changed the way banks do business. Information technology helps businesses to grow, especially in developing services to industries, increasing productivity and managing risk (Abbasi & Weigand, 2017). In line with government efforts to take advantage of information technology, so it can continue to grow and improve profitability. Also present is a new business model where information technology is combined with activities in the business sector, which encourages the growth of start-up businesses in agriculture. These phenomena and problems need to be revealed and legislated in order to obtain a form / model that is established in improving the welfare of society.

By knowing the factors that determine the value of an area, it can be seen the picture of regional resilience, if viewed from the perspective of social entrepreneurship. Assets owned by the region, if they can be managed in an entrepreneurial manner will produce high value, both in terms of the price of existing assets, and the business that is developed. In that case, social entrepreneurship is a factor to drive business in the area, in order to achieve high values. With farmer and social entrepreneurship a high regional value can be obtained, so that the region will has food security and regional resilience.

### ***2.4. Research Roadmap***

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In order to maintain regional resilience and food security in that village, social entrepreneurship is needed from farmers or elements related to agricultural management, so

that will catch a high efficiency and obtained and can support regional income. By studying social entrepreneurship and regional resilience models, an illustration can be obtained to develop regional resilience within the framework of national resilience. Knowing the standard model will facilitate the keywords in developing regional and national resilience.

Provide an overview of the implementation of social entrepreneurship in agriculture in the area. The model obtained will be able to complete the value analysis model of an enterprise in region, so that it will be able to provide an idea of the value to be developed through model analysis. The conceptual framework mentioned above developed a social entrepreneurship model that can implement a value chain that can put "quality" as the goal of managing an area. At the same time it can be used to assess and analysis in develop of regional human resources in developing rural or regional areas.

### **2.5. Condition Analysis**

In Malang area there is a university concern on villages focus and development. Also has a village's laboratory that is needed to support the implementation of research, such as a management laboratory, entrepreneurship laboratory, and also national resilience study programs. The laboratory mentioned above can be used to examine the fields required. The university also concern in rural and also associated with the development of rural areas, so that it can complement the fields developed by universities. Many expert from the university already support to the rural program, So in surrounding has a basis and interest to develop indicators for measuring national or regional resilience.

In this area are also develops measurement of value in enterprise, so this area can complement the way of assessing value in the region. This assessment is very important to know the development of social entrepreneurship for the region, and to complement existing for assessment methods. Some researcher has also developed by a meta-analysis for current and future research analysis. Wide internet access space, and having access to their business, and especially gathering material related to social entrepreneurship and national resilience. Many material from that village has also publish basis that area. Many researcher has access to work partners who can be used to collaborate in the field of data collection, in order to obtain valid, reasonable and accurate data. Collection of information and data really requires the existence of this collaboration, especially data and information related to regional decentralization. The research team's experience in publishing articles or manuscripts at international conferences and international journals and publications.

## **3. RESEARCH METHODS**

### **Analysis Method**

Because of wanting to know the entrepreneurial social behavior of a production process, the approach used is qualitative research with phenomenology studies. Mulyana (2003: 150) stated that this method maintains the form and content of human behavior and always presupposes an existence of inductive thought process activity to understand a reality, researchers who are directly involved in the situation. The background of the phenomenon under study and focus on a life event in accordance with the research context. Lindlof (1995: 27-28) mentioned that in cultural studies, it is often referred to as an interpretive paradigm. (Lindlof, 1995: 27-28). Phenomenology is a fact that is realized and entered into human understanding. The object is in relation to consciousness. Phenomenology reflects direct human experience, in so far that experience is intensively related to an object (Engkus, 2009: 1). With descriptive research and case studies, such as the nature of something that is ongoing at the time then carried out and examining the causes of a particular symptom in detail about a particular object during a certain period of time in quite deep and comprehensive (Gumanti & Moeljadi, 2018; Sugiyono, 2014). Descriptive research is a method in examining the status of a human group, an object, a set of conditions, a system of thought, or a class of events in the present, aiming to make a systematic, factual and accurate description, picture of facts, traits the nature and relationship between the phenomena investigated and finding as much information as possible from the phenomenon.

### **Data Collection Procedure**

The data taken is visible in humans, perceptions, attitudes and beliefs. The ethnic data is intended to explore the process and experience, to understand the culture of informants. Data is collected by a flexible design so that the desired information can be obtained. The process of collecting data was used by several methods, such as it was involved in activities in the village / district of Jabung, aims to introduce the existence of researchers to residents of the study site. In depth interview was aims to explore deeply about the cultural values held by the community in running its business. Observation, which is to digital information in the form of events, places, or locations. Recording of informants (both key informants and supporters). It make phenomenological notes.

### **Research Informants**

According to Moleong in Ardianto defined that research informants as follows: "Informants are people who can provide information or information about the problem being studied and can act as a resource during the research process" (in Ardianto, 2011: 61-62). The selection of informants in this study uses a purposive sampling technique, as conveyed by Sugiono (2009: 54), said that purposive sampling is a data source sampling technique with

the consideration that the informant is most knowledgeable about the conditions of agricultural governance. Many informants chosen purposively were also based on the objectives of this study, which wanted to know about understanding on agricultural governance.

#### D. Data Analysis Techniques

From interviews, field notes and documentation by organizing data into categories, describing them into units, synthesizing, learning and making conclusions, so they are easy to understand. Qualitative data analysis is inductive, then developed into certain patterns of relationships or patterns of causal relationships and even become propositions. If based on data collected repeatedly with triangulation techniques and it turns out that the proposition is accepted, the proposition can develop into a theory.

According to Nasution (1988: 173) stated that the analysis has begun since formulating and explaining the problem, before plunging into spaciousness and continues until writing the results of research. In qualitative research, data analysis is more focused during the field process together with data collection. Data analysis in qualitative research, carried out at the time of data collection takes place, and after the completion of data collection within a certain period.

At the time of the interview, researchers have an analysis of the answers interviewed. If the answers interviewed after being analyzed were not satisfactory, then the researcher would continue the question again, to a certain extent, obtained data that was considered credible. Data obtained from the field were analyzed through stages:

1. Data reduction: Categorizing and reducing data, which is collecting important information related to the research problem, then the data is grouped according to the topic of the problem.
2. Data collection: The grouped data is then arranged in the form of narratives, so that it takes the form of a meaningful series of information in accordance with the research problem.
3. Presentation of data: Interpreting data that is interpreting what the informant has interpreted the problem under study.
4. Drawing conclusions: Making conclusions based on the composition of the narrative that has been compiled in the third stage, so that it can provide answers to research problems. In some cases, simple statistical tools and pictures are used to provide illustrations of relationships between certain conditions or conditions.

#### Research Location and Time

This research was conducted in the village/sub district of Jabung, carried out in the year 2019. This year 1 will be held from April to September. And the year 2 will held in 2020.

## 4. RESULTS AND DISCUSSION FOR STRATEGY CONCEPTUAL RESEARCH.

The results of this study were identified from the data collecting and observation,. The research results will also hope be included in one of the chapters in the book of entrepreneurship. The research results are;

1. Social entrepreneurship in that sub-district area Jabung are very important. The farmer condition with big agricultural area, The farmers are still trying and finding the ideal model. The social entrepreneurship is very important to know so that it can increase the value of an area.
2. The problems in the agricultural business is to get the good price in selling the agricultural product. The product as supply chain area, and the role of downstream industries. This value system of each in order to know a reasonable profit margin on each supply chain line. In some case, the farmers is has dificultie to get the good or the best price because cannot direct selling to end industry user.
3. That is need develop social entrepreneurship that tod developed the farmes in selling the agricultural prosuction. With the social entrepreneurs in an area in order to developed the farmer will improve food security in that area and increase the regional resilience.
4. With identyfing of the sosial entrepreneurship in that Jabung village, we proposed the solution by developed entrepreneurship dan building the village cooperative unit to carryng the agricultural production in that area. .

#### The Discussion and Strategic Development

##### A. Strategy for Zone 1: Exploitation

It assumed that a stable and shared frame within which adaptive and incremental development and take a good place in Jabung district. Routes are associated with refining tools and methods for technological and market research, deepening relationships with established key players. Examples would be working with a key supplier, get closer to customers. There are many social entrepreneur can help and build for new strategy, then delivery established by innovation. In this case, process innovation is enabled by inviting suggestions for incremental improvement across to the organizations such a high involvement by social entrepreneurs about agriculture business.

Since, it provides ideas with frameworks and tools for identifying and understanding a team needs. A key role in this process, actually essentially use simulate and create for basic human resource management about business capital. So, another effort has focused by details knowledge and skills that local people can make a product and services in Jabung district.

##### Strategy for Zone 2: Exploration

It was involves a new territory, push the frontiers about what a local people known and deploying for different technique. But, it still do an established framework and research development for next innovation to growth up with local government. Market research aims to get close to customers, but to put the frontiers via empathic design,

latent needs analysis, then approach for organization about social actions.

For this point, many social entrepreneur such farmers can interesting since there may get a significant opportunities about business capital flows. Indeed, local people can start-up for new business by agriculture product with high specialized knowledge assets. For examples, high technology spin outs from universities, may be feature strongly on the positive radar screens by laboratories entrepreneurship of large established organizations looking to explore more innovation and to extend another farmer activities.

Strategy for Zone 3: Reframe

It was essential associated with reframe in the fact that a deep knowledge base underpinning local business based on particles coated on surfaces. It also involves a positive space such as alternative entrepreneurs are generate, explore different permutations and combinations of elements in the environment. Importantly, this happens by working with fringe markets, looking at the bottom of the pyramid or collaboration with extreme users.

This third zones often favors agriculture entrepreneur on the outside of established organizations because of they can see a good ways such a piece together differently suggestion with local government. This can involve pushing technology with farmer innovation in the core that offer or process it by economic conditions.

## 5. CONCLUSION

This research has identifying the farms problem in the villages, to need the action solution. For next stage, continuing for the next research, is the development of entrepreneurs such as in rural areas or agricultural areas. In addition, the local community needs assistance and coaching related to plan about financial planning and business risk analysis. So, they can maximize revenue and produce other outputs such agriculture product to increase their income.

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