

# The Develepoment of Agribusiness Financial Institution of Sub Sector Marine and Fisheries in

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## The Development of Agribusiness Financial Institution of Sub Sector Marine and Fisheries in Jember Residence.

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### **Abstract.**

*The research was motivated by the lack of institutional financing and lack of partisanship against the owners of capital in business activities and the marine fisheries sub-sector. Considerable potential for this is still not optimized as a potential market financial institutions that feasible. Actually the government has begun trying to give a stimulant to introduce a variety of empowerment programs. However, the level of implementation is still not as expected. Based on this background this study aims to determine the pattern of existing financing, the difference in income of the people who take advantage of such financing, find out the factors that affect the public interest. The results showed that the pattern system has a mechanism as a mechanism formal and nonformal not different. Interest in financing patterns are influenced by level of education ( $X_1$ ), age ( $X_2$ ), the old business ( $X_3$ ), the experience of other capital gain ( $X_4$ ), access ( $X_5$ ), and the distance to the location ( $X_6$ ).*

**Key words:** financial institution, agribusiness

### **I. INTRODUCTION**

Society who live in the coastal area and work in the sub sector of fishery and maritime are identical to the backwardness compared with another sectors. One of causal factors is lack of financial institution (agribusiness) that supports this sector. It is estimated that this event occurs because of lack of financial institution in the area of fishery and maritime. Finance, in this case, becomes focus of attention because basic problem which happens to this sector is the limitation of these actors in the discipline of financial access.

Restrictiveness of financial access is indicated to the realization of capital through public and personal investment that is about 0.02 percent of the whole development capital. Heretofore, accomplishment of societal capital is more of depending on non-formal and personal financial institutions that economically enlace society in this sector toward bad debts. Wholesaler and other owner equity tend to manifest as a strong non-formal financial institution in the activity of this sector. Mechanism of capital accomplishment given is based on closeness and trust with certain qualification which economically develops and reinforces financial institution that does not support society (Kusnadi: 2006).

Actors of this sector have restrictiveness of accessibility that is susceptible to facility of banking formal credit. One of causal factors is lack of requisite of qualification that is fixed by formal financial institution. This restrictiveness makes actors of agribusiness in this sector to be difficult corresponding with the financial institution.

From the side of allocation, during the last decay allocation of credit in the sector of agriculture included sector of fishery and maritime is less than 10 percent of the total credit that is canalized to the other sector. System of conventional banking that is running rightnow is neglected other sector. The allocation of unstable credit is not caused by very low support to this sector and rule of the game (institution) of credit that is very stiff, mainly for the actor of agribusiness and agroindustry in the rural. Access for the actor of agribusiness that is low on source of capital needs a creation of financial institution which is very exact in this sector. Support of strong policy is very needed to create a strong and health financial institution to support the development of agribusiness and agroindustry in the rural.

According to Ulfa (2004) in her research about The Influence of Program PEMP to Income of Fisherman is concluded that beneficiary of finance of program DEP experiences improvement of income significantly. Factor of capital is a very influent factor in improving the income of society. As had been the practice, society in the coastal area in accomplishing the source of finance to business finance is facilitated from the source of formal finance and non-formal finance.

Based on the explanation, the emerging problems in this research are 1) is there any difference between society who gains formal and non-formal finance? And 2) what kind of factors influence the interest of society to utilize non formal finance? From the problems, the purposes to achieve in this research are 1) analyzing the difference of societal income that is gained from formal and non-formal finance, and 2) analyzing factors that influence the interest of society in utilizing non-formal finance.

### **2. Research Methodology**

Research methodology that is used is descriptive, whereas this location of research is in the coastal area, Mojomulyo Village, Puger Sub district, Jember Regency. The reason chooses this location because this village has a very large number of fishery household. They are 509 Fishery Household (RTP). Methodology in taking the sample that is used in this research is "disproportionate stratified random sampling" with a number of sample is 60 respondents who

represent the community of society work in the field of cultivation, fishermen, trader of seafood, and processing. Instrument of statistical analysis that is used is (1) test of average difference for two of independent samples (*Independent Sample T-Test*), to answer the first problem is that, the difference of societal income that gains the finance from the source of formal and non-formal finance. (2) Bifilar Linear Regression, to answer the second problem, is that what kinds of factors influence the interest of society in utilizing non-formal finance.

### **3. Analysis and Discussion**

#### **3.1. Characteristic of Respondent**

Based on field data collection through spread of questioners can be depicted characteristics of respondents as follows:

##### **a. Based on type of job**

Respondents who work in the field of cultivation are 33.33%, fishermen are 38.33%, traders are 3.33%, and processing are 25.00%. From these characteristics, respondents are the whole of main component from businessmen in the subsector of fishery and maritime in the coastal area with the domination of cultivation and fishermen. While business related to the creation of added value is traditional business, such as processing of small fish and preserve large fish.

##### **b. Based on level of education**

Respondents who have level of education equivalent to elementary school or who do not finish their education in the elementary school are 80%, level of education equivalent to lower secondary school are 18.33% and level of education equivalent to senior high school are 1.66%. Respondents who have higher education have profession as an owner of business. These characteristics of respondent are consistent with the researches about the coastal society that more than 80% of the society in this area does not finish level of elementary school. Oftentimes, this condition becomes an obstacle because society in the coastal area becomes unlucky enough. They are difficult to innovate and have an obstacle of communicative access in searching the source of competitive finance to develop their business.

##### **c. Based on age group**

Respondents who have age 20-30 years old are 11.63%, 31-40 years old are 35.00%, and 41-50 years old are 28.33%. Respondents who have age more than 51 years old are 25%, and more than 41 years old are 53.33%. It shows that most of respondents has had experience in their business, included how they, so far, access the source of finance for their business activity.

##### **d. Based on Income**

Respondents who have income <1.000.000 are 26.66%, 1.000.000-1.999.999 are 28.33%, 2.000.000-2.999.999 are 11.66%, 3.000.000-3.999.999 are 3.33%, 4.000.000-4.999.999 are 13.33%, and respondents who have income more than 5.000.000 are 16.66%. The respondents' income seems that 54.99% of respondents' income is less than 2 million rupiah. It is sure to be another problem considering that operational finances of business in this sub sector is large enough, as well as burden of family. Respondents who have a big income are respondents who are in processing business. This character assigns that society who work in the sector of fishermen tends to be unlucky.

##### **e. Based on Length of Business**

Respondents who have business between 1-10 years are 25%, between 11-20 years are 36.66%, between 21-30 years are 26.66%, and respondents who have business more than 31 years are 25.005%. 75% respondents have run their business more than 10 years. It describes that respondents have experience and included how the business finance is fulfilled.

##### **f. Based on Source of Capital**

Respondents who gain financial capital from formal capital source are 50%, from non-formal capital source are 31.66%, and from individual modal are 18.33%. As the result of study and previous research prove that source of non-formal finance also dominates how respondents fulfill their necessity of business finance.

#### **3.2. The Difference of Societal Income that Chooses A Pattern of Formal and Non-Formal Finance**

To know the difference of income between society who choose a pattern of finance from formal and non-formal financial institution is used analysis of statistic by using test of different rates for two independent samples (*Independent Sample T-Test*). Source of finance from non-formal financial institution in this research is included

source of business finance which comes from individual capital. The result of accounting is shown on the table below

Table 3.1  
The result of Test of difference to Societal Income which Chooses a Pattern of Formal and Non-Formal Finance

	Nonformal;Formal	N	Mean	Std. Deviation	Std. Error Mean
Income	Non Formal	30	3,491,666.67	2.477E6	452,242.709
	Formal	30	3,330,000.00	1.831E6	334,359.913

Source: Primary Data

On table 3.1 shows that respondents' income average that chooses the pattern of formal finance is Rp. 3.330.000.00 while the respondents' income average that chooses a pattern of non-formal finance is Rp. 3.349.166.67. If it is observed from the difference of the value, average difference of respondents' income that chooses a pattern of formal finance and that chooses a pattern of non-formal finance is Rp. 161.666.67. If it is observed from the condition of field, the average different value is not too influential to income.

Statistically, it is shown that value of t-hitung is 0.287 with value of probability which is more than 0.05 (value sig. 2 tailed 0.775 > 0.05). As the result of analysis shown on the table below:

Table 3.2  
Independent Sample Test

	Levene's Test for Equality of Variances	t-test for Equality of Means								
									95% Confidence Interval of the Difference	
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Income	Equal variances assumed	.897	.348	.287	58	.775	161,666.67	562,423.345	-964,145.977	1.287E6
	Equal variances not assumed			.287	53.410	.775	161,666.67	562,423.345	-966,209.440	1.290E6

Source: Primary Data

Respondents' income that chooses non-formal finance is larger than formal finance because society gain added fund like easiness from financier which is used to run their business activities. While, respondents who choose formal financial mode have lower income on average because they have to accomplish burden of competitive interest, whereas, on the one hand, societal business is undetermined because of both climate and another factor. It is in line with business characteristic which is in coastal area, is that the influence of season.

Factor of season which plays a role in the production of fishery is one of determined factors. At least, based on criteria of Indonesian Statistic Bureau -Biro Pusat Statistik (2012), season of fishing is differentiated to be 3 (three) seasons:

1. Peak season is moment in which the result of fishing/production is maximal. It occurs because many fishes are in the sea and there is no an obstacle like (weather and wave) in September-December.
2. Normal season is moment in which the result of fishing is on average. It occurs because fishes are in the sea on average in Mei-August.
3. Famine season, is season in which the result of fishing is minimal it occurs because fishes are very a little in the sea or there is an obstacle like a bad weather. It usually occurs in January-April.

While processing the result of fishing depends on the result of fishermen activity. On the other hand, societies, in famine season, do not have another business. Oftentimes it becomes the reason why societies in the coastal area become left behind. Support of another skill, out of their business, needs to develop. Potency of nature in the coastal area can be an alternative way to develop business when famine season is going on. One of alternative ways is it needs a stimulant of government to support the development of maritime tourism and another activities such as development of handicraft from sea material.

This effort reinforces the result of questionnaires done by respondents in which it has been described in the discussion of respondents' characteristic that 29.99% respondents' income which is over Rp 4.000.000, 00 works in the field of processing. In this context, development of skill, out of their business, as explained above is potential to develop.

### 3.3. The Interest to Source of Non-Formal Finance

The activity in the sub sector of fishery is very capital-intensive. The very large capital is addressed to buy the infrastructure of production, like boat, dragnet and machine. Sources of finance from fishermen are savings and individual wealth, loan from relatives or neighbor or boss. Problems of providing a capital facility often get an obstacle for fishermen to keep their consistency or to keep their business alive. The difficulty to accomplish capital is felt by fishermen because they have restricted access to sources of capital provided.

In the life of fishermen, family and relatives bond, neighbor and friend locally is a primary group becomes a basic unit as a shaper of society and determiner keeps teamwork among them.

Position and function of primary group is very important in the social life of fishermen. Family is institution which has a very high flexibility to minimize or to extend their circle of members in order to accomplish their daily necessity and to adapt to social condition of economic change. Thereby, family is social unit that is very stable. The interrelationship of relatives in the case of economy, assistance, and social protection is interrelationship of relatives (Kusnadi, 2000). Social relationship that is shaped among members of primary group not only contributes their viability, but also plays a role in creating social unit that is stable and sustainable included how societies are dependent one another in their field of business and in the field of capital accomplishment for their business. It means that accomplishment of non-formal capital source tends to be interested to this source of finance.

The interest of society to the source of non-formal finance can be explained on table 3.3 as follows.

Table 3.3  
The Result of Bifilar Linear Regression Test  
The Interest to the Source of Non-Formal Finance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.510	.449		1.138	.260
Education	.005	.005	.128	1.064	.292
Age	.022	.010	.339	2.143	.037
Length of Business	-.032	.011	-.516	-2.989	.004
Burden of Family	-.032	.046	-.088	-.688	.495
Easiness	.254	.088	.401	2.888	.006
Distance	.084	.082	.144	1.029	.308

Source: Primary Data

From the result of statistical analysis test as shown on table 3.3 above, the interest of society to non-formal finance can be explained in equation as follows:

$$Y = 0.510 + 0.005X_1 + 0.022X_2 - 0.032X_3 - 0.032X_4 + 0.254X_5 - 0.084X_6$$

Notes:

Y = Interest of Non-Formal Finance X1=Education, X2= Age, X3= Length of Business, X4= Burden of Family  
X5 = Easiness, X6= Distance

Based on the equity can be explained that:

1. The higher of education level will increase the interest to non-formal financial institution. It considers that 80% respondents have level of elementary school/unfinished elementary school so that level of higher education enables respondents to choose their source of finance included by comparing with source of formal finance.
2. The older of respondents will increase the interest to non-formal finance. It occurs because respondents who have ages over 40 years old more than 50%. It means that they have had experiences to gain source of finance and have been attached by the owners of capital so that respondents tend to be difficult to change their source of finance to another financial institution.
3. The longer of business which is run by respondents will decrease the interest to non-formal finance. It occurs because respondents who have run their business since long time tend to think financial alternatives because of bad experience such as respondents are ever enticed a debt by the owners of finance.
4. The more burden of family will decrease the interest to non-formal finance. It is explained that respondents who have much burden of family tend to think without considering burden from non-formal finance because with their fewer income, they regard that it is enough to accomplish their family's necessity.
5. The easier of access and service will increase the interest to non-formal finance. This equity is the main reason why respondents are interested to non-formal finance.
6. The further of the location of non-formal financial source will decrease the interest to non-formal finance. While, the value of test t shows that the significance of constant and independent variable as follows:
  1. The significance of constant;  $\text{sig} = 0.260 > 0.05$  shows that constant does not influence significantly to the interest of non-formal finance.
  2. Significance of educative variable;  $\text{sig} = 0.292 > 0.05$  shows that variable of age does not influence significantly to the interest of the non-formal financial source.
  3. Significance of age;  $\text{sig} = 0.037 < 0.050$  shows that variable of age does not influence significantly to the interest in choosing a non-formal financial source.
  4. Variable Significance of the length of business;  $\text{sig} = 0.004 < 0.050$  shows that variable of the length of business does not influence significantly to the interest in choosing non-formal financial source.
  5. Variable significance of family's burden;  $\text{sig} = 0.495 > 0.050$  shows that variable of family's burden does not influence significantly to the interest in choosing non-formal financial source.
  6. Variable significance of the easiness of access;  $\text{sig} = 0.006 < 0,050$  shows that variable of the easy access does not influence significantly to the interest in choosing non-formal financial source.
  7. Variable significance of distance;  $\text{sig} = 0.308 > 0.050$  shows that variable of distance to capital source does not influence significantly to the interest in choosing non-formal financial source.

#### 4. Conclusion

Based on the result of analysis and discussion in the previous research can be concluded that

1. Statistically, there is no difference of income which is significant between respondents who access the source of formal finance and respondents who access non-formal finance. The diversification of skill is needed to improve the societal income in the coastal area.
2. The interest to financial source is influenced by education, age, the length of business, burden of family, easiness, and distance to non-formal financial institutions.
3. Variable which is influent significantly to the interest in choosing non formal financial source is age, length of business, and the easy access/service. While, variable of education, burden of family, and distance to the location of financial source are not influent significantly to the interest in choosing non-formal financial source.

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