

CHAPTER I INTRODUCTION

A. Background

Micro, Small, and Medium Enterprises (MSMEs) have a very significant role in the economy, especially in creating jobs, reducing unemployment, and contributing significantly to the creation of added value for the Gross Domestic Product (GDP). So that MSMEs become one of the factors that will determine the rise or fall of economic growth in Indonesia. The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) in March 2021, MSMEs contributing significantly to GDP of 61.07 % or equivalent to IDR 8,573.89 trillion. In addition, MSMEs can absorb 97% of the total workforce and dominate 60.42% of total investment in Indonesia. As stated in the 1945 Constitution, article 33, paragraph 4, it is indicated that MSMEs are part of the national economy that is self-reliant and has excellent potential to improve people's welfare.

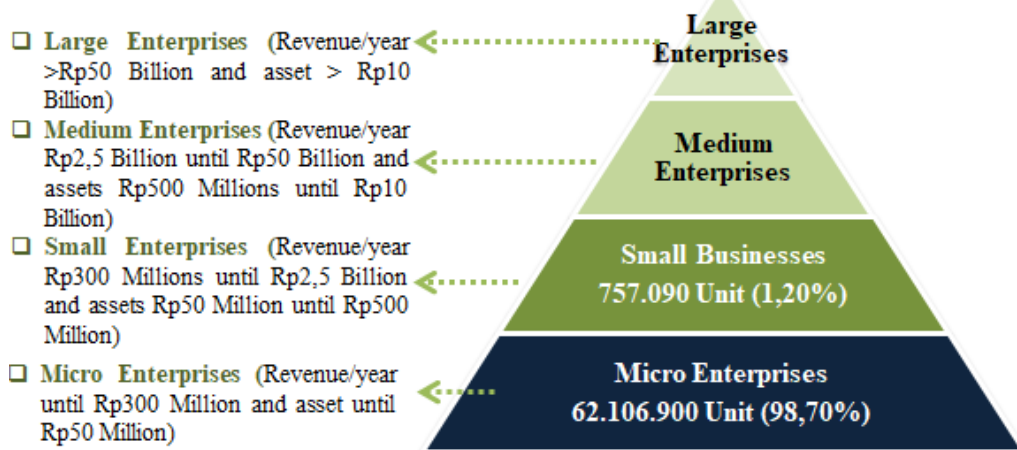


Figure 1. Existing Conditions of MSMEs in Indonesia 2021

Source: Kemenkop UKM 2021

According to Kemenkop UKM (2021) stated that in Indonesia, there are 62,928,077 MSME units spread throughout Indonesia. Among them are 62,106,900 units or 98.70% for micro businesses, 757,090 units or 1.20% for small businesses, and the rest for medium and large businesses. Micro-enterprises

are noted to dominate the distribution of MSMEs in Indonesia. Although the majority of MSMEs are driven by the lower middle-class population, over time, the development of MSMEs is expected to have the potential for new businesses that are much more developed.

West Sumatra is one province with many leading MSMEs engaged in the agricultural and non-agricultural sectors. It is influenced by the trade culture highly maintained by the people of West Sumatra so that it could give birth to many leading MSMEs. The distribution of MSMEs follows the population. Padang city, with a population of more than 17% of the total population in West Sumatra, has contributed to MSMEs of 15.46%. This percentage is relatively high compared to other cities or districts. Besides Padang city, there are Agam Regency, 50 Kota Regency, and Tanah Datar Regency, which are the three regencies with the highest number of MSMEs in West Sumatra.

Lubuk Minturun is one of the centers of agro-tourism in the city of Padang, West Sumatra. Agro-tourism is a regional development based on agricultural tourism which aims to increase the region's attractiveness and develop potential with sustainable principles (Soemarno, 2008, p. 4) in (Putri, 2016). Besides having beautiful natural attractions, another characteristic of Lubuk Minturun agro-tourism is many ornamental plant traders along the Lubuk Minturun causeway. Not only sellers of ornamental plants but also traders of agricultural infrastructure ranging from fertilizers to planting media.

In Lubuk Minturun, there are many plant seed traders along the main causeway. This is the main attraction and center of ecotourism in Lubuk Minturun. In general, there are two categories of plant seed traders in Lubuk Minturun, namely: 1) Breeder Farmers, is farmers who propagate seeds directly and then sell them for commercial purposes; 2) Seed traders, is people who buy seeds from breeder farmers, then sell them back to consumers without carrying out the process of cultivating seed propagation.

The growing number of breeder farmers and ornamental plant traders in Lubuk Minturun also contributed to the increasing number of MSMEs in Padang. Based on service data from Kementrian Investasi/BKPM (2022), Plant Breeding Sector becomes one part of the MSMEs that support the contribution of people's

business development. In addition to smallholders and traders, there are supporting institutions such as the Central Seed Lubuk Minturun, the Padang City Agriculture Office, Agricultural Development Vocational Schools, and the Marine and Fisheries Service. All of these stakeholders are interrelated with each other in the Lubuk Minturun agro-tourism area.

Central Seed Lubuk Minturun is a provider of certified horticultural and food seeds. Central Seeds of West Sumatra is located in Lubuk Minturun, Padang City, West Sumatra. There is cooperation between the Seed Center and breeder farmers. Breeder farmers benefit from the program owned by Central Seed Lubuk Minturun. The program is the Seed Multiplication Program. Central Seed Lubuk Minturun works with breeder farmers to reproduce seeds. The Seed Multiplication Program is carried out by Central Seed Lubuk Minturun to meet the need for seeds to be supplied for City and Provincial Government programs, such as the Planting of a Thousand Trees Program, Reforestation Program, or programs carried out by private institutions that meet the need for seeds in large quantities.

Central Seed Lubuk Minturun focuses on assisting farmers in multiplying plant seeds. To control the quality of the seedlings, seed propagation must be done using certified mother trees. Mother trees are among the most important assets in any nursery from which hundreds 3-4 inch scions are taken and then grafted onto rootstocks, producing hundreds more of the same variety. Seed certification is a series of activities for issuing seed quality certificates carried out by certification bodies through field inspections and laboratory tests. So that the mother trees used to produce plant seeds are controlled and their quality is guaranteed. Based on data from the UPTD Balai Pengawasan dan Sertifikasi Benih of West Sumatra, there are several mother trees in Central Seed of West Sumatra, including Jeruk Siam Gunung Omeh, durian sunan, durian sukun, durian matahari, durian hepe, siam madu orange, siam banjar orange, keprok kacang orange, pomelo ratu orange, keprok batu 55 orange, keprok madura orange, keprok terigas orange, dan keprok tejakula orange. For more complete data on the number of mother trees, contained in the Appendices 1.

Cooperation between Central Seed Lubuk Minturun and breeder farmers is not only in the process of cultivating and certifying seeds. But also in product

marketing. Central Seed Lubuk Minturun needs a supply of seeds from breeder farmers to fulfill the programs they have. And on the other hand, breeder farmers will indirectly be assisted in the seed marketing process. Apart from assisting in the seed marketing process, Central Seed Lubuk Minturun also offers cooperation to assist breeder farmers in providing access to initial capital for the production process. This access to capital helps breeders in meeting input costs such as planting media and the process of controlling seeds before they can be distributed.

With the establishment of this collaboration, it is expected to increase the capacity and capability of the breeder farmers in developing their business. The access to capital provided is expected to help breeder farmers in maximizing the productivity of the business. It is also necessary to analyze how effective the collaboration between breeder farmers and Central Seed Lubuk Minturun, because the main thing that must be considered in the business is sustainability. Short term breeders may be able to gain access to sufficient capital from short term programs. This means that when in the future this program is no longer offered, the Breeder farmers must be prepared for business independence. Therefore it is important that this research is carried out in order to optimize the cooperation of the breeder farmers and Central Seed Lubuk Minturun with the principle of sustainability.

B. Research Problem

The collaboration between Central Seed and the breeder farmers occurred because there was a demand for seeds that Central Seed could not fulfill. Therefore, Central Seed collaborates with breeder farmers in producing seeds to meet demand. Apart from that, as feedback from this collaboration, breeder farmers can apply for venture capital assistance to Central Seed. This certainly helps breeder farmers in overcoming the high input prices that must be paid, such as the cost of fertilizer and the purchase of planting media. However, to establish this cooperation, of course, there are procedures and requirements that must be followed. First, as a form of guarantee for the capital they lend, Central Seed Lubuk Minturun requires breeder farmers to sell the seeds they have produced to Central Seed Lubuk Minturun themselves. The price of the seeds is determined by Central Seed Lubuk Minturun by obtaining an agreement with the breeders.

Second, of the procedures is to produce seeds from certified mother trees. Because the quality of mother trees will affect the seedlings that will be produced. Third, that must be considered is that it is necessary to reconfirm the quality of the tillers that have been produced whether they are of good quality or not. To ensure that the seed produced is of good quality, the breeder farmers must have a seed quality certificate. The seed quality certificate itself is a description of the quality of the seed given by the certification farmers of ready-to-distribute seeds that have been tested in the laboratory. So that with this seed quality certificate, it will guarantee the seeds have been produced are in good quality and ready for distribution.

Breeder farmers have a big challenge to produce good quality seeds. In order for a seed quality certificate to be issued, the Breeder farmer must carry out a control process at the cultivation process. The nursery technique will determine the quality of the seed produced. On average, breeder farmers in Lubuk Minturun propagated via vegetative cloning. Vegetative cloning is a process of plant propagation by using vegetative parts of plants such as roots, stems or leaves to produce plant seeds that are the same as their mother trees. The advantages in using plant propagation by vegetative means include: 1) the young plants are relatively short; 2) plants reproduce faster; 3) can be applied to plants that do not produce seeds; 4) the better traits of the parents can be inherited; 5) can grow on soils that have shallow soil layers because they have a shallow root system.

The process of vegetative propagation of plants can be done using the following techniques such as Air Layering, Simple Cuttings, Chip-budding, Top Cleft Grafting, Green Cleft Grafting. Based on data from Central Seed Lubuk Minturun itself through direct interviews, the average breeder farmer in Lubuk Minturun can produce around 2,000-8,000 durian plant seeds, and 5,000-20,000 for the seeds of the Jeruk Siam Gunung Omeh in one production stage. Many factors affect the production scale of each breeder starting from the ability or expertise of the breeder farmers themselves in carrying out the production process, the level of availability of buds (buds that will be used as scions in plant propagation), land area, to control of external influences such as weather, moisture content, humidity in the production process.

Breeder farmers carry out the production process starting from the provision of tools and materials, the production process which includes the seed multiplication process, the plant monitoring process which includes watering, weeding activities, and finally the post-production stage which includes seed distribution activities to end consumers, agents, and Central Seed Lubuk Minturun as an institution that works with breeder farmers. This production period can take 3-4 months for durian commodities, and 7-8 months for Jeruk Siam Gunung Omeh seed commodities.

A long production process certainly requires large costs in purchasing input costs. Starting from the cost of buying planting media, fertilizer to transportation costs. Every business actor has a common problem in limited business capital for the production process. Based on West Sumatra BPS data (2021), as many as 81.20% of business actors expect capital assistance. The same thing happened to the seed breeders in Lubuk Minturun. With relatively high input costs, they need assistance to develop seed production. To answer the challenge of seed demand, breeder farmers need access to sufficient capital so that it can be allocated for the production process. This problem is a strong reason for breeder farmers to cooperate with Central Seed Lubuk Minturun. Of course this is a collaboration that can be mutually beneficial. Central Seed Lubuk Minturun can meet the needs of seeds by getting supplies from breeder farmers. And on the other hand, breeder farmers also get business capital guarantees to carry out the production process from Central Seed Lubuk Minturun.

However, in practice, breeders farmer become dependent on the collaboration with Central Seed Lubuk Minturun. It is evidenced by the average breeder making repeated capital loans to Central Seed Lubuk Minturun for the production process. The revenue generated from the distribution of seeds should be 'turned around' for further production, but in reality, the breeder farmers make repeated loans for the next production. So this will threaten business sustainability when Central Seed Lubuk Minturun does not provide more seed distribution programs.

This study tries to examine the effectiveness of microfinancing cooperation between perennial plant Breeder farmers and Central Seed Lubuk Minturun, with the formulation of the problem:

1. How is the accessibility of microfinance cooperation between Breeder Farmers and Central Seed Lubuk Minturun ?
2. How effective is microfinance cooperation between Breeder Farmers and Central Seed Lubuk Minturun?

C. Research Objectives

1. Analyzing the accessibility of microfinance cooperation between Breeder Farmers and Central Seed Lubuk Minturun.
2. Analyzing the effectiveness of microfinance cooperation between Breeder Farmers and Central Seed Lubuk Minturun.

D. Benefits of research

1. Breeders can optimize collaboration with the Central Seed Lubuk Minturun.
2. Hopefully, the Central Seed Lubuk Minturun can optimize the capital lending system that is carried out.
3. For the Government, this research is expected to be used as input and information in managing and developing sound financial institutions.
4. For new business actors, hopefully, they can get an understanding of how the business capital system is and be able to determine the right strategy in deciding on business capital loans.
5. For Academic purpose, useful as a reference and guide for further research.