Lending Models Seaweed Farming of Bajo Community

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ABSTRACT
The research was aimed to determine the lending models seaweed farming of Bajo community. The experiment was conducted from March to September 2013. This research was a case study on seaweed farmers in the village of Bungin Permai, Konawe South District, Southeast Sulawesi, Indonesia. Community in this village are the majority seaweed farmers of Bajo, a tribe whose life is highly dependent on marine resources and the village that is located in the middle of the sea (floating village). The data collected was primary data and secondary data through observation and interviews in farmers, farmer groups, merchant groups, and lending institutions. Data were analyzed using cash flow analysis, and qualitative descriptive analysis. The results showed that, the financing model of seaweed farming in the village of Bungin Permai was a model of traditional loan, where the lender is referred to as Pontawai/bos will buy dried seaweed production from farmers by a margin of IDR 1,500 from the current price in the market. There were no pure bank funds channeled to the development of seaweed farming in the village of Bungin Permai. The proposed financing model was a model of financing with terms and procedures tailored to the cash flow of business conditions, natural conditions, social and cultural community in the village. To develop the potential of seaweed in Bungin Permai village and farmers can produce economies of scale, it is expected that the support provided by the Government and lending institution and can be adjusted to the conditions farmer cash flow, social and cultural communities.

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INTRODUCTION

Capital becomes one of the factors that determine the level of production. The low level of production resulted in the inability of farmers to meet the demand of exporters. Likewise, the limited borrowing funds from outside parties, so people often have difficulty liquidity. The results of the research Nazam et al., (2004) reveal, that the ability of farmers and fishermen in the provision of equity capital is still low (35%), while 65% still depends on the loan. Generally, a loan granted by the traders on the condition must sell their products to middlemen concerned with a slightly lower price than others. Capital beginning of the operation, especially for the purchase of construction materials and a raft of initial seeds.

Lending model is a set of requirements and procedures that must be met by the debtor to the creditor lending. In agriculture, lending relative more complicated models because of the special nature of the business fields of agriculture, such as the high uncertainty of the results, the uncertain harvest season, and the fluctuation in the price of agricultural products. These circumstances led to the credit provider to the agricultural sector at great risk and therefore requires special requirements in order to extend credit to the agricultural sector (Nelson and Murray, 1976). So far the farmers have not dared to borrow at the bank, only a few farmers and traders who come in contact with the bank. The dominant issue in the lending program is a funding model that does not meet the expectations of farmers, where the transaction process there is a risk that the credit would be borne by the borrower. These risks will occur when expected income of farmers to repay the loan can’t be met. Specifically, microfinance provides financial services such as payments, loans, savings, and insurance to poor people, enabling them to easily transfer money, increase income, smooth consumption, and financially protect themselves from unexpected risks (Zhang and Wong, 2014).