The Role of The Government And Sharia Banks on MSME Communities And Coffee Farmers in Increasing Production Results to Fulfill The Export Needs of Arabica Coffee on Central Aceh District

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Abstract

The role of the government and Islamic financial institutions, both Bank Aceh and Bank Syariah Indonesia BSI, is certainly highly expected by MSME actors and coffee farmers in Central Aceh in responding to limited financial access which has been the dominant factor affecting the level of production quality and price stability of Arabica coffee complained by farmer. This study aims to determine the role of the Government and Islamic Financial Institutions towards MSMEs and Farmers in improving the quality of production and fulfillment of Arabica Gayo coffee exporters in Central Aceh Regency. This research method uses a qualitative design with case study research technique. Types of data collected are in the form of primary and secondary data. The results of this study are very useful and can be an insight for the government and financial institutions, both banks and non-banks, to continue to focus on providing sufficient access to the capital for farmers, MSME, and cooperatives in order to boost the quality of Arabica Gayo coffee production which is superior as one of Indonesia's philanthropic products for world.

Keywords: The role of government, banks, export quality, Arabica coffee

1. Introduction

Various policies and programs have been carried out by the Government of Central Aceh Regency in order to answer various dynamics and obstacles faced by coffee farmers and MSME in Gayo in improving the quality of production as well as efforts to maintain price stability which often experiences uncertainty resulting in the descending of the quality of coffee production produced by local farmers after the Covid-19 disaster which paralyzed the entire world economy and brought a very massive effect for Farmers and MSMEs in Aceh and Indonesia.

This condition is certainly very worrying for farmers and MSME in maintaining the balance of their coffee commodity prices so that both parties do not incur loss by the price. This possibility can happen if the purchasing power of MSMEs is due to the weak purchasing power of a number of recipient countries including Belgium, United Kingdom, Italy, United States of America, Hong Kong, Taiwan, the Republic of Korea, Australia, which are currently still experiencing a critical phase but have passed a critical phase for a number of farmers in the Gayo highlands region (Alqarni, 2020).

Gayo Arabica coffee is one of the most sought after commodities in the international market. However, the coffee productivity is considered not optimal. The local government has made efforts to increase coffee productivity intensively, on the other hand the amount of Gayo Arabica coffee productivity is not optimal in which the average productivity is around 750 kilograms per hectare per year resulting in the decreasing of the production quality. This amount is still minimal compared to the actual potential. According to the Gayo Coffee Protection Society (MPKG), the potential productivity of
Gayo Arabica coffee can reach 2,000 kilograms per hectare per year if treated optimally. To achieve the quality of Gayo Arabica coffee production at 2,000 kilograms, of course, sufficient quality of fertilizers and other efforts are needed in order to improve the quality of Arabica coffee. The high cost of fertilizers and the lack of access to finance owned by farmers are of course a serious obstacle that must be solved by the government and existing financial institutions, both banks and non-bank financial institutions (Juliaviani, 2021).

On the other hand, the process of planting, treating, harvesting, and processing coffee that takes so long has been carried out well by Gayo highland farmers. The efforts to improve the quality of production continue to be carried out in the hope that the price quality of Gayo coffee can be the only hope of the farmers so as not to fall freely like during the Covid-19 outbreak in Aceh and the world. Covid-19 has at least hit the value of the price of farmers' coffee at the selling price which has decreased by 50 percents from the price of Rp. 110,000 to a price of Rp 60,000 thousand per kilogram (Afriamah, 2021).

This condition is certainly not proportional to the length of the Gayo Arabica coffee processing and the lack of access to funding owned by the farmers, resulting in weak production power produced by local farmers. The role of the government is certainly highly expected regarding this condition. The government as a regulator can certainly involve existing financial institutions, both banks and non-bank financial institutions, to be equally involved in helping the difficulties faced by farmers in order to meet the needs of sufficient production quality for the needs of exporters.

In 2022, the world economy is slowly recovering and importing countries need certainty in the amount of production from exporting countries. The local government is certainly expected to seize this opportunity and involve all financial institutions in the Gayo highlands to be actively involved in providing adequate access to capital for coffee farmers and MSME to improve the quality of coffee production and MSME can buy Arabica coffee, at a price that certainly does not harm local farmers. If the government and financial institutions are not seriously involved in improving the quality of coffee production, then of course the fulfillment of Arabica coffee exports will not be completed in accordance with the demands of foreign countries.

The role of the Aceh government in increasing the productivity of Gayo Arabica Coffee through various programs such as training for coffee farmers, rehabilitation, development and rejuvenation of Gayo Arabica coffee and post-harvest equipment assistance to support coffee production is highly expected and will be sustainable. This is very important to be done by the Aceh government in order to make the quality of Arabica coffee more attractive to outsiders. Coffee farmers in Central Aceh also really hope for the involvement of the central government from various cross-sectoral ministries as well as business people and other related parties to support coffee farmers so that the productivity of Gayo Arabica coffee continues to increase massively in the Gayo highlands (Akbar, 2020).

This study aims to determine the role of the Government and Financial Institutions of Islamic Banks and Non-Bank Financial Institutions in increasing the number of Gayo Arabica coffee entrepreneur’s community carried out by MSME entrepreneurs on the quality of coffee exports by involving local farmers. In addition, to find out the obstacles to access to capital faced by MSMEs in increasing the number of Arabica coffee communities to meet the quality needs of Arabica coffee exports in Central Aceh Regency.

2. Method

This research method uses a qualitative design with case study research techniques. Types of data collected in the form of primary and secondary data. Primary data was obtained through interviews with internal and external informants as well as direct observations in the field. Internal informants are MSME actors and farmers, while external
informants consist of entrepreneurs outside the Central Aceh Regency, the Aceh Government, Aceh Sharia Banks, Indonesian Sharia Banks, and Non-Bank Financial Institutions. Primary data is a general description, vision, mission and goals, targets regarding information about the internal and external environment. Likewise, the descriptive analysis method used can clearly describe the research problem related to efforts to see firsthand the existence of the pattern of life of coffee farmers and MSME business actors in Central Aceh Regency.

3. Results and Discussions

Factors Triggering Weak Quality of Gayo Arabica Coffee Production and Exporters

The lack of access to financing that can be obtained by farmers, MSME actors in the Gayo highlands is a crucial thing that they often complain about, this certainly has a large multi-effect for farmers and the results that will be obtained from them as one of the national superior commodities, namely coffee. Gayo Arabica. Farmers as economic heroes for our nation must, definitely, get special attention by the government, both the district, provincial and central governments so that they can easily access financing either through the government with various superior programs for the agricultural sector and existing financial institutions through various pro financing programs. to farmers in the form of systematic and sustainable micro-financing and macro-financing in order to participate in the context of realizing a fair economy for the Gayo highland people who desperately need the help of the government and its stakeholders in order to easily access the capital.

a. Limited Access to Finance for Farmers, Cooperatives and MSMEs

The difficulty of obtaining loans from banks in Aceh is an obstacle in the development of Gayo coffee agriculture and trade in Aceh. Coffee farmers and local entrepreneurs continue to complain about these problems, who feel the impact of the difficulty of accessing capital. Among farmers and MSME business actors, it is no longer an open secret that foreign countries such as America continue to look to Gayo Coffee as one of the targeted commodities. They are even willing to provide access to funding through a foreign financial institution called Root Capital located in the United States. This condition certainly makes us sad considering that Indonesia is a country that is rich in natural resources, but we cannot take advantage of existing financial institutions such as Bank Syariah Indonesia and Bank Aceh to get involved massively in moving the coffee farming sector to a better direction.

Coffee farmers in the Gayo highlands also experience various dynamics in obtaining access to financing from these external financial institutions, even though these financial institutions do not require collateral as is common for financial institutions. However, this financial institution cannot immediately disburse the loan and requires all Gayo coffee entrepreneurs to have at least proof of contracts with overseas buyers to Root Capital. Furthermore, coffee exporting companies or cooperatives must be established and show good profits for the last three years. This condition will certainly be very difficult to be fulfilled by cooperatives and MSMEs that have just been established. Therefore, strategic steps are needed by the government in responding to various existing problems.

Not only that, after being verified by Root Capital that the company meets the standards that have been set, then the trade cooperation contract can be used as a form of collateral to Root Capital instead of physical assets. This requirement is certainly very difficult to fulfill by cooperatives that have just started their business considering the
standards set by them are very often complained of by Cooperatives and MSME Business Actors in carrying out business activities with these financial institutions. Therefore, it is hoped that the government can provide easy access to capital from Islamic banks in Aceh and Indonesia, so that the Gayo coffee trade system can continue to develop in accordance with farmers' expectations.


The precarious price of Arabica coffee during the Covid-19 pandemic has certainly provided a very valuable lesson for Farmers, Cooperatives and SMEs in the Gayo Highlands. How could it be not, there is no certainty whether as much as 44,160 tons of Gayo coffee at that time was purchased by consumers. This has resulted in unrest among coffee farmers and MSMEs, resulting in low purchasing power and a free fall in coffee prices at 50 percent of the normal 100 percent price. The decline of 50 percent is certainly a hard blow for coffee farmers considering that this commodity has been their only hope; but at that time, it was expected to become a nightmare for coffee farmers. The financial limitations of cooperatives in accommodating coffee from the public and low demand from buyers from export-receiving countries have resulted in the price of Gayo coffee being unable to be controlled by the local government and the central government.

This condition is certainly very unfortunate, considering that the price of Gayo coffee is very dependent on export activities where foreign countries have conditioned the price of this coffee in a very structured, massive, and organized manner by involving their financial institutions as an extension of foreign countries to continue to dictate to farmers and businessmen. MSMEs and our cooperatives must continue to have a heavy dependence on the financial institutions they provide even though the standards set are so complicated. However, farmers and cooperatives have no other choice in accessing financing sources from Bank BSI or Bank Aceh Syariah.

The government as the regulator is expected to be able to answer all the problems of farmers and cooperatives. This is important to do considering that if the involvement of the government is not felt by farmers and cooperatives and MSMEs, it can be ascertained that the price stability of Gayo Coffee will continue to experience dependence with outside countries. The central government must realize that the Gayo coffee community has become Aceh's philanthropic community for the world. Therefore, the presence of the government to facilitate access to finance for farmers, cooperatives, and MSMEs is the only condition for us to get out of the clutches of foreign influence in dictating the price of the Gayo Coffee commodity, which has become our flagship product.

c. Lack of Capital Assistance from the Regional and Central Government

The active role of local, provincial, and central governments is highly expected by farmers, cooperatives, and MSMEs in the Gayo highlands. The presence of the government in the midst of difficult national economic conditions which also has direct implications for the quality of Gayo Arabica coffee production, which is increasingly getting higher production prices, after the increase in national fuel prices also has a major impact on farmers, cooperatives, and MSMEs in Aceh. It is almost certain that the prices of other basic commodities will also increase and the wages of workers working in coffee plantations will also increase. This condition is certainly very unfavorable for farmers as coffee plantation owners who have to bear all operational costs for production needs.

On the other hand, the price of Gayo coffee, which ranges from 90,000 to 100,000 per kilogram, is not proportional to the increase in the price of basic commodities, so farmers need special attention from the government to help them continue to contribute to
the world of coffee. The central government program through the Ministry of Cooperatives and MSMEs with the Revolving Fund Management Institution Program of the Ministry of Cooperatives and Micro, Small and Medium Enterprises (LPDB KUMKM) with a total of 10 billion has not been able to answer grassroots problems of financial limitations owned by the community and farmers in the Gayo highlands. This is because the disbursement of funds given is too small to answer the existing problems. Considering the efforts of local governments that request to realize additional funds in the 2020 state budget in the industrial sector worth 3.31 trillion, it should be realized in 2022.

d. Limited Access to Islamic Bank Financing for Coffee Farmers and Cooperatives in Gayo

The large pattern of consumptive financing that exists in financial institutions makes it difficult for farmers, cooperatives and MSMEs to access financing from bank financial institutions. This can be seen from the working capital financing provided by Bank Aceh to farmers amounting to Rp. 10,000,000, - and the highest limit is Rp. 30,000,000, -. This amount is certainly still small compared to the needs required by Gayo coffee farmers. The need for access to funding through financial institutions is the only hope of farmers so that the quality of their agricultural production continues to improve better.

The limited number of farmers who can access financial institutions should be a short, medium, and long term program for financial institutions operating in Aceh, be it Bank Aceh, BSI, and other financial institutions to continue to focus and seriously provide services needed by farmers, cooperatives, and MSMEs to maintain the stability of the production and price of the Gayo Arabica Coffee commodity. BSI as a state-owned bank, of course, must be more massive in distributing microfinance on a large scale to farmers in the Gayo highlands.

The KUR program owned by BSI can at least provide fresh air for farmers, MSMEs, and Cooperatives to be easily accessible by Gayo Coffee farmers. In a release in 2022, the Indonesian Sharia Bank (BSI) in the Aceh region has distributed more than Rp. 1.3 trillion in people's business loans (KUR) until June 2022. This amount is around 57.4 percent of this year's KUR distribution target of Rp. 2, 4 trillion. However, on the other hand, BSI cannot prioritize access to financing in the agricultural sector in Aceh, one of which is the Gayo coffee agricultural sector. The figure of Rp 2.4 trillion is certainly quite large if it can be focused around 30.4 percent on the Gayo Arabica Coffee agricultural sector which has so far been very dependent on access to financing from foreign financial institutions.

BSI is expected to be able to break the chain of dependence of Farmers, Cooperatives, and MSMEs in the Gayo highlands to foreign financial institutions that have so far provided massive assistance to cooperatives in order to fulfill Gayo coffee exports to foreign countries. This opportunity must be used by our financial institutions for the realization of superior economic quality in the future.

e. Limited Number of Microfinance Institutions (Cooperatives)

The limited number of cooperatives engaged in the coffee trade and export of Gayo coffee has become a big homework for the Central Aceh Regency government to continue to focus hand in hand to find solutions so that the existence of these cooperatives continues to increase. In the latest data released by the local government, there are only 19 cooperatives engaged in coffee and export trade and three of them receive LPDB funds from the central government. This amount is certainly not proportional to the high potential...
of Gayo coffee which must be produced and exported every year by the cooperative.

The Central Aceh District Government has experienced tangible benefits from the existence of the cooperative during the Covid-19 Pandemic that hit the world when at a time when the world's economy and Indonesia were experiencing difficult times, this financial institution had made an achievement by exporting 18 containers of Gayo coffee to USA and Europe. On the other hand, based on data from the Aceh Tengah’s Disperindagkop, the number of registered cooperatives in Aceh Tengah district is 391 consisting of various types and 224 active cooperatives and 167 inactive cooperatives. This is the local government's homework to make this financial institution a future pilot project to address the financial constraints faced by coffee farmers in Aceh Tengah.

On the other hand, the number of cooperatives that received an injection of funds from the central government through the Minister of Cooperatives and MSMEs was still considered not to have answered the root of the problem. The central government is expected to allocate more LPDB funds in 2023 so that the price of Gayo Coffee can be stable and farmers feel the government's presence in the midst of these difficult economic conditions. The three cooperatives that received LPDB funds were KSU Sara Ate which received Rp. 500 million in 2015, Cooperative KBQ Baburayyan which received Rp. 10 billion in 2020-2021, and the Producer Cooperative Arinagata which received more than Rp. 1 billion in 2021. This scheme of LPDB funds injection Cooperatives and Gayo coffee farmers are highly expected and will have a large multi-effect on the quality of Gayo Coffee production.

4. Conclusions

From the article, it can be concluded several points including: First, there are 5 (five) key factors that affect Farmers, MSME, and cooperative groups including, 1 (one) Limited Access to Finance for Farmers, Cooperatives and MSMEs, 2 (two) Unstable Prices Gayo Arabica Coffee, 3 (three) Lack of Capital Assistance from Local and Central Governments, 4 (four) Limited Access to Islamic Bank Financing for Coffee Farmers and Cooperatives and 5 (five) Limited Number of Microfinance Institutions (Cooperatives) in Central Aceh Regency that become a trigger factor for weak production and the limited process of exporters of Gayo Arabica coffee.

Second, the lack and difficulty of accessing funding from the government and financial institutions, both banks and non-banks, which were complained by farmers, which resulted in sub-optimal production results. This problem must be a joint task between the Central Aceh District Government, the Central Government and Bank and non-Bank financial institutions to jointly formulate various possible funding schemes in the following year considering that the nation's economic conditions are increasingly difficult so that it has an effect on the weakening of production quality towards the fulfillment of Gayo coffee exports.

References


