

PHNOMENOLOGICAL ANALYSIS OF UNDERSTANDING INSURANCE AS RISK MANAGEMENT OF FAILURE HARVESTING SHALLOTS IN NGANJUK

Intan Puspitasari¹, Basuki Rahmat²

Sekolah Tinggi Ilmu Ekonomi Pemuda^{1,2}

Jalan Bung Tomo, 60246 Surabaya Indonesia

intanpuspitasari.stiepemuda@gmail.com¹, basuki.stiepemuda@gmail.com²

Correspondence Author Email: intanpuspitasari.stiepemuda@gmail.com

ABSTRACT

This research was conducted to understand the extent of understanding of financial literacy, especially agricultural insurance for shallot farmers as a way to manage the risk of crop failure. Insurance, as one of the important guarantees owned by farmers, is able to provide encouragement so that conditions such as crop failure and other risks of loss, such as falling prices, can strengthen sustainable shallot production as a promising economic sector in the Nganjuk area. This research uses a phenomenological approach to understand and compile statements from sources regarding understanding agricultural insurance as a risk management need for agricultural production of shallots. The conclusion of this research provides an understanding that farmers need to have and understand insurance to be able to manage shallot production sustainably. Minimizing the risk of loss due to crop failure by using agricultural insurance is highly recommended because agricultural production based on rice fields is very vulnerable to the risk of bad weather, pests, and price declines due to demand and supply factors in the market.

Keywords: *insurance, risk management, onion farming, crop failure.*

A. INTRODUCTION

Background of the problem

Agriculture can be said to be the economic foundation for economic sustainability in Indonesia. Based on metrotvnews.com data in 2024, the number of people working in the agricultural sector in Indonesia is quite significant, namely 142.18 million people or 28.64 of the total population of Indonesia. This number will continue to increase by 0.03 million people in the first quarter of 2024. This is supported by the condition of Indonesia's land, especially on the island of Java, which is productive land with great potential for agricultural production. According to the Agricultural Horticulture Media, in 2023 alone, Nganjuk was recorded as having shallot farming land reaching 11,300 hectares which has become the center of shallot farming on the island of Java. This production can be said to be a superior product with quite large economic potential because it can be planted 2 to 4 times a year. In fact, the production results are sufficient for distribution in almost all regions of Indonesia. Therefore, it can be said that the shallot farming sector is a pillar for the economic progress and prosperity of Nganjuk.

Support for understanding financial literacy is important for the development of shallot production. This is because shallot production still depends on rice fields which are vulnerable to pests, weather and other changes that threaten the success of farmers' harvests. This means that many things can trigger crop failure, causing large material losses for farmers. Prabowo (2019: 164–171) also explained that weather factors, extreme climate changes and pests are the causes of crop failure which causes large financial losses for farmers. Understanding financial literacy, especially

regarding agricultural insurance as a form of risk management against crop failure, is expected to be able to guarantee the sustainability of production and business related to shallot production.

Agung, et al (2023: 76-85) revealed that climate change and other triggers for crop failure as well as other factors could be potential gaps in the presence of agricultural insurance. Development of Shallot Farming Business Insurance (AUTBM) is one way to manage financial losses in shallot production costs. Shallot production is still able to grow well in a variety of wet, dry weather and extreme weather changes such as El Nino which causes the potential for crop failure. Shallot farming is an investment that is at the heart of the economy of Nganjuk residents. Based on this assumption, it is important for researchers to examine farmers' understanding of the importance of agricultural insurance in order to be able to manage financial losses on shallot farming.

B. RESEARCH METHODS

Phenomenology, according to Polkinghorne (1989) in Creswell (2014: 452), is an approach used to understand the meaning of certain events within the scope of research. This method is used to analyze the understanding and awareness of the importance of agricultural insurance for shallot farmers in Nganjuk to manage the impact of losses due to crop failure. The phenomenological approach is very suitable for this research because it deals with the structure of the mind and the interpretation of the context surrounding the object under study.

This approach encourages researchers to carry out the following research steps:

1. Identify, that is, encourage participants or sources to reveal each context of the incident
2. The researcher collects any information obtained by the source to describe the research context,
3. data analysis where the researcher interprets the translated context based on the resource person's statement
4. interpretation, namely the researcher makes conclusions about each incident within the scope of the research.

Researchers collected statements from sources, namely 10 shallot farmers in Nganjuk as land owners, managers and actors directly involved with agricultural insurance services. The open-ended question method is used to collect information through open interviews. Researchers focus on the resource person's thinking structure regarding the importance of agricultural insurance as an understanding of risk management.

C. RESULTS AND DISCUSSION

General Overview of Research Objects

1. Geographical conditions of Nganjuk

Nganjuk is a small city located at coordinates: 111°05'–112°13' East Longitude and 7°20'–7°59' South Latitude with an area of 122,433 km². Nganjuk is a district that borders Bojonegoro, Jombang, Kediri, Ponorogo district and Madiun district. Ngajuk is an area that is mostly lowland so it is often called the windy city. Nganjuk has productive land with most of it being a major onion and vegetable farm which supplies most areas in Indonesia, especially Java.

2. RESULTS

a. Factors causing crop failure

Farmers often experience crop failure. Shallot farming is a business sector that residents have been involved in for generations. Generally, shallot farming is carried out on rice fields that have been obtained from generation to generation or through buying and selling. Apart from being part of agricultural culture, shallot farming is also land that

provides employment for most residents. This is because in general shallot farming is managed by land owners by employing residents. The following is Mr S's statement:

"I have been farming for approximately 4 years, Sis, and the types of plants I plant are uncertain depending on the weather. Sometimes we plant octopus, sometimes imported hybrids, sis. So predict the results of each type of plant on the harvest. I farmed by learning from my parents first, but now I am independent with farming as my main job."

Based on the information from the sources, it can be seen that onion farming is the main source of income for residents. The types of shallot plants planted can vary depending on the plant specifications for each season and the results to be achieved. The type of shallots grown also influences the significance of income, for example by giving a higher price to products that are classified as superior, bear large fruit, are not rotten, dry, and even regarding the aroma and durability of shallots. This is in accordance with Mr S's statement:

"Shallot production costs are very large, especially for seeding, fertilization and pesticides. These costs can increase greatly if the harvest fails due to bad weather, for example continuous rain, drought so the shallots cannot grow and die. Sometimes the harvest also drops in the market price of shallots, which means the farmer's losses are very large. Not to mention that capital for cultivating land which employs many people is now also increasing."

This is in accordance with Prabowo's statement (2019: 164–171) where the factors causing crop failure are very diverse, starting from extreme weather changes, pests, irrigation problems. The risk of crop failure causes financial losses for farmers. Production costs that have been absorbed so much in agriculture cannot be recovered if the harvest fails. This triggers working capital difficulties in the next production cycle. The manager and owner of the land, Mrs. W, stated the following:

"Usually you can start harvesting shallots within 55 - 70 days from planting, sis, but there are several obstacles, sis, that can cause the risk of harvest failure. "Sometimes it's hard to deal with the pests that like to attack shallots in the fields, the long rainy season can cause flooding which causes the quality of shallots to decrease, and mistakes in choosing plant seeds, miss, sometimes they all die."

The statement from Mr S is also as follows:

"It's not certain, sis. The profit depends on the season too. If the red onion season is cheap, the price can drop a lot, sis. But if the red onion season is good, the price can go up 2-3 times, sis. You could make quite a big profit. "Usually I also plant chilies and eggplant as a side dish so that my income doesn't depend on onions alone, sis."

This underlies the assumption that crop failure will have a broad impact on both farmers and workers. Apart from that, crop failure will have an impact on meeting the need for shallots, causing a spike in prices. Maintaining the supply of shallots to consumers is also important, so the government has launched an import program in conditions like this to maintain stock of goods and price stability for final consumers.

b. Agricultural Insurance Benefits

Agricultural insurance is starting to be promoted and socialized as an effort by local governments to protect farmers from potential losses. Insurance is important for shallot production because the production process, apart from requiring large capital, also has the potential for losses due to disasters, weather and other uncertain factors. The importance of insurance is an absolute understanding for farmers, land owners and managers as a means of diverting financial losses. Understanding the importance of agricultural insurance is demonstrated by Mrs. W's statement as follows:

"It is important to take part in this insurance, because the aim of this agricultural insurance program is to provide protection to farmers in the event of crop failure as a result of the risk of flooding, drought and attacks by plant pests. So insurance companies transfer losses due to the risk of floods, droughts and pest attacks through other parties, namely insurance coverage. The risks guaranteed in this agricultural insurance, according to the rules, include floods, drought, pest attacks and pests. Sometimes pests in rice plants can also include brown planthoppers, stem borers, grasshoppers, golden snails, rats and armyworms which kill onions. red. And if their rice fields experience crop damage due to flooding, farmers can submit a claim to obtain compensation worth IDR 3 million per hectare (ha), so it's not bad.

In the interview with Mr S it was also stated that:

"Insurance exists so that the purpose of insurance is to overcome the impact of risk can be carried out effectively. The government's role in various risk management schemes is very dependent on the insurance scheme chosen, the purpose of using the insurance and consideration of the costs that will be covered by the insurance. So, yes, the government needs to play a role in taking care of farmers so that they don't continue to suffer losses."

This shows that farmers' understanding of the importance of controlling the risk of financial loss is important for the sustainability of red onion production as a pillar of the economy. Insurance provides benefits as a means of diverting the risk of financial loss whether caused by changes in weather or pests in accordance with the legal regulations regarding agricultural insurance in Indonesia. The compensation obtained was quite large, namely Rp. 3,000,000 per hectare of land as sustainable access to further working capital. Farmers also understand coverage schemes and insurance claims based on regulations and agreements with insurance companies. This statement is also supported by Mrs. W's statement as follows:

"Yes, it is necessary, because insurance is a guarantee from the government which is expected to be utilized by shallot farmers and other farmers as well as the local community, so that they can survive and the harvest can continue to grow and run until later."

This proves that understanding agricultural insurance is an urgent matter for risk management for shallot farming. Farmers understand that sustainable production is very important not only to restore working capital but also to develop the potential of the agricultural industry itself. Thinking and understanding risk management is an inseparable part that land owners and managers are jointly responsible for food security, price stability, and the pillars of the economy and welfare of society at large.(Pratama & Arifin, 2024)

Efforts to control the risk of financial loss with insurance also encourage farmers to understand safe insurance companies. This is implied in Mrs. A's statement as follows:

"You must choose a company that has a good reputation and is safe, and can also provide a guarantee fund if at any time there is a loss in business."

The importance of choosing the right insurance company as a partner will increase the benefits of agricultural insurance for land managers (Arifin et al., 2024). So that insurance companies can transfer the risk of financial losses suffered by farmers. Efforts to understand the insurance company profile are not limited to insurance responsibilities but also to registration procedures, insurance schemes, claims and the amount of insurance funds received.

3. DISCUSSION

Agriculture is part of business and investment activities that cannot avoid the risk of loss. This is because there are many uncertain factors that influence plant growth and expected harvest results. Fauziyah (2022:3) divides risks into the following 4 classifications:

- a. Speculative Risk, which includes risks that cannot be insured because they are dynamic risks related to potential profits, losses and break-even points.
- b. Pure Risk, is the potential risk of loss due to fire, accidents and damage.
- c. Fundamental Risk, the potential risk of loss caused by individuals, for example war, inflation, changes in trends, etc. which have a major impact on the economy at large, such as unemployment and economic pressure, so that there is a need for government intervention through insurance.
- d. Particular Risk, potential losses originating from individuals such as theft or unemployment which have a limited impact.

Agricultural Insurance is a farmer protection program regulated in the P3 Law and can be analyzed through Article 7 regarding Farmer Protection and Empowerment strategies which have an impact on the community's economy. The P3 Law emphasizes that local governments have a responsibility to protect farmers. In Article 12 paragraph (1) of the P3 Law it is also explained that protection is carried out through strategies regulated in Article 7 paragraph (2) of the P3 Law, with the following explanation:

- a. Farmers and managers who do not have business land and work on a maximum of 2 Ha of rice fields.
- b. Farmers who own land and cultivate a maximum of 2 Ha of rice fields.
- c. Small-scale horticultural farmers in accordance with the provisions regulated by applicable law

Article 1527 of the P3 Law emphasizes the role of the government which has an obligation to prioritize meeting food needs, especially shallots, which are a basic need for society. Prioritizing domestic agricultural production will have a significant impact on national food security. Under certain conditions, the government regulates imports of agricultural commodities to meet demand levels during the packaging season and maintain price stability for final consumers when there is a surge in demand. Therefore, the article above is the basis for the government to socialize and manage agricultural insurance in an effort to prevent farmers' losses due to crop failure, bad weather, natural disasters, and other risks in accordance with statutory regulations.

Article 39 of the P3 Law details the government's obligations, including:

- a. Facilitate registration of insurance participants
- b. Facilitate access to insurance companies
- c. Program outreach
- d. Assistance in paying insurance premiums

Morton (1999:56) explains that insurance can provide protection against financial losses. Potential losses can be caused by things that cannot be foreseen. Losses cannot be avoided in investment and business activities, but managers can transfer risks by taking out insurance. Insurance participants usually pay premiums as a permanent liability whose value is much smaller than the risk of financial loss they may suffer. Insurance as a risk transfer transfers the risk of loss from one party to the insurer, namely the insurance company.

D. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the discussion above, it can be understood that farmer owners and land managers have awareness and understanding of risk management in transferring financial losses to agricultural insurance. This risk of financial loss is caused by crop failure due to weather factors, disasters, fertilizer price inflation and changes in the selling price of shallots due to market mechanisms. Therefore, researchers suggest that it is important for farmers to collaborate with insurance companies that have high credibility to transfer the risk of financial loss appropriately.

Suggestions

According to the research results and discussion above, researchers recommend the following:

1. Farmers to take advantage of agricultural insurance to manage the risk of financial loss due to crop failure.
2. Participation in the agricultural insurance program needs to be continued to maintain the sustainability of shallot farming because capital recovery due to crop failure losses is transferred to the insurance company.
3. It is important for farmers to know and understand insurance schemes, claim procedures and various administrations related to credible insurance services in order to provide maximum benefits for the financial risk management of shallot farming.

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