



Promoting Inclusiveness for Organic Rice Value Chain in Bumdesa Mukti Saluyu

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ABSTRACT: Organic agriculture promotion could be a potential approach for eliminating fertilizer subsidies in Indonesia. Indonesia is the world's third-largest producer of rice, and rice is a staple meal for most of the population. The Kanem Farmers Group operates 12,5 hectares of organic land for growing organic rice in the Sumedang Regency. The operations of BUMDesa Mukti Saluyu are founded on the concept of social entrepreneurship to boost the potential of villages. The main concern of BUMDesa Mukti Saluyu is the insufficient potential of organic rice in Cikurubuk Village, which necessitates strategic planning to establish a competitive advantage and organizational capacities for participating in the organic rice value chain while maintaining its vision of improving the economic well-being in the farmer society. The study employs both qualitative and quantitative methodologies. In the investigation of the outcomes produced from the in-depth interview, the qualitative data analysis method will employ the Interactive model developed by Miles and Huberman. The quantitative analysis makes use of technical abilities and value-added evaluation. Based on the analysis, promoting inclusivity is key to developing a competitive advantage for BUMDesa Mukti Saluyu. Recognizing the significance of collaboration with multiple stakeholders, BUMDesa Mukti Saluyu must conduct an integration of stakeholders involved in the organic rice value chain. Farmers, agribusiness companies, processors, distributors, and consumers play vital roles. The enabling environment, encompassing policies, standards, and investments, influence sustainable production practices and market access. The current integrated model provides a comprehensive framework to increase smallholder farmers' participation in the organic rice value chain through project delineation and policy interventions.

KEYWORDS: BUMDesa, Inclusiveness, Organic Rice, Stakeholders, Value Chain.

INTRODUCTION

Indonesia has implemented a longstanding policy aimed at enhancing agricultural production and ensuring food security through the provision of fertilizer subsidies to farmers. In recent times, there has been a notable activity to reduce these subsidies as a component of more extensive initiatives to reform the economy and reduce government expenditure. The fertilizer subsidy policy demonstrates a lack of effectiveness, as evidenced by the average of 42.91 percent across six indicators [1]. Organic agriculture is a holistic approach that avoids the use of synthetic fertilizers and pesticides, prioritizing the preservation of soil health and biodiversity through the application of organic materials while increasing farmer profitability [2]. The organic agriculture movement in Indonesia has made notable advancements since its establishment in the late 1980s. The nation's progress towards sustainable food systems and organic farming practices has been underscored by notable achievements. The Ministry of Agriculture has implemented the 1000 Organic Farming Village Program to align with the vision of the Nawa Cita program. This initiative is designed to enhance food security and promote environmental conservation by adhering to the regulations outlined in Law No. 41 of 2009, which focuses on the preservation of sustainable agricultural land for food production [3].

The optimization of the cost of capital is expected to result in an increased profit margin for farmers [4]. Nevertheless, the agricultural sector is primarily characterized by the prevalence of low-income rice cultivation, a workforce lacking in specialized skills, and a significant proportion of elderly individuals. The Kanem Farmers Group, located in the Buahdua District, manages the management of a 12.5-hectare organic land area. This land serves as a prototype for the cultivation of organic rice in the Sumedang Regency. The aforementioned development is inherently intertwined with the role of BUMDesa, as it facilitates the provision of organic fertilizer to farmers on a seasonal basis through a loan system. The majority of individuals residing in impoverished rural areas engage in agricultural activities as their primary source of livelihood, with a significant proportion of 75% focusing on cultivating food crops, specifically rice [5]. Organic production methods yield a superior ratio of returns to costs compared to conventional practices [6].



Farmers have the potential to enhance their cost efficiency by adopting organic fertilizers and pesticides, which can subsequently lead to increased profit margins through the ability to command higher prices for their products.

The increasing demand for organic rice in Indonesia has resulted in the emergence of fresh market prospects for farmers [7]. The activities carried out by BUMDesa involve the application of the social entrepreneurship concept to enhance the developmental capabilities of rural areas [8]. In addition to yielding economic advantages, BUMDesa also functions as a platform for communication, fostering work motivation, empowerment discussions, and forums aimed at enhancing solidarity within rural communities. The primary issue addressed by BUMDesa Mukti Saluyu pertains to the ineffective potential of organic the rice industry in Cikurubuk Village. The procurement of raw materials for the organic rice business of BUMDesa Mukti Saluyu is handled by the Kanem Farmers Group, which comprises a total of 50 farmers. According to the data collected by Kanem Farmers, organic rice production has achieved a yield of 7.4 tonnes per hectare. In the initial phase of harvesting, the organic rice encompassed a combined area of 12.5 hectares, resulting in a total yield of 92,048.6 kilograms of dried grains. However, the financial resources possessed by BUMDesa Mukti Saluyu are significantly constrained, thereby impeding their ability to fully accommodate the surplus grain generated by local farmers. The organic rice sales revenue at BUMDesa Mukti Saluyu in 2023 reached IDR 29,123,500. The sales volume for the previous period amounted to only 1584 kilograms, in contrast to the organic rice production of BUMDesa Mukti Saluyu, which reached a substantial 4881 kilograms. In contrast, the organic rice produced in Cikurubuk Village exhibits remarkably high productivity, making it an essential focus for BUMDesa Mukti Saluyu in their efforts to establish and sustain an organic rice enterprise.

Village-owned enterprises that possess the ability to develop marketing competencies in alignment with the demands of the contemporary business landscape will be capable of attaining their business objectives, thereby enabling them to stay focused on advancing their social missions for the benefit of their stakeholders [9]. The BUMDesa Mukti Saluyu needs assistance in expanding its market reach, as it faces significant competition within the local market for organic rice and encounters constraints in terms of consumer demand. The limited consumer awareness of organic rice in Cikurubuk Village can be attributed to the presence of a highly competitive market. The target market of BUMDesa Mukti Saluyu is constrained due to its direct sales approach to end consumers. Human resources in the marketing staff could be more optimal. Due to a lack of marketing expertise, it is difficult for organic rice products to penetrate the market, even though the market potential is very high. The lack of operational human resources poses the greatest threat to the competitiveness of social enterprises[10]. The limited working capital of BUMDesa Mukti Saluyu blocks its ability to engage in organic rice production at a sufficient capacity. Consequently, the grinding machine operated by the organization is unable to fully utilize its production potential due to the low level of procurement activities. It can be inferred that the company exhibits deficiencies in its organizational capacity to generate value and achieve sustained superior performance. The ability of an organization to adapt and evolve rapidly is crucial in the face of uncertainty and environmental change, as it enables the organization to meet essential prerequisites and sustain a competitive advantage. One possible strategy for augmenting organizational capabilities involves the utilization of the value chain methodology. In this specific case, BUMDesa Mukti Saluyu is involved in a commercially-oriented organic rice business, which contributes to the improvement of the financial situation of farmers located in Cikurubuk Village. Therefore, it is crucial to initiate the integration of inclusivity within the organic rice value chain.

METHODOLOGY

The present study utilizes a descriptive research methodology. The descriptive method is a problem-discussion technique that involves the description and comparison of data in relation to a specific situation, with the aim of providing an explanation and drawing a conclusion [11]. The current methodology includes both qualitative and quantitative research methods to strengthen the overall reliability of the research beyond what each approach can achieve independently [12].

The present research activities utilized a non-probabilistic sampling methodology to ascertain the participants. Purposive sampling is a sampling technique that involves selecting a group of participants based on the specific objectives and goals of the research [11]. The identification of a key informant holds significant importance within the context of qualitative research. Hence, it is imperative for the key informant to possess the ability to effectively convey relevant information. A key informant is an individual who possesses a deep understanding of the culture, can reflect upon it, and can effectively communicate to the researcher the dynamics and phenomena that are taking place [13]. The key informant selected for this research is Mrs. Eka Aesah, the company

director of BUMDESA Mukti Saluyu. After identifying the key informant, the researcher utilized the snowball sampling method to locate and include additional important participants for the research study. The snowball sampling technique is employed to select data sources that begin with a small number and subsequently expand. This approach is necessary as the initially limited data sources may not yield sufficient data, thus necessitating the inclusion of additional informants as data sources [11].

Data analysis techniques are subsequently employed upon gathering data from various sources, including respondents. In this case, the researcher analyzed the data obtained from interviews with the research participants to address the primary concerns of the study effectively. The qualitative data analysis process will utilize the Interactive model developed by Miles and Huberman to facilitate the examination of the outcomes derived from the in-depth interview for the value chain analysis. The current study is structured into four distinct sections, specifically data collection, data reduction, data presentation, and conclusion derivation and verification [14]. Technical capabilities and value-added assessment is provided to conduct the quantitative analysis.

RESULT AND DISCUSSION

The formulation of the value chain concept was aimed at enhancing the competitive advantage of businesses. The value chain is a conceptual framework that encompasses all the essential processes involved in the production of a product, starting from the initial stage of input supply and extending to its final destination in the market (UNIDO, 2006). In the context of a product's value chain, an individual who acquires goods or services can be categorized as a product supplier. The main goal of implementing a value chain is to improve customer satisfaction and maintain their independence. The analysis of the value chain demonstrates the presence of a value-added process in the production of organic rice by BUMDesa Mukti Saluyu at each stage of the value chain.

A. MAPPING THE VALUE CHAIN

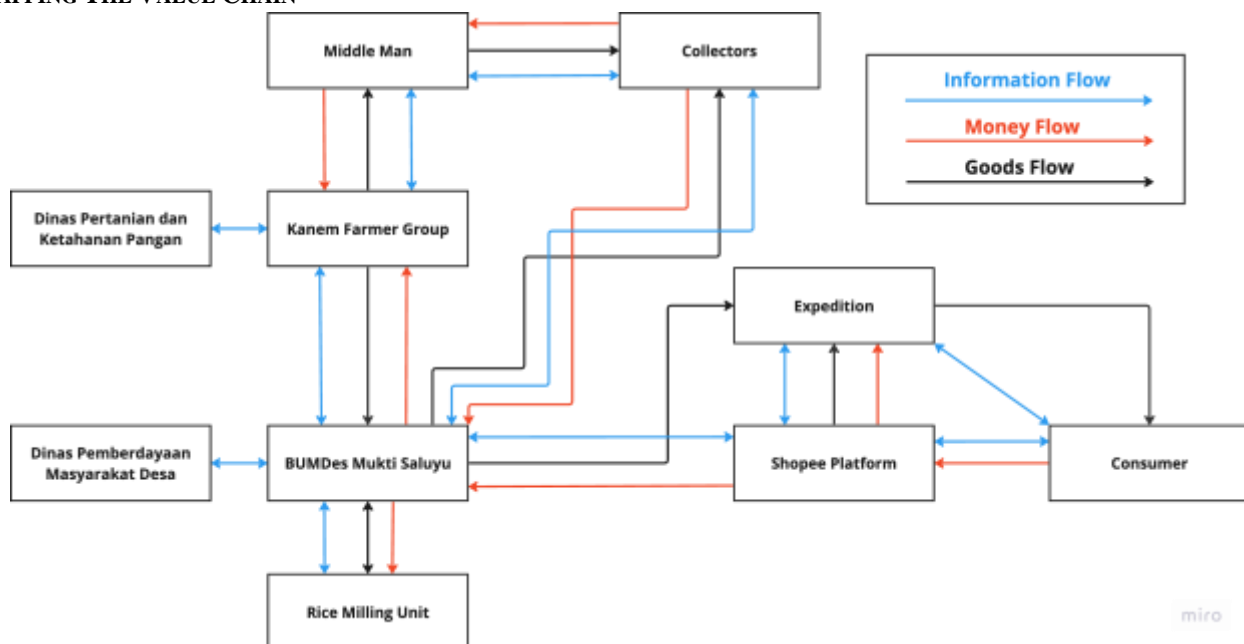


Figure 1. Mapping The Value Chain Activities

The initial stage of performing a value chain analysis involves the mapping value chain actor (UNIDO, 2016). The objective of this undertaking is to ascertain and document all entities involved in the organic rice supply chain. The primary objective of this study is to provide a comprehensive understanding of the different stakeholders engaged in the production of organic rice products, which includes the entire process from the initial cultivation of grains to the ultimate consumption by end-users. The employed methodology includes the use of a review and prospective analyses to determine the income of individual actors derived from the input-output interdependence within the organic rice industry. The primary distinction between the value chain and the supply chain lies in BUMDesa Mukti Saluyu's capacity to deliver supplementary value to customers and meet their specific needs.



There are three significant streams within the realm of enhancing the value of organic rice. The primary focus is on the transfer of commodities from the upstream to the downstream segment. The organic rice value chain at BUMDesa Mukti Saluyu encompasses the movement of goods, specifically the grain cultivated by the Kanem Farmers Group, which is then marketed as organic rice to consumers. The subsequent flow of money involves the transfer of monetary resources from a lower level to a higher level. Monetary transactions at BUMDesa Mukti Saluyu are facilitated through the utilization of payment invoices for a range of activities, encompassing the procurement and distribution of grains, the processing of organic rice, and the subsequent sale of said organic rice. The concept of the final flow refers to the directional transfer of information between the downstream and upstream sides. The organic rice enterprise of BUMDesa Mukti Saluyu encompasses the dissemination of information associated with diverse aspects, including the acquisition of raw materials, inventory management, and the monitoring of prevailing market conditions.

The organic rice value chain at BUMDesa Mukti Saluyu comprises a diverse range of actors exhibiting unique features. The Kanem Farmers Group played an important part in the early phases of organic rice cultivation. The main source of raw materials for BUMDesa Mukti Saluyu is organic rice, which is cultivated by a group of 50 farmers who are affiliated with the organization. The farmers engaged in the cultivation of a combined land area measuring 12.5 hectares. The Kanem Farmers Group has the capacity to engage in rice cultivation for three cycles annually, although facing a significant decline in crop productivity during one of the cycles.

The transformation of unprocessed grain, in its unhusked state, into a form suitable for consumption would significantly increase the overall worth of agricultural commodities. The primary aim of increasing the worth of agricultural commodities is to improve income, thereby resulting in a beneficial impact on the rural population. According to the requirements outlined in the Articles of Association of BUMDesa Mukti Saluyu, the Village Government is obligated to allocate fifty percent of the profits generated within a given fiscal year for the purpose of alleviating poverty and providing social welfare benefits to the community and agricultural workers. In conjunction with challenges pertaining to the production process, it can be observed that the grain output of the Kanem Farmers Group was not effectively assimilated by BUMDesa Mukti Saluyu. The unprocessed grain produced by farmers is sold to BUMDesa at a rate of IDR 6,300 per kilogram, while collectors acquire the same grain at a comparatively lower price of IDR 5,800 per kilogram. The constrained financial resources of BUMDesa Mukti Saluyu pose a hindrance to its capacity to procure the complete yield of indigenous agricultural producers. The Village Conference of 2023 has made the decision to allocate a capital of IDR 45,000,000 for the purpose of procuring grain from the Kanem Farmers Group. The primary allocation of capital in BUMDesa Mukti Saluyu is directed toward supporting operational activities that enhance the processing of organic rice.

The BUMDesa organization will need to undertake supplementary processing of the refined grain to enable its efficient dissemination to the consumers in the market. BUMDesa Mukti Saluyu has procured rice from the Kanem Farmers Group, which has been subjected to the process of drying. The subsequent step in the processing of this rice involves the milling of the grain to obtain rice. The process of rice milling entails the involvement of a different entity, namely the rice mill facility. The cost of the grain milling procedure is IDR 35,000 for every 50 kg unit of grain. The previously mentioned value is higher than the standard grain milling procedure. The standard milling process price is IDR 25,000 for 50 Kg unit of grain. To uphold the quality of organic rice production, BUMDesa Mukti Saluyu must allocate additional expenses to clean the necessary equipment at the mill. The employment of conventional grain necessitates BUMDesa Mukti Saluyu to bear an additional burden, as the machine tool utilized by the mill on that particular day has a substantial capacity, thereby requiring separate processing of orders.

The marketing efforts about organic rice undertaken by BUMDesa Mukti Saluyu are solely executed via digital marketing platforms. The utilization of these marketing channels necessitates expenditures related to its operations. BUMDesa Mukti Saluyu has established an IDR 18,000/kg pricing floor for organic white rice. The platform will deduct 9.6% of the set price from the revenue generated by BUMDesa Mukti Saluyu's organic rice sale. This constitutes one of the marketing expenses undertaken by BUMDesa Mukti Saluyu. BUMDesa Mukti Saluyu charges an IDR 1,728/kg service fee for utilizing the Shopee platform for one kilogram of organic rice. After purchasing organic products via the Shoppe platform, the packaging process will be executed by BUMDesa Mukti Saluyu utilizing vacuum equipment. Vacuum packaging is intended to preserve the quality of organic rice throughout its storage and distribution. The procedure mentioned above is anticipated to require a single business day, ensuring the delivery will remain on schedule. Dispatching goods to customers involves a partnership with shipping entities that have established a cooperative relationship with the Shoppe e-commerce platform. Shipments exceeding 5kg in weight shall be transported via cargo services to optimize cost savings for end consumers. The variability of the delivery time range is highly contingent upon the consumer's



location. The duration of the shipping process facilitated by expeditionary services is typically between three to five business days, subject to each expedition's specific terms and conditions.

B. TECHNICAL CAPACITIES ASSESSMENT

Evaluating technical capacities within the value chain is the highest priority in a highly competitive economic environment characterized by evolving organic rice industry. The primary objectives of this analysis are to evaluate the production system and tools, assess technical performance, and identify critical technical actions necessary to enhance the competitiveness of BUMDesa Mukti Saluyu [15]. The evaluation of capabilities includes strategic management, sales, procurement & supply, distribution & transportation, product quality, interaction with customers, finance, leadership, human resources, and information technology using the framework provided by Inclusive Business Practitioner.

Table 1. Capabilities Assessment of BUMDesa Mukti Saluyu

| Capability Area | Competency Area | Competency Area Score | Capability Area Score |
|-------------------------------|---|-----------------------|-----------------------|
| Strategic Management | Vision and Strategic Goals | 3,00 | 2,90 |
| | Business Plan | 3,00 | |
| | Competitive USP/SWOT | 2,78 | |
| | Customer and Supplier Portfolio | 2,88 | |
| | Product Portfolio | 3,00 | |
| | Location | 3,00 | |
| | Strategic Collaboration | 3,00 | |
| Procurement & Supply | Supply Chain Level of Transparency | 4,20 | 3,35 |
| | Efficient Procurement Process | 4,25 | |
| | Positive, Equal, and Sustainable Supplier Relationships | 2,47 | |
| | Capacity | 3,67 | |
| Premises | Production and Processing Quality and Efficiency | 4,40 | 2,81 |
| | Storage Quality | 3,00 | |
| | Capacity | 2,50 | |
| Distribution & Transportation | Transportation Quality & Efficiency | 4,40 | 3,65 |
| | On Time Delivery | 3,89 | |
| | Capacity | 3,54 | |
| Product Quality | Quality Mindset & Communication | 3,70 | 3,66 |
| | Perishable Handling Expertise | 3,56 | |
| | Quality in The Supply Chain | 3,88 | |
| | Quality Checks and Verification of Quality Requirement | 3,77 | |
| Interaction With Consumer | Pricing | 2,74 | 2,60 |
| | Branding, Marketing, and Promotion | 2,00 | |
| | Customer Relationships Management | 1,45 | |
| | Management of Incident and Buyer Led Process | 2,89 | |
| | Loyalty | 3,33 | |
| Finance | Current Financial Strength | 4,29 | 3,33 |
| | Financial Planning and Investment | 3,00 | |
| | Accounting | 3,00 | |
| | Insurance | 1,00 | |



| | | | |
|------------------------|---|-------------|------|
| Leaderships | Legal and Organizational Structure | 3,68 | 3,65 |
| | Integrity and Acumen | 3,57 | |
| | Succession Planning | 4,00 | |
| Human Recourses | Salary and Labor Law Compliance | 3,11 | 3,03 |
| | Working Condition and Benefits | 3,00 | |
| | Talent and Performance Management | 2,14 | |
| | Opportunities for Woman | 4,67 | |
| | Documentation | 2,00 | |
| Information Technology | Ownerships of IT Tools | 5,00 | 4,10 |
| | Use of IT for non-transactional Process | 2,88 | |
| | Use if IT for Transactional Process | 4,78 | |
| Total | | 3,24 | |
| Score | | B | |

Source: Inclusivebusiness.net (2019)

Based on the findings presented in Table 1, which outlines the capabilities and competencies of the BUMDesa Mukti Saluyu region, it is observed that the cumulative capability score for BUMDesa amounts to 3.24. The findings of this study suggest that BUMDesa demonstrates a significantly high level of capacity. In the field of information technology, BUMDesa demonstrates exceptional proficiency and exemplifies strong organizational capabilities and values. The marketing strategies employed for organic rice heavily depend on information technology due to the exclusive utilization of online marketplaces as the primary marketing channels. In contrast, the organizational capability of BUMDes Mukti Saluyu pertaining to customer interaction is deemed to be suboptimal. The BUMDesa Mukti Saluyu solely engages in transactions with end-users, thereby resulting in a lack of mutually advantageous interactions between the two parties.

C. ECONOMIC PERFORMANCE

Agricultural commodities are cultivated as raw materials and have a limited shelf life, necessitating prompt consumption. The processing of agricultural products holds the capacity to augment the utilization of agricultural commodities. The process of improving the quality or value of a commodity is referred to as value addition. The Hayami technique is a commonly employed method for evaluating the value generated by agricultural products, which is determined by the ratio of revenue to cost. The present approach involves measuring the change in value per kilogram of raw material following the treatment administered by BUMDesa Mukti Saluyu. The determination of the value-added arising from the processing procedure is obtained through the deduction of costs related to raw materials and other inputs from the value of the product, excluding labor costs. To provide further clarification, the notion of added value pertains to the quantifiable expression of the benefits derived from labor, models, and management.

Table 2. Hayami Methods of Organic Rice Value-Added in BUMDesa Mukti Saluyu

| No. | Variable | Unit | Formula | Value |
|--------------------------------|---------------------|------------------|-------------|---------|
| Output, Input and Price | | | | |
| 1 | Output | Kg | 1 | 4028,57 |
| 2 | Raw Materials | Kg | 2 | 6714,29 |
| 3 | Labor Times | Working Hours | 3 | 9 |
| 4 | Conversion Factor | Kg/Production | $4 = 1 / 2$ | 0,60 |
| 5 | Labor Coefficient | Working Hours/Kg | $5 = 3 / 2$ | 0,001 |
| 6 | Output Price | Rp/Kg | 6 | 18000 |
| 7 | Labor Wages | Rp/Working Hours | 7 | 522222 |
| Revenue and Profit | | | | |
| 8 | Raw Materials Price | Rp/Kg | 8 | 6300 |



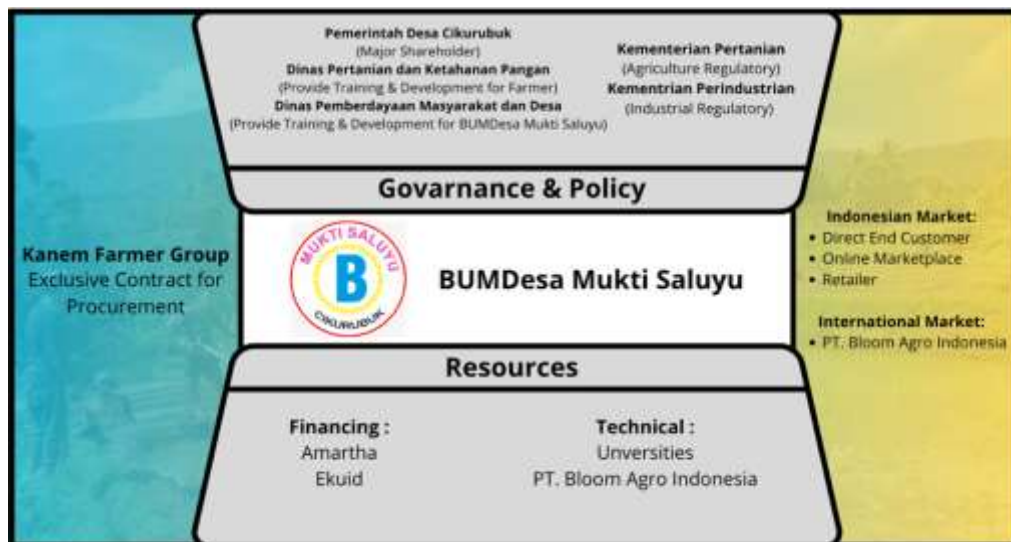
| | | | | |
|--|--------------------------|-------|--------------------------------|---------|
| 9 | Other Input Contribution | Rp/Kg | 9 | 2228 |
| 10 | Output value | Rp/Kg | $10 = 4 \times 6$ | 10800 |
| 11 | a. Value Added | Rp/Kg | $11a = 10 - 8 - 9$ | 2272 |
| | b. Value Added Ratio | % | $11b = (11a / 10) \times 100$ | 21,04% |
| 12 | a. Direct Labor Income | Rp/Kg | $12a = 5 \times 7$ | 700,00 |
| | b. Share of Labor | % | $12b = (12a / 11a) \times 100$ | 30,81% |
| 13 | a. Revenue | Rp/Kg | $13a = 11a - 12a$ | 1572,00 |
| | b. Profit Rate | % | $13b = (13a / 10) \times 100$ | 15% |
| Reply Services to Owners of Production Factor | | | | |
| 14 | Margin | Rp/Kg | $14 = 10 - 8$ | 4500,00 |
| | a. Direct Labor Income | % | $14a = (12a // 14) \times 100$ | 15,56% |
| | b. Another Input | % | $14b = (9 / 14) \times 100$ | 50% |
| | c. Companies Profit | % | $14c = (13a / 14) \times 100$ | 34,93% |

Source: Hayami in Matakana, Sylfia, & Upuya (2021)

Based on the available data, it is evident that the aggregate quantity of raw materials utilized in the production of organic rice during a specific timeframe amounted to 6714.29 kilograms of dry milled grain, with a corresponding raw material procurement cost of IDR 6,300. The mentioned raw materials undergo processing by BUMDesa Mukti Saluyu in order to yield organic rice that is prepared for packaging and consumption by consumers. The percentage of milled dry unhusked rice successfully transformed into organic rice is 60%, resulting in a yield of 4028.57 kg. Labor costs encompass the expenses incurred from the rental of a rice milling unit, which amounts to IDR 522,222/kg, for the purpose of processing the entire grain yield into organic rice. In the production of organic rice, there is an additional expenditure of IDR 2,228/kg attributed to marketing and packaging expenses. The organic rice processing conducted by BUMDesa Mukti Saluyu yields an output value of IDR 10,80/kg. The BUMDesa Mukti Saluyu has established a selling price of IDR 18,000/kg. The organic rice processing yields an additional value of IDR 2.272/kg, representing a ratio of 21.04%. According to this approach, the revenue generated by BUMDesa Mukti Saluyu for each kilogram of organic rice amounts to IDR 1.572/kg. The profit generated by BUMDesa Mukti Saluyu is categorized as significantly low, thus necessitating the implementation of a novel pricing strategy In the organic rice processing activities.

D. PROMOTING THE INCLUSIVENESS

The phase of promoting inclusiveness is conducting an analysis of the diverse stakeholders who are perceived to possess the capacity to contribute towards fostering inclusivity within the organic rice value chain at BUMDesa Mukti Saluyu. Stakeholders refer to individuals or groups whose inclusion and endorsement are essential for an organization to achieve its objectives. In the process of stakeholder analysis, it is imperative to initially ascertain the stakeholders who possess a vested interest in the matters being deliberated [16]. To guarantee comprehensive consideration, it is imperative to acknowledge various stakeholders for this business venture, encompassing community members, governmental bodies, and internal stakeholders. Establishing and maintaining positive relationships with a wide range of economic, social, and institutional entities is of utmost importance for stakeholders. The impact of stakeholders' positions on business outcomes is substantial.



Inside the food value chain, farmers hold an important position as food producers, serving as the primary actors who dedicate significant amounts of time and energy to facilitate the efficient running of food production activities. The main source of raw materials for BUMDesa Mukti Saluyu is grain, which is cultivated by a group of 50 farmers who are affiliated with the Kanem Farmer Group. Farmers are smallholders who need to be connected to customers to have substantially larger margins than before in order to achieve inclusivity in the organic rice value chain. Community service, as outlined in the Tri Dharma of Higher Education, refers to an activities that seeks to assist the community in various activities, without any expectation of receiving compensation in any manner. This program, which has been developed by universities in Indonesia, aims to actively contribute to the nation's advancement and welfare, with a particular focus on promoting the well-being and progress of Indonesian society. Universities must act as key partners in knowledge and technological expertise in order for the organic rice value chain in BUMDesa Mukti Saluyu to be inclusive and responsive to industrial needs. The existence of the university in the local area presents a possible solution for the existing marketing obstacles faced by BUMDesa Mukti Saluyu.

Government institutions play a crucial role in establishing regulations that serve as the legal framework for various actions within specific sectors. These rules not only facilitate improved market access for individuals at the base of the economic pyramid but also provide incentives for inclusive businesses to make significant contributions. The inclusion of the organic rice value chain at BUMDesa Mukti Saluyu must have the full support of the Pemerintah Desa Cikurubuk, which serves as a microscale government organization. Dinas Pertanian dan Ketahanan Pangan is responsible for the execution of governmental affairs pertaining to the authority of the region, as well as providing assistance in the realm of Food Security and Agriculture. Dinas Pemberdayaan Masyarakat dan Desa has three primary functions in enhancing the legal standing of BUMDesa Mukti Saluyu, which encompass coaching, facilitating, and evaluating performance. Kementerian Pertanian also promotes the adoption of an inclusive business model among various companies operating in the agricultural sector through policy implementation. This model entails ensuring that profits generated by these companies are utilized to enhance the well-being of the farmers. To facilitate financial access for organic farming, it is imperative for Kementerian Pertanian, acting as a regulatory body, to provide support for the equitable treatment of farmers. The Ministry of Industry has a significant regulatory role in overseeing the industrial landscape within Indonesia.

Retailers play a significant role in facilitating the distribution of BUMDesa Mukti Saluyu's organic rice products to the local market. The sole marketing channel utilized by BUMDesa Mukti Saluyu at present is limited to the online marketplace. The availability of organic rice products through retailers facilitates consumers' access to these products, thereby enhancing their product knowledge. The inclusion of exporters is imperative within the comprehensive organic rice value chain. PT. Bloom Agro Indonesia is an exemplary exporter with a proven track record in the execution of organic agricultural commodity export operations. PT. Bloom



Agro Indonesia is an Indonesian social enterprise that acts to advance sustainable agriculture and enhance human welfare. The concept of Fair Trade encompasses not only the well-being of producers but also the broader local community (Sinaga, Garyati & Prasetyo, 2021). Stakeholders operating at the retailer level actively contribute to problem-solving efforts pertaining to the marketing channels applied by BUMDesa Mukti Saluyu. The BUMDesa Mukti Saluyu has the potential to establish a pre-order system catering to retailers, enabling them to acquire initial working capital for purchasing grain from the Kanem Farmers Group. During the phase of incorporating retailer stakeholders, BUMDesa Mukti Saluyu should establish a profit-sharing arrangement to provide mutually advantageous incentives for both parties.

The organic rice enterprise owned by BUMDesa Mukti Saluyu currently operates on a small scale. However, given its capacity for procuring raw materials, there is potential for the business to expand to a certain extent. The crowdfunding mechanism operates on the principle of financial inclusion at a conceptual level. These Initiator Businesses have specific initiatives or business ventures that necessitate financial support. The primary objective is to enhance production capacity in collaboration with farmers. Amarth is a prominent microfinance technology platform that aims to foster collective well-being by constructing digital financial infrastructure for the grassroots economy. Ekuid is a Securities Crowdfunding Platform that facilitates investment opportunities for a wide range of individuals. Through the fundraising method, individuals can invest in the platform, and the funds raised are subsequently utilized for the development of businesses, including micro, small, and medium enterprises, as well as startups.

E. ENABLING THE ENVIRONMENT

The agricultural value chain comprises three fundamental elements: the participants engaged in the agricultural industry, the tasks undertaken by these participants, and the broader facilitating context. The actors involved in the agricultural industry involve a wide range of participants, including farmers, agribusiness companies, processors, distributors, and consumers. The enabling environment includes a range of factors, such as policies, standards, and investments, which have an impact on both sustainable production practices and the ability to access markets. The present integrated model offers a comprehensive structure for the delineation of projects and the formulation of policy directions and interventions with the objective of enhancing the involvement of smallholder farmers within the agri-food value chain. Additionally, it encompasses an examination of the facilitating factors that influence these interactions (Teng & Oliveros, 2016).

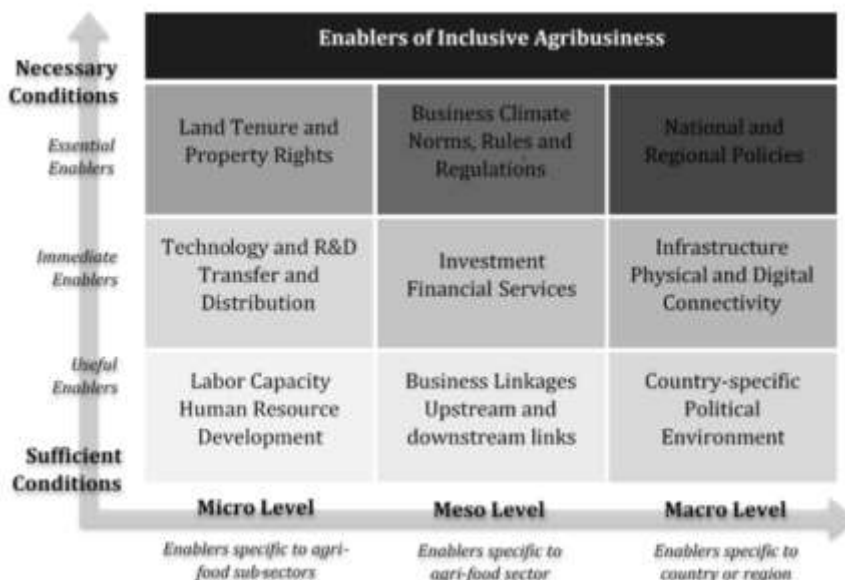


Figure 3. Conceptual Framework Framework to Enablers of Inclusive Agribusiness (Teng & Oliveros, 2016)

1. Macro Level Enablers

The macro-level enablers involve various factors such as national and regional policies, infrastructure development, and the political environment. One of the fundamental principles underlying inclusiveness is the implementation of policies that effectively promote



equity and inclusion, particularly in the context of pro-poor projects [17]. On the national and regional policies side, the UU Cipta Kerja in Indonesia encompasses regulations aimed at fostering synergy and continuity across multiple sectors, with the ultimate goal of stimulating investment, enhancing economic production, and accordingly, bolstering employment rates and national GDP growth. Plus, it is anticipated that this legislation will contribute to a reduction in the poverty rate. UU Cipta Kerja establishment of collaborations between large enterprises and micro, small, and medium-sized enterprise, while also providing a range of assistance measures to enhance the capacity of MSEs and cooperatives. These initiatives aim to foster inclusive business practices.

Physical infrastructure, including transportation networks such as roads, railways, and ports, as well as essential utilities like electric power and energy, play a vital role in facilitating market accessibility. The development of village infrastructure is a means of enhancing the well-being of individuals. The act of constructing a village encompasses the facilitation of various interconnected components that sustain the functioning and promote the development of both the local ecosystem and the village itself at a small-scale level. The provision of infrastructure access to the community encompasses important logistical components. Therefore, infrastructure can be defined as the process of enhancing the development of rural areas. While the development of digital infrastructure in Indonesia lags behind that of physical infrastructure, the growing significance of adopting digital technology as a means of information and communication cannot be overstated for small-scale farmers.

The inclusion of smallholders is facilitated by the existence of effective governance and political environment, as the agribusiness sector operates within a framework that is influenced by bureaucratic processes, regardless of whether it promotes inclusivity or not. A government characterized by a lack of transparency and inadequate regulatory standards contributes to increased risk and transaction costs for businesses. It is imperative to implement suitable regulations for inclusive business enterprises in order to ensure their adherence to inclusive practices. Inclusive businesses, particularly social enterprise initiatives, frequently encounter challenges pertaining to the suitability of prevailing legal structures. The Indonesian Government possesses the capacity to establish novel legal frameworks that facilitate the pursuit of social objectives by enterprises, while concurrently affording them specific advantages.

2. Meso Level Enablers

Business climate, norms, rules, and regulations are the essential enablers from the meso level. A fair market is characterized by equal opportunities for all business individuals to participate and derive benefits. This implies that both parties are treated without discrimination or undue advantage. The principle of inclusive business entails the active participation of various stakeholders, including small-scale farmers, producers, traders, and consumers, throughout the trade process. It is imperative that all individuals are afforded equal and just opportunities to participate in markets and receive appropriate advantages from trade transactions.

Access to financial services is deemed imperative for smallholder producers as it enables them to procure production inputs, thereby facilitating the initiation of cultivation activities and the subsequent generation of income. It is imperative for all relevant stakeholders within both the governmental and private sectors to establish an environment conducive to the provision of accessible credit for smallholders. The provision of credit to farmers is contingent upon a robust legal framework and contractual agreements. The facilitation of financing within the agricultural sector necessitates a simplified set of regulatory frameworks, thereby enabling farmers and agricultural entrepreneurs, such as BUMDesa Mukti Saluyu, to effectively pursue business expansion opportunities.

Vertical Integration is a strategy that can be employed to establish links between businesses. This can be achieved through two approaches: backward integration, where a company produces its own inputs, or forward integration, where a company possesses its own distribution channels for output. In certain instances, corporations engage in partial integration of their operations, wherein they both manufacture and distribute their products utilizing internal resources as well as external suppliers. The BUMDesa Mukti Saluyu and the Kanem Farmer Group have the potential to engage in vertical integration by leveraging their individual strengths. The Kanem Farmers Group possesses organic farming certification, enabling them to cultivate and yield organic grain.

3. Micro Level Enablers

A total of 50 farmers are responsible for the management of the entire land, with the majority of them overseeing plots of land that have a relatively small area. The micro-level enabler is primarily constituted by land ownership and property rights, which hold significant importance. It is imperative to ensure that the Kanem Farmer Group receives annual facilitation for organic certification,



given the time constraint of a one-year certification period. The micro actor, BUMDesa Mukti Saluyu, demonstrates vertical integration by utilizing funds generated from the marketing of organic rice to support land certification efforts. This practice adheres to the regulations established by BUMDesa Mukti Saluyu and the Cikurubuk Village Government, whereby 50% of the generated business profits are allocated for the benefit of the local community.

The transfer and dissemination of technology play a crucial role in facilitating the development of technological knowledge and enhancing productivity among small-scale farmers, including the BUMDesa Mukti Saluyu. Numerous studies have demonstrated that heightened allocation of resources towards the dissemination of technology, as well as research and extension efforts in the field of agriculture, result in notable enhancements in productivity growth. At this stage, the university plays a crucial role in enhancing the effectiveness and efficiency of the organic value chain in BUMDesa Mukti Saluyu and the Kanem Farmer Group. As educational institutions, universities should maintain an open approach toward addressing industrial problems, thereby serving as a platform for community engagement and service.

The correlation between the implementation of agricultural technology and the subsequent enhancement of production efficiency has been complexly linked to the attributes and capabilities of people in the workforce. Research has demonstrated that an increase in the level of education among farmers is associated with a corresponding rise in income growth. Therefore, the development of an inclusive organic rice value chain greatly benefits from the implementation of capacity building and human resource development initiatives. The enhancement of human resource capacity from the perspective of BUMDesa Mukti Saluyu necessitates the implementation of crucial training programs, including but not limited to digital marketing and accounting training. The provision of training to enhance the capacity of human resources is a crucial function of the Dinas Pemberdayaan Masyarakat dan Desa. In addition, raw material producers, specifically farmers, are offered field schools organized by Dinas Pertanian dan Ketahanan Pangan.

CONCLUSION

The purpose of promoting inclusivity is the development of competitive advantage. The BUMDesa Mukti Saluyu should acquire a thorough comprehension of the importance of collaboration in their business operations involving multiple stakeholders. The first step in promoting inclusivity is to conduct an analysis of the various stakeholders who are believed to be able to contribute to nurturing inclusivity in the organic rice value chain at BUMDesa Mukti Saluyu. Farmers, agribusiness companies, processors, distributors, and consumers are just a few of the many actors involved in the agricultural industry. The enabling environment consists of a variety of factors, such as policies, standards, and investments, which have an impact on both sustainable production practices and market access. The current integrated model provides a comprehensive framework for the delineation of projects and the formulation of policy orientations and interventions with the aim of increasing the participation of smallholder farmers in the organic rice value chain.

RECOMMENDATION

A. For Managerial Implication

The execution of a strategy encompasses the assortment of activities and decisions necessary to effectively implement a strategic plan. The suggested business solution encompasses several instances that are necessary for BUMDesa Mukti Saluyu to address the issue, as indicated by the findings. The preliminary findings of efforts to promote inclusivity in low-income and emerging economies indicate that the process of designing an inclusiveness framework typically requires a timeframe of 6-12 months. Furthermore, achieving sectoral transformation through the active and committed involvement of platform stakeholders necessitates a minimum of 3 years (UNDP, 2013).

B. For Future Research

1. Due to the limitation of this research, Future researchers should focus on advancing the methods for establishing micro, meso, and macro climates to effectively promote inclusivity within the organic rice value chain. Government institutions play a crucial role in establishing and maintaining a robust business environment that fosters inclusivity within the organic rice value chain. To achieve this, it is imperative that these institutions implement effective regulations and provide comprehensive support to ensure the development of a thriving business climate.



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