

Implementation Of Risk Management To Anticipate Price Fluctuations In The Sale And Purchase Of Shallot Seeds In Rejoso Sub-District, Nganjuk District

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Implementation Of Risk Management To Anticipate Price Fluctuations In The Sale And Purchase Of Shallot Seeds In Rejoso Sub-District, Nganjuk District

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ABSTRACT

Risk Management is basically really needed in a business, from large businesses to small businesses. Because implementing risk management will help entrepreneurs know the obstacles that will occur in a business. The shallot seed business is a fairly high level of risk, in this business there are things that need to be known such as depreciation rates, market developments such as fluctuations in prices. By knowing risks like these, it will make it easier for entrepreneurs to make decisions and be able to take action to lead to possible risks that will occur. From this it is also very clear why risk management is very important for the development of this business. Talking about the shallot seed business, there are several stages of risk management that can be applied, namely: (a) risk identification, (b) risk analysis, (c) risk control. By carrying out these steps it will be possible to help overcome risks in the shallot seed business. Because considering the level of price fluctuations and the rate of depreciation on shallots is very unstable. It is hoped that shallot seed entrepreneurs know about risk management so that they can assist in running the business.

Keyword: Risk management, Price fluctuations

INTRODUCTION

In general, each staple product has a different price value such as rice, oil, vegetables, etc. Where each price value has fluctuations or the term we often know as rising and falling prices. Where each price value has fluctuations or a term that we often known as the rise and fall of prices. Thus it is clear that there is no fixed price value for an item, where the price value certainly follows market developments. Similar to staples, shallot seeds are also one example where they often experience fluctuations or ups and downs in price. Where the ups and downs of these prices are often drastic and quite rapid changes and often make shallot seed entrepreneurs have to be wise in making decisions.

In this relationship, risk management is one of the most important factors for shallot seed entrepreneurs. Where by implementing risk management, we can anticipate problems such as fluctuations in shallot seed prices. For example, if the price of shallots rises what actions we take and vice versa.

Talking about shallot seeds, there is one area that is famous for its shallot seeds, namely Nganjuk Regency. Nganjuk Regency is one of the districts in East Java Province, which has many natural resources and tourism sites. Of the many natural resources owned, this shallot seed is famous from the city of Nganjuk, where shallot seeds from the city of Nganjuk have good quality compared to other regions (<https://www.nganjukkab.go.id/>). And often gets trust from outside the city to outside the island. There is one village in Nganjuk that is famous for producing shallot seeds, namely Mojorembun Village in Rejoso District, Nganjuk Regency. This village is famous for producing shallot seeds because the majority of the population work as shallot farmers, and depend a lot on the shallot harvest. So no wonder it has the slogan shallot center.

Speaking of shallot seeds, please note that shallots generally have an age period of 55 to 65 days to be harvested. After harvesting shallots can be used as ready-to-plant seeds if they have been stored for 4 to 6 months (<https://www.antaraneews.com/>). To start this shallot business also requires patience and thoroughness, where the process of waiting to make shallots ready for planting is not instant and does have a long time process. As well as to go through a long enough process there is a shrinkage rate, where the shrinkage is interpreted as 10% to 20% of the shrinkage rate to make the shallots really ready to be used as ready-to-plant seeds. And it can also be said that the shallot seed business is a short-term investment, you can see for yourself that making shallots ready for planting takes a long time.

At this time the competition conditions are indeed very sharp in the shallot seed business, ditam

THEORETICAL STUDIES

Definition of Risk Management

Management according to Handoko (2012) is the process of organizing, directing, and supervising the efforts of organizational members and other users of organisational resources in order to achieve predetermined organizational goals. According to Daft (2012) and Halsen (2012), management is the process of achieving organisational goals effectively and efficiently through resource management, planning, leadership, and control. Likewise, according to Danupranatha (2013), management refers to the art and science of management,

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which includes planning, organising, directing and controlling, or has the function of regulating it.

Based on the understanding that has been stated above, it can be concluded that management is a field of science that studies how to be able to plan, and manage an organisation to be able to achieve the planned targets.

In carrying out the planning that has been planned in an organisation, it is inseparable from the risks that can arise during its implementation, therefore the risks that can arise cannot be ignored because they can affect the sustainability of the company.

To get an idea of the meaning of risk management, the following is the definition of risk from leading risk management experts and institutions:

According to Hubbard (2009), risk is defined as the likelihood and magnitude of loss, disaster or other adverse event. In other words, risk is the possibility of a loss, disaster or unexpected event. In plain language, it is often said that something bad can happen or something bad can happen. Two things are necessary for the emergence of risk, namely the existence of uncertainty about the outcome of the experiment and the results play a role in achieving profit (the results can result in profit or loss).

The definition of risk according to Vaughan (1978) in Darmawi (2016), namely:

1. Risk is the chance of loss.
2. Risk is the possibility of loss.
3. Risk is uncertainty.
4. Risk is the difference between actual results and expected results.
5. Risk is the possibility of results that differ from those expected.

From some of the above descriptions, it can be concluded that risk is the potential loss caused by the occurrence of certain events (possible bad results). In other words, there is a possibility of unwanted things happening that can result in losses if not anticipated and managed properly. Thus, risk management can be defined as a planning process aimed at managing all aspects that can cause losses.

Risk Management Principles

In business, reality shows that successful entrepreneurs are not only able to protect their business from threats, but also know what risks can be utilised and understand how to take advantage of them.

A risk management expert, Aswath Damodaran, and Supranto and Hakim (2013) provide 10 principles of operational risk management that must be considered:

1. Risk is everywhere.
2. Risk is both a threat and an opportunity.
3. Risk is a combination of danger and profit opportunity.
4. Not all risks are created equal.
5. Risk can be measured.
6. Tools to obtain risk assessment results and risk assessment should be more than other processes associated with the decision-making process.

7. The keys to good risk management are risks to avoid, risks to take, and risks to utilise.
8. To properly manage risk, we need to understand the levers that determine a company's value.
9. Risk management is at the core of good business practices and is everyone's responsibility.
10. To be successful in risk management, we must embed it in the organization through its structure and culture.

Risk and Return

A return is the profit that can be obtained from an investment made over a period of time and following a certain process. Another name for yield is result or performance. Return, or often yield, is the profit generated by an investment over a period of time or following a specific process. Yield and result are terms that usually refer to nominal income. However, return is the profit usually expressed in the bottom line, return is the term that refers to the return of capital - nominally. Yield, on the other hand, is a term that refers to profit in percentage terms.

The relationship between risk and return From the explanation of the definition of return outlined above, it is clear that return is usually closely related to investment risk. Risk is an important part of investment returns. In general, investment risk and return are inversely correlated, meaning that the potential return of an investment increases as the potential risk increases. For example, since stocks have higher potential returns than bonds despite typically having higher risks, stocks are a better investment.

According to Rustam (2017), the initial view states that there is a positive relationship between risk and return. The higher the risk, the higher the return. If companies want to increase their returns, they must also increase their risk. According to observations, this view lasted for a long time.

However, this view is slowly changing. According to Hanaf (2009), the new view states that the relationship between risk and return is not linear, but nonlinear. In the first area, Figure 1-1b, the risk the company takes is too small and the return is too small. If the managing director (CEO) only stays in the apartment, he can avoid many risks such as accidents, etc., but also earn nothing. However, if the company increases the risk and manages it optimally, the return will also be higher and more optimal. See Figure 1 for details.

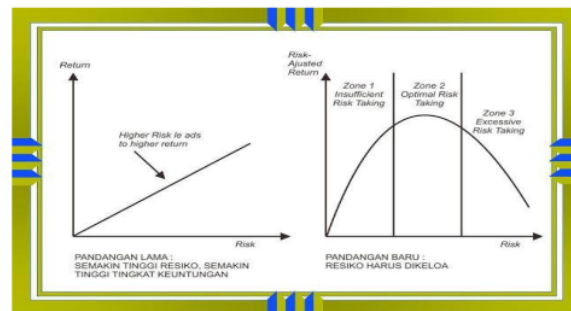


Figure 1

According to Rustam (2017), the risk management process is as follows:

1. Risk identification

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This risk identification process is carried out to identify all types of risks associated with each operational activity that can harm the company.

2. Risk measurement

This risk measurement process is carried out to measure the organisation's risk profile and then provide an overview of the effectiveness of risk management implementation.

3. Risk monitoring

This risk management process is a process where the bank uses risk limits both individually and as a whole/consolidated. In addition, there must also be risk limits:

- Consider the ability of the business capital to absorb risk or loss and consider the degree of business risk.
- consider previous claims experience and human resources;

4. Risk management

The risk management process aims to control certain risks, especially those that may threaten business continuity. So that after carrying out the previous stages, the application of this risk control is carried out.

Type of Risk

Risk can basically be divided into two categories based on its type: pure risk and speculative risk. Risks that carry only potential losses and no potential gains are known as pure risks. Examples include fire or accident risks. Speculative risk is where we are in two positions where we can either lose or gain. Speculative risk is common in business where there is both profit and loss.

Below are the various risks that may arise:

a. Strategic Risk

Strategic risks are hazards that can develop if a company's strategy fails and it ultimately has difficulty achieving its goals. Such problems may arise as a result of technological change, the emergence of strong new competitors, shifts in consumer demand, or other significant changes.

b. Compliance Risk

This risk can be called external risk. Changes that always occur require us to make changes to these changes. For example, when the product is exported abroad. Of course, the export product must comply with the applicable rules in the destination country, which of course contains risks that must be minimized properly.

c. Operational Risk

In addition to the external environment, internal risks can also arise. Operational risks are risks arising from day-to-day operations. These risks can be caused by technical errors or mistakes made by employees or processes in place..

d. Financial Risk

Some categories of risks cause source fees to be paid. However, these types of risks determine the inflow and outflow of funds and the potential for sudden financial instability.

e. Reputational Risk

Reputation is everything, and the risks that threaten it are like this. If a good reputation is damaged, it may affect the company's sales and undermine customer trust. In addition, external stakeholders are reluctant to approach the company to

bring the company into bankruptcy. This risk can be a mass recall of defective or failed products, a major lawsuit, or even a series of bad reviews.

Business Risks

Business risk is a risk that cannot be transferred to another party. If you have entered a separate business, the company then bears the business risk directly. Most importantly, management's willingness to take risks must remain in accordance with the principle that the higher the risk, the higher the expected profit. Risk can be defined as a potential event that can cause a loss. However, in investment analysis, risk is defined as the possibility of money earned being different from that expected. According to Farah, business risk is the level of risk that is part of the company's operations when the company is not in debt, the company has low business risk, when the demand for the products it produces is stable, when the company's prices are stable. its inputs and outputs remain relatively constant if the company can adjust prices independently when costs rise and most of the costs are variable costs, then fall when sales fall.

2
The higher a company's ideal debt ratio, all else being equal, the lower its business risk.

Business risk depends on a number of factors, namely

1. Variability of demand,
2. Variability in selling price,
3. Input cost variability,
4. Ability to adjust production prices to changes in production costs,
5. Ability to develop new products in a timely and cost-effective manner, overseas risks
6. Composition of fixed costs: Operating leverage (Operating leverage is the extent to which fixed costs are utilised in business operations)

It can therefore be concluded that business risk indicates the risks associated with the company's competitive position and development opportunities in a changing market.

MarketRisk

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Market risk is the risk due to changes in market prices, business risk can be changes in all market conditions, including the risk of changes in option prices. In general, there are 2 (two) forms of market risk:

1. General market risk

This general market risk exists for all companies and stems from the policies of the relevant institutions, which policies can affect all industries, for example when the central bank of a country implements a tight monetary policy through various tools such as raising the BI interest rate. When BI's interest rate policy has a generalised impact on all business sectors related to interest rate-related instruments. One pressing party is considered to be directly related to interest-related instruments, namely banks. This is how they borrow and deposit money in banks. For example, if the BI rate is raised, then bank lending rates will follow suit, viz. The price of loan interest increases, especially if the bank applies a variable interest calculation. Credit flat rate calculation is a calculation to charge interest on the principal amount of the loan that decreases every month, adjusted for the effect

of loan payments on the decrease in the principal value of the loan. principal payments paid by debtors.

2. Specific market risk

Specific market risk is a form of risk that is specific to one industry or part of the business but is not ubiquitous, for example:

- a. A notice issued by an appraiser where the appraiser is reputable and generally recognised. The fact that they announced that PT XYZ was underperforming and highly indebted, and the report issued so far was wrong. Following the news, the company's stocks and bonds dropped immediately. And other companies did not follow the decline in the company's stocks and bonds.
- b. One of the companies whose management or company officials were involved in extraordinary criminal offences and revealed by various media. So that a general opinion is formed that the company is neither good nor bad.
- c. These businesses are considered to be selling goods with potentially harmful or illegal ingredients. foods containing lard, for example. Foods containing lard are forbidden in Islam. If this is exposed by print and electronic media, it will result in a sharp decline in product sales which will impact the company's revenue.

Price Fluctuations

Price fluctuations are peaks or uncertainties in anything that can be represented on a graph are known as price fluctuations. Variations can have various meanings. Multi-currency transactions are common in international trade. This can increase the likelihood of the value of these currencies fluctuating. According to Surjo, Yohanes (2007), changes in the rise and fall of a variable caused by market mechanisms are called fluctuations. Fluctuations are historically considered as changes in value. An inconsistent peak or pattern in anything that can be plotted is the definition of fluctuation. Examples include changes in the price of goods, shocks, or changes in the way electric waves are measured, etc.

The definition of turnover, or the concept of turnover, is a spike or inconsistency in anything that can be represented on a graph. Examples are fluctuations in the price of goods, shocks or fluctuations in the measurement of electric waves, etc. The ups and downs (fluctuations) of prices and price levels of agricultural products can be seen from the reality that occurs in the community with the existence of, for example, a well-managed government reference price, ups and downs and tiers that only vary between these reference prices. Regarding prices, we have learned a lot from experience, the leisure trading system often allows producers to set small prices for their products, which means that traders set their own prices for traded products taking into account costs (transport, intermediary services, administrative costs etc.) at the wholesale and retail levels increasing competition between retailers.

The theory of price fluctuations can be derived from the law of supply and demand in the market. The law of demand states that demand decreases when prices rise, and the law of supply states that the quantity offered decreases when prices fall. According to the law of supply and demand, price increases and uncertainty affect income decline and income decline affects purchasing power. If one of the factors affecting purchasing power is the income of the trader himself.

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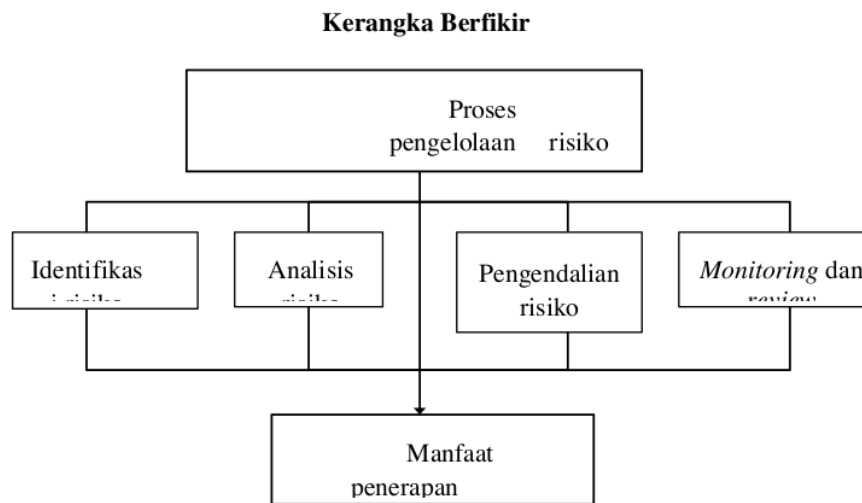


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Based on the definition of volatility above, the author can conclude that volatility is a change in several variables that usually occurs through market mechanisms. These changes can be in the form of an increase or decrease in the value of the variable.

Framework

Based on the theories described above, it can be drawn that many theories are covered and of course considered in risk management in a business. Where to pay attention to the risk of the business, besides that, you also have to understand about market risk where it has been explained that there are frequent price changes. Of course, the theory plays an important role and of course must be understood by shallot seed entrepreneurs. Where before making a decision you should analyse a problem and consider a decision to be taken, especially if it is related to price fluctuations. From the theory that has been described, it can be used as an acua to create the following framework:



METHODS

Type of Research

In this study, the author conducted research using a qualitative descriptive approach. The qualitative descriptive method is an approach model that studies a group of people, objects, a set of conditions, a system of thought, or a category of events at this time. In general, descriptive research is non-hypothesis research, so there is no need to make a hypothesis in the research stage. The purpose of research using this qualitative descriptive approach is to describe systematically, factually and concisely using words or sentences based on the results obtained to obtain conclusions.

Researchers attempt to reveal the behavior or actions of shallot entrepreneurs related to price fluctuations. Various types of data are used to achieve this, including personal experiences, interview results and field observations that explain the moments and problems that occur in the shallot seed business. The principle of quantitative research data collection is:

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1. Collect a lot of evidence, use a lot of information, and pay attention to other evidence.
2. Create a case study base, organise and coordinate the information collected. Case studies usually take a long time and the data obtained is quite extensive. Therefore, it is necessary to organise the data in such a way that the information obtained is not lost.
3. The purpose of securing this evidence is so that it can be traced back to existing evidence related to the case study conducted.

Research Location

The research location is the place where to conduct research tests. Research should be carried out in a popular place related to the problem to be tested. By paying attention to the topic of the problem, this research was conducted on shallot seed entrepreneurs in Gogol Hamlet, Mojorembun Village, Rejos District, Nganjuk Regency, where the area is famous as one of the shallot centres in Nganjuk Regency, and in the area the majority of the population work as shallot farmers. So it is very possible to be used as a place of research related to shallots.

RESULTS AND DISCUSSION

Data Presentation

The shallot seed business is a business that cannot be separated from shallots, where in general the types that are often planted and used as seeds in the Nganjuk area are the types of thailan shallots and bauji shallots. Where both also have advantages and disadvantages. For bauji shallots have advantages: disease resistance, resistance to extreme climates such as the rainy season, redder fruit and usually larger than thailan shallots. However, this bauji shallot has disadvantages: it cannot survive. Storage takes a long time because the water content is quite high so that if it is used as a seed it usually has a fairly high shrinkage rate. As for the thailan type shallot has advantages: resistant to being stored for a long period of time, if used as a kitchen spice it tastes more delicious, can be used as fried shallots and has a high level of crispness, the fruit itself is denser, but has disadvantages: the fruit is of normal size, the colour itself tends not to be intense red. From this description, usually farmers in dry weather mostly prefer the thailan type of shallot, while if the rainy season prefers to plant the bauji type. And please note that this shallot seed business also has many competitors. This shallot seed business is also a promising business even though running this business also requires patience and high accuracy. It can be said to require patience because this business cannot instantly be sold, where it can be used as seeds it takes about 4 to 6 months before it can be said that the shallots are really ready to be planted or called seeds. But it must be noted again that there are many things that need to be considered in this business, such as the level of onion shrinkage itself which is sometimes quite high, ranging from 10% to 20%. In addition, what needs to be considered in this business is price fluctuations, which can be said to experience ups and downs very often, so that it can be said that prices are quite unstable.

From the description above, researchers feel they want to know the actions or decisions taken by shallot seed entrepreneurs. In this study, researchers have determined 2 shallot seed entrepreneurs who will be used as sources, namely Mr Lamiran and Mr Rinto where researchers chose him because they are shallot seed entrepreneurs who are well known in Mojorembun Village, besides that their

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experience is quite extensive regarding the shallot seeds themselves. A little talk about them, that both of them have been involved in shallot seeds for quite a long time, and their shallot business is also quite well known in various circles involved in the shallot business. And for the marketing of the shallot itself is also quite extensive where not ha

Data Analysis

Risk Identification

Risk identification is an effort to find, reveal and know what risks may arise in a company or business. Not separated from the importance of risk management for every business that is run, it is necessary to know the source of the risk itself. From the shallot seed entrepreneurs who were asked for information, they have understood what risk itself is but do not know what risk management is. From the answer of Mr Rinto "If for a specific understanding I don't really know mas, but maybe if I hear from the language of risk itself I can interpret maybe a field of science that studies risk. Isn't that right mas hehehe". For risks from within the shallot seed business that researchers get from the results of interviews, a common possibility in the shallot seed business is the risk of shrinkage of the shallots themselves. As stated by Mr Lamiran "emm... if for the possibility that has quite an impact on the shallot seed business if the factor from within is yesaa from the shrinkage of the shallot itself anyway mas". However, if the risk from external factors "if for external factors you can say the price, which tends to change or be unstable" can be interpreted that the external factors that affect the shallot seed business are the level of ups and downs in prices or what is commonly called price fluctuations. From his opinion, it can be interpreted that the level of risk that affects the shallot seed business is the depreciation factor and price fluctuations.

Risk Analysis

Risk analysis aims to separate major and minor risks, and prepare a plan to anticipate risks that may occur. Judging from the risk identification discussed above, what can affect is the depreciation factor and the price fluctuation factor. Let's see from Mr Rinto's answer regarding this shrinkage factor, here's what he said "for the shrinkage itself is usually caused by various factors, the first is the condition of the shallots themselves whether they are healthy or not, the second is the temperature or weather where the weather can affect the shrinkage as well. Because if the weather is in rainy conditions especially with high rainfall, the humidity triggers shrinkage and sometimes causes decay in the shallot itself. Vice versa, if it is too hot, it also triggers shrinkage, because hot conditions result in the drying of shallots." It has been explained that shrinkage is actually triggered by the condition of the shallots themselves and also weather factors or temperature conditions. We have known the analysis of the level of shallot shrinkage, now we move on to the price fluctuation factor. Surely we already know that price fluctuations are the level of ups and downs in prices, so let's learn what actually affects price fluctuations in the shallot seed business. "Usually the decrease or increase in shallot prices is caused by the accumulated shallot stock. If the shallot seeds themselves can usually increase in price if many farmers themselves experience crop failure, besides that sometimes because farmers themselves choose to sell newly harvested shallots for bumbon, or sometimes sold in bulk. That is the cause, many warehouses are empty

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so that shallot seeds are in a minimal stock condition," said Mr Lamiran. It can be interpreted that the possibility that results in price fluctuations in the shallot seed business is from the supply itself. It cannot be denied that the actions or decision-making of farmers will also affect the price of shallot seeds themselves.

Risk Control

Risk control is an effort made to control, find a balance between security, availability and funding for the company. From this information, risk control is carried out to prevent the occurrence of an impact of risks that may occur, so that efforts are made to minimise even so that it does not occur. From the identification and analysis that has been stated in the previous discussion, let's see what efforts entrepreneurs make regarding price fluctuations and depreciation that may occur. For the shrinkage, let's see the answer from Mr Rinto "to minimise the level of shrinkage, the efforts I make by choosing really good shallots and the condition of the warehouse that I give a lot of ventilation so that the air in the warehouse can run well, and on the roof I put a transparent roof so that the sun's heat can also enter the warehouse". From his answer, we can take positive action where we also have to consider our own functionality in a building. Indeed, even small factors must also be considered in all businesses. Moving on to the price fluctuation factor, let's learn what actions Mr Lamiran takes to deal with the ups and downs of this price itself, we can see the decisions taken when shallots are relatively low at the time of sale. "When the price is low and even equal to the purchase price, at that time I choose to keep selling but with a quantity that is not so much or not all. And after selling a little, then I buy more or the term I replace the old shallots with newly harvested shallots, emmmm ... so the stock for each type of harvest remains". And here are the sales decisions when prices are high. "For when the price is high, if there is demand, of course I immediately sell because you know yourself, the price of shallots is very often up and down in price. We are afraid that if we hold back and hope that the price will rise again, we will get a lot of profit, even if it still rises, but if it goes down? We ourselves are troubled, heheheheh....." he said. And from this delivery lessons can be taken lessons, indeed everything must be carefully thought out. The discussion was at the time of sale, so this time let's look at the decisions made when purchasing shallots that will be used as seeds when prices are high. "Eeemmm ... yes, if the price is high enough, you can buy it, but the quantity is also not too much. Yes, it actually depends on the ability of the entrepreneurs themselves," said Mr Lamiran. And the following when the price is low "if for when the price is low, it's not that I immediately buy a lot of quantities, but I also look first sometimes the shallots are red because there are still a lot of stocks, the possibility that the seeds will be expensive later is also quite long, and if for me personally anyway

DISCUSSION

From the results of the interviews that have been described previously that with the information from Mr Lamiran and Mr Rinto as sources or informants, the authors gained a lot of knowledge. Where from how to make decisions by considering all aspects. If with such information and by being associated with the basic theory underlying the topic of discussion, namely risk management, seen from decision making and paying attention to small things that affect their business, it

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can be said that Mr Lamiran and Mr Rinto as shallot seed business actors have indeed implemented risk management itself, even though the father does not know specifically what risk management itself is. So it can be concluded that actually shallot seed entrepreneurs have applied the basic basis of risk management in taking action and determining decisions. Of course, the experience can be a motivation for us to run something that needs thoroughness and careful calculation in order to get maximum results.

CONCLUSIONS

From the discussion and description above, it can be concluded that the actual role of risk management in the business of buying and selling shallot seeds is also needed, by implementing risk management shallot seed entrepreneurs can find out the possibility or level of risk in the business so that they can anticipate or reduce the level of risk in the business. So the importance of the role of risk management for business actors, not only shallot seed entrepreneurs but for all entrepreneurs whatever the business. Because this risk management also has an effect if applied to business, such as anticipating obstacles or obstacles that may be experienced, so that it can be a direction to be more careful and can also prepare ways to deal with an obstacle that may occur.

With the discussion that has been listed above, the conclusions that the author presents are as follows:

1. Price fluctuations are very influential in the actions or decisions taken by shallot seed entrepreneurs. Because price changes will affect decision making for shallot seed entrepreneurs.
2. Risk management also helps in making decisions that will be taken by shallot seed entrepreneurs. By knowing the obstacles or constraints of shallot seed entrepreneurs will certainly prepare steps or actions to be taken to deal with an obstacle.
3. The rigour and tenacity that is carried out or applied in a business or business will produce good results. Where with this rigour the entrepreneurs are more careful in taking action.
4. Small things really need to be considered in a business for maximum results. As in the selection of shallots that will be used as seeds.
5. Shrinkage is also one of the factors that affect the shallot seed business. Because the longer the shallots are stored, the age level will also change, that's what affects this business, the less shrinkage, it is possible that the greater the profit will be obtained.

After we draw the conclusion above that the implementation of risk management in the shallot seed business can make entrepreneurs more careful and more stable in preparing or making decisions to be taken and of course all of that is to minimise and even prevent losses.

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