

## THE IMPLICATIONS OF TRANSACTION COSTS FOR SALT FARMERS' INDEPENDENCE IN PESANGGRAHAN VILLAGE, KWANYAR DISTRICT, BANGKALAN REGENCY

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**Abstract:** Transaction costs include negotiation, the cost of doing every exchange transaction and usually occur outside the production costs. Transaction costs arise because of the inability to meet the requirements of the salt farmers in making passes. This study aims to identify the cost implications of the independence transksi salt farmers in the Village Pesanggrahan District Kwanyar Bangkalan. The research method in this study is a qualitative method of data collection techniques on interviews and field notes. This study has two types of key informants and informant supporters. Results from this study is the existence of transaction costs initiated by salt farmers who do not have passes. Letters road normally used in order to sell directly to the salt production of salt factory. The transaction costs in the form of rental fees permit to the owner of the letter. It starts from the farmers who decide to execute contract so that all circuit buying and selling going on striving to independence salt farmers.

**Keywords:** *Salt farmers , transaction fees, independence salt farmers*

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### 1. Introduction

Indonesia as a country that has extensive maritime waters reached 3.25 million km<sup>2</sup>, or about 63 percent of Indonesia and has a coastline of 95,181 km (KKP, 2018). With the waters of the area, including the sea, has a wealth of natural resources and non-biological abundance. Great potential is exploited by people whose territory is adjacent to the ocean to manage natural resources in the form of non-biological maximally seawater into salt as a basic necessity and consumption of primary material production. Madura Island salt producing area since the days of the Dutch East Indies where the first areas where salt production is located in District Kalianget, Sumenep. Condition of land close to the sea makes the population residing in Sumenep, Madura Kalianget demanded a solution to improve the standard of living with one of the activities that manage sea water into salt. This is in accordance with the opinion Cahyaningsih (2018) Madura can produce abundant salt production every year, because many people work as salt farmers supported by existing ecological conditions.

Every year the demand for salt in the country continues to rise recorded in 2018 amounted to 4.2 million tons as the accumulation of salt needs salt consumption and material needs of production. Demand for salt production reached 3.7 million tonnes and the remainder to the needs of the consumption of salt. While production of the country has not reached the target, both of Ppabrik of salt and salt farmers only touched 1.94 million tonnes so as to meet the remaining needs of the Indonesian government salt must be imported from abroad (KKP,

2018). Needs, high salt, the region recorded the biggest contributor domestic demand for salt from East Java reached 1.1 tons. While Madura has vast areas of land the largest salt ponds in East Java area of 11.113 thousand hectares capable of producing salt reached over 1 million tons in 2018 (BPSJatim, 2018). The following will explain the total production of salt on the island of Madura.

Bangkalan is an area most western tip of the island of Madura directly adjacent to the capital city of Surabaya, while the land area of salt ponds in Bangkalan area of 178 hectares spread over nine villages in five districts. One of the villagers who have land widest salt ponds located in the Village Pesanggrahan District Kwanyar Bangkalan. Village Community Pesanggrahan utilizing Natural Resources (SDA) that exist, one of which is the use of seawater is processed into salt. Village Pesanggrahan Kwanyar landless salt ponds with an area of 28 hectares and the amount of salt farmers of 15 people. In 2018 the harvest season pesanggrahan Kwanyar village can produce as much as 1102 tons of salt production. The population of the village Pesanggrahan with male gender in 2018 is as much as 2565 people, while the number of people with the female gender in 2018 was 2964 inhabitants. So the total population is as much as 5,529 people (Bangkalankab.bps.go.id, 2019).

Actually, the phenomenon shown by salt farmers in the Village Pesanggrahan, District Kwanyar, Bangkalan fairly unique, they are farmers able to eliminate the flow of sales are popular in the saltworks of the people, the farmer-middleman-mill Salt or farmer-middleman-pedagang besar-mill. On the contrary, if judged from the argument informant salt farmers in the village of Pesanggrahan stating that the salt farmers can not sell directly to the plant salt but must fulfill the procedures established by the plant. With this fact, describe the institutional design of the salt farmers and factories have not been able in the effective value and there is an indication of transaction costs in the process. Economic eliminate transaction costs in any economic activity is not an easy task. The diversity of interests of some parties and the geographical location of a salt production activities to make economic development more complicated conditions. On the other hand economic actors can not always rely on other parties so that they get a higher profit and independence in carrying out farming salt.

Research related to the emergence of transaction costs in an economic activity is already proven in many research, including research done by Yustika (2008), in which the object of the study is sugarcane farmers and sugar factory in Malang. Fadhiela et al. (2018) did analysis the transaction costs gayoh Arabica coffee farmers in Central Aceh district. Unfortunately, research on economic activity producing salt is still limited in the context of the distribution groove, development, marketing, and production costs of salt (Fauziyah & Ihsannudin, 2014). Li & Fang (2022) investigated transaction costs in the context of online housing and lodging services. Another study, Wu et al. (2022) in his study on transaction costs of prefabricated housing projects explains that transaction costs lead to low economic efficiency for stakeholders. Another sense, a study of salt farmers have not touched a deeper phenomenon as indicative of the occurrence of transaction costs in economic activity between salt farmers and salt mill.

This study is important to be explored in depth. Bearing in mind that very few previous studies have examined the implications of transaction costs in the context of salt farmers, especially in Bangkalan. In addition, in the cultural context, the people of Bangkalan tend to have a collective behavior either in working together or sharing information. However, this does not apply to the buying and selling of salt, where the dissemination of information tends to be exclusive, that is, it can only be obtained by a few parties. This certainly has an impact on the independence of salt farmers. Therefore, researchers feel the need to conduct research

related to the identification of transaction costs and the level of independence of salt farmers in Pesanggrahan Village, Kwanyar District, Bangkalan Regency.

## **2. Research Method**

The method used in this study is qualitative. Data collection techniques with interviews and field notes. This study has two types of key informants consisting of some salt farmers in the Village Pesanggrahan, the owner a letter and supporting factory workers and informants consisting of Pesanggrahan Village residents who do not work as salt farmers, employees of the Fisheries and Marine.

## **3. Results and Discussion**

### **3.1. Results**

#### **Implications of Transaction Costs on Farmers Independence Salt Village Pesanggrahan District Kwanyar Bangkalan**

Yustika (2008) states that the contract linking the perpetrators and other partners for their principle of mutual benefit, but at the same time contracts are also at risk through the practice of opportunism. The existence of a contract between the farmer can link one and the other farmers, besides indirectly they also learn about the issues that were going on. But at the same time, it makes farmers reluctant to meet the requirements that are considered too difficult.

The farmers become self-sufficient in all respects except for buying or selling directly to the saltworks. One of the requirements that are difficult to do is to build a good relationship in the long term with the factory and have a network in it. Execution of the contract farmers of salt because they assume that the requirement to make the letter is very difficult to do. This causes the relationship between salt farmers getting better. They seek out, find solutions, to prove and even spread issue in the can to fellow farmers in meeting the requirements of making passes. Thus, indirectly, the farmers become accustomed to and independent of doing things. Only one which until now they could not do it independently, ie selling directly to the salt production salt factory, because it does not have a permit. Finally, the farmers decided to issue a transaction fee is the cost of renting permit after negotiations and without knowing that any information that they may be only asymmetrical.

### **3.2. Discussion**

#### **Empowerment Approach CD (Community Development)**

Salt farmer group interaction process is strongly supported by the strength of their capacity. Farmers salt as a member of the group own independence in determining its business development because they encouraged the birth of activities based on the needs and problems they are experiencing. At the time members felt helped of course the process of interaction goes well. Institutional and participatory interaction has a very close relationship and mutual influence. However, until they arrived at a problem that causes the interaction they just walk in the farmer groups, they even do not have a lot of network and information reasonably in the process of selling their salt production. The problems are very visible.

The dependence of farmers salt to the owner letter, indicating that the actual independence has not been fully realized. Circumstances forced the salt farmers to always rely on the owners of letters, making them can not develop. Thus, the salt farmers needed a solution that could make them become independent salt farmers. Here is the independence of the salt farmers can directly sell their salt production to the factory, has an extensive network and informed market. The concept of empowerment was included in the community development and related

concepts: independence (self help), participation (participation), networks (networking), and equity (equity) (Alfitri, 2011). CD empowerment approach is one appropriate method to address issues and social problems in Indonesia. Moreover, the lives of most people of Indonesia that still apply capital communal system is essential for the implementation of the CD. Definition CD is a process which is the business community itself which is integrated with government authorities in order to improve the social, economic, and cultural communities, integrating communities into national life and to encourage the optimization of community contribution (Alfitri, 2011).

According to Dubois and Miley in (Wrihatnolo et al., 2007), state that empowerment should be able to encourage people to evaluate independently, empowering foster self-reliance in establishing step further and raising awareness of the right to choose the action with confidence in decisions independently. Through the CD approach farmers can learn to do on their own, and they can also learn how to deal with a problem and then come out of the circle of these problems. Based on the neo-classical theory described in the previous chapter, in fact if farmers can make buying and selling directly to the factory without the proprietor of the salt, the salt farmers have said independently. Here is a picture farmer independence before any transaction costs. Where the market is still running perfectly, no transaction costs and information asymmetry in sale and purchase transactions.

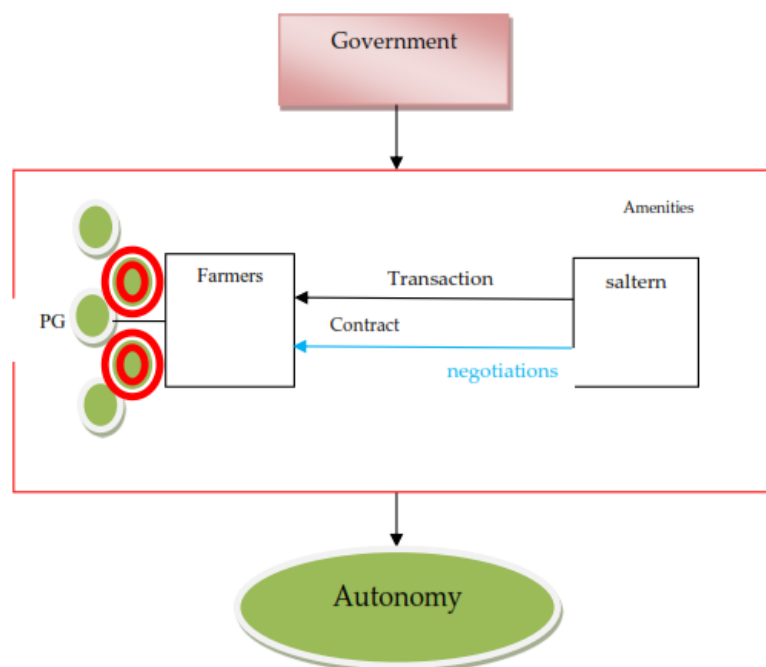


Figure 1. Schematic of Independence Farmers Salt

Here is a chart of the salt farmer independence after transaction costs. A very important figure here is the government, because the government has the authority to provide and decide the rules. In addition, the government can also contribute thoughts, facilities and material to farmers in the process of buying and selling salt salt production results. Things the government can do such as providing training for salt farmers in negotiating, provides facilities for farmers to improve the quality of the salt and provide more insight into the problems that is happening at the moment salt farmers. So, if it's done for the salt farmers are expected to be independent.

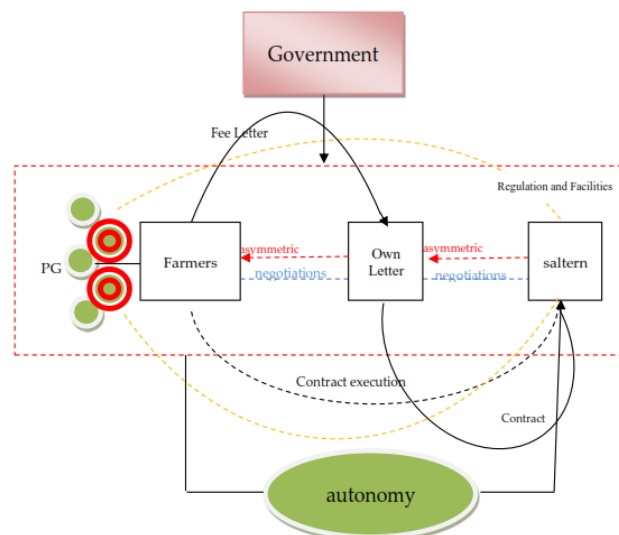


Figure 1. Schematic of Independence Farmers Salt

Their training on negotiation will broaden the farmers and is expected to open up their minds about the important role they should have in the process of buying and selling. In addition, a program of empowerment is also one way to train farmers to be more independent of salt, which must be under government supervision so they do it by staying focused.

In the meantime, a solution for salt farmers improve the quality of the salt to have a good and high quality, so that the results of their salt production can be accepted by the manufacturer, by providing facilities and infrastructure or a facility to support its farmers. While a solution to the independence of salt farmers with knowledge and experience of farmers in the production of salt, or even in buying or selling then slowly farmers will begin to be independent in all respects. To permit, then the government will soon provide the best solution for them. Self-reliance is not the only one to be hope for the farmers, but there are still other expectations they had expressed in an interview at the time of the study. The salt farmers deliver it with hope. Hoping that their expectations can be up to the government and the factories.

#### 4. Conclusion

The conclusion of this study is the existence of transaction costs caused farmers have a dependency on the owner of the letter. And they also have to pay each time buying or selling. As a result, the salt farmers in the Village of Pesanggrahan can not be independent. They can not sell their salt production directly to the factory. In addition, the possibility of asymmetric information will be higher.

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