AN ANALYSIS OF TRANSACTION COSTS AND GOVERNANCE STRUCTURES OF ARTISAN TUNA FISHERIES IN EAST JAVA, INDONESIA

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This thesis is submitted in fulfilment of the requirements of the degree of Doctor of Philosophy

The University of Adelaide
School of Agriculture, Food and Wine
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DECLARATION

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TABLE OF CONTENTS

LIST OF FIGURES ......................................................................................................................... 8
LIST OF TABLES ............................................................................................................................... 9
LIST OF ABBREVIATIONS ............................................................................................................... 11
DEDICATION ..................................................................................................................................... 12
ACKNOWLEDGEMENTS .................................................................................................................. 13
ABSTRACT ......................................................................................................................................... 14

CHAPTER 1: INTRODUCTION ........................................................................................................ 16
  1.1 INTRODUCTION ..................................................................................................................... 16
  1.2 AN OVERVIEW OF THE DEVELOPMENT OF THE FISHERIES INDUSTRY IN INDONESIA ... 19
  1.3 INSTITUTIONAL ARRANGEMENT PROBLEMS IN INDONESIA’S ARTISANAL TUNA FISHERIES .................................................................................................................. 22
  1.4 TRANSACTION CHARACTERISTICS, RISK BEHAVIOUR AND TRUST IN THE GOVERNANCE STRUCTURE OF ARTISANAL FISHERIES .................................................................................................................. 23
  1.5 RESEARCH OBJECTIVES OF THE STUDY ............................................................................. 25
    1.5.1 General Objectives .......................................................................................................... 25
    1.5.2 Specific Objectives .......................................................................................................... 25
  1.6 SIGNIFICANCE AND CONTRIBUTION .................................................................................... 26
    1.6.1 CONTRIBUTION TO THE INDONESIAN ECONOMY AND THE GLOBAL FOOD MARKET. 26
      1.6.2 Contribution to the Socio-Economics of Fisheries Research and Application...... 26
  1.7 STRUCTURE OF THE THESIS ............................................................................................... 26

CHAPTER 2: LITERATURE REVIEW ................................................................................................. 28
  2.1 INTRODUCTION ..................................................................................................................... 28
  2.2 TCE FRAMEWORK: AN INTRODUCTION ............................................................................. 28
  2.3 TYPES OF TRANSACTION COSTS: SEARCHING, NEGOTIATION AND MONITORING COSTS31
  2.4 GOVERNANCE STRUCTURES IN AGRICULTURAL AND FISH MARKETING STUDIES ...... 31
  2.5 CONTRACT RELATIONSHIPS BETWEEN ARTISAN FISHERS AND MIDDLEMEN IN ATFES33
  2.6 FACTORS AFFECTING CHOICE OF GOVERNANCE STRUCTURE IN AGRICULTURAL AND FISH MARKETING STUDIES .................................................................................................................. 38
    2.6.1 Asset Specificity .............................................................................................................. 39
    2.6.2 Frequency ...................................................................................................................... 41
    2.6.3 Uncertainty .................................................................................................................... 42
    2.6.4 Access to Credit ............................................................................................................ 42
    2.6.5 Access to the Market ..................................................................................................... 43
2.6.6 Risk Behaviour and Trust .............................................................. 43

CHAPTER 3: RESEARCH METHODOLOGY ................................................. 46

3.1. INTRODUCTION ................................................................................. 46
3.2 DESIGN OF MIXED METHOD RESEARCH........................................... 46
3.3. DATA COLLECTION ........................................................................... 48
   3.3.1. Unit Analysis .............................................................................. 48
   3.3.2. Research Instruments ............................................................... 49
   3.3.3. Data Collection Procedures ....................................................... 50
   3.3.3.2. Second Phase: Quantitative Approaches in Exploratory Research Situations .. 55
3.3.4. Population .................................................................................. 57
3.3.5. Sampling Techniques ................................................................. 58
3.3.6. Sample ....................................................................................... 59
3.4. DATA DESCRIPTION ........................................................................ 60
   3.4.1 Variables Related to Transaction Characteristics ......................... 60
   3.4.2. Variables Related to Transaction Costs ....................................... 64
   3.4.3. Variables Related to Attitudes and Values of the Persons Involved .... 65
   3.4.4 Variables relating to demographic characteristics of fishermen .......... 66
3.5. HYPOTHESIS DEVELOPMENT ....................................................... 67
3.6. DATA ANALYSIS ............................................................................. 69
   3.6.1. Quantitative Data Analysis ......................................................... 69
   3.6.1.1 Probit Models .......................................................................... 70
   3.6.1.2. Structural Equation Modelling .............................................. 72
3.7 SUMMARY ....................................................................................... 74

CHAPTER 4: STUDIES ON GOVERNANCE STRUCTURES IN THE ATFE MARKETING VALUE CHAIN ................................................................. 76

4.1 INTRODUCTION .................................................................................. 76
4.2 GOVERNANCE STRUCTURES OF THE ARTISAN TUNA FISHING ECONOMIES .......... 77
   4.2.1 Stages in the ATFE Marketing Value Chain .................................. 80
4.3 ROLES OF THE MIDDLEMEN IN THE MARKETING VALUE CHAIN ..................... 89
4.4 CONTRACT RELATIONSHIPS BETWEEN ARTISAN FISHERMEN AND THE MIDDLEMEN .. 92
4.5 SUMMARY ....................................................................................... 95

CHAPTER 5: DATA PREPARATION AND PRELIMINARY ANALYSIS .......... 97

5.1 INTRODUCTION .................................................................................. 97
5.2 RELIABILITY AND VALIDITY .......................................................... 98
5.3 CONFIRMATORY FACTOR ANALYSIS ................................................. 99
5.4 CORRELATIONS AMONG THE LATENT CONSTRUCTS ............................ 105
CHAPTER 6: DEMOGRAPHIC, TRANSACTION CHARACTERISTICS, TRANSACTION COSTS, RISKS BEHAVIOUR AND TRUST .................................. 107
  6.1 INTRODUCTION ........................................................................................................ 107
  6.2 DEMOGRAPHICS OF TUNA FISHERS IN EAST JAVA ........................................ 109
    6.2.1 Regions and areas ............................................................................................. 109
    6.2.2 Local Andon Fishermen ................................................................................... 110
  6.3 CONTRACT ARRANGEMENTS ................................................................................... 113
    6.3.1 Sampled areas in regions ............................................................................... 113
    6.3.2 Personal characteristics of fishermen ............................................................ 114
  6.4 TRANSACTION CHARACTERISTICS: HUMAN SPECIFICITY, UNCERTAINTY AND FREQUENCY ................................................................. 116
  6.5 TRANSACTION COSTS, RISK BEHAVIOUR AND TRUST ...................................... 117
  6.6 SUMMARY .............................................................................................................. 118

CHAPTER 7: FACTORS INFLUENCING TRANSACTION COSTS IN ARTISAN TUNA FISHING ECONOMIES ........................................................................................................ 121
  7.1 INTRODUCTION ........................................................................................................ 121
  7.2 MODEL SPECIFICATION ....................................................................................... 123
  7.3 RESULTS .................................................................................................................. 127
    7.3.1 First-Step SEM: Confirmatory Factor Analysis ................................................ 127
    7.3.2 Analysis of the Structural Equation Model ...................................................... 135
    7.3.3 Analysis of the Components of Transaction Costs ........................................... 137
  7.4 DISCUSSION ........................................................................................................... 142
  7.5 SUMMARY .............................................................................................................. 146

CHAPTER 8: FACTORS INFLUENCING CONTRACT ENGAGEMENTS IN ARTISAN TUNA FISHING ECONOMIES ................................................................. 148
  8.1 INTRODUCTION ........................................................................................................ 148
  8.2 THE RESULTS OF IV-PROBIT REGRESSION ANALYSIS ....................................... 153
  8.3 DISCUSSION ............................................................................................................ 158
    8.3.1 Social and Demographic Characteristics of Artisan Fishermen ......................... 158
    8.3.2 Transaction Characteristics ............................................................................ 159
    8.3.3 Transaction Costs ......................................................................................... 160
  8.4 SUMMARY .............................................................................................................. 162

CHAPTER 9: SUMMARY AND POLICY IMPLICATIONS .................................................. 163
  9.1 SUMMARY .............................................................................................................. 163
    9.1.1 Governance Structures in The Artisan Tuna Fishing Economies ...................... 168
    9.1.2 Roles of The Middlemen .................................................................................. 168
LIST OF FIGURES

Figure 1 The value of Indonesian fisheries product exports (US$ Million) ........................................ 20
Figure 2 The percentage of the value of Indonesian fish and fishery product exports in 2013 .......... 20
Figure 3 Map of East Java .................................................................................................................. 49
Figure 4 Conceptual Framework of a Probit Model ......................................................................... 71
Figure 5 Stages of marketing value chains .................................................................................... 80
Figure 6 Artisan tuna vessel .............................................................................................................. 83
Figure 7 The Use of Ice Blocks as Traditional Refrigeration ............................................................ 84
Figure 8 Fish Aggregating Device .................................................................................................. 85
Figure 9 Transactions in an Auction Market ................................................................................... 87
Figure 10 A cash-based transaction in an informal contract relationship ......................................... 88
Figure 11 Distribution of Respondents Across the Sampled Areas .................................................. 110
Figure 12 Distribution of Respondents According to Their Localities ............................................ 111
Figure 13 Ethnicity of the Artisan Tuna Fishermen ........................................................................ 112
Figure 14 Proportion of Contractual Arrangement in Sampled Areas ........................................... 114
Figure 15 Conceptual Framework for SEM Model 1 .......................................................................... 124
Figure 16 Conceptual Framework for SEM Model 2 ...................................................................... 125
Figure 17 Confirmatory Factor Analysis for SEM 1 ....................................................................... 133
Figure 18 Confirmatory Factor Analysis for SEM 2 ....................................................................... 134
Figure 19 Structural Equation Modelling: SEM-Second Order CFA .............................................. 138
Figure 20 Structural Equation Modelling: SEM – No Second Order CFA ....................................... 140
LIST OF TABLES

Table 1 The types of Indonesian tuna exports in 2013 ................................................................. 21
Table 2 Research Factors, Variables and Questions Involving Transaction Characteristics .......... 63
Table 3 Research Factors, Variables and Questions Involving Transaction Costs .......................... 65
Table 4 Research Factors, Variables and Questions Involving of Risk Behaviour and Trust ........ 66
Table 5 Research Factors, Variables and Questions Involving Demographic Characteristics .......... 67
Table 6 Variables Used in the Probit Model .................................................................................... 72
Table 7 Cut-Off Values for Selected Fit Indices .............................................................................. 74
Table 8 Governance Structure: a Comparison Among the Sampled Areas ................................... 79
Table 9 Share of Profit Among the Actors in the Marketing Value Chain ....................................... 95
Table 10 Reliability Tests of the Latent Constructs (Initial Data) ..................................................... 98
Table 11 CFA Goodness of Fit Statistics ......................................................................................... 100
Table 12 CFA Factor Loading Estimates and P-Values (Transaction Characteristics) .................. 101
Table 13 CFA Factor Loading Estimates and P-Value (Risk Behaviour and Trust) ......................... 101
Table 14 CFA Factor Loading Estimates and P-Value (Transaction Costs) ...................................... 102
Table 15 Summary of Estimated Parameters (Transaction Characteristics) ................................. 103
Table 16 Summary of Estimated Parameters (Risk Behaviour and Trust) ....................................... 103
Table 17 Summary of Estimated Parameters (Transaction Costs) .................................................. 104
Table 18 Reliability Tests of The Latent Constructs ...................................................................... 104
Table 19 The Correlation among the Latent Constructs and AVE .................................................... 105
Table 20 The Correlation Among the Latent Construct ................................................................... 105
Table 21 Age of Respondents ........................................................................................................ 112
Table 22 Level of Education ......................................................................................................... 113
Table 23 Contractual Features of Respondents ............................................................................. 115
Table 24 Household Characteristics of Respondents ..................................................................... 116
Table 25 Transaction Characteristics: a Comparison Between Contract and No Contract ........ 117
Table 26 Transaction Costs: a Comparison Between Contract and No Contract .......................... 118
Table 27 Risk Behaviour and Trust: a Comparison Between Contract and No Contract ............... 118
Table 28 Correlation Matrix ......................................................................................................... 129
Table 29 Standard Factor Loading, Composite Reliability (CR) and Average Variance Extracted (AVE) of the Construct Variables (Transaction Characteristics) ......................... 130
Table 30 Standard Factor Loading, Composite Reliability (CR) and Average Variance Extracted (AVE) of the Construct Variables (Risk Behaviour and Trust) ........................................ 131
Table 31 Standard Factor Loading, Composite Reliability (CR) and Average Variance Extracted (AVE) of the Construct Variables (Transaction Costs) ............................................... 132
Table 32 Model Fit Indices of Confirmatory Factor Analysis .......................................................... 135
Table 33 Model Fit Indices: Final Structural Equation Modelling .................................................. 135
Table 34 Output of the Structural Equation Modelling (2nd Order CFA) ....................................... 136
Table 35 Output of the Structural Equation Modelling (No Second Order CFA) ......................... 141
Table 36 Determinants of transaction costs ................................................................. 155
Table 37 Probit and IV-Probit model of contract engagement ........................................... 156
LIST OF ABBREVIATIONS

AFs = artisan fishermen
AGFI = adjusted goodness of fit index
ATFEs = artisan tuna fishing economies
AVE = average variances extracted
CFA = confirmatory factor analysis
CFI = comparative fit index
CR = construct reliability
EFA = exploratory factor analysis
FAD = fish aggregating device
GC = governance structure
GFI = goodness of fit index
GPS = geographical positioning system
IFI = incremental fit index
ISB = Indonesian Statistics Bureau
IV = instrumental variable
KUD = Koperasi Unit Desa
LPM = linear probability model
ML = maximum likelihood
MLE = maximum likelihood estimation
MSY = maximum sustainable yield
NFI = normed fit index
NNFI = non-normed fit index
RMSEA = root mean square error of approximation
SEM = structural equation modelling
SRMR = standardised root mean square residual
TCE = transaction costs economics
TLI = Tucker Lewis index
DEDICATION

I dedicate this work to my family: my beloved wife, Astridi elsapranduwardhani and to my children, Alysha khadeeja satria, Akhsan muhammad satria and Aaliyah fatima satria.
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ABSTRACT

This study examines transaction costs and the contract relationship formed by artisan fishermen (AFs) in the artisan tuna fishing economies (ATFEs) in East Java, Indonesia. More specifically, this study investigates: (a) the various types of governance structures in ATFEs; (b) the roles of the key actors in the marketing value chain; (c) contracts and relationships; (d) transaction characteristics; (e) the importance of risk behaviour; (f) factors affecting transaction costs in ATFEs; and (g) the role of trust in contract fishing.

This study used a combination of both qualitative and quantitative approaches, which is known as a mixed methods approach. A qualitative approach was applied to gain better understanding of the application of the transaction costs economics (TCE) framework in the context of contract fishing. Further to this, a quantitative approach was employed to examine factors influencing AFs to engage in the contract relationship, as well as to investigate factors affecting transaction costs. The mixed method approach is applied to gain a holistic understanding about the marketing value chain in artisan tuna fishing economies.

The survey study, which involved 440 AFs, from December 2012 to February 2013, in five sample areas, namely Malang, Pacitan, Trenggalek, Banyuwangi and Jember, reveals that AFs who entered into fishing contracts with middlemen had a higher level of human specificity and conducted transactions more frequently than those who did not. Additionally, AFs who did not have contracts with the middlemen were also found to be risk takers. Lastly, it was found that AFs who did not have contracts with the middlemen faced a higher level of uncertainty than those who did.

A Probit model was used to examine factors influencing the AFs to engage in a contract relationship with the middlemen. The results indicate that a higher level of uncertainty tends to decrease the motivation of AFs to engage in a contract relationship as uncertainty creates bigger profit opportunities for the AFs and thus increases their motivation to avoid contract relationships.
Structural equation modelling is used to examine factors affecting transaction costs. The results show that trust has a role in limiting opportunistic behaviour, allowing AFs to adopt a less complicated safeguard, thereby economising on transaction costs. Furthermore, uncertainty has a significant effect on the transaction costs, as uncertainty increases the need for safeguarding (i.e. evaluating and monitoring the contract agreement) which, in turn, affects the level of transaction costs.

The findings show the importance of trust and transaction characteristics affecting transaction costs and AFs’ motivation in the contract choice. Policy support in the artisan tuna fisheries industry should put a greater focus on the major transaction costs in the contract relationship formed by the AFs and the middlemen. Such policy support would help in strengthening the marketing value chain to become more sustainable, efficient and commercially viable, benefiting all the key actors in the tuna industry’s value chain.

**Keywords:** artisan fishermen, marketing value chain, governance structure, transaction cost economics, transaction characteristics and transaction costs.