

Patron Client Relations as A Semi Trust Financing Contract on Agency Theory in Marine Fisheries

Sri Handayani¹, Vika Annisa Qurrata², Vidya Purnamasari³
{sri.handayani.fe@um.ac.id}

Economy Faculty of State, University of Malang, Indonesia¹²³

Abstract. Poverty in fishermen has been one of the major problems in developed country. Limited assets and technologies give impact to the bounding contract between the ship owner and the fishermen which has significant effect to the fishermen's income. The fishermen always live-in poverty whilst the ship owner has much more income than the fishermen. In-depth interviews with Sendang Biru fishermen and ship owner reveal that these contracts are bound up to social system of patron-client. Even though there are few aberrations in the profit-sharing system, these institutions appear to exist and are in agreement so that there is no open conflict. Based on the findings and some of the literature, the design of pure trust financing institutions can be more equitable and favorable alternative financing for both the ship owner as principals and the fishermen as agents. To minimize the possibility of moral hazard and adverse selection on these contracts, it is advisable to monitor each ship which are return and the sale of fish. The ship owner not only monitor it, but also could place one of their trustees' employments beside the fishermen whose go to sail.

Keywords: Entrepreneurship; Contribution; Economic Stability

1 Introduction

Poverty is always a problem among fishermen in Indonesia. There are some complicated and interconnected factors behind this problem which makes it hard to be solved. The researcher divided the factors into: internal and external factors. First, the internal factors are factors related to the human resource quality and working ethic. They commonly cover some problems such as the low human resource quality of the fishermen, the minimum capital and low technology in catching system, the unfair sharing between the ship owner and the crew, difficulties in applying the working diversity between the catching done in the sea and land, and the last is the 'wasteful' lifestyle in certain conditions done by the fisherman.

Second, the external factors which are defines as the outer factors beside the problem in the quality and working ethic of the fishermen, such as: the fishery development policy which is oriented more to the productivity in providing the national economic growth than to the traditional fisherman, the marketing system which gives more beneficial to the broker, the sea ecosystem destruction caused by the pollution from the land, the practice of catching fish using mechanical substance, coral reef damage, the conversion of the mangrove in the coastal area, the use of unsafety catching tools, the limited quality of process after the catching, the limited job vacancies in non-fishery around the villages, the unstable changes in the season and the

problem in geographic condition which make the fish catching cannot be regularly done along the year, the isolated location making the products, service and the people mobility hard to be done.

Those problems mentioned above are the real condition of the fishermen whose life depend only on the fishing activity and collecting other sea stuff. They generally live in the coastal area which is definitely affected by the nature conditions like the wind and sea wave and stream resulted on the catching fish schedule depends much on the weather and cannot be done along the year. There are times when the fishermen are not able to catch the fish caused by the weather such as strong wind, high wave and strong stream (Kusnadi[4]).

According to the above explanation about the factors that caused poverty among the fishermen, there are some certain problems that need a deep analysis, they are: the minimum capital and low technology quality. These two factors problematize which somehow force the fishermen to have the contract between the owner and the pandega especially the contract about the profit sharing. Based on this fact, it is clearly seen that there is a significant relationship between the contract and the level of the crew income since one of the aspects that can affect the change in the production relation is the profit sharing. The general characteristic of production relationship in the fishery working atmosphere is the existence of the working agreement in terms of profit sharing. This agreement appears because of the high risk of fishery business (Satria[7]).

In the fishery business, the working agreement using the profit-sharing system is commonly used compared to the wage or salary system in order to create fairness, both in the cultivation and the catching fish. The tendency to use this system has some fundamental basis (Masyhuri[6]): first, this system ease in determining the wage based on the work that has been done, second, being fisherman means he has a strong gambler characteristic in their personality, and third, the amount of the catching cannot be predicted since it based on the season. In the principals' point of view, they prefer the profit-sharing system because it decreases the risk of loss. In conclusion, if the fishermen prefer the wage system, it means that the principals have to pay the steady wage, while in the fishery business, it is considered as a long-term business and unpredictable.

This research was done in Sendang Biru beach, Tambakrejo village, Malang. Fishery is the main livelihood for the people there. The fishing ground is along the East Java south beach started from South Malang up to Pacitan. The fishery activity in this area is supported by the existence of the fishing port facility, Pondokdadap Fishing Port Facility, which under the managing of the East Java Ministry of Marine Affairs and Fisheries.

The fish season in Sendang Biru is around May up to October, with the peak season is in September. During those months, there is an increase in the production compare to the other months. This condition also influenced by the season, wind, and the sea stream. By having the harvest and the famine season create a pattern of catching based on the season and the climate and also the business opportunity and the export quality fish invite more newcomers to stay in Sendang Biru that can be turned into the permanent or temporary residents. The seasonal residents are commonly temporary and usually called as the Andon fisherman, their amount is small and they work in various kind of jobs such as trading, service and fish catching. The Andon fisherman comes during the peak season.

The profit-sharing system in each area is different depend on the local customary law. By having the huge amount of Andon fisherman in Sendang Biru create an interaction among the local citizen and the newcomers which results on the culture blending that can affect the attitude applied in the agreement system in Sendang Biru. The preferable agreement can be both chosen from the Andon fisherman original culture or the local culture in Sendang Biru. When the profit-

sharing system is different, it will influence the income which also will impact on the fisherman welfare.

Basically, contract or agreement is made from the different interest among the people taking part in the contract. The contract itself made in order to be a place to meet the interest and demand of each side to have the fair agreement. Contract is an important thing in the fishery sector since it needs huge number of investments and has the high risk of loss compare to the agriculture or other sector. Agreement between the sides to make a movement related to economic value is the basic image of a contract. This condition comes with such kind of consequences of reciprocal action or payment.

There are various kind of contracts in fishery business, such as partnership, patron-client and core plasma, but the most dominant used in Sendang Biru is the patron-client. Patron-client contract is a special case in the relation of two people or two sides what involves the instrumental relationship between individual or between two people who have higher social economy level (patron) who use the power and the resource to provide shelter and profits for the lower status person (client). As the pay, the client offer the general support and help to the patron (Scott[8]). In this relationship, there is a feedback relation where commonly the patron is the one who has power in the community and be able to give big shelter to the clients. As the feedback, the clients have to provide the support and loyalty to defend the patron form the competitors (Koentjaraningrat[3]).

In the real application, the patronize system always has interconnection with the economic and politics. Though the shelter given, the patron hopes to get direct economic and political support. If he does not get the economic support, he will take the shelter back. This kind of application also appears in fishery catching. The relationship between the fisherman and the principal is more to the profit seeking and economic shelter. Therefore, the relation between patron-client is vertical between the higher social, politic and economic person with the ones who have lower status. The asymmetric relationship is the type of unfairness friendship.

The real condition is the relation of patron-client seems as a socio-cultural relationship and it is based on the informal agreement (Levinson and Ember[5]), which becomes the smooth cover of the unbalance social, politic and economic relationship. In the unbalance relationship, there will be a big opportunity of exploitation. The similar result revealed by Scott[8], which stated that there will be a time where this patron-client relationship will be in stage that make the clients thing that the agreement is unfair and exploitative. However, the dependency of the clients to the patron makes the thought is simply a thought without any action to cut the informal agreement.

Patron-client agreement that occurs in the fishery business is disguised by the existence of the profit-sharing system that so far has been applied based on the customary law. Patron-client seems like the semi trust financing system, which is actually the semi trust financing (mudharabah) system applied a good cooperation between the shahibul maal and mudharib. The partnership itself is the characteristic of Islamic economic relationship. It defines as the partnership or cooperation between the capital owner and the skill owner or labor in doing the economic units or business project. In mudharabah partnership, both sides will not take any interest but apply the profit and loss sharing of the economic project that has been agreed about.

What is meant by risk here is the uncertain conditions that can lead to the loss, so in mudharabah agreement, the definition of loss sharing is dividing the possible loss about the unpredictable income. In this system, the capital owner will have a decrease or lose some of the capital, while the maintainer will lose the opportunity and time to get income.

Normally, the uncertainty is classified into 3 terms: economic uncertainty, nature uncertainty and the human uncertainty (Djojosoedarso[2]). The economic uncertainty is the

event that happen as the result of the economic condition and the attitude of the economic doer, for example the change in the customer interest and attitude, price change, technology change, etc. The nature uncertainty happens as the result of the nature, such as the impact of an earthquake, flood, storm, etc. The human uncertainty happens as the result of human moral deviation, like the result of war, stolen, corruption, murdering etc.

The causes of the occurring of risk are: a) risk that caused from the company, such as the active damage done by the employee, working accident, mismanaging, etc; b) risk from the outside factor of the company like stealing, fraud, price competition, etc. As the result, those risks can lead to loss in terms of: a) loss of the asset, for example because of the burning building, b) loss in term of duty to other party, such as paying compensation as the result of accident by other party, c) personnel loss, for example the inability cause by the working accident (Djojosoedarso[2]).

However, there is no perfect system due to the fact that Mudharabah has some weaknesses. The weakness of mudharabah is in the sharing in terms of preference and asymmetric information. The risk faced by the capital owner is the moral hazard of the partner, for example, the fisherman took the part of the catching different from the agreement, being careless or incidental mistake, and cheating by hiding the profit. The first weakness example occurs as the result of the moral hazard of the business manager (mudharib) that tend to maximize the profit which cause s the return accepted by the principal as the shahibul maal is reducing.

The incomplete information or preference from the involved parties usually becomes the root of a high-risk problem. The risk is classified into two: the risk that has been happened during the business and the risk existed by the moral hazard of the business maintainers or mudharib. The first typical of risk can be anticipated by having the good business planning although it is unpredictable. But if the risk is because of the moral hazard of the mudharib, it will be different problem since it is caused by the asymmetric information stated by the mudharib to the shahibul maal, which lead to unbalancing or information asymmetric (Siddiqi[9]).

Theoretically, those risks can be eliminated for mudharabah contract requires the openness of information. Both parties will be depending on each other (mutual control). The requirement of the ratio has been arranged with the existence rules. The rules in profit dividing and loss responsibility (risk) that exist in the mudharabah system, based on Siddiqi[9] they are arranged as: a) profit that divided between the business partners with specific percentage; b) business profit division, it is applied when the investor has already get their capital; c) the profit division is not divided in certain amount for example 100 million, not more or less, but it is divided based on the percentage such as in a half (50%), a third (33.3 %), a quarter (25%) and etc. from the total profit gained.

Advantage and disadvantage of the mudharabah contract is relatively similar with the musyarakah contract. The different between them is in musyarakah the loss will be taken over together while in mudharabah the loss is taken over by the capital owner, as long as there is no moral hazard. The transaction in mudharabah need incentive to avoid the effort shirking from the maintainer. It can be done by giving the ratio of the profit sharing by giving the proper incentive for the maintainer or by giving the bonus model contract.

In the fishery contract, it is not a written form but simply oral contract. The profit-sharing agreement in fishery is similar mudharabah system in partnership in giving their skill and the effort to the business management without giving capital. The fisherman only provides the skill without giving any capital to the principal. However, the loss is also charged to the fisherman which make it different from mudharabah.

This study is aimed to know how the principal interact with the fisherman in applying the contract in semi trust financing system in fishery (patron-client).

2 Research Method

Based on the previous study and the research question, this research applied the qualitative method. The data of this research is the contract that used in the fishery business, so the discussion of this study will focus on the local profit-sharing system that have been existed in this area. Based on that discussion, the researcher was able to know how the principal interacts with the fishermen as the agent. Furthermore, this paper will propose the design of pure trust financing institutions which is can be more equitable and favorable alternative financing for both the ship owner as principals and the fishermen as agents.

The study was conducted in Sendang Biru Beach (SB), Dadaprejo village, Malang, East Java. The useness of deep interview with the key informant, the ship owner (JUR) and the fishermen who have worked together with the ship owner (PANDE), then it highly expected that the information needed for this study can be gained. The information achieved then being analyzed based on 3 of Bulmer premise (1969): (1) people react based on their meaningful interest, (2) the meaningful interest got from the social interaction with other people, and (3) those interests are fulfilled during the social interaction.

3 Results and Analysis

During the process of unloading the fish to the fish auction, it is commonly found the practice of cheating by the helmsman even though it is in a small the number of fish. The helmsman took some of the fish for all the fishermen, which commonly named as *esekan* (the sharing system out of the contract of profit-sharing system, Javanese language). In addition, the fish will be share to the person who help fill the equipment needed during in the sea and the person who clean the ship. The sharing system is depended on the principal. After they arrived in the fish auction, all of the crew and the principal will get their income.

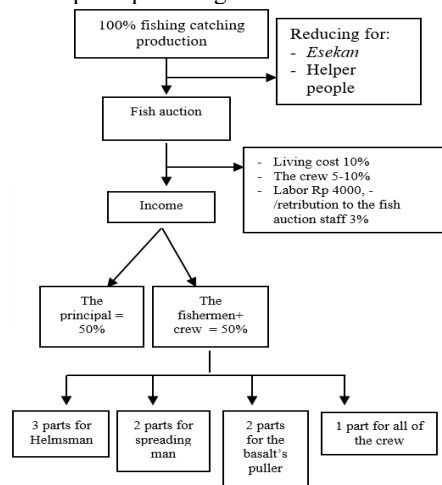


Figure 1. The Profit-Sharing Scheme Between the Principal and The Fishermen

The profit net is the number of gross incomes reduced with the living cost during their sailing as many as 10% for all crew, the labor payment Rp.4.000, - for each basket of fish, 3% retribution to the fish auction staff, 5% or 10% for the fisherman if the capital loan counted as the repaying the capital for the fishing operational cost, and the operation cost (accepted by the capital owner/ fisherman) is 50% because the other 50% is taken over by the principal.

Based on the picture above, it can be explained the unloading process from the fisherman up to the profit division. The net income will divide to the principal and the fishermen. The net income that is accepted by the fishermen will be distributed to all of the crew. The helmsman will get 3 parts, spreading man will get 2 parts, the basalts puller will get 2 parts and each of all of the crew will get 1 part. If the helmsman can catch many numbers of fish, then he will get bonus from the principal as many as 1 part.

In general, the principal in Sendang Biru will put the charge of the exploiting or the operational cost to the fisherman. Those kinds of custom have a result in two different opinions, first from the principal perspective who feel that the income got by the fisherman is enough, especially if it compared to the huge amount of the capital investment by the principal. After that, the fisherman has already got the profit not only from the income but also from living cost that has been given by the principal. Meanwhile, the fisherman thinks that with the local system is unfair because they thought that they not supposed to bear the exploitation and the operational cost due to the fact that they have sacrificed their live during the fishing. However, this agreement keeps on exist and become an agreement in which never cause a public problem although the fishermen think that the local system is unfair.

There is some kind of cheating in the profit-sharing system but the fishing business keep on exist because the deviation is not significant in the fishery business. In other word, the principal and the fisherman have mutual benefit. Even though the profit-sharing system is dominated by the principal, as long as the both sides still get profit and they remain in trust each other than the business keeps on running. This result is in line with the previous result done by Firth who stated that the fishermen have at least five characteristics that differentiate them with the other people, they are:

First, the income of the fishermen is got daily (daily increments) and the amount is not always the same. In addition, the income also affected by the season and the status of the fisherman, whether he is the principal or the labor. Second, it was seen from the education level, both the fisherman and the children have a low education. Third, related to the product produced by the fisherman is related more with the economic trading since the product is main food. The product is also easily got damage that adding the risk of the loss bigger than the other sector. Fifth, the poverty occurs in the fisherman is entails vulnerability, such as shown by the limit amount of the people who can join the production activity and also the high dependable of the fisherman toward this fishing job.

4 Conclusion

In the fishery profit sharing system, the wage is not directly given by the principal to the fisherman, but it will be accumulated of some trips that have been done (totalan, Javanese). The length of the trip depends on the contract between the principal and the fishermen. The income of the fish production will be saved by the principal and he will give the duplicate note to the fishermen as the proof of product that have been sold. Some fishermen will take the money when they need it and some other take in the end of period. The profit sharing will be done in

the end of trip period because the principal used it as a strategy to make the fishermen keep on working with them.

The profit-sharing system in each area and in each catching tool is different between one and other. These differences caused by so many factors such as the closeness between the principal which commonly become the main factor. Thus, it can be concluded that there is a strong patron-client relationship in Sendang Biru and other area. The pattern of patron-client can be done similarly with the mudharabah if the fisherman works only as the capital maintainer, but there is also another system such as musyarakah if the fisherman wants to share the capital with the owner.

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