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# Maritime Infrastructure and Regional Development

Manado, July 17-18 2017

## Collection of Abstracts

Faculty of Economics and Business, Sam Ratulangi University  
Indonesian Regional Science Association



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# TABLE OF CONTENTS

Agriculture and Rural Development.....	1
Financing Regional Development.....	4
Health.....	6
Human Resource Development.....	9
Human Resource Development.....	12
Industrial Development.....	14
Natural Resource Management.....	17
Public Sector and Development.....	19
Trade and Macroeconomy.....	21
Agriculture and Rural Development.....	24
Financing Regional Development.....	26
Growth and Regional Development.....	30
Health.....	33
Households and Communities.....	37
Human Resource Development.....	40
Natural Resource Management.....	44
Public Sector and Development.....	47
Trade and Macroeconomy.....	50
SDGs Special Session.....	53
Agriculture and Rural Development.....	56
Financing Regional Development.....	58
Growth and Regional Development.....	61
Health.....	64
Households and Communities.....	68
Human Resource Development.....	71

Migration and Demography.....	74
Natural Resource Management.....	78
Regional Connectivity.....	81
Trade and Macroeconomy.....	85
Agriculture and Rural Development.....	88
Financing Regional Development.....	91
Growth and Regional Development.....	94
Infrastructure Development.....	97
Institutions and Governance.....	101
Inter-Regional Disparity.....	104
Natural Resource Management.....	108
Poverty Alleviation.....	111
Regional Planning.....	114
Financing Regional Development.....	118
Growth and Regional Development.....	121
Industrial Development.....	123
Infrastructure Development.....	125
Institutions and Governance.....	128
Inter-Regional Disparity.....	130
Migration and Demography.....	133
Natural Resource Management.....	136
Poverty Alleviation.....	138
Regional Connectivity.....	141
Agriculture and Rural Development.....	143
Growth and Regional Development.....	146
Households and Communities.....	148
Financing Regional Development.....	151
Inter-Regional Disparity.....	153

Migration and Demography.....	156
Natural Resource Management.....	159
Poverty Alleviation.....	162
Regional Connectivity.....	165

People living in the north Java coastal areas and also the seller who sale along beach have high level of socio-economy vulnerability. Mitigation on abrasion needs community awareness, both of people who lives there and people who sale along the beach. Government also has responsibility to mitigate the impact of abrasion in coastal areas.

## **Anatomy and The Effect of Capture Fisheries' Business Competition on The Level of Prosperity of Costal Community a Case Study in Puger, Jember, East Java**

**Gigih Pratomo**

*Wijaya Kusuma Surabaya University, Indonesia*

It is commonly recognised that Inhabitants who reside in the coastal area are considered with the poverty issues due to the lack of education, knowledge, the productivity and the source of income (Sigalla, 2014). The research aims to observe the anatomy, the patterns and the effect of capture fisheries' business competition on the level of prosperity of community in the coastal area in Puger, Jember, East Java. The methodology approaches used is a qualitative method whereas determining the key-informants based on snowball sampling method. The findings indicated that capture fisheries were much dominated by fishermen who had a large amount of capital in which eventually created an unfair competition between the small-scale fisherman and the big-scale fisherman. In addition, the big-scale fisherman had an exclusive zone in terms of fishing activity, conversely, others were restricted to explore and exploit. Territorial water, therefore, revealed the main regulation reflecting in the domination of illegal institutional in capturing fisheries' business rivalry in Puger. Moreover, the small-scale fisherman underwent challenging circumstances to halt the illegal institutional considering most of them as labour and having a loan to the big-scale fisherman. Consequently, the detrimental effects of competition were hard eradicated because small-scale fisherman experiencing the poor of infrastructure either physic or non-physic since the model of institutional had built by the big-scale fisherman. Ultimately, regarding the exploitation, the fisheries yield, and coastline territory, influenced on the lower income and much less prosperity for small-scale fisherman.

# **ANATOMY AND THE EFFECT OF CAPTURE FISHERIES' BUSINESS COMPETITION ON THE LEVEL OF PROSPERITY OF COASTAL COMMUNITY: A CASE STUDY IN PUGER, JEMBER, EAST JAVA**

**Gigih Pratomo<sup>1</sup>**

## **ABSTRACT**

It is commonly recognized that Inhabitants who reside in the coastal area are considered with the poverty issues due to the lack of education, knowledge, the productivity and the source of income (Sigalla, 2014). The research aims to observe the anatomy, the patterns and the effect of capture fisheries' business competition on the level of prosperity of community in the coastal area in Puger, Jember, East Java. The methodology approaches used is a qualitative method whereas determining the key-informants based on snowball sampling method. The findings indicated that capture fisheries were much dominated by fishermen who had a large amount of capital in which eventually created an unfair competition between the small-scale fisherman and the big-scale fisherman. In addition, the big-scale fisherman had an exclusive zone in terms of fishing activity, conversely, others were restricted to explore and exploit. Territorial water, therefore, revealed the main regulation reflecting in the domination of illegal institutional in capturing fisheries' business rivalry in Puger. Moreover, the small-scale fisherman underwent challenging circumstances to halt the illegal institutional considering most of them as labor and having a loan to the big-scale fisherman. Consequently, the detrimental effects of competition were hard eradicated because small-scale fisherman experiencing the poor of infrastructure either physic or non-physic since the model of institutional had built by the big-scale fisherman. Ultimately, regarding the exploitation, the fisheries yield, and coastline territory, influenced on the lower income and much less prosperity for small-scale fisherman.

**Keyword:** Business Competition, Capture Fisheries, The Institutional, The Prosperity

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## **INTRODUCTION**

It is commonly recognized that Inhabitants who reside in the coastal area are considered with the poverty issues due to the lack of education, knowledge, the productivity and the source of income (Sigalla, 2014). Poverty is an interconnected condition where there is a poverty trap that deadens the business opportunity of the poor (Chambers, 1995). Poverty in developing countries is due to low income levels, limited resources, low health, low education, legal injustice, criminal vulnerability, powerlessness to political power (Haring, 1972). Therefore, the government has implemented various coastal poverty eradication programs aimed at empowering coastal communities, enhancing the life of marine and fisheries entrepreneurship and improving the quality of the environment.

Poverty alleviation in coastal communities is one of the main targets of development programs in developing countries as the implementation of the Millennium Development Goals (MDGs) (Lako, 2014). This is based on the reality that high marine potential does not necessarily reflect the high level of community welfare due to low employment (Puryono, 2016). Low employment causes low income people to have no income. The employment and employment levels of the capture fisheries sector tend to be low because most are still traditional and micro scale (Martadwiprani et al, 2013). On the other hand, coastal communities tend to conduct individual economic activities as well as small communities in the exploitation of marine resources in the capture fisheries sector.

The institutional structure of the catching fishery sector consists mainly of large fishermen, small fishermen, fisherman workers, fish farmers, fish traders,

and fishery production facilities companies. Institutional is a formal rules and informal rules with enforcement rules in shaping efficient interaction patterns, social rules, agreements, and other elements of the social interaction framework structure in the fisheries sector (North, 1991). Institution implies potential competition among economic actors in the catch fishery sector due to economic transactions. The economic efficiency and benefits of the capture fishery sector will depend on the pattern of interaction, the level of involvement and institutional arrangement of the economy in coastal communities.

The contribution of capture fishery sector of Jember Regency increased during the period of 2000-2016 which was dominated by fishery fishermen of Puger sub-district (BPS, 2016). The contribution of the fishery sector is inversely proportional to the welfare of its people, especially in Puger sub-district. The majority of the people who have jobs as fishing fishermen have a large contribution to the proportion of poverty in the region. Based on these problems, this research aims to observe the anatomy, the patterns and the effect of capture fisheries' business competition on the level of prosperity of community in the coastal area in Puger, Jember, East Java.

## **LITERATURE REVIEW**

### **Institutional Economics**

Institutional economics is a paradigm that views an institution as a rule of the game that plays a central role in shaping an efficient economy of social order, agreement, and other elements of the framework of social interaction (Bardhan,

1989). Institutions are formal rules and informal rules and enforcement rules that govern a group of individuals and individuals with similar economic motives in economic transactions (North, 1991). Institutions consist of formal institutions that are institutional having legality and regulation from government and informal institutions that are instituted outside the formal system of legality and do not have law force.

Institutions can be shown from social theory, economics of property rights, transaction cost economics, and allocation of resources and employment allocation of resources and employment (Williamson, 2000). Social theory is an informal institution that already exists in society. Economics of property rights is a formal rule of law, politics, legal institutions, and bureaucracy in government. Transaction cost economics is a rule of thumb related to government structures and economic actors related to economic transaction costs such as agreements and contracts. Allocation of resources and employment is a rule of emphasis on the neo-classical paradigm that deals with resource efficiency and incentive structures consisting of pricing and quantity.

Institutions are not always efficient because of the bounded rationality of economic actors in conducting economic transactions due to the asymmetric information between economic actors. Asymmetric information provides inefficiency implications that can eliminate the rights and business opportunities of people in conducting economic transactions. Inefficiency will lead to transaction costs that create high economic costs for economic transactions conducted in the economy. Transaction costs will hamper the development of the

economic sector due to the loss of innovative stimulus and technology to create economic growth.

The role of formal and informal institutions is very important for rural communities (Mubyarto, 1988). This is because rural communities do transactions with traditional systems. Economic transactions are conducted directly between economic actors with cash payments so that there are limitations in large purchases. Rural communities tend to be closer to informal institutions because they do not require strict regulation and administration.

### **Poverty**

Poverty is an interconnected condition where there is a poverty trap that deadens the business opportunity of the poor (Chambers, 1995). Poverty in developing countries is caused by low income level, limited resources, low health, low education, legal injustice, crime vulnerability, powerlessness of political power (Haring, 1972). Developing countries are synonymous with vicious circles due to infirmity, market imperfection, lack of capital and low productivity. Low productivity leads to low community revenues that have implications for low savings and low investment. Low investment and savings lead to economic underdevelopment.

Poverty can be divided into two, namely absolute poverty and relative poverty (Kuncoro, 2004). Absolute poverty is a poverty caused by the inability of individuals due to low income to meet basic needs for life that includes food, clothing, housing, transportation, health and education. Poverty is a relatively

poverty caused by the inability to achieve the standard of living that has been set by the community in a region.

## **RESEARCH METHODS**

This study uses a qualitative approach because qualitative research can reveal findings that cannot be expressed through statistical methods or other forms of calculation methods (Strauss and Corbin, 1997). The research location is Jember District with case study of coastal community of Puger District. Location determination due to Puger Sub-district has coastal area and high poverty level compared to other districts in Jember Regency. The focus of anatomical research and the impact of business competition on coastal communities in Puger Sub-district, Jember District. Key-Informant Selection is done by snowball sampling method. This study uses data collection techniques that include observation techniques and in-depth interview techniques with informants. Data analysis used an ethnographic model that included domain analysis, taxonomy, compositional and cultural theme analysis (Spradley, 1979).

## **RESULT AND DISCUSSION**

The results showed that business actors in the catch fishery sector in Puger sub-district can be classified into big fishermen, small fishermen and fishermen workers. Coastal communities belonging to big fishermen are fishermen who have characteristics that have large capital, large motor boats, have a fish storage, fish processing relationships, have access to a large banking credit and have fishermen

workers. The people belonging to small fishermen are fishermen who have characteristics that have limited capital, small motor boats, no fish storage, have a relationship with the banking is limited, have an informal loan and have a relationship with the fish wholesaler. Fisherman workers are fishermen who have no capital, no boat, no banking access, have informal loans and work for big fishermen.

Anatomy and Institutional Patterns of Capture Fisheries Sector of Puger Sub-district of Jember Regency tends to be dominated by informal institutions rather than formal institutions. Formal institutions are more inherent in the coastal communities of Puger sub-district due to the close relationship between economic actors in the fishery sector. This informal institution is built from the aspect of capital and livelihood to meet the needs of life. Informal institutions built with trust and kinship relationships between business actors are shown by 1) the relationship of big fishermen with small fishermen; 2) the relationship of big fishermen with fishermen workers; 3) the relationship of small fishermen with fishermen workers. Formal institutions are established through the means of fishermen's cooperatives and savings and credit cooperatives.

Big fishermen provide benefits and losses to small fishermen and fishermen workers. Small fishermen and fishermen workers have a close relationship with big fishermen. Small fishermen have links with big fishermen in relation to capital and fish catches. Small fishermen mostly obtain loans from big fishermen with considerable interest based on social sense and trust without strict administration. This is done by filing a loan from a small fisherman to a big

fisherman on the purchase capital of the vessel and the funding for consumptive needs. Small fishermen are only given the requirement to always sell their catches to big fishermen at a price determined as a form of repayment on the loans provided by big fishermen. Small fishermen can file long-term or short-term tenor payments in accordance with agreements and contracts with large fishermen with higher interest rate consequences from cooperatives and banks.

Informal relationships of small fishermen and big fishermen related to loans provide low bargaining power to small fishermen to conduct business competition in the catching sector in Puger Sub-district, Jember District. Low bargaining power is indicated by the sale of small fish catches to big fishermen at a lower price than the market price. Small fishermen are also charged a high interest every month of the principal amount of the loan. The small fisherman has a loan repayment charge on the loan principal and the interest to be paid each month. This relationship resulted in the income of small fishermen to be lower than the independent fishermen because of the sale with low prices and high interest charges on loans.

The institutional pattern built between big fisherman and fisherman workers is not much different from the relationship of small fishermen with big fishermen. Fisherman workers have no bargaining power over the policies of big fishermen. This is based on the fact that fishermen workers do not have the capital and the ability to compete in the capture fisheries business. Fisherman workers are workers on large fishing vessels that only earn daily wages for each seafood obtained by big fishermen. The value of wages and profit sharing is determined by

the agreement between fishermen and fishermen who tend to harm fishermen workers. Fishermen workers are unable to negotiate because the main income comes from fishing activities of big fishermen.

Low bargaining power of fisherman workers is also attributable to the existence of financial aspect relation with big fisherman. The majority of fisherman workers have loans to big fishermen to meet their needs. Fisherman's workers are given the burden of high interest from loans provided by large fishermen with pay-cut wage schemes. The pay cut wage scheme is applied by cutting the wages of fisherman workers on principal and interest installments. This phenomenon causes the income of fishermen workers is very low and not sufficient for life. Low income and adverse informal relationships make up the majority of working fishermen living in poverty circles across generations.

The Big fishermen got benefit from informal institutional relationships with small fishermen and fishermen workers. Big fishermen earn additional income from interest on loans granted to small fishermen and fishermen workers whose nominal value is very significant when compared with the loan amount. Big fishermen are able to control the situation and emotionally from small fishermen and fisherman workers to suppress the business competition fluctuation to gain from the marine resources of Puger Sub-district, Jember District.

The Competition of catch fishery business of Puger Sub-district of Jember Regency tend to be dominated by fishermen with big capital. The dominance of business creates unfair competition patterns because of the injustice committed by large fishermen to small fishermen. Big fishermen with capital strength make



*keramba* or fish box that laid marine waters in order to obtain maximum fish catch. The strategy of large fishermen cannot be followed by small fishermen and fishermen workers because of limited capital. Small fishermen are unable to make cages or sea fish boxes like big fishermen.

The Big fishermen take advantage of the weakness of their competitors from the aspect of capital to obtain the catch of fish with a large quantity. This is indicated by big fishermen such as having special territorial waters that should not be explored and exploited by other fishermen. In competition, big fishermen do not restrict fishing territory that contain fish box physically but social relationships that result in small fishermen and fishermen workers cannot exploit the area. Restricted territorial waters indicate a rule of play that reflects the dominant informal institutions in the fishing competition of Puger Sub-district, Jember District.

The high bargaining power of big fishermen has resulted in small fishermen and fishermen workers always having lower incomes and only enough to meet their needs without the development of capture fisheries. On the other hand, small fishermen and fishermen workers cannot break such informal institutions because most of them become fisherman laborers and have debts to large fishermen. The negative impact of competition patterns is difficult to eliminate because small fishermen have limited access to physical and non-physical infrastructure due to the institutional pattern built by big fishermen. The dominance of the exploitation of marine products and waters by large fishermen has an impact on the low income and welfare of small fishermen.

The problems of business competition have received a response from the government by implementing the *Program Nasional Pemberdayaan Masyarakat Mandiri Kelautan dan Perikanan* (PNPM-Mandiri KP) that provides extension assistance, banking credit access assistance, industrial relations assistance and vocational training. However, in reality, small fishermen and fishermen workers cannot be separated from the coastal poverty circle due to close relationship with big fishermen. Small fishermen and fisherman workers prefer high economic transaction costs than complex administrative processes. In the access to bank capital, small fishermen and fisherman workers have barriers to collateral and low credit tenure. This phenomenon is caused by the majority of small fishermen and fisherman workers have low human resources due to low education level.

## **CONCLUSION**

The findings indicated that capture fisheries in Puger sub-district were much dominated by fishermen who had a large amount of capital in which eventually created an unfair competition between the small-scale fisherman and the big-scale fisherman. In addition, the big-scale fisherman had an exclusive zone in terms of fishing activity, conversely, others were restricted to explore and exploit. Territorial water, therefore, revealed the main regulation reflecting in the domination of illegal institutional in capturing fisheries' business rivalry in Puger. Moreover, the small-scale fisherman underwent challenging circumstances to halt the illegal institutional considering most of them as labor and having a loan to the big-scale fisherman. Consequently, the detrimental effects of competition were hard eradicated because small-scale fisherman experiencing the poor of

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