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Socio-economic factors of farmers in implementing the profit-sharing system in beef cattle business

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Abstract

One of the regency in South Sulawesi Province that implements a profit-sharing system is Bone Regency which has been done by farmers for a long time and has been carried out from generation to generation. This system is one of the local wisdoms for the community in managing the beef cattle business. The purpose of this study was to analyze the socio-economic factors of farmers in implementing a profit-sharing system in beef cattle business in Bone Regency. This type of research is an explanatory study with a sample of 175 farmers who were taken simple random. Data were collected through interviews with the help of a questionnaire where each variable measured used a Likert scale, namely 1 = disagree, 2 = disagree less, 3 = agree and analyzed using multiple linear regression. The results of this study indicate that the farmers socio-economic factors have a significant effect on the profit-sharing system in beef cattle business in Bone Regency.

Keywords: Social, economy, farmers, profit-sharing system, beef cattle business

1. Introduction

The beef cattle commodity has a very large business opportunity, this is based on the gap between the demand and supply of national beef which cannot yet be fulfilled by the dominant small-scale farms. Beef production in Indonesia has not been able to meet the demand related to various obstacles in the development of beef cattle [1]. The upstream industry from livestock often encounters many problems, including limited business capital, extensive land ownership in running a livestock business, limited knowledge and technology in livestock management, availability of natural resources and human resources, and many other things that can hinder the sustainability of beef cattle business, especially in people's farms.

Beef cattle farming business is very dependent on the availability of business capital, because this business requires a fairly large supply of capital. The slow turnover of capital in the beef cattle business causes fewer investors in the field than in other livestock businesses, thus causing farmers to be more efficient and very careful in managing their business. Various problems faced by beef cattle farmers so far in obtaining capital from formal financial institutions have hampered the acceleration of business scale strengthening and the real sector of beef cattle farming has not developed [2].

Socio-economic conditions are a determining factor in carrying out their farming, they are interrelated and support one another. The success of the cattle business with the aim of exploring natural and human resource potentials, shifting the typology of livestock business, creating jobs, and applying technology [3]. In addition, livestock is still a side business, most farmers run their livestock business in the form of profit-sharing partnerships to reduce the risk of business failure.

The partnership system is currently used as an option in business cooperation, where partnership cooperation will be realized in the form of a business contract that is binding on the parties involved. The contract contains a number of clauses that must be obeyed by the parties, but still have to pay attention to a number of applicable ethics and regulations, this must pay attention to the principle of equality and balance so that it must benefit the parties [4]. The development of the beef cattle market business needs to be handled in several ways, including a profit-sharing system between farmers [5]. Local wisdom that is generally still applied in business cooperation, especially in the area of South Sulawesi, is called *Teseng*, which is a local institution formed because of an agreement between two parties, namely the owner of the capital and the farmer. This local partnership cooperation system is unique in that the agreement is not black and white, or emphasizes the elements of trust between fellow pledge makers of business cooperation. The purpose of this study was to analyze the socio-economic factors of farmers in implementing a profit-sharing system in beef cattle business in Bone Regency.

2. Research Methods

This research was conducted in Bone Regency using this type of explanatory research which aims to see the effect of independent variables on dependent variables. Sampling was done randomly to 175 farmers. Data were collected through interviews with the help of questionnaires and analyzed using multiple linear regression [6] with the following equation:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Y	= Profit-sharing system
a	= Constant
b ₁ , b ₂	= The regression coefficient for the variables X ₁ and X ₂
X ₁	= Farmer social factors
X ₂	= Farmer economic factors
e	= Standard error

The closeness of the relationship between the independent variable and the dependent variable is known through the multiple correlation coefficient, the magnitude of the influence of the independent variable on the dependent variable is known through the determinant coefficient.

The farmer social factor variable (X₁) implements a beef cattle profit-sharing system, namely: farmer behavior, social status of farmers, support from livestock farmer groups, and support from agricultural extension agents.

The farmer economic factor variable (X₂) implements a beef cattle profit-sharing system, namely: the farmer family's economic demands, limited business capital, additional income, and the farmers' free time.

The profit-sharing system variable (Y), namely: the mechanism and application used in the profit-sharing system, the existence of a partner request from the owner of capital, the trust and responsibility of the farmer in raising beef cattle, and the interdependence between the owner of the capital and the farmer. Measurement of these variables using a Likert scale, namely a score of 1 to 3 with category 1 = disagree; 2 = less agree; and 3 = agree.

3. Result and Discussion

The influence of farmer social factor variables (X₁) and farmer economic factor variables (X₂) on the profit-sharing system in beef cattle business can be seen in the results of linear regression analysis in Table 1 below.

Table 1. The Influence of Social and Economic Factors on the Profit-Sharing System in Beef Cattle Business

Component	Coefficient	Significant
Constant	1,859	
Farmer social factors	0,174	0,000**
Faktor ekonomi peternak	0,197	0,000**
F. Count	10,853	0,000**
Correlation coefficient (R)	0,851	
Determinant coefficient (R ²)	0,879	

Note: Significant at $\alpha = 0.05$.

Table 1 shows that the results of the regression coefficient for each variable and the constant value so that an equation can be formed as follows:

$$Y = 1,859 + 0,174X_1 + 0,197X_2 + e$$

From the above explanation, it is known that the constant value is 1.859, this means that when the value of the farmer social factor variable (X_1) and the farmer economic factor variable (X_2) is equal to zero, the profit-sharing system (Y) will be 1.859.

From Table 1, it can also be explained that the farmer social factor variables and farmer economic variables both jointly and individually affect the profit-sharing system, this can be seen at the significant value of $P < 0.05$. The closeness of the relationship between the farmer social factor variables and farmer economic variables on the profit-sharing system is shown by the correlation coefficient (R) of 0.851 indicating a strong correlation. The value of R indicates multiple correlation, namely the correlation between the independent variable and the dependent variable. The value of R ranges from 0 - 1, if it approaches 1, then the relationship is getting tighter. Conversely, if it is close to 0, then the relationship is getting weaker.

The magnitude of the influence of the farmer social factor variables and farmer economic variables is shown by the determinant coefficient (R^2) value of 0.879 which means that the farmer social factors and farmer economic variables have an effect of 87.9% on the profit-sharing system while the remaining 12.1% is influenced by factors others that are outside of this research model.

The results of this study indicate that the social factors of the farmers have an effect on the profit-sharing system. This means that the social factors of farmers, namely farmer

behavior, social status of farmers, support from livestock farmer groups, and support from agricultural extension agents, the profit-sharing system implemented by farmers is increasing. Therefore, to improve the model for the application of the profit-sharing system, it is necessary to have the participation of the farmers themselves, both following the activities of livestock farmer groups and agricultural-livestock counseling. The participation of farmer group members in farm management starting from the planning stage, the implementation stage and the supervision stage is high [7]. Participation of members in farmer groups is high, because they participate in every activity held by *Mitra Jaya* farmer groups at the planning, implementation and evaluation stages of farmer group activities. Participation of members in *Mitra Jaya* farmer group in *Mundung* Village, *Tombatu Timur* District is high [8].

The results of this study indicate that the economic factors of farmers have an effect on the profit-sharing system. This means that the economic factors of farmers, namely the economic demands of the farmer families, limited business capital, additional income, and the availability of free time owned by farmers, the profit-sharing system implemented by farmers is increasing. This means that the economic factors that provide benefits to farmers, the implementation of the profit-sharing system is getting better. The main factor for farmers to share the results is due to economic demands [9]. [10] concluded that the profit-sharing system that is most dominant in use by the cattle farmer community is profit-sharing based on gross profit, this system can improve the economy of the farmer community, and is considered more-fair and provides *mashlahah* to both parties.

3 Conclusion

From the results and discussion, it can be concluded that the social and economic factors of farmers both partially and simultaneously have a significant effect on the profit-sharing system in beef cattle business in Bone Regency.

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