CHAPTER IV RESULTS AND DISCUSSION

A. Profile of Research Informant

This study draws on insights from eight purposively selected informants who represent key positions within the rice supply chain in Padang City and varying degrees of involvement with the Toko Tani Indonesia Center (TTIC) program. Informants were selected for their ability to provide detailed accounts of partnership arrangements, perceived benefits, and transaction-cost implications across different nodes of the chain.

At the institutional level, the first informant was a TTIC representative serving as Head of the Procurement Section, responsible for stock planning, commodity procurement, warehouse management, and coordination with supply partners. This informant provided an institutional perspective on TTIC's establishment, operating procedures, and constraints particularly limited budget and human resources—that shape the scope and frequency of coordination with partners.

At the partner level, the second informant was the owner of UD Yaser Arafat, a rice milling enterprise designated as a Toko Tani Indonesia (TTI) partner and the only informant reporting active supply to TTIC. This informant described supply routines, the practical nature of coordination with TTIC, and the perceived implications of partnership status. Importantly, the informant emphasized that upstream marketing relationships with local farmers and Gapoktan Harapan Bersama were well established prior to TTIC's implementation.

At the upstream organizational level, the third informant—the head of Gapoktan Harapan Bersama explained how the presence of local milling capacity is historically connected to earlier government initiatives (e.g., LUEP, LDPM, LUPM) that encouraged farmer organizations to develop processing units. The informant also recalled that around 2016 some farmers signed documents associated with strengthening the capital base of the milling unit, although specific program details were no longer clearly remembered.

To capture farmer-level experiences, the fourth and fifth informants were farmers affiliated with Gapoktan Harapan Bersama who have long marketed paddy through UD Yaser Arafat. Their accounts emphasized proximity, ease of transactions, and trust-based relationships as central mechanisms shaping market choice. They also clarified that they do not interact directly with TTIC and view their marketing relationship as primarily tied to the milling enterprise rather than the program.

To contrast active and inactive program participation, the sixth and seventh informants represented two enterprises designated as TTIs in 2016 UD Mulyadi (a milling enterprise linked to Gapoktan Inbis Sejahtera) and UD Toman (a rice retail business). Both informants reported that neither enterprise has supplied rice to TTIC. Instead, UD Mulyadi supplies rice regularly to UD Toman, which then distributes to the open market. These accounts are critical for understanding why formal designation does not necessarily translate into operational integration within the TTIC supply chain.

Finally, the eighth informant treasurer of the Kejar Usaha Farmer Group—provided an external benchmark from outside the TTIC/TTI structure. This informant highlighted how open-market channels remain attractive due to competitive pricing and stable demand, particularly for Sokan rice.

Overall, this combination of institutional, partner, upstream organizational, and farmer-level perspectives allows for a comprehensive assessment of TTIC partnership dynamics and their implications across the rice value chain.

B. Partnership Pattern of Toko Tani Indonesia Center

This section analyzes the structural and operational dynamics of the partnership within the Toko Tani Indonesia Center (TTIC) network in Padang City. The analysis reveals that the current partnership is not a standalone business transaction, but a result of long-term institutional evolution—transitioning from LUEP and LDPM to the present TTIC model. By examining the historical context, the formal/informal linkages, and the shared management between Gapoktan and Rice Millings, this study identifies the underlying mechanisms that allow certain partners to persist while others exit the system. This section provides the necessary groundwork to measure the transaction costs and benefits discussed in the subsequent chapter.

1. Historical Context

The institutional framework of the TTIC partnership in Padang City is characterized by a long-term evolution of food policies. While various government programs existed previously, the LUEP (2008–2011) program served as the foundational entry point for Gapoktan Harapan Bersama into the formal government distribution network. This initial involvement set the stage for subsequent participation in the LDPM era (2012–2015).

A crucial turning point occurred in 2016 during the transition to the PUPM program. At this juncture, farmers collectively provided administrative legitimacy through their signatures to facilitate capital procurement for UD Yaser Arafat's rice milling unit. This historical event created a robust social and institutional bond that persists today.

The institutional resilience of UD Yaser Arafat is rooted in a historical consensus formed during the PUPM/LDPM era (circa 2016). The collective support from farmers, which facilitated the initial capital for the milling unit, has evolved into a long-term reciprocal relationship. This historical bond significantly lowers current transaction costs, specifically the Search and Monitoring Costs, as both parties are bound by a 'social debt.' While UD Yaser Arafat has now achieved economies of scale and serves various regional clients, the farmers remain loyal due to the informal safety nets—such as rice loans—that are provided as a dividend of this past cooperation.

Theoretically, this phenomenon exemplifies Path Dependency (North, 1990). For Gapoktan Harapan Bersama, the LUEP program initiated a specific developmental path that 'locked' the actors into a stable relationship. This historical trajectory explains why UD Yaser Arafat achieved significant economies of scale and maintains high loyalty, whereas newer partners often fail to sustain the partnership due to the absence of such a foundational historical background.

Table 3 Historical Evolution of Food Distribution Programs for Gapoktan Harapan Bersama

Program Era	Year	Full Name	Primary Objective	Strategic Role of Partner
LUEP	2008-2011	Lembaga Usaha Ekonomi Pedesaan	Capital provision for local grain buyers.	Initial identification of potential mills.
LDPM	2011-2015	Lembaga Distribusi Pangan Masyarakat	Infrastructure and storage development.	Asset building era (UD Yaser Arafat's milling setup).
PUPM	2016-2020	Pengembangan Usaha Pangan Masyarakat	Integration of production and marketing.	Strengthening the Gapoktan-Milling bond.
TTIC	2021-present	Toko Tani Indonesia Center	Market stabilization and price control.	Current operational partner for city supply.

2. Institutional Relationship

The institutional relationship within this partnership is characterized by Institutional Integration, where UD Yaser Arafat is officially part of the membership of Gapoktan Harapan Bersama. As illustrated in Figure 2, this structure allows the partnership to function as a unified system while maintaining separate legal identities.

In this relationship, Gapoktan Harapan Bersama acts as the Administrative Proxy, providing the legal legitimacy required to sign the partnership agreement (*Perjanjian Kerja Sama,* PKS) with the government. Simultaneously, UD Yaser Arafat functions as the Operational Arm, leveraging its professional milling and logistics capacity to fulfill the supply requirements.

The inclusion of the milling unit as a member of the farmer group creates a Internalized Supply Chain. This integration reduces Transaction Costs because the Gapoktan does not need to search for external processing services, and the UD has a secured source of raw materials from fellow members. This symbiotic relationship explains the resilience of the partnership in 2025, as it combines grassroots farmer representation with professional agribusiness operations.

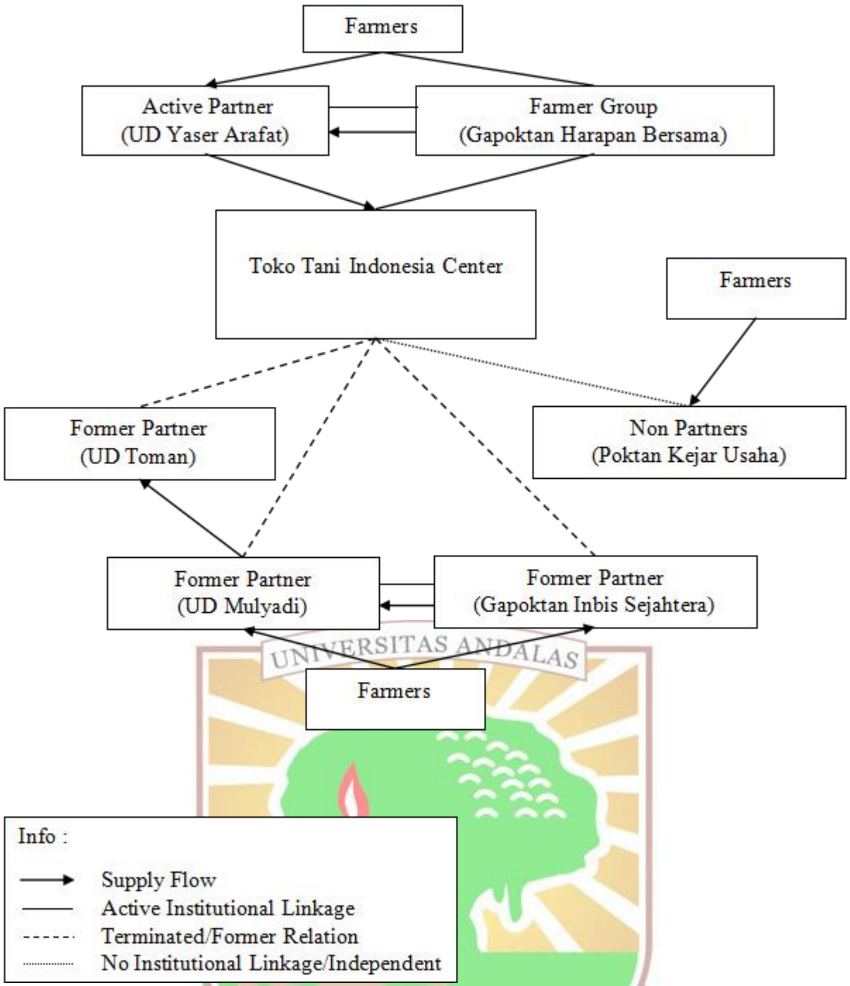

Figure 2 Institutional Relationship of Toko Tani Indonesia Center

3. Partnership Pattern

The partnership pattern in this study was analyzed using the framework proposed by Saptana (2013), which classifies agribusiness partnerships into several forms, including nucleus–plasma, contract farming, subcontracting, general trading, vendor, agency pattern, and KOA *(Kerjasama Operasional Agribisnis)*.

a) Type of Agreement

The partnership between TTIC and its partners is governed by a dual-layered agreement system. First, there is a Formal Agreement in the form of a Memorandum of Understanding (MoU) or a Cooperation Agreement (*Perjanjian Kerja Sama* - PKS, Appendix 5). This document serves as the legal basis for the partnership, fulfilling the administrative requirements of the Food Security Office

(Dinas Pangan). This formal contract establishes the identity of the partners, the quality standards required, and the general price regulations.

However, the actual operational flow is governed by a Functional Informal Agreement. While the PKS provides the legal umbrella, the daily decisions regarding supply volume, delivery schedules, and price adjustments are made through informal communication channels, primarily via mobile phone or WhatsApp. This informal layer is highly flexible and relies heavily on the Social Capital and trust built over the years.

This dual structure is a strategic adaptation to lower Transaction Costs. By relying on informal agreements for daily operations, the partners can respond quickly to market changes without having to undergo the rigid and time-consuming bureaucratic process of revising a formal contract. This confirms the findings from the 2025 field observations, where the longevity of the partnership is maintained more by the strength of the informal commitment than by the formal legal document itself.

b) Supply Mechanism

The operational supply chain between the partners and TTIC operates under a Consignment Mechanism. Under this arrangement, the rice mill (UD Yaser Arafat) delivers the products to the TTIC warehouse or retail outlets, but the ownership and financial risk of the stock remain with the partner until the product is sold to the final consumer.

This mechanism places a significant Risk-Bearing Burden on the partner, as they must manage the inventory costs and potential quality degradation during storage at the TTIC facility. Payments are only settled after the products are sold, which requires the partner to have strong cash flow and capital resilience.

From the perspective of Transaction Costs, this consignment system is highly beneficial for TTIC (the government) because it reduces their Inventory Carrying Costs and eliminates the risk of unsold stock. However, for the partners, this system is only sustainable if there is a high level of Predictable Demand and trust in the TTIC's management. The fact that UD Yaser Arafat continues to use this system in 2025 indicates their superior capital strength compared to former partners who likely exited due to the financial pressure of this consignment model.

c) Frequency of Interaction and Communication

The frequency of interaction between the actors is primarily Demand-Driven. Communication is initiated by TTIC staff when stocks reach a minimum threshold, usually conducted through digital messaging platforms (WhatsApp).

There is a stark contrast in interaction pattern between Active Partners and Former Partners:

1) Active Partners (UD Yaser Arafat): Maintain daily or weekly informal communication, ensuring a continuous flow of information regarding market prices and stock availability.
2) Former/Passive Partners (UD Mulyadi & UD Toman): Interaction has significantly declined or ceased entirely. The data suggests that as government subsidies (such as transportation aid) were discontinued, the incentive for frequent interaction diminished, leading to a breakdown in the partnership link.

This pattern proves that the partnership is sensitive to Operational Support. When the government (TTIC) reduced its active facilitation—specifically in logistics—the frequency of interaction with distant or less-integrated partners dropped, leaving only the most historically and institutionally bonded partners to continue the supply. Based on interviews and questionnaire results, the relationship between TTIC and its partners in Padang City most closely resembles a general trading pattern.

A general trading pattern is characterized by ordinary buying and selling relationships without binding operational contracts, without guaranteed supply volumes, and without strong technical or managerial integration. This condition is evident in the relationship between TTIC and UD Yaser Arafat. Although a Cooperation Agreement (*Perjanjian Kerja Sama*, PKS) valid for three years exists, the agreement is largely administrative in nature and does not specify detailed supply obligations, quality standards, delivery schedules, or evaluation mechanisms.

The TTIC informant stated that TTIC lacks the capacity to provide intensive guidance and coordination to all TTIs. Budgetary, time, and human resource constraints cause relationships with partners to depend heavily on situational needs, such as when TTIC requires additional stock. This is consistent with questionnaire results from TTIC, which indicate low assessments of supply mechanism clarity and certainty of demand frequency.

On the other hand, UD Yaser Arafat provided relatively high ratings for communication and coordination aspects. However, interviews revealed that these assessments primarily reflect long-standing relationships with Gapoktan Harapan Bersama and surrounding farmers rather than relationships created by TTIC. The trading relationship between UD Yaser Arafat and farmers predates the TTIC program and is repetitive in nature, thereby naturally forming a relationship perceived as favorable by partners.

Another partnership structure observed involves Gapoktan Inbis Sejahtera, UD Mulyadi, and UD Toman. Institutionally, UD Mulyadi is associated with Gapoktan Inbis Sejahtera, and UD Toman are designated as TTIs. However, neither enterprise has ever supplied rice to TTIC. The existing marketing relationship involves UD Mulyadi supplying rice to UD Toman, which then sells it to the open market. Questionnaire results from both informants indicate low assessments of demand certainty and communication from TTIC, but high assessments of the stability of trading relationships outside TTIC.

These findings indicate that TTIC has failed to establish an integrated partnership pattern with all designated TTIs. TTIC functions only as a buyer for a single TTI that already possessed an established marketing network, namely UD Yaser Arafat. In other words, TTIC did not create a new partnership structure but merely utilized existing local marketing arrangements. This confirms that the resilience of the supply chain is driven by pre-existing social and economic bonds rather than the institutional intervention of the TTIC program itself.

In alignment with the perspectives of Saptana (2013), the partnership pattern of the TTIC in Padang City demonstrates that institutional sustainability is heavily dependent on the strength of social capital and mutually beneficial economic incentives (mutual benefits). The historical embeddedness between the farmers and UD Yaser Arafat has fostered long-term stability within the supply chain.

However, this study also identifies a significant structural vulnerability: the high level of dependence on government subsidies—such as transportation support—acts as a bottleneck that limits broader participation from other potential partners. While the social bond ensures a resilient core for the current partnership, the withdrawal of external logistics facilitation creates a barrier to entry, suggesting that without continuous institutional support, the partnership model struggles to achieve independent economic sustainability for a wider range of stakeholders.

The application of the General Trading pattern in the Toko Tani Indonesia Center (TTIC) program in Padang City demonstrates a distinct institutional flexibility as well as vulnerability, particularly when compared to other agribusiness partnerships involving government-affiliated entities. For comparison, Asriyani (2023), in her study on the partnership between rice seed breeders and PT Sang Hyang Seri, identified a significantly more integrated and structurally binding partnership model. In that study, the partner institution (PT Sang Hyang Seri) acted not only as the final buyer but was also directly involved in the production process by providing technical guidance and production inputs to ensure strict seed quality specifications. This structural interdependence compels partner farmers to fully comply with the established contractual mechanisms.

Conversely, the findings from the TTIC program reveal a very low level of integration, wherein the managing institution acts purely as an off-taker of rice without any intervention in the cultivation stages at the farmer or farmers' group (Gapoktan) level. The weak structural ties inherent in this General Trading pattern afford partners a high degree of flexibility. When confronted with high transaction costs and a delayed payment system *(tunda bayar)* that severely burdens their operational capital, passive partners within the TTIC can easily divert their rice supply to alternative buyers in the open market who offer immediate cash transactions.

Nevertheless, there is an institutional anomaly that distinguishes the TTIC case from conventional general trading transactions. Whereas in purely commercial trade, partners would sever the cooperative relationship in the absence of a purchasing agreement, the partners in the TTIC program deliberately choose to maintain their administrative membership status despite having completely halted their physical supply. This phenomenon indicates that within a government bureaucratic ecosystem, the structural looseness of the General Trading pattern is utilized by passive actors as a reputational anchor to safeguard their position. This decision is driven purely by the objective of securing intangible benefits, specifically the expectation of gaining priority access to future government assistance or subsidy programs.

Overall, the TTIC partnership pattern in Padang City can be classified as a partial and non-vertically integrated general trading pattern. This condition does not align with the ideal agribusiness partnership concept, which emphasizes supply planning, continuous facilitation, and mutually beneficial relationships among marketing institutions, processors, farmer groups, and farmers.

C. Benefits of the Partnership

Partnership benefits were analyzed based on two main categories: tangible and intangible benefits. Tangible benefits include demand certainty, price stability, and marketing predictability, while intangible benefits encompass reputation enhancement, institutional legitimacy, access to information, and network expansion.

1. Tangible Benefits

The analysis of tangible benefits measures the direct economic advantages perceived by the stakeholders, specifically focusing on market guarantee, price stability, and routine absorption. Based on field data, the tangible benefit structure of the TTIC partnership is characterized by an asymmetric benefit distribution.

a. Market Guarantee

The partnership provides a strong market guarantee exclusively for the active partner. UD Yaser Arafat is assured that their processed rice will be accepted by the program, securing a dedicated distribution channel without the need to independently search for retail buyers. In stark contrast, passive partners such as UD Mulyadi and UD Toman experience a complete absence of market guarantee from the program, forcing them to rely entirely on the open market and traditional supply chains.

b. Price Stability

The partnership provides a protective economic margin for the active partner. Through the TTIC mechanism, the price difference between the program's purchasing rate and the open market yields a favorable margin of IDR 1,000 to IDR 2,500 per kilogram for UD Yaser Arafat. For passive partners, however, this benefit is non-existent due to the lack of active transactions, leaving them fully exposed to market price fluctuations.

c. Routine Absorption

Routine absorption represents the continuous physical volume of commodities taken in by the program. Field data reveals that TTIC consistently absorbs an estimated volume of 1 to 2 tons of rice per month from UD Yaser Arafat, with delivery frequencies ranging from 1 to 5 times a week. This continuous flow confirms that the partnership successfully creates a reliable absorption channel for the incumbent. Conversely, by not receiving active orders from TTIC, passive partners face a tangible opportunity cost, losing an estimated potential absorption capacity of 3 to 5 tons per month. This disparity confirms that the program's absorption mechanism is not universally applied to all designated partners.

The absence of tangible economic benefits for passive partners in the TTIC program is fundamentally the outcome of their own rational decision-making. The reluctance of the farmers' groups (Gapoktan) to sustain physical supply is primarily driven by the inherent flaws in the TTIC's payment system—specifically the delayed payment mechanism (tunda bayar)—which severely drains their operational capital liquidity. In response, these passive partners strategically choose to divert their rice supply to alternative buyers or middlemen in the open market who can facilitate immediate cash transactions (cash and carry).

This phenomenon of supply diversion aligns with the perspective of Sudrajat and Arani (2016) regarding institutional economic reconstruction through optimizing the role of middlemen. In their study, middlemen are frequently stigmatized or marginalized within formal government supply chains. However, within the grassroots institutional reality, middlemen actively emerge to fill critical institutional voids—such as providing rapid financial liquidity and circumventing cumbersome bureaucratic procedures—that formal institutions fail to accommodate.

In the context of the TTIC partnership, the Gapoktan's decision to forgo the potential tangible benefits offered by the government (in the form of protected price margins) and pivot toward middlemen is not a structural regression, but rather a profound form of institutional adaptation. Middlemen offer transactional certainty that drastically minimizes institutional costs—particularly waiting costs and the risk of stagnant capital—when compared to the bureaucratic mechanisms of the TTIC. Ultimately, the tangible benefits obtained in the open market, manifesting as immediate cash flow, possess a vastly superior liquidity value for the operational sustainability of smallholder farmers compared to the mere promise of price margins from a government program hindered by administrative bottlenecks.

2. Intangible Benefits

The assessment of intangible benefits captures the non-economic value perceived by stakeholders across three key indicators: institutional reputation, network access, and technical guidance. While the overall mean score for intangible benefits is 2.67, this figure reveals a higher level of institutional alignment compared to the tangible economic outcomes.

Table 5 Intangible Benefits of Toko Tani Indonesia Center

Indicator	UD Yaser Arafat	TTIC	UD Mulyadi	UD Toman	Mean Score
Q1. Reputation and Legitimacy	3	3	3	3	3
Q2. Access to Networks	3	3	2	3	2.8
Q3. Technical Guidance & Market Information	3	3	2	1	2.2
Average Score per Group	3	3	2.33	2.33	2.67

To further illustrate these findings, Figure 4 (Radar Chart) will show a significantly more expansive profile across all actors compared to the tangible benefits chart, visually confirming the partnership's role as a reputational platform.

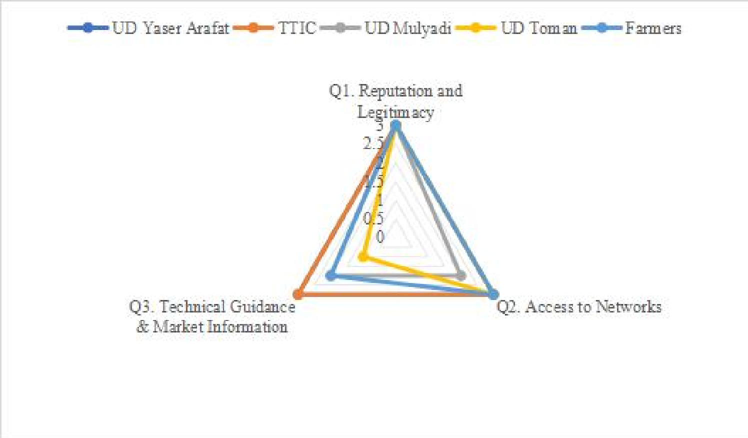

Figure 4 Visual Comparison of Intangible Benefits

a. Reputation and Legitimacy (Q1)

This indicator achieved a universal perfect score of 3.0 across all respondent groups. This consensus indicates that the TTIC partnership serves as a critical source of symbolic capital. For both active and passive partners, the official affiliation with a government program provides a "seal of approval" that enhances their standing in the local market, regardless of the actual transaction frequency.

b. Access to Networks (Q2)

The access to networks indicator recorded a high mean score of 2.8. Most stakeholders perceive that the partnership facilitates valuable connections within the government's food distribution ecosystem. For passive partners, this network access serves as a crucial Anticipatory Benefit (Option Value). Although they do not receive regular rice orders or immediate financial gains, remaining officially registered in the TTIC network ensures they stay on the government's radar. This official status acts as a priority ticket, granting them the expectation of being prioritized for future government assistance programs, such as logistical subsidies, agricultural grants, or equipment aid. This expectation of priority support is the primary reason why passive partners choose to maintain their formal partnership status despite the absence of active trading.

c. Technical Guidance & Market Information (Q3)

Recorded as the lowest variable in this category with a mean score of 2.2, this indicator reveals a developmental gap. While the TTIC and active partner (UD Yaser Arafat) perceive high performance (3.0), the passive partners like UD Toman report a minimum score of 1.0. This confirms that while the partnership excels in status-building, it struggles to effectively transfer technical skills or market intelligence to its peripheral members.

The findings indicate that the intangible benefit structure of the TTIC partnership is defined by its role as a 'Reputational Anchor.' While the overall mean score stands at a robust 2.67, the data highlights that stakeholders prioritize institutional legitimacy and network preservation over technical development. The perfect score in Reputation (3.0) contrasted with the disparity in Technical Guidance (2.2) suggests that the partnership's primary sustainability factor is administrative alignment rather than operational capacity building. For passive partners, the partnership functions as a form of "strategic dormancy"; they willingly accept the lack of immediate tangible profits in exchange for the intangible promise of future government prioritization and subsidies. Consequently, the partnership effectively maintains its social prestige and membership retention even when tangible economic outcomes remain inconsistent.

On the other hand, the acquisition of intangible benefits serves as the primary rationale explaining why passive partners persistently maintain their formal membership status within the TTIC network. Even though the farmers' groups (Gapoktan) have completely halted their physical rice supply due to prohibitive transaction costs and the burdensome delayed payment system, they recognize that formal membership in a government-affiliated institution holds significant Option Value. This value manifests as a strategic expectation to secure priority access to future government assistance, subsidies, or agricultural equipment grants.

This phenomenon indicates that within a government bureaucratic ecosystem, the structural looseness of the General Trading pattern is strategically utilized by passive actors as a reputational anchor to safeguard their position. Furthermore, Sklavounos, Rotsios, and Hajidimitriou (2019), in their research titled "Effects of Partner Reputation, Communication Quality and Perceived Risk of Opportunism on Trust and Alliance Performance: Evidence from Greek ISAs," elaborate on the function of a reputational anchor in maintaining partnership stability amidst high uncertainty. In their study, poor communication quality and a high perceived risk of opportunism significantly deteriorate inter-partner trust. In the context of the TTIC, the managing institution's bureaucratic constraints—such as the lack of transparent absorption quotas and the burdensome consignment mechanism—have demonstrably created operational risks that inflate transaction costs for the Gapoktan.

Rather than permanently severing ties, these passive partners logically engage in a form of passive opportunism that perfectly aligns with the postulates of New Institutional Economics (NIE). They leverage the institutional prestige of the TTIC as their reputational anchor. This formal membership is deliberately preserved not as a mechanism to facilitate efficient commodity exchange, but rather as an institutional safety net. By remaining visible on the government's bureaucratic radar, these partners effectively secure their expectation rights to future intangible benefits.

In conclusion, addressing the second objective of this research, the distribution of benefits within the TTIC partnership in Padang City exhibits a profound institutional dichotomy. Rather than achieving integrated economic gains, the partners engage in functional decoupling to satisfy their interests. Tangible benefits, in the form of capital liquidity and transactional certainty, are ultimately not derived from the TTIC program, but are instead secured through institutional adaptation alongside middlemen in the open market. Conversely, the TTIC institution is utilized exclusively to safeguard intangible benefits. Formal membership in this government program is deliberately maintained as a reputational anchor to guarantee the option value of future assistance expectations. This asymmetric and decoupled distribution of benefits proves that the persistence of the TTIC partnership by passive actors is no longer driven by commodity transaction efficiency, but rather by rational strategies to mitigate institutional uncertainty.

D. Transaction Costs of The Partnership

This section evaluates the transaction costs based on four operational dimensions according to North (1990): Search and Information Costs, Bargaining Costs, Monitoring and Enforcement Costs, and Compliance Costs. The analysis reveals a severe Transaction Cost Disparity between active and passive partners.

1. Search and Information Costs

For passive partners (UD Mulyadi and UD Toman), accessing market information and securing supply quotas from the TTIC is highly resource-intensive. Field data reveals that during the initial phases, passive partners expended an estimated IDR 100,000 to IDR 200,000 per month solely on transportation and telephonic coordination to seek clarity on demand. Furthermore, the time value of money was impacted by opportunity costs, as they had to wait 1 to 3 days in uncertainty, often resulting in no orders being placed at all. Conversely, the active partner (UD Yaser Arafat) bypasses these search costs entirely by leveraging pre-existing historical communication channels and closer institutional proximity.

2. Bargaining and Decision Costs

Analyzing agricultural partnerships through an institutional lens requires understanding that commodity exchange is never cost-free. As argued by Man et al. (2017), Transaction Cost Theory is crucial in evaluating agricultural contracting, especially when facing market uncertainty. Yousuf (2017) conceptually asserts that bargaining and decision costs arise from the actors' need to search for information, negotiate, and reach agreements. While standardized price mechanisms at the TTIC eliminate complex financial negotiations, the decision costs driven by institutional uncertainty remain exceptionally high for passive partners.

Agricultural commodities like rice possess low asset specificity, meaning passive partners can effortlessly find alternative buyers in the open market who offer immediate cash transactions. In contrast, the TTIC does not impose mandatory routine supply quotas and consistently fails to actively follow up with partners—a structural flaw stemming from the management's severe constraints in time, budget, and human resources. Consequently, the lack of definitive transparency compels passive partners to continuously engage in unreciprocated coordination. Based on an economic proxy approach, the estimated bargaining and decision costs range from IDR 250,000 to IDR 600,000 per transaction cycle. This value represents the accumulation of real expenditures for mobility during face-to-face verification, compounded by the loss of 2 to 4 days of productive labor. Faced with this inflated proxy cost and psychological burden, passive partners rationally choose the path of least resistance: shifting their supply entirely to alternative buyers.

3. Monitoring and Enforcement Costs

The lack of formal meetings limits the TTIC's ability to monitor quality and enforce partnership agreements effectively. For the partners, however, the most significant hidden cost emerges from the risk profile and collection efforts tied to the consignment mechanism *(tunda bayar)*. Field data indicates that payments are typically delayed for 2 to 4 weeks before being realized. During this waiting period, partners incur specific monetary costs to actively monitor the sales status of their consigned stock and enforce payment collection *(penagihan)*. Based on field observations, the estimated proxy for monitoring and enforcement costs ranges from IDR 150,000 to IDR 300,000 per transaction. This nominal value accounts for the communication and transportation expenses incurred by partners who must repeatedly follow up with TTIC management to secure their delayed payments.

While the active partner, UD Yaser Arafat, can endure this financial waiting period and absorb these monitoring costs without taking on debt—because the TTIC is positioned merely as a supplementary channel rather than their primary market—smaller or passive partners find this enforcement lag highly disruptive. It creates a continuous financial drain and operational barrier. Fortunately, physical shrinkage *(penyusutan fisik)* during the storage period at the TTIC was reported as non-existent, which somewhat mitigates the physical risk of this prolonged monitoring phase, even though the administrative enforcement burden remains high.

4. Compliance Costs

In the post-transaction phase, compliance costs arise as a structural consequence of the partners' efforts to adhere to institutional regulations. Compliance costs, representing quality standards and the risk of product rejection, disproportionately threaten passive partners. Meeting the TTIC's specific grading and packaging requirements demands additional effort and capital. Ideally, the managing institution would assist in mitigating these hurdles; however, the TTIC is structurally rigid due to its heavy dependency on the Provincial Government *(Pemerintah Provinsi)*. This bureaucratic dependency dictates that the TTIC lacks the autonomous budget and human resources required to facilitate capacity-building for smaller passive partners. Interestingly, actual compliance costs for the active incumbent (UD Yaser Arafat) remain remarkably low, as their historical alignment ensures zero product rejection and they receive direct packaging subsidies.

Furthermore, in the context of emerging markets, Yuntika et al. (2025) highlight that collaborative partnerships are often plagued by institutional frictions that inflate transaction costs due to unadaptive regulations. In the TTIC case, the highest component of compliance costs does not take the form of quality inspection fees, but rather a massive opportunity cost resulting from the rigid delayed payment system. Complying with this consignment procedure means passive partners must endure an estimated retention of operational capital ranging from IDR 10,000,000 to IDR 15,000,000 per transaction period. The negative impact of this withheld liquidity is corroborated by the empirical findings of Haryono et al. (2021), who proved that an increased proportion of transaction costs significantly erodes farming income and profitability. This stagnant capital causes the Gapoktan to lose potential economic turnover and reinvestment capacity, effectively acting as an institutional barrier that filters out passive partners who cannot independently absorb these costs.

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