

# The Effect of Government Policy, Partnership Intensity, and Tri Hita Karana Behavior on Cattle Business Performance and Income of Broiler Breeder

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## Abstract

The aims of this study is to investigate, examine, and review the effect of government policy, partnership intensity, and *Tri Hita Karana* (THK) behavior on cattle business performance and income of broiler breeder in Bali Province. This study is carried out at broiler breeder company in Bali Province. The data were collected directly from respondents by using research instrument and used Partial Least Square (PLS). The findings show that government policy directly affects positively and significantly cattle business performance and income of broiler breeder. Government policy indirectly influences positively and significantly cattle business performance and income of broiler breeder. The effect of government policy on income of broiler breeder is partially mediated by cattle business performance. In other words, cattle business performance does not emerge as the core mediator in improving income of broiler breeder. Partnership intensity also directly affects cattle business performance and income of broiler breeder. Additionally, partnership intensity indirectly and significantly influences cattle business performance and breeder income. Cattle business performance partially mediates the effect of partnership intensity on breeder income. *Tri Hita Karana* behavior directly affects positively and significantly cattle business performance and breeder income, and indirectly influences positively and significantly cattle business performance and breeder income. However, cattle business performance partially mediates THK behavior on breeder income.

**Keywords:** government policy, partnership intensity, THK behavior, cattle business performance, breeder income.

## 1. Introduction

Changes in the global economy and the business world remain fast and complex, arising dynamics within a company (Shaykh, 2001). Changes in the business situation, innovation and the global economy add to the momentum of changes. Most companies envisage that information-based competition and management have changed fundamentally to be knowledge-based. Companies are expected to be able to detect changes in the environment and take decisions quickly. Thus, collaboration becomes essential as a competition strategy (Leibold et al., 2005).

Broiler farming (poultry) as an industry also experiences such changes. The very complex environment changes occur in both external and internal environment of companies. These changes start after the promulgation of Presidential Decree Number 22 Numbers in 1990 and Minister of Agriculture Decree Number 172/Kpts/6/96 that allows farmers to conduct a large scale broiler farming through partnerships. The policy causes the increased population of broilers very rapidly in the period 1990 – 2000, with the rate of annual growth per year 16.10 % and the number has reached 62 percent of total meat production nationally (Suparta, 2001).

Considering such developments, the Government of Bali Province issued Governor's Decree Number 6 year 2013 concerning Partnership in which large enterprises doing partnerships are required to redraw the production of Day Old Chicken (DOC), to adjust to the supply and demand of broilers in Bali, in the hope that the price of broilers is more stable and profitable for farmers based on performance.

Internal factors which are influential include the cooperation and partnership between farmers and the cultural behavior of companies, while the external factors encompass government policy (Yunus and Ekasari, 2007). In this research, the cultural behavior is as reflected in Tri Hita Karana concept which represents the genius local wisdom in Bali.

The purpose of this study is to analyze the influence of Government policy, the intensity of the partnership and the THK behavior on performance in poultry business in Bali and the income of farmers, the performance in poultry business in mediating government policies, the intensity of partnerships, and the cultural behavior of THK toward the income of farmers.

## 2. Literature Review and Hypothesis Development

### 2.1 Intensity of Partnership

Partnership is a collaboration between large companies and small companies in business on the basis of mutual

need, trust, strengthening, and profitable principles (Governor's Decree number 6 year 2013). The partnership pattern is a pattern of cooperation between the core company as the capital provider and plasma farmers as the executors with mutual benefit, openness, justice and empowerment principles that are specifically written in the memorandum of understanding (Governor's Decree number 6 year 2013).

According to Law Number 9 year 1995, the partnership pattern of between the core and the plasma is a partnership between small businesses and medium or large business ventures that act as the core, while the small business acts as the plasma. The larger company undertakes mentoring and guidance by providing the means of production, technical guidance, and assisting in the marketing of the products. In business, partnership is the relationship between parties based on mutual benefit in a synergistic working relationship, in which the result is not a zero-sum game, but positive-sum-game, or win-win solution.

## 2.2 Government Policies

The Government has a role to arrange, improve or direct the activities of the private sector, because the private sector is not able to solve economic issues. The Government plays a role in allocating economic resources, the distribution of income and economic stabilization (Guritno, 2008). The role is implemented by issuing government policy that has a strong influence and affinity towards any form of public activities including community welfare (Jones, 1994)

Government policy is a decision made systematically by the Governments with specific objectives relating to the public interest (Nagel, 2003). Woll in Tangkilisan (2003a) defines Government policy as a number of activities of the Government to solve problems in the community both directly and indirectly through various influential institutions. Carl J. Friedric in Sunarko, (2003) argues that Government policy is a guidance of the proposed action to a person, group, or government in an environment with obstacles and opportunities, that is expected to meet and overcome these obstacles to achieve a particular goal.

## 2.3 Tri Hita Karana Behavior

Behaviour is an act showing the attitude of a person, and a combination of the anatomical, physiological and psychological development (Kast and Rosenzweig, 2002). Tri Hita Karana is derived from the Sanskrit that consists of *Tri*, *Hita*, and *Karana*. *Tri* means three, *Hita* means happy, and *Karana* means the cause. Hence, Tri Hita Karana is defined as three causes of happiness. Tri Hita Karana teaches human to build harmonious relations with God, with others and with the natural environment (Wiana, 2007).

Tri Hita Karana (THK) concept is based on culture, has grown and bloomed in the society and has been established as the cornerstone of business philosophy, tourism development philosophy, spatial arrangements, and strategic plan of Balinese regional development (Regional Act Number 3 year 1991; Number 4 year 1996; and Number 16 year 2002). Initially, the concept of culture in THK is used as a guideline for farmers in constructing Balinese irrigation system known as subak. In its development, this concept has been applied too in the tourism business, beginning with the granting of THK Award and Accreditations for hospitality. The THK Awards has received recognition from the Pacific Area Travel Association (PATA) and the World Tourism Organization (WTO). The world recognition proves THK is national culture containing universal values, either in the concept or in its implementation as it does not differentiate between races, tribes and religions (Windia, 2007).

The THK philosophy can be used to solve the inherent conflict of interest between the core and the plasma in partnership scheme. First, the philosophy of THK puts forward the harmonious relationships between humans and God as The Creator (*parahyangan*). Partner farmers, who have a harmonious relationship with God tend to be more honest, just, careful, and not cheating. Second, the philosophy of THK points out the need for a harmonious relationship between humans (*pawongan*). When the employers from the partner company understand and put the concept of culture and religion at the top priority, they will treat the farmers humanely, appreciate their competence, with adequate compensation and appropriate reward based on performance without pressure or action that is not professional. Third, the philosophy of THK also highlights the need to develop a harmonious relation between human and nature and environment (*palemahan*). When there are harmony and togetherness, the company/business is believed to strive and sustain. When the business can strive, it will bring benefit to all parties that creates harmony and togetherness. This also becomes the essence of the application of THK in business activity. Hence, there is a linkage between sustainability and harmony and togetherness.

Implementation of the THK philosophy has been studied by scholars, such as a study about subak by Windia (2005), a study of environmental damage by Agung (2007), a study of business analysis by Windia and Dewi (2007). The philosophy has also been applied in the development of instruments for measuring the performance of culture and environment of the accommodation and hospitality services (hotels), and tourist attractions in THK Award and Accreditation and the *pekraman* village competition in Bali Province. The basic model of Individual Behaviour is shown in Figure 1.

## 2.4 Performance in poultry business

Performance is a contextual concept related to the phenomenon in this research, so that the steps used to represent the performance are selected according to the firms being observed. Performance assessment is important for firms as an evaluation of the whole activities. The characteristics of firms' performance and measurement have been into the topic of discussing among experts and practitioners since firms were first formed. In general, the firm's performance is based on the idea that a firm is a combination of earning assets, including human resources, physical resources, and capital to achieve a common goal.

## 2.5 Farmers' Income

Income is the total real earnings from all household members that is used to meet the needs of the individual and shared in the household (Adiana and Karmini, 2013). Personal income can be defined as all types of income, including those generated without giving any kind of activity and are received by an individual (Sukirno, 2004). To identify the level of income of poultry farmers, this study employed business profit (revenue) from the technical production and input-output price of the business (Gray, et al., 1986 and Saptana et al. 1998). Productivity or level of capability to produce chicken is an important factor in determining the income of poultry farmers (Santoso, 2002).

## 2.6 The Influence of Government Policy towards Business Performance and Farmers' Income

The Governor's Decree Number 6 year 2013 concerning Implementation of Partnerships and Protection of Poultry Business in Bali province, is seen as having both positive and negative impact on performance and revenue of broiler farmers in the province. Subarsono (2005) suggests the policy issued by stakeholders is not a guarantee that such policy would certainly succeed in the implementation. Jones (1994) reveals that the implementation of the policy as part of management functions has a strong linkage and influence to any form of public activities that include society's welfare.

The Government is believed to have a role to regulate and boost economic activity. In the modern economy, the role of the government can be classified into three major divisions (Guritno, 2008). namely: (1) the role in allocating economic resources, (2) distribution role, and (3) stabilization role. Among the three roles of Government, there is one role which really influences performance improvement and people's income, namely the distribution role. Gillespie et al. (2009) argue that Government policy in the agricultural sector can increase performance and farmers' income, and enhance equitable income distribution, which in turn can reduce income gap and inequality within the society.

Jhingan (1992) proposes factors that affect people's income, namely the application of a national policy to increase the power and influence beyond the national borders. Hence, one of the factors that influence the increase in people's income is the policy implementation.

H<sub>1</sub> Implementation of government policy has a positive and significant effect on performance of the farming business.

H<sub>2</sub> Implementation of government policy has a positive and significant effect on income of the farmers.

## 2.7 The Influence of Intensity of Partnership on Performance in poultry business and Income of Farmers

Partnership is a business strategy by two or more parties in a given period, to gain mutual benefit (Hafsah, 1999). The intensity of the partnership is used to measure the extent to which the implementation of the partnership is effective. Improvement of relationship between the core and plasma business can mutually satisfy both parties that leads to interdependence (Dewi, et al., 2001; Ilham, et al., 1995). However, Abdul Samad (2016) found that increasing the productivity of farmers cannot necessarily increase their income. This is because the farmers have limited skill, capital, technology as well as marketing access, yet they have to deal with large companies that already have greater capital, technology, management, and marketing access. As a consequence, a growing population and rapid production has in turn lowered the price ratio of the products; furthermore, the increasing farm productivity has not been followed with the better income of the farmers (Abdul Samad, 2016).

The empirical analyses of broiler farming business by (Sumaryanto et al., 1989; Rusastra et al., 1990; Agustian and Rachman, 1994; Yusdja, 1997; Saptana et al., 2002) show that the structure of the poultry industry needs to be directed to strengthen the consolidation in the downstream through partnerships by adhering to the principles of interdependence, strengthening, and mutual benefit.

H<sub>3</sub> Intensity of partnerships shows a positive and significant influence on performance in poultry business.

H<sub>4</sub> Intensity of partnerships show a positive and significant influence on the income of farmers.

## 2.8 The Influence of THK Behavior on Performance in poultry business and the Income of Farmers

The skill of an entrepreneur is shaped through past experiences and the current work. Adnyana (2005) found that entrepreneurs who are also obedient hindus always adhere to the ideas and teachings of the sacred Weda as a normative framework in their behaviour. The ideas are including the quality and the image of humans (*Tri Kaya*

*Parisudha*), the nature and meaning of work (*Karma yoga*), and harmony (*Tri Hita Karana*). *Tri Hita Karana* encompasses values concerning the importance of harmony in life and work and how to behave. The implementation can be in passive responses (without actions such as thinking, arguing, behaving) or active responses (making action) (Stephen and Timothy, 2015).

In the behavior perspective, THK behavior based on the Balinese culture philosophy, can explain the behavior of broiler farmers as follows:

First, regarding the philosophy of the human relationship with God (*parahyangan*), humans believe in God's Almighty and His existence. Second, the philosophy of the harmonious relationship between man and man (*pawongan*) is sourced from the religious concept of *tat twam asi* (compassion) that means "I am you, you are me, you and I are one"; locally, it refers to a mutual love, compassion. Third, the philosophy of the human relationship with nature (*palemahan*) is in accordance with the hinduism culture, that all living creatures are God's creation.

The empirical studies about THK based behavior have been done by a number of scholars; Windia (2005) studies about subak, Agung (2007) researches environmental damage, while Windia and Dewi (2007) studies the business analysis. Those empirical studies are supported by research from Riana (2010) that the application of local culture values of *Tri Hita Karana* affects significantly to entrepreneurial orientation. This indicates that the harmonious values in *Tri Hita Karana* is proven able to increase the entrepreneurial orientation. Better harmonization of the relationship between humans and God (*parahyangan*), among humans (*pawongan*), and humans and nature (*palemahan*) will lead to higher entrepreneurial orientation.

H<sub>5</sub> The application THK behavior shows a positive and significant effect on business performance of farmers.

H<sub>6</sub> The application behavior of THK shows a positive and significant effect on the income of farmers.

## 2.9 The Influence of Performance in Poultry Business on Income of Farmers

To identify the level of income of broilers farmers from revenue indicator, it needs to first figure out the technical production performance and input-output price (Grayet al. 1986 and Saptana et al. 1998). Of these factors, the production cost and revenues can be determined. Next, the revenue (business profit) is calculated and used to decide the income of farmers in one production cycle (Gray et al., 1986; and Henry et al., 1995).

To know the influence of income of farmers on their performance can be by measuring the quality of business performance that includes the production index, showing the success of production. Higher quality of business performance may be perceived as the increasingly successful business. This means that higher production index leads to higher income of the farmers in one production cycle.

H<sub>7</sub> Performance in poultry business shows a positive and significant influence on the income of farmers.

## 2.10 The Mediating Role of Performance in poultry business in Influencing Government Policy, Intensity of Partnerships, and THK Behavior towards Income of Farmers

The role of Government policies in the performance in poultry business and improvement of farmers' income is very necessary, because the policies either in the form of circulars or others, has an indirect effect on performance in poultry business and income of farmers. Government policies are used as a guideline in running of broiler farming business (Martodireso and Suryanto, 2002).

Partnership is an instrument of cooperation that refers to the creation of a harmonious and balanced atmosphere and skill that are based on mutual trust between the core company and the plasma for building mutually beneficial and strong relationships (Martodireso and Suryanto, 2002). Partnerships are expected to enhance performance and revenues, and thus the farmers only have to provide labor, set up cages and all the necessary equipment to smooth the farming and production activities for improved performance and income.

Behavior is the primary resource of a company, and if based on *Tri Hita Karana*, it can give more benefits to achieve company goals. As stated by Windia and Dewi (2011) that in business, harmony and togetherness are necessary aspects. With harmony and togetherness, business could strive and sustain. This situation will certainly benefit all parties, creating harmony and togetherness in a cycle.

H<sub>8a</sub> Performance in poultry business mediates the influence of Government policy on income of farmers.

H<sub>8b</sub> Performance in poultry business mediates the influence of partnership intensity on incomes of farmers.

H<sub>8c</sub> Performance in poultry business mediates the influence of THK behavior on income of farmers.

## 3. Research Methodology

### 3.1 Population and Sample

The population in this research was broiler farmers already running business at least for one year, and registered in the Balinese Farmers in 2010 published by the Office of Livestock Service of Bali Province (Table 4.1). The farmers are scattered on all districts in Bali and have a direct relation with the partner company and poultry shop. Referring to the regulation issued by Livestock Office of Bali Province, the poultry business can be grouped into four scales (based on ownership and the number of broiler population) as presented in Table 1.

Determination of the number of samples was done using a statistical approach called Slovin formula, as cited in Umar (1998) that is:  $n = \frac{N}{1 + Ne^2}$

(Description: N = Population size, n = Sample size, e = percentage of margin of error).

Based on calculation using the Slovin formula, the size of the sample can be measured as follows:

$$n = \frac{N}{1 + Ne^2} = \frac{763}{1 + 763(0,075)^2} = 144,23 = 144 \text{ farmers}$$

### 3.2 Measurement Variables

In this study, government policy refers to the policy issued by the Provincial Government of Bali in the form of Governor's Decree Number 6 year 2013 concerning "Regulation on the Implementation of Business Partnerships and Farm Protection" (Appendix 11). The Government policy is measured from three indicators, namely (1) the level of prosperity of farmers (measured using four items), (2) the level of empowerment of farmers (measured using three items), (3) the level of business protection of farmers (measured using three items).

The partnership intensity is the obligation of the core company in providing means of production, doing tutoring or mentoring, and marketing the products of the plasma farmers (Governor's Decree Number 6 year 2013). This aspect was measured by three indicators, namely (1) availability of the means of poultry production (measured using three items), (2) availability of mentoring (measured using four items) and (3) availability of marketing output (measured using five items).

The behavior of farmers is based on Tri Hita Karana cultural values. The values are transformation of Hinduism philosophy and customs based on harmony and togetherness (Windia and Dewi, 2007; Windia and Ashrama, 2005; Windia et al., 2003; Windia et al., 2001; Windia, 2005; Ashama, 2005).

The performance in poultry business might show the level of achievement or accomplishments of broiler farmers on a certain period of time (Kayana, 1995). This aspect was measured using three indicators, namely: (1) *Feed Conversion Ratio Actual* (FCRA), is the level of efficiency of the use of feed and weight of broilers in a certain period, actual; (2) *Feed Conversion Ratio Different* (FCRD) is the margin between FCRA and FCRS. FCRS is a FCR standard determined by DOC according to the types; and (3) *Index of Production* (IP), is efficiency of management of broiler production and the variables measured are mortality (chickens), harvest age (days), average weight (kg), FCR (%), constant (100).

Income of farmers is the profit earned by the broiler farmers within a period of one year. It is measured by three indicators: (1) the average sales on each production period; (2) the average net profit on each production period; and (3) the current year assets compared to the previous year assets. (Dewi, et al., 2014; Gray et al., 1986; Saptana, 1999; Henry et al., 1995). Table 2 shows variables and output of measurement indicators of Income of Farmers.

## 4 Result and Discussion

### 4.1 Evaluation of the Outer Model

Evaluation of the outer model is used to check the validity and reliability indicators which measure the latent variables or the constructs. There were five latent variables used in this study, namely: Government policies ( $X_1$ ), intensity of partnership ( $X_2$ ), THK behavior ( $X_3$ ), performance of farmers ( $Y_1$ ) and the income of farmers ( $Y_2$ ). Those variables have reflective characteristics, so in the evaluation of the outer model, testing was done with convergent validity and discriminant validity for the indicators, as well as composite reliability for indicator blocks. Meanwhile, the THK behavior ( $X_3$ ) is a normative outer model, thus the testing was done only on the convergent validity (outer weights), by comparing the relative weight size and seeing the significance of the model from the size of the weight as shown by table 7.

#### 2). Discriminant validity

This evaluation was performed with the square root of the average variance extracted (AVE) of each latent variable. The the square root of AVE of the latent variable is recommended to be greater than 0.50 as shown by table 8.

#### 3). Composite Reliability

This aims to evaluate the reliability between the indicator blocks of the constructs. The result of the composite reliability testing is considered good when it has a value above 0.70. The value of the composite reliability of the outer model in this study can be presented in Table 9. The full model of the analysis in this study is displayed in Figure 2.

### 4.2 Evaluation of the Structural Model (Inner Model)

The inner model was evaluated with paying attention to  $Q^2$  *predictive relevance model* which measures the goodness of observation value resulted from the model.  $Q^2$  is based on the determination coefficient of all dependent variables. The value of  $Q^2$  ranges between  $0 < Q^2 < 1$ , the closer the value to 1 means the better the model. In the inner model, there are two endogenous (dependent) variables, namely: performance of farmers

( $Y_1$ ) and income of farmers ( $Y_2$ ). The determination coefficient ( $R^2$ ) of each dependent variable is presented in Table 10.

#### 4.3 Results of Hypotesting Testing on the Direct Variables

Validation testing of path coefficient for each direct variable is presented in Table 11.

**Table 11**  
**Hypothesis Testing on Direct Variables**

No	Relationship among variables	Path Coefficient (Bootstrapping)	T-Statistic	Significance	Description
1	$X_1 \rightarrow Y_1$	0.381	4.303	Significant	H <sub>1</sub> Accepted
2	$X_2 \rightarrow Y_1$	0.260	3.882	Significant	H <sub>3</sub> Accepted
3	$X_3 \rightarrow Y_1$	0.330	3.375	Significant	H <sub>5</sub> Accepted
4	$X_1 \rightarrow Y_2$	0.194	4.235	Significant	H <sub>2</sub> Accepted
5	$X_2 \rightarrow Y_2$	0.313	7.330	Significant	H <sub>4</sub> Accepted
6	$X_3 \rightarrow Y_2$	0.256	4.595	Significant	H <sub>6</sub> Accepted
7	$Y_1 \rightarrow Y_2$	0.268	4.101	Significant	H <sub>7</sub> Accepted

Description:  $X_1$  = Government policy,  $X_2$  = Partnership Intensity,  $X_3$  = THK Behaviour,  $Y_1$  = Performance in poultry business, and  $Y_2$  = Income of farmers

#### 4.4 Result of Hypothesis Testing on the Indirect Variables and Mediating Models

The testing on mediation role was done to investigate the variables in mediating the relationship in this model, whether it is full mediation, partial mediation or no mediation. The results refer to a study by Hair *et al.* (2010) that can be presented in brief in Table 12.

**Table 12**  
**Recapitulation of Results of Testing on Mediating Variables**

No	Variable	Mediating Variable	(a)	(b)	(c)	(d)	Description
1	$X_1 \rightarrow Y_2$	$Y_1$	0.194 (Sig.)	0.302 (Sig.)	0.381 (Sig.)	0.268 (Sig.)	Partial Mediation
		$Y_1$	0.313 (Sig.)	0.370 (Sig.)	0.260 (Sig.)	0.268 (Sig.)	Partial Mediation
3	$X_3 \rightarrow Y_2$	$Y_1$	0.256 (Sig.)	0.350 (Sig.)	0.330 (Sig.)	0.268 (Sig.)	Partial Mediation

Description :  $X_1$ = Government policy,  $X_2$ =Partnership Intensity,  $X_3$ = THK Behaviour,  $Y_1$ = Performance in poultry business,  $Y_2$ = Income of farmers

- (a) is direct path coefficient of  $X_1, X_2, X_3 \rightarrow Y_2$
- (b) is non mediating path coefficient of (*Inner weight*)  $X_1, X_2, X_3 \rightarrow Y_2$
- (c) is direct path coefficient of  $X_1, X_2, X_3 \rightarrow Y_1$
- (d) is path coefficient of  $Y_1 \rightarrow Y_2$

#### 4.5 The Influence of Government Policy on Performance of Farmers

The result of hypothesis testing proves the positive and significant influence of Government policy to performance in poultry business. It indicates that the implementation of government policy has positive impact on the existence of poultry farmers in Bali, particularly in improving the performance in poultry business.

These findings suggest that better implementation of Government policy will ease the farmers in achieving profitable poultry business; otherwise, better implementation of Government policy will lead to higher business performance of poultry. This indicates that Government policy of the Bali Province, in this case Governor's Decree Number 6 Year 2013 provides protection to farmers from monopoly, to avoid unhealthy competition and economic concentration by large companies. Hence, the poultry business can advance, in accordance with the aims of the regulation, that is accelerating industrial growth of poultry and providing opportunities to many small businesses to to improve the performance and income of farmers (Yusdja and Sayuti, 2004).

#### 4.6 The Influence of Partnership Intensity on Performance of Poultry Business

The intensity of partnerships suggests a positive and significant effect on performance of broiler chicken farmers. It proves that the intensity of the partnership between the company and farmers contributes in the increased performance of the farmers. Better implementation of partnership intensity increases the performance of farmers. Such positive influence occurs because the farmers are positioned as a partner in mutual benefit and mutual need.

If both partnership intensity and performance are perceived good by the farmers, it can create a mutual benefit,

interdependence and mutual raising in the business climate, in accordance with principles of cooperation in the partnership (Dewi, *et al.*, 2014; Jafar Hafsah, 1999; Yuni and Sukarsa, 2016). In addition, the success of such partnership is largely determined by compliance of both parties in with the business ethics. Hafsah further (1999) reveals that partnership is a business strategy that is carried out by two or more parties in a given period to gain benefits with the principle of interdependence and mutual strengthening with attention to the moral and ethical responsibilities of business.

#### **4.7 Influence of THK Behavior on Performance of Poultry Business**

THK behavior has a positive and significant influence to the performance of farmers (Table 5.14). It indicates that the Tri Hita Karana based behavior produces a positive and significant impact to improved performance. Higher implementation of THK behaviour will result in higher performance of farmers.

It suggests that the farmers have implemented Tri Hita Karana in performing its business activities (4.14). To identify whether the company applies the concept of Tri Hita Karana in its business activity, it needs to do an analysis from the aspects of *parahyangan*, *pawongan* and *palemahan*. Parahyangan is a concept that imposes a connection between human beings and God. This must be understood that business activities are such a blessing from God. It implies there is awareness of the business circles as business activities are under God's hand. In Bali, the relationship between business and God appears through divine symbols such as *pura*, *pelinggih*, *merajan* that are located in the business site. The symbols act as the mediator between humans (the employees) and God (Windia and Dewi, 2011).

#### **4.8 The Influence of Government Policy to the Income of Farmers**

From the results concerning direct influence of government policy to the income of farmers, significant positive path coefficients are obtained (Table 5.14). It indicates that Government policy affects the income of farmers. Positive path coefficient might indicate there is a direct relationship between government policy and farmers' income. Hence, if the Government policy on poultry farmers are more imposed, it is possible that the income of farmers will increase.

Conceptually, profit is the goal of every type of business. Profits can be earned if the income gained from business is greater than the expenditure. The wider margin between the income and expenditure will give more profits for the farmer (Sodiq and Abidin, 2002; Soekartawi, 2002). From economic perspective, the business is eligible to be maintained and developed. The study is also supported by Taryoto (1993), that the Government policy encourages development of poultry farming, because of large benefits of chicken in the fulfilling the needs of daily protein intake. Rahardi and Hartono (2003) also argue that Government policy in the farming sub sector contributes in determining the income of farmers.

#### **4.9 The Influence of Partnership Intensity to Income of Farmers**

The finding shows that intensity of partnership brings such a positive and significant influence on the income of farmers, as seen from the significant and positive path coefficient of 0.317 (Table 5.14). Hence, intensity of partnership produces a positive and significant effect on the income of farmers. Positive path coefficient indicates a direct relationship between the intensity of partnership and income of farmers. In other words, higher intensity of partnership in poultry farming brings better income to the farmers.

The results of this study are consistent with the findings of Nham Phong (2012) that partnership intensity is positively influential to the profits earned by farmers, due to lower transaction costs and loans; furthermore, the farmers also obtain information about market opportunities, technology, input and output of market cost, and reduced price fluctuations. The research by Murti *et al.* (2015) indicate that partnership in poultry industry enhances efficiency in production, thus influencing the income of farmers in a positive and significant way. A study by Hanny (2012) has also pointed out that intense partnership possesses a positive and significant effect on the income of farmers, and thus partnership is urged among farmers to widen the market.

#### **4.10 The Influence of THK Behaviour on Income of Farmers**

The finding suggests that THK behavior has a positive and significant influence to income of farmers, indicated from the significant and positive path coefficient (Table 5.14). In other words, the influence of THK behavior to the income of poultry farmers is positive and significant. The positive path coefficient denotes a direct relationship between THK behavior and income of farmers. The more the *tri hita karana* behaviour is implemented by the poultry farmers in Bali, the better their income will be.

The results of this study are in line with research by Windia *et al.* (2001), that the implementation of *tri hita karana* depends on the economic situation within a community. Further, higher income of the community will raise the tendency of improved implementation of *tri hita karana* concept. According to the aforementioned explanation, good application of *tri hita karana* on the business activity will create a good performance and maintain sustainable business. Therefore, when business activity can continue to strive, it will sustain the income

of the communities. In the end, business activity creates a mutual benefit between owners, managers and employees.

#### **4.11 The Influence of Performance in poultry business on the Income of Farmers**

The result of Hypothesis testing suggests that performance in poultry business gives a considerable effect on income of farmers, proven with significant and positive path coefficients (Table 5.14). In other words, performance in poultry industry brings a positive and significant effect to the income of farmers. Positive path coefficient indicates a direct relationship between the performance and farmers' income. Thus, higher performance of poultry business in Bali is associated with higher amount of income gained by the farmers.

The measurement results are consistent with study by Bing Taruman, (1999) and Kayana, (1995) that business performance is measured through FCR, the margin between FCRD and index of production; those provide a positive and significant effect on the income of farmers. Meanwhile, Gray et al., (1986) and Saptana et al., (1998) point out that the production performance technically and input or output price affect the income of farmers in a positive way. This is supported with the opinion proposed by Bishop and Toussaint, (1979) that larger amount of products resulted brings greater profits to the farmers. Soeharjo and Patong (1973) reveal that the level of production as one of factors affecting income of farmers is measured by productivity, the quality of the products, and the price.

#### **4.12 The Mediating Role of Performance in Poultry Business on the Relationship between Government Policy and Income of Farmers**

The testing on mediating variables indicates that the performance of farmers is able to mediate the relationship between Government policy and the income of farmers in a positive, significant, indirect way (Table 5.16). This result is shown by the indirect positive path coefficient of 0,102. It implies that the hypothesis 8a (eight a) can be proven empirically. The direct influence of Government policy towards the income of farmers is significant and positive; also, the performance of farmers also influence their income positively and significantly.

Based on these results, the improved business performance from Government policy, supports the farmers to increase their revenues. Meanwhile, the variable of business performance which brings an indirect effect on the relationship between Government policy and the farmers' income, is categorized into partial mediation. In other words, their performance is not as a key mediator, meaning that their performance is not the primary variable in causing the increase of their income.

#### **4.13 The Role of Mediating Variable of Performance in Poultry Business on the Relationship between Partnership Intensity and Income of Farmers**

From the hypothesis testing, the direct influence of partnership intensity on the income of farmers that involves farmers' performance as a mediating variable is significant. Likewise, the direct influence of partnership intensity on the income of farmers without involving variable of performance is significant; moreover, the influence of their performance on their income is also significant. These findings can be understood that performance of farmers partially mediates the influence of partnership intensity to their income. This result is indicated by the positive path coefficient of 0.070 (Table 5.16).

The results of this research support the study findings of Suparta (2001) that income is based upon the difference between the total sales of chickens (Total Revenue-TR) and the total purchase of means of production (Total Cost-LY), coupled with the market price compensation for 40 per cent of the difference between the market price and the agreed price (if any), and coupled with a FCRD bonus amounting to Rp 75 per kg of harvest, if FCRA is less than FCRS.

#### **4.14 The Mediating Role of Farmers' Performance on the Relationship between THK Behaviour and Income of Farmers**

The hypothesis testing result suggests that the direct influence of THK behaviour against income of farmers is mediated significantly by their business performance. Likewise, the direct influence of THK behavior to income of farmers without involving such mediating variable, is also significant; moreover, the business performance influences the income of farmers significantly. It proves that farmers' performance partially mediates the influence of THK behaviour to the income of farmers. It is supported with positive path coefficient of 0.088 (Table 5.16).

These findings imply that the poultry business in Bali that is run with *tri hita karana* behavior, can bring more revenue to the farmers. The higher application of THK behavior contributes positively to rising income of farmers. Hence, the behavior of *tri hita karana* as seen from *parahyangan*, *pawongan* and *palemahan* indicators are said to be directly influential to the income of broiler farmers in Bali.

## 5. Conclusion And Implications For Research

### 5.1 Conclusion

The most important and interesting finding of this research is that the government policy, the intensity of partnership, and THK behavior are directly proven able to predict income of farmers. Those aspects are considered important intangible resources of the company to give better income to farmers. THK behavior is also proved to be an important resource for farmers to enhance their role and actively participate in resolving issues in the poultry business by increasing their capability and performance; all of these aim to increase their revenue. The findings of this study can be understood that in practice, broiler farming in Bali is determined by the human resource through THK based behavior. Such behaviour can be very valuable and increase their capacity, and thus enhancing their performance and finally their income.

### 5.2 Implications Research

#### 5.2.1 Theoretical implications

The findings of this study are able to support the research of Ashrama (2005), Wiana (2007), Sudibya (1997), Surpha (2004), Wiana (2004), and Windia, (2006) about the implementation of *tri hita karana* concept in the context of Subak and hotels in Bali. Hotels with good application of *tri hita karana* can operate properly and sustainably. It can be interpreted that the application of *tri hita karana* is proven effective in improving performance and sustainability of companies in the long-term.

#### 5.2.2 Practical Implications

The results of this study give a practical contribution to poultry enterprises which practice *tri hita karana* as an important aspect to achieve higher performance and good income. The owners of broiler farms in Bali are urged to set regulations and mechanisms capable of encouraging the implementation of *tri hita karana* in gaining profits.

This research is expected to contribute in formulating programmes and policies by the local authorities for empowering broiler farming industry in Bali, with regards to achieving high performance. Thus, the function of Government as the stakeholder and regulator of the the broiler farm industry, can be implemented well and right on target.

This research could provide theoretical or practical contributions. However, in practice, there are still limitations and drawbacks. It occurs because this research is the first one which tried to bring the values and norms contained in *tri hita karana* concept to measure the income of farmers. In addition, the limitations of the researcher in elaborating and synthesising some theories of behavior left several things unclear that require deeper and further analysis.

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**Figure 1 The Basic Model of Individual Behaviour (Suparta, 2001)**

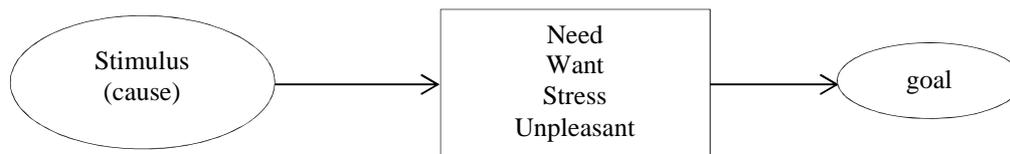


Figure 2 Outer Model

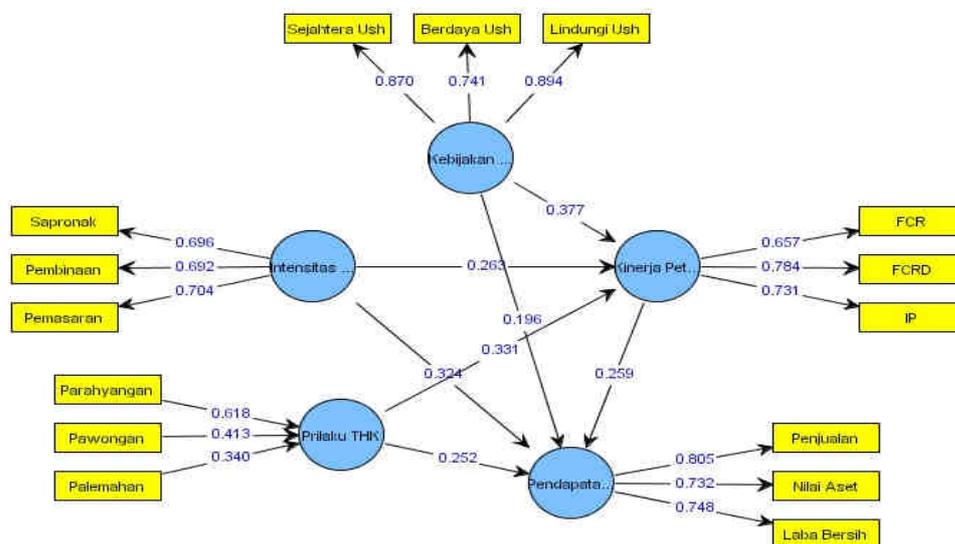


Figure 3 Research Model

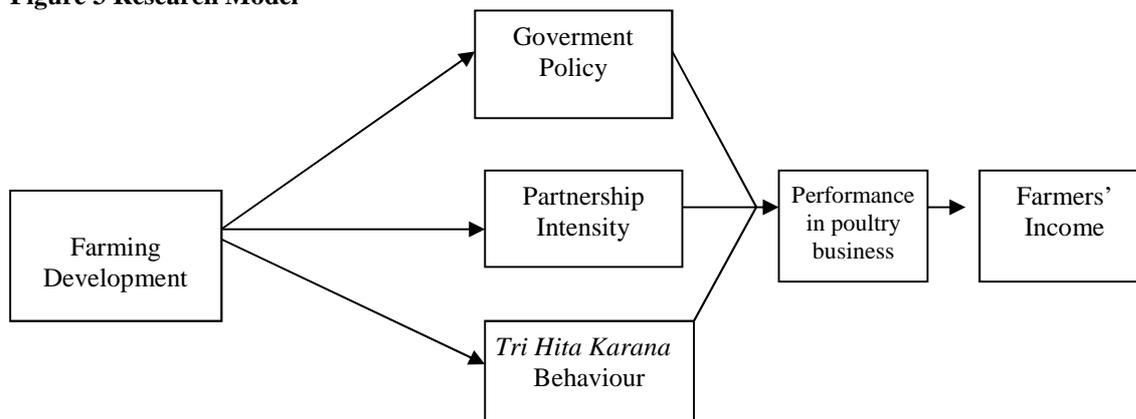


Table 1 Ownership and Number of Broilers Production In Bali Province year 2010

Regency /City	100-4500 chickens		4501-8000 chickens		8001-15000 chickens		>15000 chickens	
	Ownersh p (people)	Productio n (chickens )	Ownersh p (people)	Productio n (chickens )	Ownersh p (people)	Productio n (chickens )	Ownersh p (people)	Productio n (chickens )
Denpasar	2	250	12	-	-	-	-	-
Badung	14	53.900	26	96.000	8	110.500	2	60.000
Gianyar	45	98.485	20	44.500	9	88.500	4	123.000
Klungkung	60	171.500	26	116.000	2	25.000	1	17.000
Karangase m	1	262.745	1	149.924	3	30.000	-	-
Bangli	45	179.500	51	274.500	12	133.000	1	35.000
Buleleng	13	12.700	3	16.750	1	25.000	-	-
Jembrana	50	179.500	38	220.000	12	102.000	2	36.500
Tabanan	202	612.496	80	440.400	17	191.6002	-	-

Source: Livestock Service of Bali Province

**Table 2 Variables and Measurement Indicators of Government Policy**

Variable	Indicator	Measurement Item
X <sub>1</sub> Government Policy	X <sub>1.1</sub> Increasing the prosperity of farmers	1. The level of certainty of farmers to earn profit on each production cycle.
		2. The level of certainty in the continuity of production.
		3. The level of certainty of farmers to maintain business in the long term.
	X <sub>1.2</sub> Empowering farmers	4. The level of certainty of farmers to develop and sustain the business. 1. The rate of improvement of business scale in the last one year. 2. The rate of increase in labor productivity in the last one year. 3. The rate of increase in the amount of production in the last one year.
	X <sub>1.3</sub> Business protection	1. The level of business protection from monopoly. 2. The Level of business protection from unhealthy competition. 3. The level of business protection from centralization of economy by large companies

Source : Governor Regulation Number 6 Year 2013

**Table 3 Variables and Indicators of Partnership Intensity Measurement**

Variable	Indicator	Measurement Item
X <sub>2</sub> Partnership Intensity	X <sub>2.1</sub> Availability of means of production	1. The rate of regularity of DOC to enter into the cages.
		2. The rate of regularity of vaccinations and drugs delivery
		3. The rate of regularity of feed shipping into cages until the harvest day.
	X <sub>2.2</sub> Availability of mentoring	1. The rate of knowledge acquisition on developing the poultry business. 2. The rate of knowledge acquisition on profitable poultry business. 3. The rate of knowledge and information acquisition on loan application / generating capital. 4. The rate of knowledge acquisition on the application of appropriate technology.
	X <sub>2.3</sub> Availability of marketing access	5 The rate of accuracy of the harvest schedule according to the age and weight of chicken. 6 The rate of accuracy of chicken price in accordance with the agreement (contract) 7 The rate of vailability of accurate scales. 8 The rate of market identification to reach the maximum price.

Source: Governor's Decree Number 6 year 2013

**Table 4 Variables dan Measurement Indicators of THK Behavior**

Variable	Indicator	Measurement Item
X <sub>3</sub> THK Behaviour	X <sub>3,1</sub> Implementing <i>Parahyangan</i>	1. Believing in success is the act associated with conscience. In hoping for success, you worship at Khayangan Jagad Temple ( <i>Rambut Sedana Jati Luwih, Melanting</i> and other temples).
		2. Income/sustenance is God's grace. For such blessing, you perform holy tirta yatra prayer in full moon/ <i>tilem</i> at the <i>sadkhayangan</i> temple.
		3. Praying before doing business activities is very important for the peace of the soul. To obtain the peace of soul, you worship at <i>pelinggih</i> of the business site, <i>merajan, sanggah (mesaiban, ngaturang canang, etc.)</i> .
		4. To commemorate the establishment of <i>pelinggih</i> in the business site (the anniversary), you pray together with employees
		5. The intensity to join spiritual retreat to understand the greatness of the God through <i>dharma wacana</i> .
		6. Profits spent for religious and non religious/social activities ( <i>punia funds</i> ).
		7. Allowance within one time production.
		8. Performing spiritual retreats in the company that requires some <i>pelinggih</i> .
	X <sub>3,2</sub> Implementing <i>Pawongan</i>	1. Building a harmonious relationship based on the mutuality principle between the leader and employees
		2. The company provides the same opportunity to employees to excel in their job.
		3. The company avoids conflicts with the community in the surrounding environment.
		4. There is a good relationship between customers, partners, and the Government.
		5. The company is offering career opportunities and giving awards as employees' rights
		6. There are health screening and health insurance program to employees and or animal welfare officers.
		7. There is budget available for humanitarian activities.
		8. There is budget available for improving human resources community, empowerment of <i>sekehe</i> and community, etc.
	X <sub>3,3</sub> Applying <i>Palemahan</i>	1. The farmers are committed to maintaining the quality of environment that is safe, clean and sustainable.
		2. The farmers are committed in the processing of waste (solid, liquid, gas, etc) as well as other hazardous waste for realizing environmental sustainability.
		3. The farmers are committed to avoiding exploration and exploitation of nature and the environment.
		4. The farmers have a commitment to utilizing natural resources and the environment in a sustainable way.
		5. The farmers participate and care in maintaining environmental sustainability together with the communities around the company.
		6. The farmers provide adequate bathroom facilities and toilets for the employees.
		7. The farmers allocate budget to maintain the quality of the environment.
		8. The farmers have a commitment to improving environmentally friendly technology in farming broilers

Source: Windia and Dewi, 2011

**Table 5 Variables, Indicators and Performance Measurement of Farmers**

Variable	Indicator	Item-Measurement
Y <sub>1</sub>		
Performance in poultry business	Actual feed efficiency (Y <sub>1,1</sub> )	FCR rate attained on each production period (1,8 above); (1,7 – 1,79); (1,6 – 1,69); (1,5 – 1,59); ≥ 1,4 – 1,49)
	Differences between actual and standard feed efficiency (Y <sub>1,2</sub> )	FCR Different rate attained on each production period: ( 0,0-0,99); (0,1 – 0,19); (0,2 – 0,29); (0,3 – 0,39); and (0,4 above)
	Production Index (Y <sub>1,3</sub> )	Production index attained on each production period (100-149); (150 – 199); (200 – 249); (250 – 299); and (300 above).

Source: Kayana (1995).

**Table 6 Variables, Indicators and Measurement Items of Income of Farmers**

Variable	Indicator	Measurement Item
Income of farmers	Sale Y <sub>2,1</sub>	Last year sales growth rate (percentage): ≤ 0,0 – 1,99; 2,0 – 3,99; 4,0 – 5,99; 6,0 – 7,99; 8,0 above.
Y <sub>2</sub>	Profit Y <sub>2,2</sub>	Last year net profit growth rate (percentage) : ≤ 0,0 – 1,99; 2,0 – 3,99; 4,0 – 5,99; 6,0 – 7,99; 8,0 above.
	Asset Y <sub>2,3</sub>	Last year asset growth rate (percentage): ≤ 0,0– 1,99; 2,0 – 3,99; 4,0 – 5,99; 6,0 – 7,99; 8,0 above.

Source: (Kusmuriyanto, 2005; Soekartawi ,2006; Rasyaf, 2002)

**Table 7 Testing of the Outer Model (Outer Loading of Each Variable Indicator)**

Variable	Indicator	Outer Loading/Weights	t-Statistic
<b>Government Policy (X<sub>1</sub>)</b>	Bring prosperity to farmers (X <sub>1,1</sub> )	0.870	43.513
	Empower the farmers in doing business (X <sub>1,2</sub> )	0.741	16.232
	Protection of farmer's business (X <sub>1,3</sub> )	<b>0.894</b>	46.986
<b>Intensity of Partnership (X<sub>2</sub>)</b>	Availability of means of production (X <sub>2,1</sub> )	0.696	13.011
	Availability of mentoring (X <sub>2,2</sub> )	0.692	12.104
	Availability of marketing access (X <sub>2,3</sub> )	<b>0.704</b>	10.150
<b>THK Behavior (X<sub>3</sub>)</b>	Application of <i>Parahyangan</i> concept (X <sub>3,1</sub> )	<b>0.618</b>	11.589
	Application of <i>Pawongan</i> concept (X <sub>3,2</sub> )	0.413	8.587
	Application of <i>Palemahan</i> concept (X <sub>3,3</sub> )	0.340	7.131
<b>Farmers' performance (Y<sub>1</sub>)</b>	Actual feed efficiency /FCRA (Y <sub>1,1</sub> )	0.657	7.168
	Different FCRA with FCR standar/FCRD (Y <sub>1,2</sub> )	<b>0.784</b>	18.127
	Index of Production-IP (Y <sub>1,3</sub> )	0.731	12.977
<b>Farmers' Income (Y<sub>2</sub>)</b>	Sales growth (Y <sub>2,1</sub> )	<b>0.805</b>	24.425
	Asset growth (Y <sub>2,2</sub> )	0.732	13.036
	Profit growth (Y <sub>2,3</sub> )	0.748	15.281

**Table 8 Discriminant Validity Testing**

Variable	AVE
Government Policy ( $X_1$ )	0.701
Intensity of Partnership ( $X_2$ )	0.506
THK Behaviour	-
Performance of Farmers ( $Y_1$ )	0.527
Income of Farmers ( $Y_2$ )	0.582

**Table 9  
 Composite Reliability Value**

Variabel	Composite Reliability
Government Policy ( $X_1$ )	0.875
Partnership Intensity ( $X_2$ )	0.739
THK Behaviour ( $X_3$ )	-
Performance of Farmers ( $Y_1$ )	0.768
Income of Farmers ( $Y_2$ )	0.806

**Table 10 Evaluation of Goodness of Fit**

Structural model	Dependent Variabels	R-square
1	Performance of farmers ( $Y_1$ )	0.862
2	Income of farmers ( $Y_2$ )	0.967

Calculation :  $Q^2 = 1 - [(1 - R_1^2) (1 - R_2^2)]$   
 $Q^2 = 1 - [(1 - 0.862) (1 - 0.967)] = 0,829$