




FACTORS AFFECTING THE INCOME OF THE SMALL FURNITURE INDUSTRY IN KENDARI CITY

Nur Asizah¹, Tajuddin^{*2}

^{1,2} Universitas Halu Oleo, Indonesia

Corresponding Author: tajuddin@uho.ac.id

<p>Info Article</p> <p>Received : 02 Maret 2023</p> <p>Revised : 04 April 2024</p> <p>Accepted : 01 Mei 2024</p> <p>Publication : 31 Mei 2024</p> <p>Keywords: Capital, Labor, Total, Production, Income</p> <p>Licensed Under a Creative Commons Attribution 4.0 International License</p> 	<p style="text-align: center;">Abstract :</p> <p>The furniture industry has a fairly good development, so it will affect the income level of the craftsmen. The purpose of the study was to analyze the effect of capital, labor and total production on income. The research location is in Baruga District, Kendari City. The research focuses on the income of furniture industry entrepreneurs and the factors that influence it. The sample was selected using the census method, namely using the entire population as a sample. The sample was 36 wood industry entrepreneurs. The data analysis technique used is multiple linear regression. The results showed that 1) Jointly business capital, labor, and production on furniture business income in Baruga District, Kendari City have a significant effect on furniture business income. This is indicated by the test results $F_{hitung} = 14.935 > \alpha = 0.05$. (2) Business capital on furniture business income in Baruga Subdistrict, Kendari City has a significant effect on increasing the income of respondents' furniture business spread across Baruga Subdistrict, Kendari City. This is indicated by the results of the t test at the level of sign. $0.128 > \alpha = 0.05$., (3) The number of workers on the income of the furniture business in Baruga District, Kendari City does not have a significant effect on increasing the income of the furniture business spread across Baruga District, Kendari City. This is indicated by the results of the t-test at the level of sign. $0.000 > \alpha = 0.05$ and (4) Furniture business production (x3) partially does not have a significant effect on increasing the income of furniture businesses scattered in Baruga District, Kendari City. This is indicated by the results of the t test at the sign level. $1,954 > \alpha = 0,05$. This means that capital, labor, and total production simultaneously have a significant effect on the income of wood furniture industry entrepreneurs. Capital, labor, and raw materials partially have a positive and significant effect on the income of wood furniture industry entrepreneurs. This means that the greater the capital spent, the labor used and the amount of production owned, the greater the possibility of the amount of production produced, so that the income received is greater.</p>
--	--

INTRODUCTION

Business sectors such as trade, industry, and manufacturing are in great demand by some people to open a business. Currently, there are very few jobs that guarantee people to meet their needs from the impact of globalization and the development of an advanced and modern era. So many businesses are made by the community to provide benefits for consumers and themselves. So that many small micro and medium enterprises (MSMEs) and cooperatives participate fairly in improving the economy in Indonesia (Raswin. 2019). Development in the industrial sector is aimed at expanding employment opportunities, equalizing business opportunities, increasing exports, supporting regional development, and utilizing natural and human resources.

Industrial business income is highly dependent on the size of the production capability of the manufacturing company concerned. so that the greater the business capital the greater the ability of the industry to produce superior products, but even if the manufacturing industry is supported by large business capital but not supported by an experienced and competent workforce, the products produced will never get satisfactory results. Therefore, the support and role of the central government and local governments are needed in supporting industrial sectors, especially micro, small, and medium industries, to develop to advance, and prosper.

Sukirno (2000): "Income is a very important element in an element of trade, because in doing a business, of course, you want to know the value or amount of income earned during the business. In an economic sense, income is a reward for the use of factors of production owned by the household sector and the corporate sector which can be in the form of wages, rent, interest, and profits / profits.

According to Karl E. Case & Ray C. Fair (2007), "Income is defined as the amount of money that a household can spend during a certain period without increasing or decreasing its net assets. The money received will be the measure of people's welfare. Samuelson and Nordhaus (2002), that a person's condition can be measured using the concept of income which shows the total amount of money received by a person or household during a certain period. Another definition of income is the amount of income earned from work and usually a person's income is calculated annually or monthly. Thus, income is an illustration of the family's economic position in society. Realizing this, it is very important to increase income to achieve community welfare.

According to Case and Fair (2007), Capital is goods produced by the economic system that are used as inputs to produce goods and services in the future and is not only

limited to money or financial assets such as bonds and stocks but also physical goods such as factories, equipment, inventory, and intangible assets. Muhammad Teguh (2010) says that in relation to adding cash, capital is more specifically said to be goods for future use. According to Capital, it can be interpreted as everything that is attached to the production factor in question, such as machinery and production equipment, vehicles, and buildings. Capital is useful for purchasing various production inputs including the location of the company.

Dewi Kusumawardani (2009) says that labor is the population that is of working age. The population is classified as labor if the population has entered working age. The working age limit in Indonesia is 15 years old - 64 years old. Labor is one of the important production factors for every country, without labor, natural production factors and capital production factors cannot be used optimally. Sumitro Djojohadikusumo (2005) states that labor is all people who are willing and able to work and those who are unemployed due to a lack of job opportunities. Meanwhile, Septi Dwi Sulistiana (2013) says that labor is the population of working age (aged 15-64 years) or everyone who can do work, both inside and outside of work relations to produce services or goods to meet the needs of society.

Tri Pracoyo and Antyo Pracoyo (2016) define production as a process of changing the combination of various inputs into outputs. According to Sofyan Assauri (2000) production is all activities in creating and adding to the utility of a good or service. Furthermore, it is said that production is an activity in processing raw materials or raw materials into finished or semi-finished materials which can be utilized or used by consumers and have more value.

According to Nejatullah Siddiqi in ADESy FORDEBI (2016) production in economics has several objectives, namely; (a) Responding to the needs of producers personally in a form that has the characteristics of balance, (b) Fulfilling family needs, (c) Preparing as a necessity for their heirs and successor generations.

In the business production process, various kinds of production factors are needed, both qualitatively and quantitatively, which can be combined in their use. The production factors used are fixed and variable. The conditions that must be met by fishermen to be able to create production results and then achieve satisfactory income are to have and master the necessary production factors in the maximum possible amount with the right combination as possible.

Factors of production can be divided into four groups: labor, land, capital, and entrepreneurial skills. In economic theory, in analyzing factors of production, it is always assumed that the three factors (land, capital, expertise) are fixed in number. Only labor is seen as a factor of production that changes in quantity. Thus, in describing the relationship between the factors of production used and the level of production achieved, what is described is the relationship between the amount of labor used and the amount of production achieved (Sukirno, 2005).

Furniture is not only useful for the comfort and tidiness of the house but also carries social meanings that emphasize social status. Some chairs serve as seats only, but there are chairs that emphasize power. Hence the king's chair, the director's chair, the throne. In Indonesian, there is also the term "berebut kursi", which means "fighting for power". Since chair also means power, a chair of power is different from a chair that is just a place to sit. The king's chair is full of intricate carvings. And in the palace, the king's chair is the best and biggest. The chairs of the king's subordinates, however, should be simpler and smaller, even though they are financially capable of providing better chairs. What is the meaning of furniture today, where there is rarely a king's status An ordinary chair is used as a means of conveying one's economic status does not appear rich until he displays it in the form of luxurious furniture. Usually, luxury furniture is classic furniture. Minimalist furniture can also be luxurious if the material is expensive, for example from large-diameter teak wood and large. Without speaking verbally, the chair already speaks that the owner of this furniture is a rich man (Raswin. 2019)

This research was conducted in Baruga sub-district, Kendari city. To clarify the following research area is the Number of Micro and Small Industries by Type of Main Raw Material in Baruga sub-district can be seen as follows:

Table. 1 Number of Micro and Small Industries by Type of Main Raw Material Villages in Baruga Sub-district, 2021

Village	Leather Material	Wood Material	Metal Materials	Fabric/Weaving
Baruga	-	13	14	3
Lepo-Lepo	-	8	3	3
Watubangga	3	8	4	4
Wundudopi	0	7	5	3
Amount	3	36	26	13

Source: BPS, Village Potential Data Collection (Podes) 2021

The furniture business is one of the micro and small enterprises (MSMEs) that has developed as a forum for income generation and employment. This business has partly been carried out for generations in serving the needs of the people of Kendari city and its surroundings. The development of the Furniture industry in Kendari city, especially in Baruga sub-district in 2022 (Table 2).

Table. 2. Number of Furniture Industries in Baruga Sub-district, 2022

Village	Large Industry		Medium Industry		Small Industry	
	Total	TK	Total	TK	Total	TK
Baruga	-	-	1	20	16	45
Lepo-Lepo	-	-	1	20	8	22
Watubangga	1	165	-	-	8	17
Wundudopi	-	-	1	30	4	12
Amount	1	165	3	70	36	96

Source: Baruga Sub-district in Figures. 2022

In general, the number of small furniture industries scattered in Kendari city, especially in Baruga sub-district, is 1 large industry with a total workforce of 165 people, 3 medium industries with a total workforce of 70 people, and 36 micro small industries with a total workforce of 96 workers (including the furniture industry). Based on this, Baruga sub-district is one of the furniture business centers in Kendari City, transportation routes that support the distribution of raw materials and production products as well as accessibility with surrounding districts such as South Konawe, Konawe, and Kendari City.

METHOD

In this study, the author chose Baruga sub-district as the object and location of research. In Baruga Sub-district there are 197 wood processing industry units consisting of large industries, medium industries, small industries and household industries (IRT).

Based on the results of a study conducted on 36 respondents of furniture craftsmen in the household industry category, namely the entire population (IRT) was sampled. the type of research that uses quantitative data and the data sources used are primary data and secondary data. The data collection methods used are interviews and documentation. Analysis method using multiple linear regression analysis.

RESULTS AND DISCUSSION

Research Instrument Testing

Validity Test

This validity test is a test of the level of accuracy and accuracy of a measuring instrument in carrying out its function. Whether a measuring instrument is valid or not depends on whether the measuring instrument can achieve the measurement objectives that the researcher wants. The questions contained in the study can be said to be valid and acceptable if the r count is greater than table. By using Pearson Correlation, the guidelines for a model are said to be valid if the significance level is below 0.05, so the question can be said to be valid. The test results show that the correlation between business capital, number of workers, and products produced is significant/valid.

Reliability Test

Reliability test results by looking at the Alpha Cronbach value obtained that the answers given by respondents have not been consistent between business capital, number of workers, and furniture production results on the income of furniture entrepreneurs so the value obtained is not yet reliable.

Classical Assumptions of Regression Model

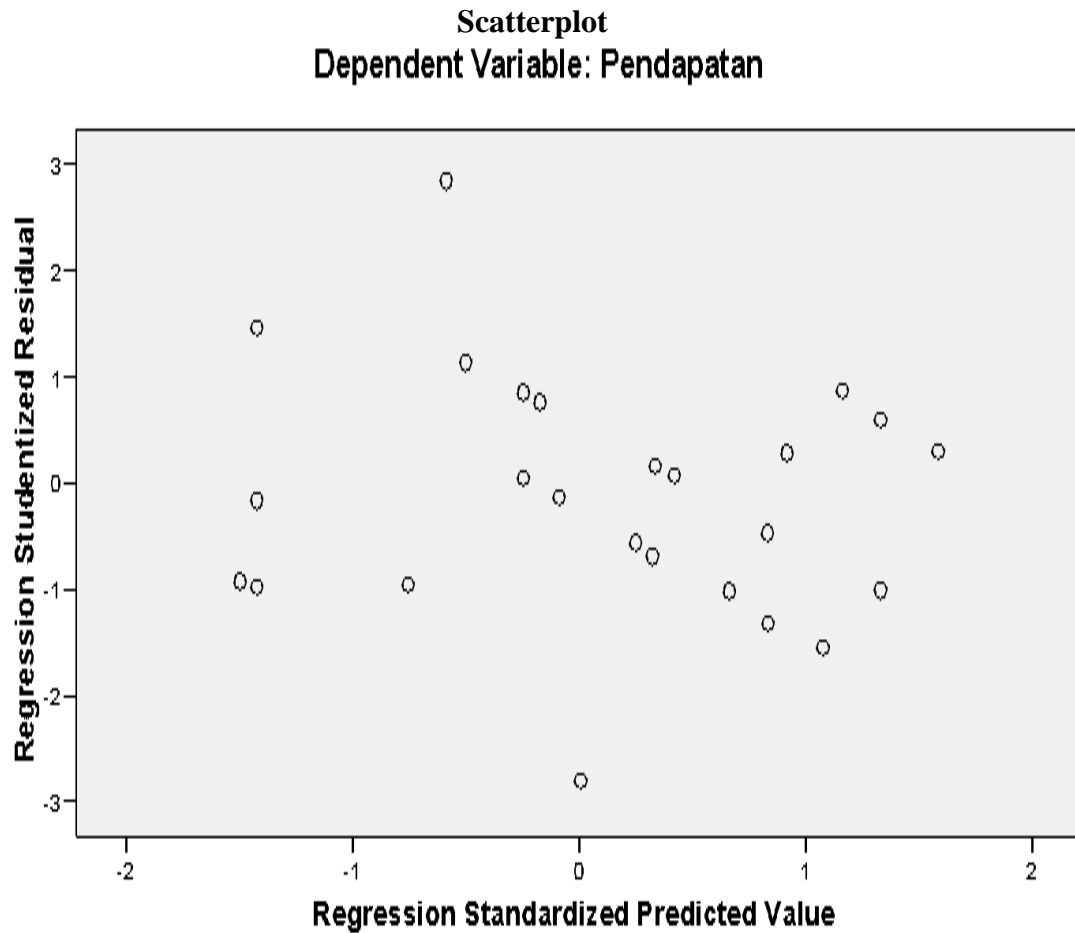
1. Multicollinearity Test.

The multicollinearity test results obtained that the independent variables do not occur in multicollinearity where the VIF value of business capital is 1.178 smaller than < 10 ($1.178 < 10$), labor is 1.463 smaller than < 10 ($1.463 < 10$), and furniture production is 1.145 smaller than < 10 ($1.145 < 10$). Meanwhile, if the Tolerance value ($Tol < 0.10$), it is said that there is no multicollinearity, based on Table 4.13, it is obtained that the Tolerance value of business capital funds is 0.266 greater than 0.10 ($0.266 > 0.10$), so there is no multicollinearity. The Tolerance value of labor obtained is 0.582 greater than 0.10 ($0.582 > 0.10$), so there is no multicollinearity, and the Tolerance value of furniture production is 0.573 greater than 0.10 ($0.573 > 0.10$), so there is no multicollinearity.

2. Heteroscedasticity Test

The heteroscedasticity test aims to test whether the regression model finds a correlation between the independent variables. A good regression model is if there is no heteroscedasticity, one approach is to use the Scatterplot graph method, where if

the pattern on the graph is random or random, it is said that the regression equation does not have heteroscedasticity problems.

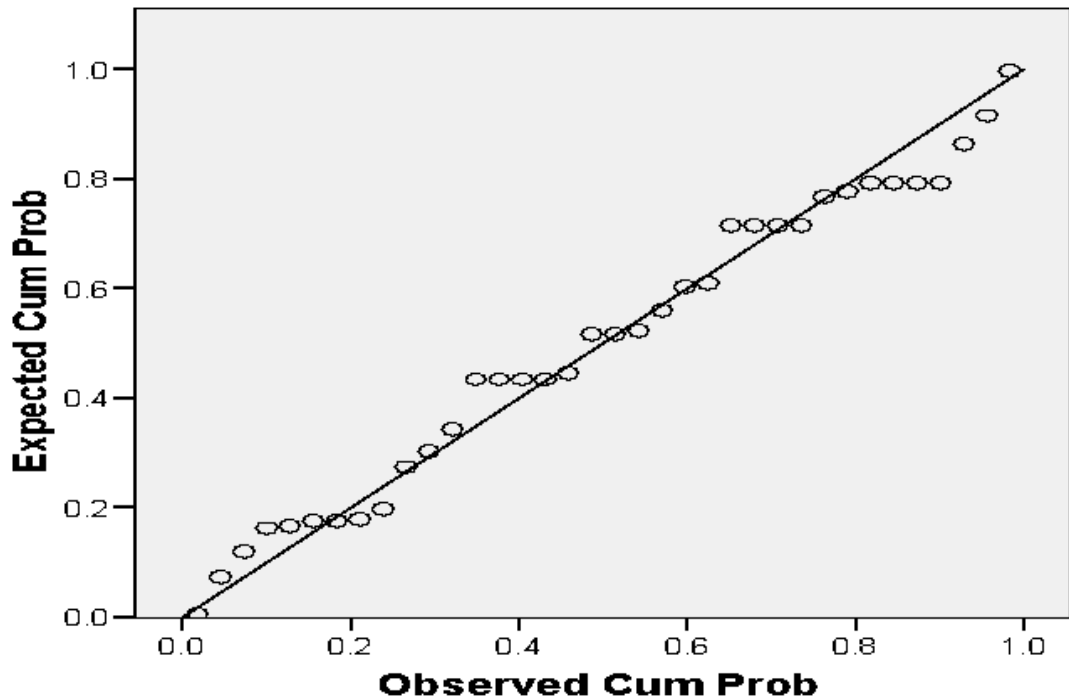


The picture above shows that the distribution of points (plots) spreads randomly (random) and is spread both above and below the number 0. The pattern of distribution of points (plots) is irregular and does not form a certain pattern. The data points also do not just collect above or below, besides that the data points do not form a wavy pattern widening then narrowing then widening again. Therefore, it can be concluded that the regression model does not have heteroscedasticity problems that the points spread below and above the Y axis, and do not have a regular pattern, so that the independent variables above do not occur heteroscedasticity or are homoscedasticity.

3. Normality Test

The classic normality assumption test is intended to determine the distribution of the independent variables (x_1 , x_2 , and x_3) and the dependent variable (Y) in the resulting regression equation, whether normally distributed or abnormally distributed.

Dependent Variable: Pendapatan



The picture above shows that the curve line is normal, thus the data under study is normally distributed because the line (dots) follows the diagonal line

Multiple Linear Regression Analysis

The data that has been collected and its analysis, where the results of data processing will be able to know whether the independent variables, namely Business Capital, Labor, and Furniture production influence the dependent variable, namely the income of furniture businesses scattered in Baruga District, Kendari City. multiple linear regression equation as follows:

$$Y = a + b X_{11} + b X_{22} + b X_{33} + e_i$$

$$Y = 4.965 + 0.374 x_1 + 0.856 x_2 + 0.981x_3 + e_i$$

Table 3. Results of Multiple Linear Regression Analysis (Out-put).

Variables	Regression Coefficient (b)	Thitung (db = 36)	Sig. (P)
Business Capital (X)1	= 0,374	1,564	0,128
Labor (X)2	= 0,856	4,054	0,000
Production (X)3	= 0,981	3,954	0,000
Constanta (a)	= 56,775		
Multiple Correlation (R)	= 0,764		
Coefficient of Multiple Determination (R Square)	= 0,583		
F count	= 14,935		
	= 0,000		

Multiple linear regression equation:

- a. The coefficient of determination (R square) = 0.583 or 58.30%. meaning that the independent variables (capital, labor, and total production together affect the income variable by 58.5% while the rest (41.70%) is influenced by other variables that are not included in the model.
- b. The constant value (a) of 56.775 assumes that business capital, labor, and furniture production affect the income of furniture businesses scattered in Baruga District, Kendari City by 56.775. It is assumed that business capital, labor, and furniture production are fixed, then the level of furniture business income obtained is 56.775.
- c. The coefficient value of business capital (b1) of 0.374 has a positive effect on income of 0.374, this indicates that if each capital variable is increased by 1 point or temporary unit, the income variable (Y) will increase by 0.374.
- d. The coefficient value of business labor (b2) of 0.856 has a positive effect on income of 0.856, this shows that every time the Labor variable is increased by 1 point or temporary unit, the income variable (Y) will increase by 0.374.
- e. The coefficient value of furniture business production (b3) of 0.981 has a positive effect on income of 0.981, this indicates that if each capital variable is increased by 1 point or temporary unit, the income variable (Y) will increase by 0.981.

The Effect of Business Capital on Furniture Business Income

The results of the analysis showed that business capital (x_1) partially does not have a significant effect on increasing the income of furniture businesses in Baruga District, Kota Kendari. This is indicated by the results of the t-test at the significance level $t = 0.128$ with $\alpha = 0.05$ ($\text{sig } t = 0.128 > \alpha = 0.05$). This is in line with the opinion expressed by Kasmir (2006), which states that establishing or running a business requires a certain amount of capital (money) and labor (expertise).

Capital in the form of money is needed to finance all business needs, starting from the necessary preparations until the company is established (has a business entity). The results of research conducted by Suherman Rosyidi (2005) show that capital is only one of the overall notions of capital, as is often used by economists because capital also includes the meaning of money available in the company to buy machines and other production factors.

Mankiw (2011) explains that business capital is divided into 2 parts, namely loan capital and equity capital. The definition of loan capital is any capital obtained from loans

to parties outside the company. Meanwhile, own capital is any capital that comes from its capital. In general, own capital can be equated with internal capital.

Raswin (2019) who said that several business sectors such as trade, industry, and manufacturing are in great demand by some people to open a business. Currently, there are very few jobs that guarantee people to meet their needs from the impact of globalization and the development of an advanced and modern era. So many businesses are made by the community to provide benefits for consumers and themselves. So many small micro and medium enterprises (MSMEs) and cooperatives participate fairly in improving the economy in Indonesia.

The Effect of Labor on Furniture Business Income

The results of the analysis obtained that labor (x2) partially has a significant effect on increasing the income of furniture businesses in Baruga District, Kota Kendari. This is indicated by the results of the t-test at a significance level of $t = 0.000$ with $\alpha = 0.05$ (sig $t = 0.000 < \alpha = 0.05$). in the furniture business, the labor force is more dominantly derived from within the family. This is in line with the income stated by Dewi Kusumawardani (2009) saying that labor is one of the important production factors for every country, without labor, natural production factors and capital production factors cannot be used optimally. Furthermore, Sumitro Djojohadikusumo (2005) states that labor is all people who are willing and able to work and those who are unemployed due to lack of job opportunities.

On the other hand, the furniture business is a small industry, and labor must have skills and have artistic value so that it has implications for the selling price. This is in line with the opinion expressed by Becker (1993) who said that the main assets of small industry workers, especially the furniture industry, are labor and skills, and relatively low creativity. Although working as a carpenter brings in quick results, the income is often insufficient for their household needs. Furniture workers have a very important role in human life. They are agents of development who are reactive to environmental changes. They are more open than people living in rural areas, which is a stimulator for accepting modern developments.

Effect of Business Production on Furniture Business Income

The results of the analysis showed that the production of furniture business (x3) has a significant effect on increasing the income of respondents' furniture businesses

scattered in Baruga District, Kota Kendari. This is indicated by the significance value of $t = 0.000$ with $\alpha = 0.05$ ($\text{sig } t = 0.000 < \alpha = 0.05$). The results of the production produced by its sales are still based on orders from household consumers and relative offices have not entered into large industrial orders to export. This is in line with the opinion expressed by Subiyanto (1989) who said that production is the result obtained as a result of the work of the factors and skills needed or used in such a way as to produce an item of economic value. Furthermore, it is said that a producer including furniture in carrying out each production, will not be separated from the obligation to make expenditures on various inputs that will be used to produce a certain amount of production, for example on the use of labor, wages, consumption, operational costs, carpentry facilities and others. All of these costs have been incurred to facilitate the activities of the production process.

These expenditures are called production costs.

Kotler and Keller (2016) say that production is the ability of a product to perform its functions, these capabilities include durability, reliability, and accuracy produced by the product as a whole. Entrepreneurs need to continue to improve the quality of their products or services because improving product quality can make consumers feel satisfied with the products or services they buy and will influence consumers to make repeat purchases.

CONCLUSION

The effect of business capital, labor, and production on the income of the small furniture industry in the Baruga sub-district of Kendari City, namely (1) Together, business capital, labor, and production on the income of the furniture business in Baruga District, Kendari City have a significant effect on the income of the furniture business. This is indicated by the test results $F_{hitung} = 14.935 > \alpha = 0.05$. (2) Business capital on furniture business income in Baruga District, Kendari City has a significant effect on increasing the income of respondents' furniture business spread across Baruga District, Kendari City. This is indicated by the t-test results at the sign level. $0.128 > \alpha = 0.05$., (3) The number of workers on the income of the furniture business in Baruga District, Kendari City has not had a significant effect on increasing the income of the furniture business spread across Baruga District, Kendari City. This is indicated by the results of the t-test at the sign level. $0.000 > \alpha = 0.05$., and (4) Furniture business production (x_3) partially has not had a significant effect on increasing the income of furniture businesses

scattered in Baruga District, Kendari City. This is indicated by the t-test results at the sign level. $1,954 > \alpha = 0,05$

REFERENCES

- Central Bureau of Statistics. (2021). BARUGA SUB-DISTRICT IN FIGURES. Kendari
- Kusumawardani Dewi. (2009). ECONOMICS SMA/MA CLASS XI. Jakarta: CV.TeguhKarya
- Fair and Case. (2007). PRINCIPLES OF ECONOMICS. PT Gelora Aksara Pratama. Jakarta: Erlangga
- Ghozali. (2009). APPLICATION OF MULTIVARIATE ANALYSIS WITH THE SPSS PROGRAM. THIRD EDITION. Semarang: Diponegoro University Publishing Agency.
- Jati Prakoso. (2013). THE ROLE OF LABOR, CAPITAL, AND TECHNOLOGY IN INCREASING THE INCOME OF FISHERMEN COMMUNITIES IN ASEMDOYONG VILLAGE, TAMAN DISTRICT, PEMALANG REGENCY. Thesis. Department of Development Economics, Faculty of Economics, State University of Semarang.
- Cashmere. (2006). ENTREPRENEURSHIP. PT RajaGrafindo Persada: Jakarta.
- Kotler, P. and K. L. Keller. (2016). MARKETING MANAGEMENT (BOB SABRAN: TRANSLATOR). Jakarta: Erlangga.
- Mankiw, N, Gregory. (2011). PRINCIPLES OF ECONOMICS (INTRODUCTION TO MICROECONOMICS). Jakarta: Selemba Empat.
- Muhammad Teguh. (2010). INDUSTRIAL ECONOMICS, (cet.1; Jakarta; PT Raja Grapindo Persada.
- Pasay, N.H.A and Indrayanti, R. (2012). UNEMPLOYMENT, JOB SEARCH DURATION, AND RESERVATION WAGE OF EDUCATED LABOR. Indonesian Journal of Economics and Development. 12(2): 116-135
- Prastyo, Didik and I Nengah Kartika. (2017). ANALYSIS OF FACTORS AFFECTING BROILER CHICKEN PRODUCTION IN MARGA DISTRICT, TABANAN REGENCY. Pyramid. Vol 13, No.2 Page 77-86
- Raswin. A. (2019). INCOME ANALYSIS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) FURNITURE INDUSTRY IN MAKASSAR CITY (CASE STUDY OF TAMALATE DISTRICT). Thesis. Economic Development

Studies Study Program, Faculty of Economics and Business, Muhammadiyah University of Makassar.

Sukirno. (2015). MICROECONOMICS INTRODUCTORY THEORY. Jakarta. PT Raja Grafindo Persada.

Sukirno. Sadono. (2007). DEVELOPMENT ECONOMICS (PROCESS, PROBLEMS, AND POLICIES). Jakarta. Kencana Prenada.

Sukirno. Sadono. (2007). MICROECONOMICS, INTRODUCTORY THEORY: PT. Raja Grafindo Persada. Jakarta