The Analysis of Value Added and Profits of the Gambo Textile Industry in Musi Banyuasin Regency

by Mukhlis Mukhlis

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Universitas Mataram
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Indonesia

Hamira Hamira
Universitas Sriwijaya
Faculty of economics
Jl. Masjid Al Gazali, Bukit Lama, Kec. Ilir Bar. I
30128 Palembang
Indonesia

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Author(s): Hamira, Hamira; Robiani, Bernadette; Mukhlis, Mukhlis
Presenting Author: Hamira, Hamira; Robiani, Bernadette

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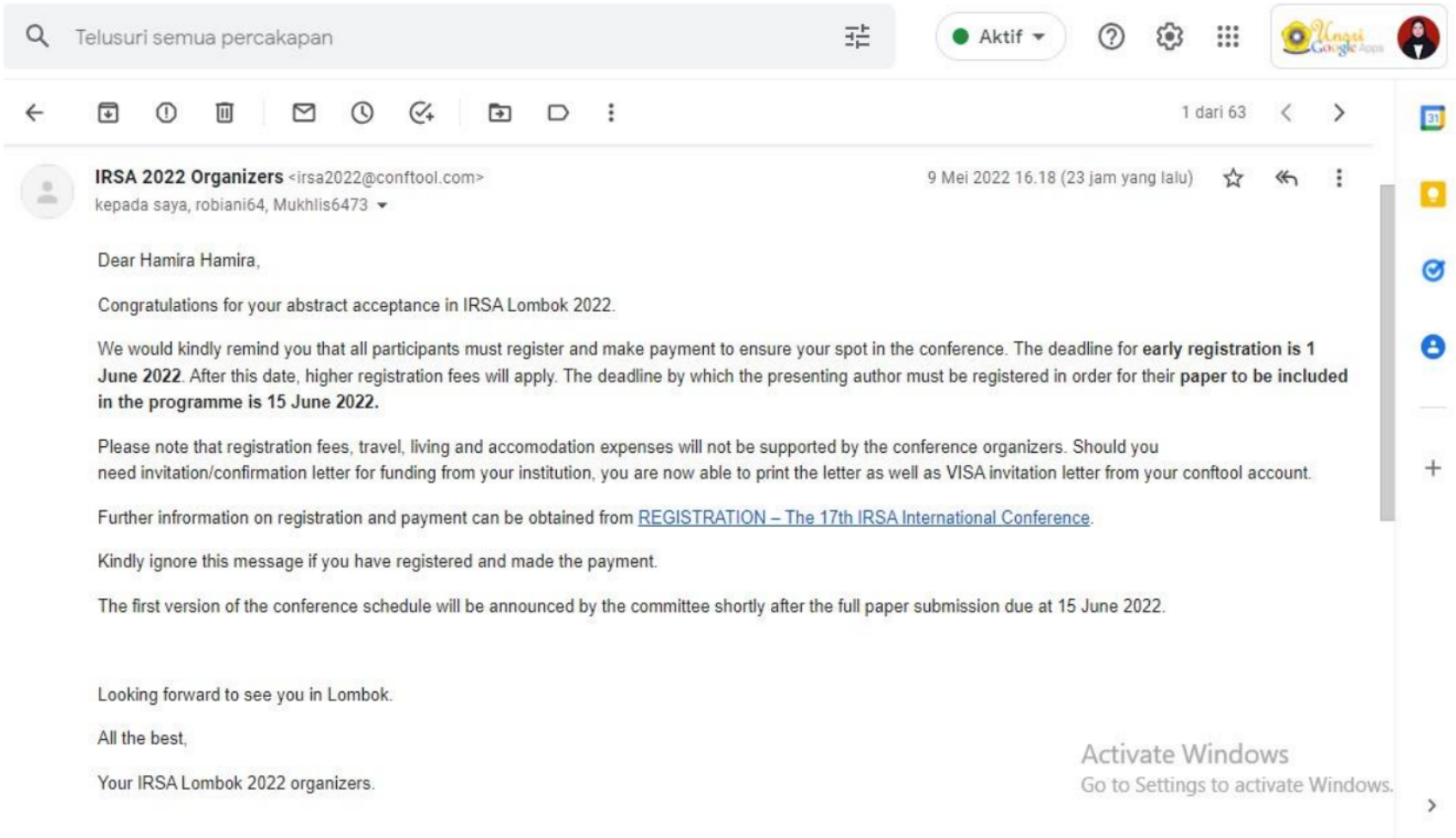
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The Analysis of Value Added and Profits of the Gambo Textile Industry in Musi Banyuasin Regency

Hamira*, Bernadette Robiani, Mukhlis
Development Economics, Faculty of Economics, Sriwijaya University
*) email: hamira@fe.unsri.ac.id

Abstract:
The agroindustry has a role important for economic growth, export revenues, employment opportunities, poverty reduction, and equitable regional development. One of the agricultural commodities owned by Indonesia and has prospects for development is gambier. Musi Banyuasin Regency (MUBA) is down streaming gambier into a product of the Gambo textile industry. This study aims to analyze the creation of added value and profit in the Gambo textile industry in MUBA. The data used in this study is primary data from 27 business units spread across Toman Village, Ulak Teberau Village, and Sekayu City. The analytical technique used is the descriptive qualitative analysis technique. The results showed that the average added value in the Gambo textile industry was Rp. 18,486,446 where there were 59.26% of business units had added value above the average. In addition, the average PCM in the Gambo textile industry is 36.74%. Gambo industrial products not only bring benefits to the producers themselves but also improve performance in the gambier agricultural sector.

Keywords: Gambier, Gambo Textile, Costs, Value Added, Benefits

1. Introduction

The agroindustry is an agricultural sub-sector that is expected to play an important role in economic growth, export revenues, employment opportunities, poverty reduction, and equitable regional development (Direktorat Jenderal Perkebunan, 2018; Kadir and Amalia, 2016). The existence of linkages between the agricultural and industrial sectors, the development of the agricultural product industry (agro-industry) is expected to increase the added value of agricultural products and expand job creation (Kementerian Keuangan Republik Indonesia, 2012; Christiaensen and Martin, 2018). Efforts to accelerate and expand the agro-industry with a priority scale on the downstream strategy of several competitive leading commodities are needed to encourage a larger and more sustainable role of agro-industry in the economy going forward (Khan *et al.*, 2020; Davis, Di Gluseppe and Zezza, 2017).

One of the agricultural commodities owned by Indonesia and has prospects for development is gambier. Gambier has derivative products, and many benefits are not inferior to palm oil or rubber. Among others, as a dye, the leather tanning industry, the cosmetic industry, the pharmaceutical industry, betel-eating ingredients, raw materials for making sweets in traditional ceremonies in India, food preservatives, industrial adhesives such as plywood or particle board, and cleaners in the water industry (Sabarni, 2015). Gambier plants have potential and can be developed further (Manalu and Tri, 2019).

Tabel 1. Harvested Area, Production, and Productivity of Gambier by Province in Indonesia in 2017

Province	Harvested Area (Ha)	Production (Tons)	Productivity (Ton/Ha)
Aceh	39	41	1,05
North Sumatra	1.623	1.742	1,07
West Sumatra	19.747	13.528	1,08
Riau	4.679	4.367	1,09
Riau Islands	203	356	1,75
South Sumatra	150	272	1,81
West Kalimantan	104	112	1,08

Sumber: Direktorat Jenderal Perkebunan, 2018

Nationally, gambier productivity in South Sumatra Province is the highest, namely 1.81 tons/ha compared to other provinces such as Aceh, North Sumatra, West Sumatra, Riau, Riau Islands, and West Kalimantan (Direktorat Jenderal Perkebunan, 2018). The province of South Sumatra is one of the provinces that are rich in natural resources. Since 2015 the South Sumatra government has begun to realize the downstream program. One of the agricultural commodities developed in gambier. Interestingly, gambier plants in South Sumatra Province can grow productively only in MUBA, precisely in Babat Toman District.

Since 2017 MUBA Regency has been downstreaming gambier. Previously, Gambier produced by MUBA was exported to meet the needs of the domestic market as raw material for the pharmaceutical, cosmetic and other chemical industries. The downstream product of Gambier developed at MUBA is Jumputan textile that uses natural dyes from gambier waste, which is named Gambo MUBA. This Gambo Muba textile product is environmentally friendly, does not fade easily, has colors that stick strongly to textile fibers, does not cause skin cancer, and can lift the culture and local wisdom of the MUBA Regency community (Dinas Perkebunan Kabupaten Musi Banyuasin, 2020). During the period 2017 – 2019, there was a significant increase in the workforce in this Gambo textile business from 4 people in 2017 to 93 people in 2019 (Dinas Perindustrian dan Perdagangan Kabupaten Musi Banyuasin, 2020).

Based on this phenomenon, the Gambo cloth business can be one of the solutions for MUBA Regency to overcome unemployment and poverty, considering that MUBA Regency is listed as one of the regencies in South Sumatra Province with a high poverty rate. Therefore, the purpose of this study is to analyze the creation of added value and profit from the Gambo Textile Business.

Agro-industrial activities can increase the added value of agricultural products which are then processed into industrial processing products (Barnard *et al.*, 2012). Added value is an important indicator of economic activity. Value-added can be calculated by reducing the value of production output by intermediate costs. Middle costs are the costs of production factors such as raw materials, auxiliary materials, wages, and energy costs needed to produce output (Hasibuan, 1993; Rahardjo, 1986). Value added is the added value of a commodity because it undergoes a processing, transportation, or storage process in production. The added value of the difference between the final product and the sacrifices that have been made (Dewi *et al.*, 2013; Hidayati *et al.*, 2020).

In the industrial economy, several things can be used to explain the level of profit, one of which is Price Cost Margin (PCM) (Carlton and Perloff, 1994). Profit patterns can be described by price and cost margins. PCM is the difference or distance between prices that occur in the market and the company's marginal cost level in other words it can be called the company's profit margin. The profit rate can be reflected through PCM. PCM is an indicator of a company's ability to increase prices above production costs (Lipczynski, Wilson and Goddard, 2005).

The research of Nakazibwe *et al.* (2019) analyzes the performance and utilization of value-added systems on pumpkins in Uganda. Pumpkin production levels in Uganda are produced on a large and small scale. All parts of the pumpkin can be utilized and can create added value. Pumpkin cultivation in Uganda can reduce poverty and improve food security. Elida *et al.* (2020) analyzed the added value of sago processing and determined alternative strategies for developing the sago agroindustry. The results showed that processing sago into sago flour provided higher added value with a value-added ratio of 69.09 percent compared to wet sago. The profit obtained by the business actors of sago flour is higher than that of wet sago. The profit obtained by the sago flour business actors is 12[illegible].74 percent and the workforce is 29.60 percent. Shashi *et al.* (2017) in their research discuss the importance of added value at various stages of the food supply chain. His research investigates the value-added relationships of different supply chain players from farm to the retail level. The study focused on the added value of agricultural products in India. The results found indicate that the added value of farmers is positively related to the added value of suppliers, processors added value, and distributor added value. Sanal and Kumar (2017) in their article analyze the added value of agro products. The results showed that the agricultural and agro-based processing industries are the main solutions to the problem of food shortages and value-added food products in India. Asom, Simeon and Ijirshar (2016) in their article examine the impact of value-added agriculture on Nigeria's economic growth. The study used the Solow-Swan exogenous growth model. The study shows that agricultural value-added has a positive but not significant effect on Nigeria's economic growth in both the short and long term.

2. Method and Data

The data analysis technique used in this study is a descriptive qualitative analysis technique using primary data. Based on primary data obtained data on entrepreneur characteristics, primary and secondary cost data, sales data, and data related to access to raw materials and the output market. These data are used to analyze the added value created and the profits obtained by entrepreneurs. The population of the Gambo cloth business consists of 27 business units spread across Toman Village, Ulak Teberau Village, and Sekayu City.

3. Result

Table 2. Descriptive Statistics

Component	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Value Added	27	8,350,000	32,883,340	18,486,446	1,453,382	7,551,996
PCM	27	17.23	55.00	36.74	2.36	12.25
Output Values	27	20,600,000	59,400,000	32,879,630	1,779,235	9,245,178
Intermediate Cost	27	9,250,000	28,118,460	14,393,184	906,400	4,709,792
Wage Cost	27	2,500,000	9,000,000	5,809,037	341,966	1,776,906

Source: Proceed Data, 2022

Value added, PCM, output values, intermediate costs, and wage costs in 27 Gambo textile industries are monthly data. Based on Table 2. shows that the average value-added is Rp. 18,486,446 with the highest value of Rp. 32,883,340 and the lowest value of Rp. 8,350,000. Meanwhile, the average PCM was 36.74% with the highest score at 55.00% and the lowest score at 17.23%. Standard Deviation Statistics shows the average deviation of the data from the average, the value of the Standard Deviation Statistics added value is IDR 7,551,996 and PCM 12.25%. Value added is calculated by subtracting the value of production output by intermediate costs. Intermediate costs are the costs of production factors such as raw materials, auxiliary materials, wages, and energy costs needed to produce output. The added value in the Gambo textile industry is as follows:

Tabel 3. Value Added of the Gambo Textile Industry

Value Added	Frequency	Percentage
8.000.000 – 16.000.000	11	40,74
16.000.001 – 24.000.000	8	29,63
24.000.001 – 32.000.000	7	25,93
≥ 32.000.000	1	3,70
Total	27	100,00

Source: Proceed Data, 2022

The average added value in the Gambo textile industry is IDR 18,486,446 where there are 59.26% of business units that have value added above average. This shows that the added value of the Gambo textile industry is high. Agroindustry has a market orientation and the acquisition of added value, so the transfer of output from the production chain to other production must provide significant added value for business actors. One of the goals of the agro-industry is to produce added value from agricultural raw materials in the production process. The added value in the Gambo Muba textile industry is higher than the added value in the Gambier sap business.

Meanwhile, the average PCM in the Gambo textile industry is 36.74% whereas there are 51.85% of business units have PCM values above the average. This means that in the Gambo textile industry, producers can increase prices above production costs. PCM is the difference or distance between prices that occur in the market and the company's marginal cost level in other words it can be called the company's profit margin. The Gambo textile industry has a high-profit margin above the average of 36.74%

Tabel 4. Profit of the Gambo Textile Industry

Price Cost Margin	Frequency	Percentage
15,00 – 25,00	6	22,22
25,01 – 35,00	7	25,93
35,01 – 45,00	3	11,11
45,01 – 55,00	11	40,74
Total	27	100,00

Source: Proceed Data, 2022

The results of this study are in line with research conducted by Elida *et al.* (2020), Nakazibwe *et al.* (2019) and Sanal and Kumar (2017) which state that agricultural products are then processed into industrial products can create added value and high profits. Gambier has a high added value as a raw material for the textile industry. The Gambo textile industry uses gambier as raw material in the production process for natural dyeing. The use of natural dyes

in industrial products of Gambo textile not only brings benefits to the producers themselves but also improves performance in the gambier agricultural sector. The Gambo textile industry in MUBA began to develop in 2017 because there was a government policy regarding downstreaming, one of which was gambier. Over time, the demand for naturally dyed textile products is not only local, but there is also an increase in demand outside the MUBA Regency which is driven by the promotion of Gambo Muba at various national and foreign events (mubakab.go.id, 2020). The promotional activities for Gambo Muba are Inacraft Exhibition 2019, Kriyanusa Exhibition, Festival Indonesia 2019 in Oslo Norway, Jakarta Fashion Week 2019, Export Brilliantpreneur 2019, and other activities (Dekranasda Kabupaten Musi Banyuasin, 2020). The potential of Gambier's growing land, the added value created, and the profits derived from the Gambo Muba textile business can be the basis for the MUBA district government to make the Gambo Textile Business a leading small business or industry and can become an icon or characteristic of the MUBA Regency, besides being able to become one of the one solution to reduce unemployment and overcome poverty.

4. Conclusion

Gambier has prospects for further development, especially in the Gambo textile industry. The average added value created in the Gambo MUBA textile industry is Rp. 18,486,446 per month with a PCM of 36.74%. This Gambo MUBA textile product is environmentally friendly, not easy to fade, the color is strongly attached to the textile fiber, does not cause skin cancer, and can promote the culture and local wisdom of the MUBA Regency community. In addition, the Gambo cloth business can be a solution for MUBA Regency to overcome unemployment and poverty.

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