Factors Affecting the Revenue of Furniture Companies in Majalengka

Dede Komariah¹*, Syaeful Bakhri², Layaman³

¹²³Islamic Economics, Faculty of Islamic Economics & Business, IAIN Syekh Nurjati Cirebon

(*Email Correspondence: ddqmryh@gmail.com)

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ABSTRACT

The furniture industry in Cigasong District, Majalengka Regency, is a pivotal force in the local economy. However, sustained growth and prosperity for both owners and employees rely heavily on consistent business income. This study, therefore, investigates the individual and collective factors influencing the income of furniture companies in Cigasong District. Employing a quantitative approach with saturation sampling (n = 59), the study analyzes data from questionnaires administered to company owners and employees. Results reveal that working capital, labor, and raw materials all significantly impact income. T-tests and an F-test confirm individual and joint significance of these factors. These findings suggest that strategic efforts aimed at optimizing working capital, labor management, and raw material utilization can contribute to enhanced financial stability and growth for furniture companies in Cigasong District.
INTRODUCTION

The success of national economic development cannot be separated from the support of several sectors, one of which is the industrial sector. The industrial sector is considered capable of supporting the national economy by providing high income to the regions. Therefore, it is important to pay attention to the development of the industrial sector for the advancement of the national economy, especially regional economy.

Majalengka Regency has a population of 1318,970 people as of 2022 with a good education level, ranging from elementary school, junior high school, senior high school, to undergraduate level, totaling 1,786 men and 129 women (Statistics Indonesia, 2022). This proves that with advanced educational quality and relatively large population, every resident can be encouraged to run a business well.

Regional economic growth can be measured by looking at the value of the Gross Regional Domestic Product (GRDP). GRDP is the total value of all goods and services obtained from all economic activities carried out in a region within a certain period of time. The level of economic growth in a region is seen based on the value of GRDP at constant prices. The results of GRDP calculations are an important measure that is used as a benchmark for measuring the success of economic development.

Majalengka Regency is one of the regencies located in West Java Province that is currently developing its wings in the industrial area sector. The industrial sector has a very important role in increasing regional economic development. The development of the industrial sector, besides being able to increase added value, also plays a major role in absorbing labor, especially local labor in Majalengka Regency.

One of the factors that can affect income in the furniture industry is business capital. Business capital is a major factor that must be taken into account by business owners to develop their businesses. In addition to the need for adequate capital, the labor factor also plays an important role in the furniture industry. The presence of labor with good human resources will be able to produce products with added value. According to Adam Smith (Juniarti, et al, 2022), humans are the main production factor that determines the prosperity of a business.

Raw materials are the materials that make up the overall product. The amount of production capacity cannot be separated from the availability of raw materials. The availability of raw materials in sufficient quantities, continuously, and at affordable prices will facilitate production, which in turn will increase production and increase the amount of income generated by the business. Business income is essentially a measure of whether or not a company is successful in running its business.

The development of the wooden furniture craft industry in Cigasong District, Majalengka Regency, faces many challenges that are almost the same as those experienced by other home-based, small, and medium-sized industries, where the main problem is declining income, which generally comes from the lack of quality of labor. In general, the income of workers in Cigasong District is relatively small compared to the large number of workers. However, the smallness of this income is not only caused by the supply being greater than demand, but also internal factors within the workers themselves, including low productivity and a small amount of time spent working. The implication of this situation is the need to increase worker productivity and add
working hours. However, the researcher did not only look at the labor factor, but also the business capital and raw materials factors, because seeing the existing phenomena, the existence of these three factors is quite supportive in increasing the income of furniture companies, and there has been no research on the production of wooden furniture craft industries in Cigasong District. Based on the description above, the researcher conducted a research study entitled "Factors Affecting the Income of Furniture Companies in Cigasong District, Majalengka Regency."

LITERATURE REVIEW

Capital

In economics, capital goods, or simply capital, are durable produced goods used as productive inputs for further production of goods and services. Machinery used in a factory serves as a typical example. At the macroeconomic level, the nation's capital stock encompasses buildings, equipment, software, and inventories within a given year. Capital accumulation occurs through the utilization of factors of production, excluding certain durable goods like homes and personal automobiles not engaged in the production of saleable goods and services.

Business capital

In entrepreneurship, business capital reigns as a crucial element alongside equally vital factors like human resources (workforce skills), technology, economics, and organization/legality. Defined as funds utilized to support production activities, achieve specific goals, and cover non-essential expenses, business capital serves as the lifeblood of any operating business (Riyanto, 2010).

Indicators in business capital can be described as follows (Kartika Putri, 2014), namely: Capital structure: own capital and loan capital, Utilization of Additional Capital, Barriers in Accessing External Modla, Business Condition After Using Capital.

Labor

In economics, labor refers to individuals who offer their skills and abilities to produce goods or services. This exchange benefits both parties: companies gain profit through increased production, while individuals receive compensation (salary or wage) commensurate with their skill level (Murti, 2014).

Labor encompasses both the individual workers within an economy and the collective effort they contribute towards producing goods and services. This crucial factor can be categorized in various ways, the most common being based on skill level.

1. Unskilled Labor: Representing the foundation, unskilled labor demands minimal training and focuses on manual tasks. Examples include farmworkers, custodial staff, and basic assembly line workers.
2. Semi-skilled Labor: Requiring some education or on-the-job training, semi-skilled positions often involve operating machinery or performing specific procedures. Manufacturing jobs and entry-level clerical roles are typical examples.
Further categorization, such as by industry or occupation, can provide deeper insights into the workforce. Additionally, Masyhuri (2007) identifies key workforce indicators, including:

- **Availability of Labor:** Quantifying the number of individuals actively seeking employment or readily available for work.
- **Quality of Labor:** Assessing the skills, education, and experience levels of the workforce.
- **Gender:** Analyzing the participation and distribution of labor across genders within the workforce.

Each indicator plays a crucial role in understanding the dynamics of the labor market and informing effective policy decisions.

**Raw Materials**

Baruto (2002) defines raw materials as material goods, such as tobacco, plastic, paper, or the like, obtained through three means: directly from natural sources, purchased from suppliers, or processed by the company itself for internal production. These versatile inputs, taking diverse forms, are used in a multitude of products. Raw materials essentially constitute the starting inventory or input goods a company requires to manufacture its offerings. For instance, steel used in vehicle production represents a raw material for an automobile manufacturer.

For manufacturing companies, managing raw material inventory necessitates meticulous budgeting and a dedicated accounting framework within both the balance sheet and income statement.

Due to their inherent ties to natural resources, manufacturing companies can find themselves at the mercy of nature regarding raw material availability. Consequently, they may choose not to directly invest in extraction processes. For example, a company reliant on oil or plastics does not typically own the drilling rigs extracting the raw materials.

Yana Yudhan (2019) identifies several key raw material supply indicators: Economic Order Quantity, Purchase Costs, Storage Fees, and Order Fee. These factors play a crucial role in optimizing inventory management and ensuring cost-effective production.

**Income**

Sodikin et al. (2014:37) define income as "an increase in economic benefits during the reporting period in the form of an inflow or increase in assets, or a decrease in liabilities which results in an increase in equity that does not come from the contribution of investors." While this definition captures the technical accounting perspective, income in a broader sense refers to the money received in exchange for labor or products.

The concept of income takes on different connotations depending on the context, whether it's taxation, financial accounting, or economic analysis. For individuals, income typically encompasses total earnings from wages and salaries, investment returns, pension distributions, and other receipts. In contrast, for businesses, income primarily constitutes revenue generated from selling services and products, alongside any interest or dividends earned on business-related cash accounts and reserves.
RESEARCH METHODS

This study uses a quantitative method with primary and secondary data sources. The population of this study is the owners and workers of furniture companies in Cigasong District, Majalengka Regency. The research instruments used are questionnaires, observation, and documentation. The data analysis method uses validity tests, reliability tests, classical assumption tests, multiple linear regression analysis, hypothesis in the form of t-tests, determination tests, and F tests which are processed using the IBM SPSS v.22 application.

RESULTS AND DISCUSSION

This study is an empirical study that takes the object of research on the factors of business capital, labor, and raw materials, both simultaneously (simultaneously) and partially (individually) on the income of furniture companies in Cigasong District, Majalengka Regency. Sampling of 59 respondents consisting of 6 furniture business owners and 53 workers working in furniture companies. Using a saturated sampling technique, which means that when the population obtained is less than 100 respondents, then the entire population is used as a sample.

The Influence of Business Capital on Furniture Company Income in Cigasong District, Majalengka Regency

The first hypothesis proposed in this study states that business capital has a significant influence on the income of furniture companies in Cigasong District, Majalengka Regency. The results of the hypothesis testing conducted through the t-test table coefficients support this hypothesis. The t-value for the business capital variable was 8.492, with a p-value of 0.000. Since the obtained t-value (8.492) is greater than the critical t-value (2.200) and the p-value is less than the significance level (0.05), Hypothesis 1 (H1) is accepted. This indicates that the business capital variable has a positive and statistically significant effect on the income of furniture companies in Cigasong District, Majalengka Regency.

This finding aligns with the results of previous studies. Natha et al. (2021) observed a similar relationship in Rejoso Village, Junrejo District, Batu City, Indonesia, while HA et al. (2022) reported comparable findings in Vietnam. Additionally, Allam et al. (2019) conducted a study in Pasar Sunday Morning (Sunmor), Purwokerto, Indonesia, which also revealed a significant and positive influence of business capital on income.

Asnawi et al. (2019) provide a theoretical explanation for this relationship. Their research suggests that:

- Business capital is essential for funding a company's daily operations, such as the purchase of raw materials, payment of wages to workers, and the purchase of equipment. The money spent is expected to be returned to the company through the sale of its products.
- The higher the amount of business capital, the higher the productivity of the company, which leads to increased sales and income.

The Influence of Labor on Furniture Company Income in Cigasong District, Majalengka Regency
This study proposes a second hypothesis: that labor has a significant influence on the income of furniture companies in Cigasong District, Majalengka Regency. The results of the hypothesis testing conducted through the t-test table coefficients support this hypothesis. The t-value for the labor variable was 4.343, with a p-value of 0.000. Since the obtained t-value (4.343) is greater than the critical t-value (2.200) and the p-value is less than the significance level (0.05), Hypothesis 2 (H2) is accepted. This indicates that the labor variable has a positive and statistically significant effect on the income of furniture companies in Cigasong District, Majalengka Regency.

This finding aligns with the results of previous studies. Natha et al. (2020) observed a similar relationship in Denpasar, Indonesia, while Rizqi (2022) reported comparable findings in Labuhan Sumbawa, Indonesia. Additionally, Fathurrahman et al. (2021) conducted a study in Sukaraja District, Jonggat Regency, Lombok Tengah, Indonesia, which also revealed a significant and positive influence of labor on income.

Polandos et al. (2019) provide a theoretical explanation for this relationship. Their research suggests that:

- A higher number of skilled workers leads to increased production, consequently generating more income for both the company and its employees.
- Established companies with longer business histories tend to have wider networks of business relationships and customers, contributing to greater income.
- Both the company’s duration of operation and the length of employment for individual workers can positively impact income. This is because longer tenure typically leads to skill development, enhanced productivity, and ultimately, higher income.

Influence of raw materials on furniture company income in Cigasong District, Majalengka Regency

The third hypothesis proposed in this study states that raw materials have a significant influence on the income of furniture companies in Cigasong District, Majalengka Regency. The results of the hypothesis testing conducted through the t-test table coefficients support this hypothesis. The t-value for the raw materials variable was 2.659, with a p-value of 0.020. Since the obtained t-value (2.659) is greater than the critical t-value (2.200) and the p-value is less than the significance level (0.05), Hypothesis 3 (H3) is accepted. This indicates that the raw materials variable has a positive and statistically significant effect on the income of furniture companies in Cigasong District, Majalengka Regency.

This finding is consistent with the results of previous studies. Yasin Muhamad et al. (2022) found that a higher amount of raw materials leads to increased income, as the higher amount of raw materials affects the production output, which in turn leads to more sales and increased income. Dyah Risma et al. (2021) also found that raw materials have a positive and significant effect on the income of kerupuk (cracker) industries in Ngantru District, Tulungagung Regency. This is because an increase in the amount of raw materials can lead to increased production, which can in turn lead to increased income.
The positive relationship between raw materials and income can be explained by the following factors:

- Raw materials are essential for production. Without raw materials, companies cannot produce their products.
- A higher amount of raw materials leads to increased production. This is because companies have more materials to work with, which allows them to produce more products.
- Increased production leads to increased sales. This is because companies have more products to sell, which can attract more customers.
- Increased sales leads to increased income. This is because companies earn more money from selling more products.

Similarly, as stated by (Siswanto, 2011), raw materials are an important factor that affects income. Raw materials are a factor of production that is needed in every production process. The more raw materials a company has, the more likely it is to produce more products, which means that the company is more likely to receive more income from the sales of its products. Raw materials are the amount of materials needed to carry out the production process within a certain period of time (Siswanto, 2011).

**Influence of Business Capital, Labor and Raw Materials on Furniture Company Income in Cigasong District, Majalengka Regency**

The fourth hypothesis proposed in this study explains how business capital, labor, and raw materials affect the income of furniture companies in Cigasong District, Majalengka Regency. Based on the results of multiple linear regression analysis, the regression equation obtained is $Y = -2.825 + 0.635X1 + 0.426X2 + 0.307X3 + e$. The constant value has a negative value of -3.200. The negative sign indicates a negative and significant influence of the business capital, labor, and raw materials variables on the company's income if they are considered constant or unchanged, then they will have an influence and experience an increase, namely business capital will increase by 0.651. Labor will increase by 0.351 and raw materials will increase by 0.217 on the income of furniture companies in Cigasong District, Majalengka Regency.

Based on the results of F (Anova), the F-test value obtained is 71.288 with a significance value of 0.000. This can be seen that the F-test value of 71.288 is greater than the F-table value of 18.67 and the significance value of 0.000 is less than 0.05, so H0 is rejected and H4 is accepted. This means that the variables of business capital, labor, and raw materials simultaneously or together have a positive and significant effect on the income of furniture companies in Cigasong District, Majalengka Regency.

In addition, it is also evidenced by the value of the coefficient of determination (R2) seen in the Adjusted R-square of 0.784. This means that the independent variables affect the dependent variable by 78.4% (0.784 x 100). This means that all independent variables (X), namely business capital, labor, and raw materials, have a contribution of 78.4%. Meanwhile, for 21.4% (100% - 78.4%), the dependent variable is influenced by other variables that were not studied in this study, meaning that there are still other independent variables that can influence the dependent variable (Y), namely the income of furniture companies other than business capital, labor, and raw materials.
This is in line with the theory of (Y.Yunus, 2021) that all forms of wealth that can be applied directly or indirectly to the manufacturing process to increase output are considered business capital. The problem with the highest percentage, namely difficulty in capitalization, is explained by the fact that IKM is a type of independent business whose majority of business owners are entrepreneurs. Loan capital is very important for entrepreneurs to develop their businesses so that they can increase their business income, in accordance with the results of the study that can be proven from the description of the business capital variable. The highest score is on the indicator number 7 "The business becomes more developed after receiving additional capital" with a score of 34.1 in the very high category, meaning that most business owners who set up furniture businesses mostly use additional capital or not entirely from personal capital.

The results of this study are in line with the theory of (Andini Utari, 2020) which explains that the amount of worker wages is determined by the quality of the workers they have. Those with high skills will get higher wages, and vice versa. This theory is in line with the results of the study that can be proven from the description of the labor variable, which shows the respondents' perception of the highest score on indicator number 6 "the wages given to workers are in accordance with the amount of production produced" with a score of 40 in the very high category, meaning that the wages received by workers are in accordance with the results of the quality and quantity of goods produced.

The results of the study are in line with the theory of (Andini Utari, 2020) which explains that the amount of worker wages is determined by the quality of the workers they have. Those with high skills will get higher wages, and vice versa. This theory is in line with the results of the study that can be proven from the description of the labor variable, which shows the respondents' perception of the highest score on indicator number 6 "the wages given to workers are in accordance with the amount of production produced" with a score of 40 in the very high category, meaning that the wages received by workers are in accordance with the results of the quality and quantity of goods produced.

The results of the above research are in line with the research conducted by (Muhammad Yasin et al, 2022) that the amount of raw materials that is high will increase income, because the amount of raw materials that is high will affect the production output so that sales will increase and income will increase. In accordance with the results of the study that can be proven from the results of the description of the raw materials variable, it shows that the results of the respondents' perception of the highest score on indicator number 5 "the cost of raw materials affects the quality of the products produced" with a score of 54 in the very high category, meaning that the size of the cost of raw material purchases incurred greatly affects the quality of the goods produced later.

The results of this study show that business capital, labor, and raw materials have a positive and significant effect on the income of furniture

CONCLUSION

Based on the study of factors affecting the income of furniture companies in Cigasong District, Majalengka Regency, this study involved 59 respondents consisting of 6 company owners and 53 total number of workers working in furniture companies, the following conclusions can be drawn:

- Business capital has a positive and significant effect on the income of furniture companies. This means that the higher the business capital, the higher the income of furniture companies. This is because business capital is needed to finance the production process, which in turn affects the production output.
- Labor has a positive and significant effect on the income of furniture companies. This means that the higher the number of workers, the higher the income of furniture companies. This is because the more workers there are, the more products can be produced, which in turn affects sales and income.

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Raw materials have a positive and significant effect on the income of furniture companies. This means that the higher the quality and quantity of raw materials, the higher the income of furniture companies. This is because the quality of raw materials affects the quality of products, which in turn affects sales and income.

The results of this study are in line with the theories of (Y. Yunus, 2021) and (Andini Utari, 2020). The theory of (Y. Yunus, 2021) states that business capital is an important factor in the development of a business. The theory of (Andini Utari, 2020) states that the quality of labor is an important factor in determining the productivity of a business.

The results of this study also have implications for policymakers and business owners. Policymakers can use these results to develop policies that support the growth of furniture industries, such as providing access to business capital and training for workers. Business owners can use these results to make informed decisions about their businesses, such as investing in business capital and training for workers.

Based on the discussion of the results of the hypothesis testing that has been done, there are several suggestions that can be beneficial for several parties, especially for readers in general, as follows:

- For the owners of furniture companies in Cigasong District, Majalengka Regency, in particular, to always improve the performance of their businesses so that they can be better known by the wider community, both within and outside the city, by being able to use the abundant assets of wood raw materials available in the area to create quality furniture products that will certainly be able to increase company income and help improve the region's economic level.
- For workers to continue to improve their skills in their respective fields in order to improve the quality of products that are better and well-known in the market, which will certainly be able to increase wages.
- For future researchers, they can develop this research with other factors that can increase income so that the results of their research can be better and useful.

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