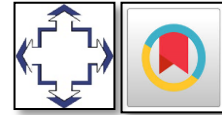


Determinants of Rattan Industry Profitability in Cirebon, West Java



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ABSTRACT

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This study aims to analyze the determinants of profit received by rattan handicraft home industries in Rattan Galmanro Tourism Village, Tegalwangi Village. The independent variables include capital, labor, product variety, digital marketing and technology. This study took a sample of 70 respondents selected through simple random sampling. The data is analyzed using income analysis and multiple linear regression. The results show that capital, labor and technology have a significant positive effect on profit while product variety and digital marketing do not have a significant effect on the profits of the rattan handicraft home industry in the Galmanro Rattan Tourism Village, Tegalwangi Village.

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1. Introduction

Indonesia possesses the third biggest tropical forest in the world, making it abundant in biological resources (Kementerian Lingkungan Hidup dan Kehutanan, 2021). Indonesia accounts for 85 percent of global crude rattan output, while Malaysia, Thailand, and the Philippines each contribute less than 10 percent (Anwar et al., 2020). Indonesia has a significant potential for exporting rattan due to its possession of approximately 56 percent of all rattan species globally, totaling 306 species. Rattan forests span an area of 10 million hectares, primarily in Kalimantan and Sumatra. The government aims to increase the economic value of forest products, including rattan, by converting them into crafts with high market value (Hendra et al., 2014). In 1979, the restriction on exporting raw and semi-finished rattan products was initiated through the Minister of Trade and Cooperation Decree No. 492/KP/VII/79, leading to a decline in rattan exports and advancement of rattan processing sector in Indonesia (Anwar et al., 2020). The rattan processing business in Indonesia has significantly contributed to the regional economy. Cirebon district is a prominent centre for rattan handicrafts in Indonesia, with a higher volume of completed goods being exported internationally than sold domestically (Konitat, 2015).

Manufacturing is the main source of income in the district of Cirebon, consistently experiencing significant annual growth. The manufacturing sector's noteworthy contribution to the Cirebon district's Gross Regional Domestic Product is evident through the influential industrial hubs in the area that are driving the economy (Kusuma, 2018). Commodities in Cirebon district include rattan crafts, wooden furniture, *emping melinjo*, bakery and snacks, natural stones, rubber sandals, batik textiles, clothing, and shell crafts. The rattan handicrafts sector is the primary high-value commodity in the Cirebon district's processing industry, with the highest number of enterprises, labor force, investment value, and production value among all industries in the district. Furthermore, the rattan crafts industry in Cirebon area has seen annual growth in the quantity of businesses and employees. From 2016 to 2020, the rattan handicrafts industry in the Cirebon district experienced a consistent growth in both the number of households involved and the workforce. In 2020, there were 1,480 domestic industries and 62,826 workers, marking the highest figures in recent years. The rattan craft business is identified as a promising economic area for the district of Cirebon. Cirebon area is renowned for being the hub of Indonesian rattan craftsmanship and serves as an exporter of handicrafts, including furniture and several other types of items.

Cirebon district has the highest number of rattan exporters, which are spread in 10 villages. The villages are located across three subdistricts: Plumbon, Weru, and Plered, with exports mainly consisting of rattan furniture crafts. In the first quarter of 2023, the district of Cirebon exported rattan handmade furniture worth 14.6 million US dollars. The craft items are primarily intended for export to Korea, Australia, the United States, Japan, China, Jordan, Singapore, Canada, the Philippines, India, Malaysia, and others (Izan, 2023).

The rattan crafts business in the Cirebon district remains small-scale and is primarily operated inside homes. The productivity of the rattan craft sector is considerably lower compared to medium-sized and large enterprises due to its modest capital and limited resources. The home industry is considered a viable solution to economic challenges, as it is believed to be capable of thriving during times of economic crisis (Utaminingsih, 2016). The crafts sector in the district of Cirebon is dispersed among diverse rural locations, such as Tegalwangi, Cangkring, Tegalsari, and Karang Sari. The center of Cirebon district's handicrafts sector is situated in the village of Tegalwangi in Weru district (Abikusna & Ussa'idah, 2019). Tegalwangi village is a leading hub for the rattan craft sector in the Cirebon district. Tegalwangi hamlet in the Cirebon area is renowned for its high-quality rattan crafts, which have gained international recognition (Perdana & Ghina, 2018). In 2019, Sultan Kasepuhan Cirebon, Sultan Sepuh XIV, P.R.A. Arief Natadiningrat, S.E., designated Tegalwangi as the tourist village of Rattan Galmantro. Tegalwangi Village is renowned for its outstanding capability in crafting rattan. Most residents of Tegalwangi village are involved in making rattan crafts, making it simple to locate a rattan handicraft production house in the village (Hendra et al., 2014).

Based on a pre-survey, the number of rattan handicraft home industries in Tegalwangi Village has increased by 20 percent from 2020 to 217 business units as of September 2023. This increase in the number of rattan handicraft home industries has tightened competition in the village, which ultimately affects the profitability of each home industry. Competition leads to smaller profits primarily due to increased pricing pressure and reduced pricing power among firms. As competition intensifies, especially in sectors like retail, firms experience declining gross margins. This indicates a loss of pricing power and a struggle to maintain profitability despite efforts to cut costs and adjust product offerings (Carter, 2019). This dynamic is further supported by the idea that increased competition makes consumers more sensitive to prices. This, in turn, leads to reduced markups and lower profit shares for firms (Boussard & Lee, 2020). Moreover, the relationship between competition and profit margins is complex; while some theories suggest that increased competition can enhance consumer welfare, they also indicate that it may reduce the probability of successful market entry and product diversity, ultimately harming overall economic welfare (Boussard & Lee, 2020; Basak et al., 2023). Thus, while competition is essential for market efficiency, it often results in diminished profit margins for firms, aligning with both mainstream and Post Keynesian economic perspectives (Melmies, 2015).

This study aims to investigate the factors that impact the profit of the rattan industry in order to anticipate the decline in profit due to fierce competition. The factors examined include capital, labor, product variety, digital marketing, and technology. Capital, labor, and technology are selected based on production theory, while the other two independent variables are chosen based on preliminary interviews, which are believed to have an impact on the profitability of the rattan industry. This paper provides practical insights for rattan industry entrepreneurs to identify the key factors that can maximize profit in the face of increasing competition. Additionally, it assists policy makers in identifying appropriate interventions for the development of the rattan industry.

2. Literature Review

This study aims to analyze the factors that influence the profit of the rattan industry. The independent variables considered are capital, labor, product variety, digital marketing, and technology. The study is based on the theories of production and income, which help explain the relationship between production factors and output (Hidayat & Halim, 2013). Profit is the total amount of money earned within a specific timeframe through the production process. Those who aim for maximum profit prioritize making marginal decisions and focusing on controllable productive factors (Qomariyah & Khusnia, 2021). Profitability has a significant impact on the sustainability of a business. Higher profitability allows a business to effectively manage its finances, which ensures ongoing operations (Humaerah, 2014).

a. The effect of capital on profit

The capital provided by the rattan industry in Rattan Galmantro Village of Tegalwangi is used for maintaining supplies such raw materials, fuel, and tools. Capital can boost profit by increasing production. According to the Cobb-Douglas theorem, an increase in capital will significantly impact output, leading to higher profit. The home industry will ensure that the money invested yields the highest possible output. The profit in this scenario is determined by the availability of capital, which directly impacts the quantity of products that can be sold to meet consumer demand (Sudirman & Putra, 2015). Augmenting the capital will enhance the ability to supply the necessary raw materials for the production process, resulting in a rise in output quantities. As the quantity of outputs rises, the profit created will likewise increase.

Working capital influences profit by optimizing cash flow, reducing the need for additional financing, improving inventory turnover, and enhancing overall financial stability. Effective working capital management is crucial for maintaining a healthy cash flow and ensuring that a company can meet its short-term obligations, thereby contributing to higher profitability. A shorter cash conversion cycle/CCC (the time it takes to convert inventory into cash) indicates better working capital management. Companies with shorter CCCs can manage their cash flow more efficiently, leading to higher profitability. This is because shorter CCCs

mean less time spent on holding inventory and accounts receivable, reducing the need for additional financing and minimizing the risk of liquidity crises (Maya et al., 2023; Aldubhani et al., 2022; Kristiana & Karnasi, 2024). Effective working capital management ensures that a company has sufficient liquidity to meet its short-term obligations. This stability reduces the risk of financial distress, which can negatively impact profitability (Ningsih & Handri, 2024; Basyith et al., 2021).

Several previous studies have shown that capital has a positive and significant influence on profitability. These studies include Prastika and Sutrisna (2015), Wijaya and Utama (2016), Suartawan and Purbadharmaja (2017), Wulandari and Darsana (2017), Sasmitha and Ayuningsasi (2017), Pangayoman & Muta'ali (2017), Mahayasa and Yuliarmi (2017), Nayaka and Kartika (2018), Dangin and Marhaeni (2019), Subrata and Damanik (2019), and Nainggolan and Lorenza (2021). Based on this description, the first hypothesis is proposed:

H1: Capital has a positive effect on the profitability of the rattan home industry.

b. The effect of labor on profit

Labor can increase profit by improving productivity, enhancing quality, supporting competitive pricing strategies, driving innovation, and fostering employee engagement. However, the effectiveness of these mechanisms depends on how well labor is managed within the organization. Effective management of labor resources can lead to higher productivity, which can increase output and profit. For instance, optimizing the number of employees, their skills, and working hours can result in more efficient production processes (Yuanita, 2019). Higher labor levels can improve conformance quality, which is the ability of employees to execute prescribed processes correctly. Improved conformance quality can lead to higher-quality products or services, potentially increasing customer satisfaction and loyalty, thereby driving profit. While increased labor may improve service quality, the relationship between service quality and profitability is not always direct. However, enhanced service quality can lead to customer retention and positive word-of-mouth, which can indirectly boost profit. Companies with low labor costs can offer competitive prices, potentially increasing market share and profit. However, this strategy must be balanced against the potential impact on employee morale and productivity. Effective labor management can support profit expansion strategies. For example, companies that focus on customer service may hire more staff to handle increased customer demand, thereby driving profit growth. Increased labor can drive innovation and efficiency. For instance, more employees might lead to more ideas and solutions, which can result in new products or services that attract more customers and increase profit. Engaged and motivated employees are more productive and likely to provide better service, which can lead to higher customer satisfaction and loyalty, ultimately driving profit. Previous studies, such as Sulistiana (2013), Yuniartini (2013), Prastika and Sutrisna (2015), Wijaya dan Utama (2016), Mahayasa and Yuliarmi (2017), Wulandari and Darsana (2017), Jahrani (2018), Nayaka and Kartika (2018), Dangin and Marhaeni (2019), Putra et al. (2018), and Saragih et al. (2021), found a positive influence of labor on profit. Using this description, the second hypothesis is proposed:

H2: Labor has a positive effect on the profitability of the rattan home industry.

c. The effect of product variety on profit

Increasing product variety in a sales strategy helps expand market reach. The home industry can generate more profit by offering a diverse range of products. If demand for one product decreases, profit can still be generated from sales of other products (Wulandari et al., 2021). Varying items can appeal to distinct consumer segments, leading to increased income (Purnamasari et al., 2021). Increased product variety enhances the likelihood of consumer purchase. The product variety is expected to impact sales volume, leading to profit growth. Previous research has shown beneficial outcomes of product diversity on profit, as demonstrated by Chintya and Darsana (2018) and Astiti et al. (2016). The third hypothesis is presented according to this description:

H3: Product variety has a positive effect on the profitability of the rattan home industry.

d. The effect of digital marketing on profit

The current digital era has numerous prospects for business growth. The home sector encompasses many enterprises run by individuals or families, and leveraging digital technology can offer substantial advantages in enhancing efficiency, production, and competitiveness (Azzam & Mahmoud, 2014). The home business can access broader, worldwide markets by utilizing e-commerce platforms and social media (Kurniawati & Yuliati, 2020). Digitization enables home industries to utilize digital marketing techniques like online advertising, search engine optimization (SEO), social media, and email marketing to successfully promote their products or services and reach their target consumers at a reasonable cost. Digital marketing is a business opportunity that can boost the profit of a home industry through product promotion. Previous research has identified the positive effects of digitalization on sustainability and market performance (Budiarto et al., 2023), and digital marketing on profit as demonstrated by Krisnawati et al. (2019), Gustina et al. (2022), Jasri et al. (2022), Erawati and Pramelia (2022), and Ramida et al. (2022). The fourth hypothesis can be presented as follows:

H4: Digital marketing has a positive effect on the profitability of the rattan home industry.

e. The effect of technology on profit

Technology is crucial for enhancing both the quantity and quality. In today's world, the processing industry places significant emphasis on technology that enhances business productivity (Wijaya & Utama, 2016). State-of-the-art machinery and tools are utilized to automate production operations, save labor expenses, enhance product quality, and boost efficiency. This can lead to a substantial surge in production, thus raising income (Guntari & Prihartono, 2021). Furthermore, technology may create products with a high degree of consistency, improved energy efficiency, decreased operational expenses, and environmental footprint. Increasing energy efficiency can enhance income by lowering production expenses (Putra et al., 2018). Thus, technology can enhance the operations of the home industry, leading to increased profit. Several prior research have identified the positive effect of technology on profitability, as demonstrated by (2016), Mahayasa and Yuliarmi (2017), Dangin and Marhaeni (2019), Noviono and Pelitawati (2019), Putra and Jember (2019), Das and Sudiana (2019). The fifth hypothesis can be presented as follows:

H5: Technology has a positive effect on the profitability of the rattan home industry.

3. Research Method

The study employs a quantitative approach to examine the impact of capital, labor, product variety, digital marketing, and technology on the profitability of rattan home industry in the rattan tourism village of Galmantro in Tegalwangi Village, Weru subdistrict, Cirebon. The population comprises 217 rattan home industry enterprises in the rattan village tourism of Galmantro. The analysis unit is enterprise. Applying the Slovin procedure resulted in a sample size of 70 enterprises, which were selected with simple random sampling under the assumption of generally uniform population. Randomization is performed using the `randbetween` function in Excel.

Profit is measured as the subtraction of total revenue from total costs. Capital is measured by working capital, namely the money spent by the rattan home industry for business operations such as raw materials, fuel, and disposable tools measured in rupiah per month. Labor is the number of people who are currently working, including owners and employees, measured in *HOK* (man-hour). Product variety is measured based on the number of product types. In this case, the types of products include tables, chairs, shelves, flower pots, lampshades, baskets, children's motorcycle seats, serving hoods, chicken cages and baby swings. Digital marketing in this study is the use of social media and e-commerce used to promote and sell products and is measured by calculating the total score of the use of digital marketing platforms using a Guttman scale, namely yes / no with a value of yes = 1, no = 0. The research uses a Guttman scale because it wants to get firm answers from respondents. The questionnaire items are as follows: 1) do you use Facebook to promote your products? 2) do you use Instagram to promote your products? 3) do you use TikTok to promote your products?

4) do you use WhatsApp to promote your products? 5) do you sell your products on Shopee? 6) do you sell your products on Tokopedia? 7) do you sell your products on Lazada? 8) do you use any other platforms to sell or promote your products? Please mention! Technology is measured by the present value after deducting the depreciation of the machinery used in producing rattan handicrafts.

The collection of primary data involved conducting interviews with respondents, during which a set of predetermined questions from the questionnaire were asked. The data analysis techniques include income analysis and multiple linear regression. The purpose of income analysis is to determine the profit generated by home industries by calculating the difference between total profit and production costs. This is followed by performing multiple linear regression analysis to establish the causal relationship between the independent variables and the dependent variable using the following model. Multiple linear regression analysis includes classical assumption tests such as normality, multicollinearity, and heteroscedasticity.

$$P = \alpha + \beta_1 C_i + \beta_2 L_i + \beta_3 Pr_i + \beta_4 Dig_i + \beta_5 T_i + \varepsilon \dots \dots \dots (1)$$

where:

- P : Profit
- α : Constant
- $\beta_1 \dots \beta_5$: Regression coefficients
- C : Capital
- L : Labor
- Pr : Product variety
- Dig : Digital marketing
- T : Technology
- ε : Error term

4. Results and Discussion

The objective of this study is to examine the profitability of the rattan craft home industry in the Galmantro Tegalwangi Tourism Village, as well as the factors that influence it, including capital, labor, product variety, digital marketing, and technology. Table 1 presents the demography of respondents. Table 1 shows that majority of respondents are within the range of 35-39 years old, male, and completed senior high school.

Table 1. Respondents' demographic characteristics

No.	Age (years)	Frequency	Percentage
1.	30 – 34	11	15.71
2.	35 – 39	24	34.29
3.	40 – 44	17	24.29
4.	45 – 49	12	17.14
5.	50 – 54	6	8.57
No	Sex	Frequency	Percentage
1.	Male	51	72.86
2.	Female	19	27.14
No.	Education	Frequency	Percentage
1.	Elementary school	4	5.71
2.	Junior high school	24	34.29
3.	Senior high school	29	41.43
4.	Diploma	8	11.43
5.	Bachelor	5	7.14

In order to determine the profits of the rattan home industry, it is necessary to have knowledge of the overall profit and costs. The total profit of the rattan home industry is calculated from the number of rattan craft products produced per month multiplied by the product price in rupiah. The average total income for the rattan home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village, is Rp10,258,285.71 per month. Table 2 shows the distribution of total profits as follows:

Table 2. Distribution of Profit

No.	Total Profit (Rp)	Frequency	Percentage
1.	6,540,000 – 8,102,000	17	24.29
2.	8,102,001 – 9,664,001	5	7.14
3.	9,664,002 – 11,226,002	28	40.00
4.	11,266,003 – 12,788,003	12	17.14
5.	12,788,004 – 14,350,004	8	11.43
Total		70	100.00

Source: Processed Primary Data, 2023

Table 2 shows the highest total profit of IDR 14,350,000 per month and the lowest total profit of IDR 6,540,000 per month. The majority of respondents were in the interval of total profit between IDR 9,664,002 – IDR 11,226,002.

The total costs calculated in this research include total fixed costs plus total variable costs. The calculation of the average total monthly costs of the rattan home industry is as follows:

$$\begin{aligned} \text{Total Costs (TC)} &= \text{Fixed Costs (FC)} + \text{Variable Costs (VC)} \\ &= \text{Rp}503,035.71 + \text{Rp}7,010,964.29 \\ &= \text{Rp}7,514,000 \end{aligned}$$

The average total costs incurred by the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village is IDR 7,514,000 per month. Based on the total cost calculation, the total cost components include fixed costs and variable costs with the calculation results as follows. The fixed costs in this research includes depreciation costs for machinery and equipment, as well as warehouse rental costs. The average fixed costs incurred by the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village, are IDR 503,035.71 per month. Table 3 shows the distribution of fixed costs.

Table 3. Distribution of Fixed Costs

No.	Fixed Costs (Rp)	Frequency	Percentage
1.	307,500 – 510,000	53	75.71
2.	510,001 – 712,501	0	0.00
3.	712,502 – 915,002	0	0.00
4.	915,003 – 1,117,503	11	15.72
5.	1,117,504 – 1,320,004	6	8.57
Total		70	100.00

Source: Processed Primary Data, 2023

Table 3 shows that the highest fixed cost is Rp1,320,000 per month and the lowest fixed cost is Rp307,500 per month. The majority of respondents are in the lowest fixed cost interval, between Rp307,500 – Rp510,000.

The variable costs calculated in this research include the costs of purchasing raw materials, fuel, disposable tools such as nails, salary costs and electricity costs. The calculation results show that the average variable costs incurred by the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village is Rp7,010,964.29 per month. Table 3 shows the distribution of variable costs.

Table 4. Distribution of Variable Costs

No.	Variable Costs (Rp)	Frequency (people)	Percentage (percent)
1.	3,340,000 – 4,755,500	17	24.29
2.	4,755,501 – 6,171,001	5	7.14
3.	6,171,002 – 7,586,502	4	5.71
4.	7,586,503 – 9,001,003	33	47.14
5.	9,001,004 – 10,417,504	11	15.71
Total		70	100.00
Mean		7,010,964.29	

Source: Processed Primary Data, 2023

Table 4 shows that the highest variable cost is Rp10,417,500 per month and the lowest variable cost is Rp3,340,000 per month. The majority of respondents were in the variable cost interval between Rp7,586,503 – Rp9,001,003.

Based on research results, the selling price of rattan craft products ranges from Rp40,000 – Rp250,000 per unit, while the number of rattan craft products sold each month ranges from 40 – 148 units per respondent. The calculation of the average monthly profit for the Home Rattan Industry is as follows.

$$\begin{aligned} \text{Profit } (\pi) &= \text{Total Profit (TR)} - \text{Total Cost (TC)} \\ &= \text{Rp10,258,285.71} - \text{Rp7,514,000} \\ &= \text{Rp2,744,285.71} \end{aligned}$$

The average total profit is Rp10,258,285.71 per month with the average total costs incurred being Rp7,514,000 per month so that the average profit for the rattan craft home industry is Rp2,744,285.71 per month. The highest profit obtained by the rattan craft home industry in the Galmantro Rattan Tourism Village is Rp3,600,000 per month, while the lowest profit is Rp2,200,000 per month.

Apart from analyzing the profits of the rattan craft home industry in the Galmantro Tourism Village, multiple linear regression analysis was also performed to analyze the determinants of profit of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village. Table 5 shows the estimation of multiple linear regression model.

Table 5. Estimation of Multiple Linear Regression

Variables	Coefficients (B)	t
Constant	-2793391.598	-2.568
Capital (K)	0.377***	3.439
Labor (L)	33361.797***	5.841
Product variety (Pr)	15503.758	1.127
Digital Marketing (Dig)	18560.087	0.738
Technology (T)	0.140***	3.371

Source: Output of Data Analysis, 2023

Based on the results of multiple linear regression, the following estimation can be written as follows.

$$P = -2793391,598 + 0,377K + 33361,797L + 15503,758Pr + 18560,087Dig + 0,140T \dots (2)$$

Hypothesis testing is carried out to determine the effect of the independent variables on the dependent variable. In this research, the hypothesis testing used is one tail t test. The constant coefficient value is 2793391.598 with a negative value indicating that if all variables remain constant, then there will be a decrease in the profits of the rattan craft home industry by Rp2,793,391,598 per month. The capital coefficient value is 0.377 with a positive value so $\beta_1 > 0$ then H_1 is accepted. This shows that every additional capital of 1 rupiah per month will increase the profits of the rattan craft home industry by Rp0.377 per month. The t statistic for capital is 3.439 with error probability of 0.001 ($0.001 < 0.05$) and a t table of 1.998. Based on these results, the statistical t value $>$ t table value or p-value < 0.05 so that H_0 is rejected or H_1 is accepted. Thus, capital has a significant positive effect on the profits of the rattan craft home industry in the Galmantro Tourism Village, Tegalwangi Village.

The labor coefficient value is 33361.797 so $\beta_2 > 0$ then H_2 is accepted. This shows that every additional workforce of 1 man-hour will increase the profits of the rattan craft home industry by Rp33,361,797 per month. The t statistic for labor is 5.841 with error probability of 0.000 ($0.000 < 0.05$) and t table of 1.998. Based on these results, the statistical t value $>$ t table or p-value < 0.05 is so that H_0 is rejected or H_2 is accepted. Thus, labor has a significant positive effect on the profits of the rattan craft home industry in the Galmantro Tourism Village, Tegalwangi Village.

The product variety coefficient value is 15503.758 so $\beta_3 > 0$ then H_3 is accepted. This shows that every increase in the number of product variety by 1 unit will increase the profits of the rattan craft home industry by Rp15,503,758 per month. The t statistic for the product variety is 1.127 with error probability of 0.264 ($0.264 \geq 0.05$) and a t table of 1.998. Based on

these results, t statistics $\leq t$ table or p -value ≥ 0.05 , then H_0 is accepted or H_3 is rejected. Thus, product variety does not have a significant effect on the profits of the rattan craft home industry in the Galmantro Tourism Village, Tegalwangi Village.

The digital marketing coefficient value is 18560.087 so $\beta_4 > 0$ then H_4 is accepted. This shows that every increase in the amount of digital marketing by 1 type will increase the profits of the rattan craft home industry by Rp18,560,087 per month. The t statistic for digital marketing is 0.738 with error probability of 0.463 ($0.463 \geq 0.05$) and a t table of 1.998. Based on these results, t statistic $\leq t$ table or p -value ≥ 0.05 , then H_0 is accepted or H_4 is rejected. Thus, digital marketing does not have a significant effect on the profits of the rattan craft home industry in the Galmantro Tourism Village, Tegalwangi Village.

The technology coefficient value is 0.140, so $\beta_5 > 0$ then H_5 is accepted. This shows that every technological improvement of 1 rupiah per month will increase the profits of the rattan craft home industry by Rp0,140 per month. The t statistic for the technology is 3.371 with error probability of 0.001 ($0.001 < 0.05$) and a t table of 1.998. Based on these results, t statistics $> t$ table or p -value < 0.05 so that H_0 is rejected or H_5 is accepted. Thus, technology has a significant positive effect on the profits of the rattan craft home industry in the Galmantro Tourism Village, Tegalwangi Village.

The coefficient of determination (R^2) is used to measure how much the model's ability to explain variations in the dependent variable. The value of Adj. R-Square is 0.734 or 73.4 percent. This shows that 73.4 percent of the profits of the rattan craft home industry is explained by the variables of capital, labor, product variety, digital marketing and technology, while the remaining 26.6 percent is explained by other variables outside the research model used, such as demand, product innovation, promotion, firm age, product price and so on.

The authors have carried out classical assumption tests. Based on the results of the Kolmogorov-Smirnov test, we obtained a significance value of $0.176 > 0.05$, indicating that the data is normally distributed. The multicollinearity test revealed that independent variables such as capital, labor, product variety, digital marketing, and technology have a tolerance value ≥ 0.10 and the Variance Inflation Factor (VIF) value is ≤ 10 , suggesting that the regression model used in the study does not exhibit multicollinearity. Furthermore, the results of the heteroscedasticity test indicate that independent variables such as capital, labor, product variety, digital marketing, and technology have a significant value greater than 0.05. This suggests that these variables demonstrate homoscedasticity.

a. The influence of capital on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village

The result indicates that capital has a significant positive effect on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village. Capital is one of the main production factors which determine production output and has an impact on the profits (Putra & Sudirman, 2015). In production theory, the capital production function describes the relationship between the amount of capital and the volume of output (Mandei & Tuwongkesong, 2015). A business unit will select and optimize the use of its capital to achieve optimum production. Each additional unit of capital can result in a significant increase in output.

In this research, the capital used for daily business operational activities such as purchasing raw materials, fuel and disposable tools. The capital required for the production process ranges from Rp1,000,000 – Rp2,500,000 per month. Capital in the form of raw materials, fuel and disposable tools used for the production process are able to influence the number of products, thereby impacting the profits received by the rattan craft home industry. With large capital, more operational costs can be met and the products will be more diverse. The majority of respondents use production capital ranging from Rp1,500,002 – Rp1,750,002 per month. In this case, the greater the capital spent, the profits of the rattan craft home industry will also increase.

The results of this research are in line with those conducted by Prastika and Sutrisna (2015); Wijaya and Utama (2016), Suartawan and Purbadharmaja (2017); Wulandari and Darsana (2017), Sasmitha and Ayuningsasi (2017), Pangayoman & Muta'ali (2017), Mahayasa and Yuliarmi (2017), Nayaka and Kartika (2018), Dangin & Marhaeni (2019), Subrata and

Damanik (2019), and Nainggolan and Lorenza (2021) stated that capital has a positive and significant effect on craft industry income. This is because capital is a tool for operationalizing production activities, without capital production will not run smoothly. Apart from that, research conducted by Butarbutar et al. (2017), Anggraini et al. (2019), Kusmawan et al. (2021), Oktaviana et al. (2021), Habriyanto et al. (2021), and Puspa (2022) also find that capital has a positive and significant effect on food industry income. The more capital you have, the greater the opportunity to obtain higher income because more products can be produced.

b. The influence of labor on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village

Labor is one of the main production factors that supports the operational production of goods and services (Dangin & Marhaeni, 2019). In production theory, the labor production function describes the relationship between the amount of labor used and the volume of output (Mandei & Tuwongkesong, 2015). A business unit will select and optimize the number of workers needed to achieve the desired production results.

The finding indicates that labor has a significant positive effect on the profits of the rattan home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village. Labor is a very important factor in the production process because labor is a driving factor for other inputs (Nayaka & Kartika, 2018). The more labor used will increase the profits of the rattan home industry. This is because all rattan craft products are handmade by rattan craftsmen so that each Tegalwangi Village rattan craft product has its own characteristics in accordance with the cultural values and traditions of the community. Therefore, in the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village, labor has a very important role in production activities.

The results of this research are in line with Sulistiana (2013), Yuniartini (2013), Prastika and Sutrisna (2015), Wijaya and Utama (2016), Mahayasa and Yuliarmi (2017), Wulandari and Darsana (2017), Jahrani (2018), Nayaka and Kartika (2018), Dangin and Marhaeni, (2019), Putra and Jember (2019), and Saragih et al. (2021) who find that labor has a positive and significant effect on craft industry income. This means that when the workforce increases, the demand that can be met will be greater so that the income received by the company will also increase. Apart from that, research conducted by Winarsih et al. (2014), Malik et al. (2017), Anggraini et al. (2019), Habriyanto et al. (2021), Oktaviana et al. (2021), Kusmawan et al. (2021), and Puspa (2022) also find that labor has a positive and significant effect on food industry income.

c. The influence of product variety on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village

The finding indicates that product variety does not have a significant effect on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village. This is because the rattan home industry only produces certain types of products according to consumer demand. The rattan craft home industry tends to focus on producing superior products.

The majority of rattan craft home industry business owners produce chairs with a frequency of 52 respondents. The superior rattan craft products of Tegalwangi Village are chairs with total production of 1,086 units as of November 2023, followed by shelves and lampshades with total production of 743 units and 701 units. The types of superior products that are widely exported are furniture such as chairs, tables, shelves, lampshades and flower pots. In this case, the owners of the rattan home industry believe that adding product variety will increase production costs because it will require more skilled labor to produce other types of products.

The results of this research are in contrast to Chintya and Darsana (2018), and Astiti et al. (2016) who find that product variety has a significant positive effect on traders' income. However, this research is in line with Nabela (2017) that the type of product has no effect on income because even though the types of products offered vary, traders still compete with relatively the same products. Apart from that, research conducted by Pande and Dewi (2019) also find that product variety does not have a significant effect on traders' income.

Product variety can significantly influence profitability, but its effects are nuanced and context-dependent. Increased product variety often leads to higher sales volumes and potential profit gains, particularly in manufacturing settings where modular architectures allow for efficient variant production (Zhu et al., 2017). However, the benefits may be limited by geographic demand heterogeneity, as firms may overestimate consumer welfare gains from variety without accounting for local market preferences (Quan & Williams, 2018). Moreover, while offering multiple product variants can help firms manage strategic consumer behavior—potentially reducing losses compared to a single-product approach—this strategy can backfire if the additional variants are unprofitable or if customer impatience affects purchasing decisions (Parlaktürk, 2012). Excessive product proliferation can also complicate supply chain processes, leading to increased costs that may erode profit margins despite satisfying diverse customer needs (Huang & Su, 2013). Thus, while product variety can enhance profitability, careful management is essential to mitigate associated risks and complexities.

d. The influence of digital marketing on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village

The result indicates that digital marketing has no significant effect on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village. The digital media platforms used tend to be homogeneous, namely Facebook, WhatsApp and Shopee. Only a small percentage of respondents use other digital media platforms such as Instagram, TikTok, Tokopedia and Lazada. The majority of rattan craft home industry business owners use Facebook, WhatsApp and Shopee with a frequency of 63, 34 and 31 respondents respectively. Apart from that, a lack of understanding of appropriate strategies for creating digital marketing content and product branding is also a factor causing nonoptimal use of digital marketing.

The results of this research contradict with Krisnawati et al. (2019), Dharma et al. (2022), Gustina et al. (2022), Jasri et al. (2022), Erawati and Pramelia (2022), and Ramida et al. (2022) who find that digital marketing has an effect on MSME income. However, this research is in line with Agnesia and Saputra (2022) that e-commerce has no effect on increasing MSME income due to the lack of knowledge, ability and expertise of business actors to utilize existing digital media. Habiba and Prasetyia (2022) also finds that e-commerce does not have a significant effect on MSME income because even though e-commerce can be an alternative to increase income, not all business actors have the capability to use and utilize it to the maximum level.

Digital marketing may not necessarily increase profit due to several factors highlighted in the literature. Firstly, while digitization can lower production costs, it may lead to price reductions as vendors attempt to attract more customers, ultimately compromising profitability. This phenomenon occurs because customers anticipate price drops and delay purchases, creating a downward pricing spiral that affects profit margins negatively (Yasushi & Seungjin, 2021). Additionally, research indicates that small and medium-sized enterprises often struggle to establish a direct correlation between e-marketing efforts and profitability, suggesting that traditional management practices may hinder effective utilization of digital marketing strategies (Abolfazl et al., 2014). Furthermore, in rural areas, despite the adoption of digital marketing tools, challenges such as limited access to technology and consumer preference for traditional communication methods can restrict the effectiveness of these strategies, leading to minimal impact on sales and profitability (Zizipho, 2024). Thus, while digital marketing has the potential to enhance visibility and customer engagement, its actual impact on profitability can be limited by market dynamics and operational challenges.

e. The influence of technology on the income of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village

The results indicates that technology has a significant positive effect on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village. The rattan craft home industry uses technological assistance to simplify the production process, such as fitting machines, cutting machines, oven, polishing machines, dowel machines and nail firing machines. According to the owner of the rattan craft home industry business, to start a rattan craft business, at least a fitting machine, a rattan cutting machine and a rattan

oven machine are needed. All business owners have the three main machines with a frequency of 70 business owners for each machine. Apart from that, the majority of rattan craft home industry business owners have a current value of machines in the interval of Rp27,300,000 – Rp27,930,000 with a frequency of 47 business owners. Technological assistance in the form of machines can speed up and simplify the production process. The use of technology in the production process is an effort to increase output. By increasing the volume of output, the profits will also increase.

The results of this research are in line with Wijaya and Utama (2016), Mahayasa and Yuliarmi (2017), Dangin & Marhaeni (2019), Noviono and Pelitawati (2019), Putra and Jember (2019), Das and Sudiana (2019), who find that technology has a positive and significant effect on the income of the craft industry, meaning that the more modern the technology used, the income received will also increase. Apart from that, research by Utari and Dewi, (2014), Marfuah and Hartiyah (2019), Hasanah et al. (2020), Sidik and Ilmiah (2022) and Rapii et al. (2023) also find that technology has a positive and significant effect on MSME income because the use of technology can accelerate business productivity which will ultimately increase income.

5. Conclusion

This study finds that capital, labor and technology have a significant positive effect on the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village. Therefore, these three factors need to be improved. Meanwhile, product variety and digital marketing do not have a significant effect on the profits of the rattan craft home industry. Based on the findings, rattan craft home industry businesses need to pay attention to the quality of their workforce in order to increase their productivity. So, various training is needed to develop the quality of the rattan crafts workforce in the Galmantro Rattan Tourism Village, Tegalwangi Village. This implies that in order to increase the profits from the rattan home industry, craftsmen should improve their skills in producing higher quality rattan products. In addition, the use of technology is supposed to increase the quantity and quality of rattan products. By improving this quality, the selling value of the product and profit will increase. Apart from that, the technology used is not only to increase the productivity of the rattan, but the use of technology must also support the promotion and marketing of rattan craft products.

As of limitation, in this research, some respondents did not maintain bookkeeping so the answers given by respondents during the research may not be accurate. Apart from that, the variables used in this research are limited to five variables including capital, labor, product variety, digital marketing and technology. Therefore, this research can only explain 73.4 percent of the variation in the profits of the rattan craft home industry in the Galmantro Rattan Tourism Village, Tegalwangi Village, while 26.6 percent is explained by other variables. Thus, further research can add other variables not included in the model.

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