

Model Development of Home Industries to Improve Family Income

ABSTRACT

Women have a big role to build the family economic, through home industry activities, with out reducing her main obligation as a housewife. The purpose of this paper is to design appropriatness strategy for developing home industries using AHP (Analytical Hierarchy Process) and SAST (Strategic Asumption Surfacing and Testing). Results study showed there are five main barriers to the development of home industries(1) consistency of product, (2) Capital, (3) finance management, (4) transfer of skill and (5) access to information and policy. While the driver power are consumer confidence, motivation, entrepreneurship, innovation and creativity. There are three groups of home industries : beginner, developing and developed, which diferent characteristics. The most suitable strategy to develop home industry for each groups are production process; product design and marketing and networking.

1. Background

The success of development shouldn't be measured by economic growth only, but also human resources development. The improvement of the quality of life of human is a continuous effort by the government to achieve better living. This development effort is intended for the general population, whether men or women. However, in its implementation, some women are left behind in achieving quality of life. This may happen because gender equality and equity haven't been fully integrated in development, although women play a major role in rural development, and economics family (Gegrorian, 2007; Marlow and Mcadam, 2013).

Although women have a very big role in their families, and even national development, policies and their implementations don't provide any space for women to live as they should. Access, benefits, participation, and control on economic resources are limited. Women's access and control to institutions and organizations, whether formal or traditional, are limited to institutions related to their gender role, such as Family Welfare Guidance (PKK), regular social gathering (arisan), etc..

Government efforts to improve public welfare by involving women include Integrated Village Development since 1970. Even after releasing the Instruction of the President of Indonesia Number 9 of 2000 on Gender Mainstreaming (PUG) and National Development, as well as Regulations of the Minister of Finances No 119/2009; No 105/2010 and 93 /2011 on PUG. PUG is a strategy, not goal. This strategy was formulated so that the design, implementation, monitoring, and evaluation across sectors are realized. This strategy aimed to increase the role of women in development, especially to improve family welfare. The legal basis of the implementation of PUG at lower levels are regulated in the Regulation of the Minister of Internal Affairs No. 15 of 2008, on General Guideline of the implementation of PUG in development in local regions which in renewed by the Decision of the Minister of Internal Affairs No. 67 of 2011. To support the implementation of PUG, using the Regulation of the Minister of Finances No. 119 of 2009, the government released Gender Responsive Budget (ARG) policy. Then, in the Decision of the Minister of Finances No. 104 of 2010 and

the Decision of the Minister of Finances No. 93 of 2011, the implementation of ARG is extended to social, economic, and political developments.

Opening access, benefits, participation, and control on economic resources to women is very important considering the government policies above. Furthermore, the designs of gender responsive equipment and activities should be developed to expand the role of women.

The role and participation of women in micro enterprises are still often overlooked. The inequality is reflected in the number women's participation in work. The result of population census in 1990 showed that the percentage of female workforce in working-age population was almost 40%. Labor force participation rates (TPAK) of women in 2005 was 48,4% and in 2008 it was 51,1%. Despite the increase, compared with the TPAK of men, the work participation of women was still low. In 2005, the TPAK of men was 84,9% and in 2008 it was 83,5% (Sakernas, 2008).

By sector, micro businesses are often run by women as subcontracting workers or homeworkers and family labor. Micro home, trade, and service industries sector involve many women, but the participation is cover, so it's rarely recognized.

The covert nature of women's participation in their family economics is one of the characteristics of female workers in Home Industries. Other characteristics are low wage, double workload, low access to improve skills, and discrimination in their work environments. In free market and competition, when low production cost is the focus of producers, it's predicted that the participation of women in the production process will increase, but the welfare won't improve.

The benefits, role and participation of women in Home Industries are often ignored due to perception on women working at home which is associated with women's domestic roles, as well as seasonal, part time and informal aspects of most jobs for women. *Didia, P.Freeman, J.C. Assad, and J.Yuan (2015) stated* that labour force of wowed has a positive correlation with economic growth. While Nobari, K. Mohamadkhani, A. M, Davoudi (2014) stated that behaviour of labour have significant

The main characteristics of home industries are integrated industrial activities and residential homes, limited capital, labor, and technology. Home Industry is defined as a production system which means a product is produced by a process to create added value from certain materials, which is performed in an individual's residential house and not a special location (factory). The production process uses production infrastructures, facilities and other equipment which are owned by individual/a business group/cooperative. Generally, the products of Home Industries are handmade, unique in significantly different ways, and often associated with local wisdom and targeted technology. Smith (2014) stated that wife, partner is the most important aspects for developing home industries in term of business scale.

Home industries In reality, the products of Home Industries are often identified by production area (Pekalongan batik, Kediri tofu, Tasik umbrella) or family name (Bu Citro's gudek, Cak Man's meatballs, Bugis sarong). The result of the study by Widiastuti, R; Awang, S.A; Prayitno, T.A. Warsito, Sofyan P. (2011) shows that the technologies used in home industries is very simple and the production process is manual (*handmade*), moreover, they rely on their own capitals. *Husain, Li Xiao Xiao (2016) stated* that women leader in Small Medium Enterprise (SME) have a stronger motivation and spirit of the men.

The study of Center for System and Ministry of Women Empowerment and Child Protection (KPP and PA) in 2013 classifies Home Industries (IR) into three types by the level of business continuity, capital, production process technology, number of workforce, and sales system. They are: (1) Startup IR which is characterized by 1-2 workers who are all

members of the household, non-continuous production with uncertain production system. Average income/month 1-5 million. (2) Developing IR which is characterized by continuous production and fixed sales system. The level of business continuity is high because it can manage the business well. The capital is around 25 - 50 million rupiah from personal assets and credit from formal Microfinance Institutions, total worker is 2-5 people, and (3) Developed IR, the production process uses high/clean technology with total worker of 5-10 people including the owner. Hopefully, after passing the classification of Developed IR, other Ministries who handle Small Industries develop them more intensively.

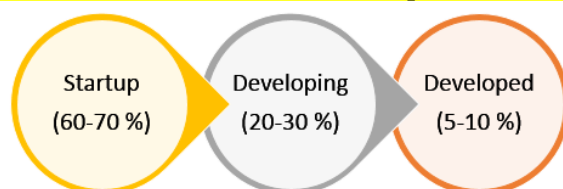


Figure 1. Proportion of national home industries (PSP3 IPB, 2011)

Since 2012 Kendal Regency has been appointed to be the pilot project of national home industry, however, the development of home industry until now is still now maximum and dominated by startup home industry group. Therefore, there should be an effective development based on scientific studies which enables the development of home industry and startup group.

2. Methodology

The methodology used in this study systemic approach. This method was selected because home industry development is complex and involves various actors and factors, so systemic approach as a holistic was the appropriate choice. Data was collected by expert discussion and field visit. Data analysis by SAST (Strategic Assumption Surfacing and Testing) method which was developed by Mason and Mitroff (1981), and AHP (Analytical Hierarchy Process) developed by Saaty (1983), and ISM (Interpretative structural modeling) method (Saxena,1994).

SAST was selected to determine basic assumptions which must be considered in home industry development, AHP to determine the appropriate strategy based on the objective condition, and ISM to design the appropriate organizational structure and identify institutions related in home industry development in Kendal Regency.

3. Result and Discussion

Public perception on women's occupation always places it in the context of household activities. Most of women's work, especially in villages, is revolved around household, so it's not easy to clearly separate the types or characteristics in market or non-market, economic or non-economic, production or reproduction groups. The difficulty leads to simplification of definition of women's occupations because a lot of work activities take place at home, it's considered household chores.

Homeworkers are labors pair to produce goods on their own account and by bearing the risks themselves. Homeworkers, unlike other worker groups, are in a decentralized production organization framework with subcontract system or putting out. In this system, job owners or capital owners pay people to work in their own homes. Beside raw materials and supporting materials which are provided by the capital owners, all facilities and job security are borne by the workers. This wage system is profitable for the capital owners because they're responsible for providing work facilities and other obligations aside from

paying wage. Therefore, an effective government policy on Home Industry business environment is required to realize social welfare and better quality of life for these families.

The result of identification of home industry in Kendal Regency showed 8 indicators related to home industry development, which are shown in table 1 below :

Table 1. Identification of Characters of Home Industry

Factor and Benchmark	Parameter		
	IR 1 Startup	IR 2 Developing	IR 3 Developed
A. HUMAN RESOURCES FACTORS			
1. Entrepreneur/Manager/Owner	F(1), M(0-1)	F(1-2), M(0)	F(3-5), M(0)
2. Part Time Worker	F(0-2), M(0-2)	F(2-5), M(2-5)	F(5-10), M(5-10)
3. Full Time Worker	F(0), M(0)	F(1-5), M(0-3)	F(3-10), M(3-5)
B. CAPITAL FACTORS			
1. Own capital	Plenty (80-100%)	Some (0-40%)	Few (0-10%)
2. Loans from relatives/colleagues	Some (0-20%)	Some (0-40%)	Few (0-20%)
3. Revolving fund/and State/Local Budget Reinforcement	None	Plenty (20-60%)	Few (0-30%)
4. Cheap Credit	None	Few (0-20%)	Some (20-60%)
5. Banking Credit/KUR	None	None	Plenty (40-80%)
C. PRODUCTION FACTORS			
1. Technology Application	Simple	Efficient	Modern
2. Product Quality Provision	Good	Good	Very Good
3. Raw Material Provision	Irregular	Regular	Stock
4. Process Management	Unstructured	Structured	Applying key Performance Index
5. Business Administration	Manual	Semi - electronic	Electronic
D. BUSINESS FACTORS			
1. Raw Material Market	Unpredictable	Fluctuating	Predictable
2. Production Cost	Uncounted	Recorded	Recording and Counted
3. Selling Price	Unpredictable	Fluctuating	Periodic Certainty
4. Profit Estimation / Income Per Period	300 thousand – 1 million/month	1-5 million/month	> 5 million/month
5. Minimum Feasibility	Breakeven	B/C : 1.2 – 1.5	B/C : > 1.5

Factor and Benchmark	Parameter		
	IR 1 Startup	IR 2 Developing	IR 3 Developed
E. BUSINESS CONTINUITY FACTORS			
1. Product Marketing	Unpredictable	Certain Buyers	Regular Buyers
2. Consumer Character	Very varied	Varied	Standard
3. Change of Process Technology	Infrequent	Frequent	Frequent
4. Environmental Control	None	Few	Regular
5. Business License	Informal	Semi – formal	Formal
F. BUSINESS ENVIRONMENT FACTORS			
1. Market Scope	Local	Local in the region	Interlocal
2. External Capital Access	None	Difficult	Plenty
3. Transportation/Road Access	None	Optional	Required
4. Infrastructures : water / energy	Inadequate	Inadequate	Adequate
5. Institutional Support	Low	Inadequate	High
G. SOCIAL FACTORS			
1. Gender equality in business decision making	Very Good	Good	Adequate
2. Empowerment by business world	None	Some	Initiative
3. Participation of community activities	High	Medium	Low
4. Labors' Education	Literate – Elementary School	Junior High School – High School	> High School

Strategic assumptions were formulated from the results of meetings and discussions between experts from various fields. The assumptions were (A) Initiative and creativity of female entrepreneurs in producing potentials of Startup IR (informal sector), (B) Market capability and opportunities identified by female entrepreneurs to become Developing IR (UM), (C) Innovation and implementation of technologies owned by female entrepreneurs to reach the status of Developed IR (formal sector/SME), (D) Coordinated and planned participation Local Government/SKPD to organize and develop IR, (E) The function of Women Empowerment Agency in developing women's entrepreneurial capacity, (F) NGOs' participation in improving gender equality in local economic activities, (G) The function of MSME business consultation agencies in reinforcing the business continuity of IR, (H) The function of MSME financial institutions in reinforcing the capital of Startup IR, (I) Local Government Leaders who motivated and guided IR development policies, (J) IR partnership

with large enterprises/large traders in marketing and improving product quality and (K) Relation between poverty alleviation program and IR reinforcement and progress.

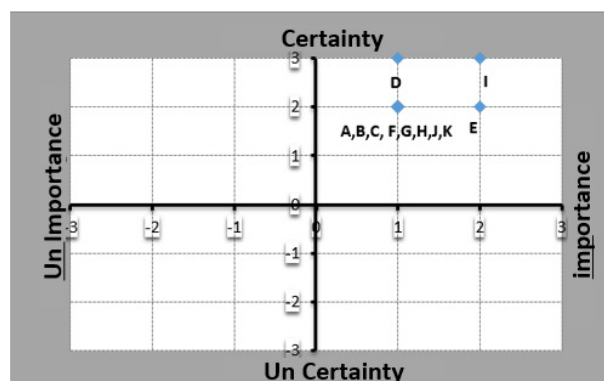


Figure 2. Quadrant of SAST Assumptions

SAST in 2 was processed, showing that strategic assumptions which had the highest levels of significance and importance was (I) Local Government Leaders who motivated and guided IR development policies. Meanwhile, strategic assumption which also had high significance and lower level of certainty was (E) The function of Women Empowerment Agency in developing women's entrepreneurial capacity.

The result of AHP analysis showed that the highest priority program was Productivity and Technology Improvement Program (0.400) and IR Capital Reinforcement Program (0.332), Product Marketing Expansion (0.197) and finally Women Empowerment (0.072).

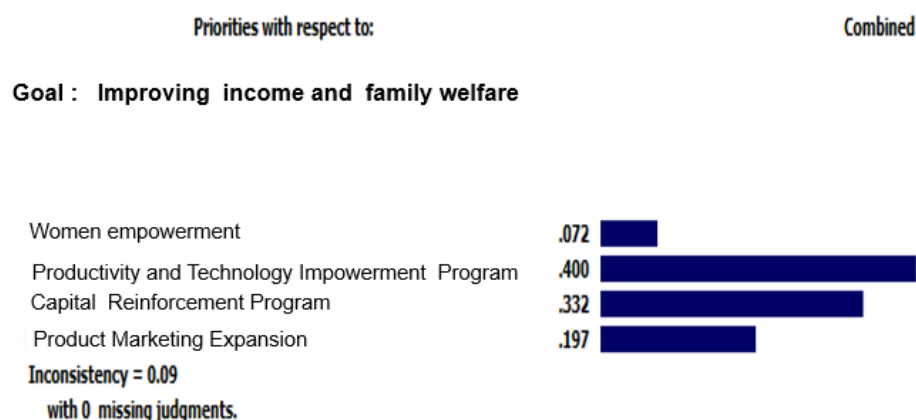


Figure 3. Program Priority

Home Industry is a private business unit where profitability is the indicator of success. Business capability is measured by how it obtains income, control budget and comply with regulations in effect. Business is a legal practice to obtain monetary income by adding profit or reducing cost. However, the micro enterprise category attached to Home Industry creates

an association with public life and social ethics. Therefore, IR development requires flexible mechanism and cross-sectoral support from central and local government agencies.

The complex characters of Micro enterprises with high production dynamics require gradual management, from the initiation of startup IR to establishment as Formal SME. The start-up stage is started by entrepreneurial ideas to capture market opportunities. After startup IR is established, despite the high bankruptcy rate, it should be maintained to become Developing IR. The next stage is expanding the business into Developed IR which is formalized by development process into Cooperatives or Limited Liability Company SME. The following table shows medium-term plan in IR transformation process.

Similar to other enterprises, IR is also expected to grow the business to a larger scale to create family welfare. The requirements of the transformation of IR are shown in table 2, while the transformation of home industry is shown in figure 5.

Table 2. The Support Required for IR Transformation

Note	Transformation of Startup IR → Developing IR	Transformation of Developing IR → Developed IR	Transformation of Developed IR → SME
Required Support	1. Non-bank capital loan 2. Process technology fits products 3. Training /consultation from Local Government/ Regional Work Units (Management, business, TTG, Character development, Entrepreneurship) 4. Sanitation and cleanliness of business environment 5. Business grouping (KUBE)	1. Product packaging (Technique, design, material) 2. Marketing expansion (E-commerce, Online) 3. The role of local governments in promotion 4. Process technology (Improving quality and added values) 5. Institutional status, the role of local governments (Pre cooperative) 6. Expansion of production location to increase capacity 7. Capital from micro financial institutions (LKM/KSP)	1. Soft Loan Capital from Banks 2. Product packaging (design) 3. Production diversification 4. The role of local governments in promotion outside of the regions 5. Improving the quality of Human Resources 6. Business legality

Figure 5. Transformation Process of IR

6. Conclusion and Suggestion

6.1. Conclusion

One of the components of micro and small enterprises which still needs attention from the government is Home Industry (Cottage Industry) in the household economy which involve many women. Women empowerment in the sector is relevant with the strategic plan of Ministry of Women Empowerment and Child Protection (KPPPA), particularly in the context of Gender Mainstreaming (PUG) in economy. Women Empowerment in household economy will have major impact in improving national economic resilience, especially in facing socio-economic crises which may happen any time.

Home industry has the potential to reinforce family strength, whether in terms of economic, health or education aspects, and more harmonious relations between family members. Home Industry generally utilize and produce local products as finished goods by involving many producers who work at home as part-time workers.

Therefore, the development of Home Industry is an implementation of Law No. 20 of 2008 on equitable economic growth to give opportunities for female human resources through access to capital, technology and marketing. There should be cross-sectoral coordination and close cooperation between central and local governments and private parties and financial institutions.

Successful development of millions of home industries in cities and rural areas across the country will create development distribution in every region in informal sector which create high quality economic growth where family welfare is an inseparable part of it. Therefore, the principles of Social Justice for All of the People of Indonesia and Just and Civilized Humanity can be realized consistent with the goals of Indonesian development and national interests.

6.2. Suggestion

To improve the role of home industry in family economics, there should be cross-sectoral support and cooperation to develop home industry. The government also should pay more attention by providing capital and improving the quality of female human resources working in home industry.

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