THE EFFECT OF CAPITAL, ESTABLISHMENT, LABOR, AND EDUCATION ON INCOME CREATIVE INDUSTRIES
(Case Study in Handicraft Industry Malang)

Journal

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Abstract

Creative industries have an important role in the economy of a region. Including in the city of Malang, in particular the creative industries in the handicraft sector. The important role of one of them is to expand employment. In Malang, there are four excellent creative industries subsector craft industry including furniture, industrial sanitary, rattan industry, and industrial ceramics. In the development of creative industries Malang craft sector need to be analyzed variables that affect the income of businesses. Variables which will be studied include capital, establishment, labor, and education.

This study used secondary data obtained from the Central Bureau of Statistics, Department of Industry and Trade of Malang, Books, Journals, Internet and primary data through direct interview to businesses with a questionnaire that had been prepared. Number of all the handicraft business into a superior product Malang is 119 business units. Then, using the formula Slovin taken 54 respondents businesses that became the object of study chosen by purposive sampling. To achieve the goal, in this research used multiple linear regression analysis and classical assumption.

Based on calculations using SPSS 18, indicates that the variable capital (X1) Establishment (X2) labor (X3) and education (X4) with the same on the dependent variable (income (Y). It can be seen by test results F (simultaneously). However, based on the t test (partial) Establishment has no effect significant on the level of income. The influence of independent variables (X1, X2, X3, X4) on the dependent variable (Y) amounted to 83.3%, while 16.7% Other donated by other variables not included in this equation.

Keywords: Creative Industry Handicraft Sector, Absorption Labor, Capital, Establishment, Labor, Education.

A. INTRODUCTION

Economic growth is one of the indicators of economic progress in country. Economic development aims to achieve greater welfare of national economic. The purpose of economic development is basically to improve the welfare of society through eradicating poverty, income disparity, and level of employment. One of the ways to achieve economic development is through industrialization.

According to Hakim Arif (2013) to accelerate the development process in country, industrialization represents as an absolute and certain strategy. Industrialization process usually will be followed with the acceleration of technological advancement, better human resources, greater sources of training process and then well-proven higher productivity. Industrialization is considered to be a driving force of a national production. In Indonesia, industrialization plays a critical role in the development of economic, particularly as a trigger of economic growth activator and greater job vacancies.

Considering Indonesia is a country with a large population, creative industries is suitable to be developed. Considering the great economic potential, all stakeholders should

get involved in the process of economic development in creative industry. The role of government is demanded more due to the very first stage of this development. The crafting industry ranks in second place. It means handicraft industry is one of the contributors that should be considered due to its contribution to the gross added value of IDR 23,388.2 billion in 2011, IDR 23,835,1 billion in 2012, and IDR 25,354.8 billion in 2013.

B. LITERATURE REVIEW

Creative Industry

Creative economy is idea of the creative industries, for that to be known the sense of the creative economy first. A lot creative economy is defined according to the experts. one of the definitions of creative economy are widely used is issued by NEFA (New England Foundation for the Art) is, our definition about economy is represented by the culture core. It includes occupations and industries that focus on the product and cultural goods, services and the intellectual properties

Income

Etymologically revenue comes from words "may" means receive, obtain, subject; for example: wages ten thousand dollars. Then get an extra prefix 'pen' and the suffix 'an' are means the search results or business, the acquisition; for example, a month of not less than fifty thousand dollars, Poerwadarminta (1984) within Firdausa (2012).

Capital

Capital is all forms of wealth that can be used directly or indirectly in the production process to increase output. In the economic sense are capital goods or money along factors of production land and labor produce goods and new services. Capital or cost. is one very important factor for every business, whether small, medium or large (Tambunan, 2002).

Establisment

Establishment is old time between established businesses by a business carried at this time. Duration of a business can cause the experience of a business, which may affect the experience of someone in behave of observation. Old medium enterprises can affect the level of income, length of a businessman to pursue its business will affect productivity (professional skills / expertise), so as to increase efficiency and able to reduce the cost of production is less than sales results. The longer pursue the field of trade will further improve the tastes or knowledge about consumer behaviour (Wicaksono, 2011).

Labor

The number of labor is a very important input in the production process. Total Employment and income have a positive relationship is getting much labor, it likely to improve income earned. Because the amount of labor that is more, the ability to produce the output will increase.

Education

Education is one of the important sectors in the development of human resources besides other factors such as formal and non-formal training migration, improved nutrition and health as well as work experience. Higher education resulting in higher productivity and therefore allows higher income as well. As pointed out by Sagir (1989), he said the relationship between level of education and income levels. He says (p. 60): "Human resources can improve the quality of life through a process of education, training, and development which will guarantee that is increasing job productivity. Thus finally guarantee enough income and also their welfare increasing"

C. RESEARCH METHOD

The type of research used in this minor thesis is explanatory research with quantitative approach. Research method is a way to understand the object of the research for achieving research's objectives. The method used in research should be suitable with the purpose of the research.

Type of Research	Quantitative
Scope	Sentra Sanitary, Ceramics, Furniture, and Rattan
Type and Source of Data	Primary and Secondary
Data Collection Method	Interview with Questioner
Data analysis Techniques	Multiple Linier Regressions
Statistical Test	1. Partial Statistic Test 2. Simultaneous Statistic Test 3. Coefficient Determination (R^2)
Classical Assumption Test	1. Normality Test 2. Multicollinearity Test 3. Heteroscedasticity Test

D. RESULT OF RESEARCH

Summary Multiple Linear Regression Test The Effect of Capital, Establishment, Labor, and Education on Income Creative Industries (Case Study in Handicraft Industry Malang)

Variable	*B*	T_{count}	*Significant*	Explanation
Constanta	-3989847.640			
X1 (Capital)	0.254	3.073	0.003	Significant
X2 (Establishment)	63899.378	1.726	0.091	Not Significant
X3 (Labor)	500526.015	3.150	0.003	Significant
X4 (Education)	872389.988	2.512	0.015	Significant
A	= 0.050			
R	= 0.913			
Coefficient Determination (R^2)	= 0.833			
F-count	= 60.995			
F-table ($F_{4,49,0.05}$)	= 2.561			
Significant F	= 0.000			
t-table ($t_{49,0.05}$)	= 2.010			

the regression model related with capital, establishment, labor, and education to level income is as follow:

$$Y = -3989847.640 + 0.254X1 + 63899.378X2 + 500526.015X3 + 872389.988X4 + \varepsilon$$

The interpretations of this regression model are:

Capital= 0,254

In this coefficient regression, we got a positive coefficient. So, if X_1 (capital) increases, Y tends to increase as well and otherwise if X_1 (capital) decrease, so Y (income) tends to decrease

Establishment = 63899.378

In this coefficient regression, we got a positive coefficient. So, if X_2 (establishment) increases, Y tends to increase as well and otherwise if X_2 (establishment) decrease, so Y (income level) tends to decrease

Labor = 500526.015

In this coefficient regression, we got a positive coefficient. So, if X_3 (labor) increases, Y tends to increase as well and otherwise if X_3 (labor) decrease, so Y (income) tends to decrease

Education = 872389.988

In this coefficient regression, we got a positive coefficient. So, if X_4 (education) increases, Y tends to increase as well and otherwise if X_4 (education) decrease, so Y (income) tends to decrease

Classical Assumptions Test

After we got result of multiple linier regression, so continue with classical assumption test model.

1) Normality Test

In Multiple linear regressions, the data in use is the normally distributed data. The normality of data can be determined based on p-p plot. If residual plot is located around diagonal liner and follows diagonal line pattern, it can be concluded that the data is normally distributed. This is the result of p-p plot graph.

2) Multicollinearity Test

In this multiple linear regression, it is expected that no indication of multicollinearity (linear relationship between independent variables) between capital, production, length of business and labor. To indicate multicollinearity, Variance Inflation Factor (VIF) value is used. If the value of VIF > 10, multicollinearity does exist. On the contrary, if the value of VIF < 10, multicollinearity does not exist.

3) Heteroscedasticity test

This test aims at testing whether regression model has a variety of (variance) residual which is the same or not. Good regression model is a model having a variety of the same residual (homoscedasticity).

Simultaneous (F-test)

The result of F-Test with the same time all of variable independent (capital, establishment, labor and education) influential to the variable dependent (income). The value of Fcount is 60.995, and the significance value is 0,000. It can be seen that value Fcount > Ftable (60.995 > 2.561). Therefore, H0 is rejected in $\alpha = 5\%$. It can be concluded that there is significant influence between variables X1, X2, X3 and X4 to Y or regression model that include X1, X2, X3 and X4 is good to used. Thus, the coefficient Determination (Adj. R2) is of 0,833. That result explains the contribution from independent variables that is included in regression model in explaining varieties of dependent variable (Y) is 83,3% and the rest 16,7 % is contributed from other variables outside the regression model, or it can be said that no correlation between the available independent variables

Partial (T-test)

T-test is to know whether every independent variables for regression model have significant effect to Y. The independent variable that is formed in this regression model is concluded to have a significant influence if the significant is <0,05. The test to those variables in partial is shown below:

a.   Variable X1 (Capital)

To know how far the coefficient regression to variable X1, T-test with these standards is used:

The hypotheses in use are:

H0 : $\beta 1 = 0$ (variable X1 does not significantly affect Y)

Ha : $\beta 1 \neq 0$ (variable X1 significantly affects Y)

tcount is of 3,073 with the significance level of 0,03. Tcount is greater than ttable (3,073> 2,010). This shows that H0 is rejected, so X1 (Capital) significantly affects Y (income).

b.   Variable X2 (Establishment)

To know how far the coefficient regression to variable X2 is, T-test with these standards is used:

The hypothesis in use are:

H0 : $\beta 2 = 0$ (variable X2 does not significantly affect Y)

Ha : $\beta 2 \neq 0$ (variable X2 significantly affects Y)

tcount 1,726 and a significant level of 0,091. Tcount is less than ttable (1,726 < 2,010). This shows that Ha is rejected, so X2 (establishment) does not significantly affects Y (income).

c.   Variable X3 (labor)

To know how far the coefficient regression to variable X3 is, T-test with these standards is used:

The hypothesis in use are:

H0 : $\beta 3 = 0$ (variable X3 does not significantly affect Y)

Ha : $\beta 3 \neq 0$ (variable X3 significantly affects Y)

tcount 3.150 and a significant level of 0.003. Tcount is greater than ttable (3.150 > 2,010). This shows that H0 is rejected, so X3 (labor) significantly affect Y (income level).

d.   Variable X4 (Education)

To know how far the truth of coefficient regression to variable X4 is, T-test with these standards is used:

The hypothesis in use are:

H0 : $\beta_4 = 0$ (variable X4 does not significantly affect Y)

Ha : $\beta_4 \neq 0$ (variable X4 significantly affects Y)

tcount 2,512 and a significant level of 0,015. Tcount is greater than ttable (2,512 > 2,010). This shows that H0 is rejected, so X4 (education) significantly affects Y (income).

E. CONCLUSION AND SUGGESTION

Conclusions

Based on primary and secondary data analysing about the effect of the capital, establishment, labor, and education to the level on income of creative industry of superior handicraft subsector in Malang, it can be concluded as follows:

1. As a whole, it can be said that independent variable influences the creative industry of superior handicraft subsector in Malang.
2. There is a significant relationship between the capital variable   on level on income of creative industry of superior handicraft subsector in Malang.
3. There is significant effect between the age of business variable to the level on income of creative industry of superior handicraft subsector in Malang.
4. There is a significant relationship between labor variable on the level on income of creative industry of superior handicraft subsector in Malang. And then if it is observed from its coefficient value, factor of labor is most dominant.
5. There is a significant relationship between the variable of education on income of creative industry of superior handicraft subsector in Malang.
6. Variable that gives dominant influence on income level is labor. It means that the number of labor is very important to increase output level that will increase the income level of creative industry craft subsector in Malang. Seeing from the level on income along with the influencing variables, it can be concluded that creative industry of superior handicraft subsector in Malang has some potentials to grow more.
7. Some industries not register their business, so it would be problem for government.
8. Based on their income, handicraft industry in Malang have the potential to develop more and continuously.

Furthermore, the external factors researched are the role of government, especially the Department of Industry and Trade who has done further efforts to develop creative industries in the Malang craft sector. Therefore, from the research that has been done, Department of Industry and Trade cannot see the potential of the creative industries handicraft subsector in Malang, so it cannot give a maximum contribution in the development of creative industries in the field of crafts.

Suggestions

Based on the research that has been done, some suggestions are needed to be delivered to creative industry craft subsector and also to government and other parties that are indirectly related to the existence of the creative industry in Malang.

1. Looking at the result, that capital, labor, and education are factors that affect the income of creative industry. Therefore the government and relevant agencies should consider three factors to develop the economy if they want to develop creative industries in Malang. Local government should make a policy that gives an advantage for producers of creative industry in Malang. It can be done for example by giving

training, providing some easiness in business licence, lowering the tax, supporting the availability of raw material,   promoting the products, and giving the training on finance management skill to improve their income level and to manage their cash flow. Therefore, the local government has an important role in making the right policy to develop creative industry. .

2. The owners of creative industry should have awareness on the importance of registering their business' name to the relevant agencies, so that their existence is known by the government. Thus, the government will easily recognize them so that it can make a policy specified for creative industry of superior handicraft subsector in Malang.

3. The handicraft industry which is not in strategic place, can improve other element to market their product. For example like everything about advertising

4. Some industries should be take advantage from development of social media. As we know social media very famous in Indonesia, so they can sell their product on online shop. It is make easy consumer know the product which they sell.

5. Some industry should be using technology to produce the products for increasing their production and also their income.

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