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Private and Social Profits of Non Binding Silk Cloth Business in Wajo Region Indonesia

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Abstract: ***This study aims to analyzed the private and social profits of non binding silk cloth. The method of data collection is by interview and observation of respondents woven business of non binding silk cloth. Sampling was conducted in Pakkana village. Data were analyzed using Model Policy Analysis Matrix (PAM). The results showed private profits of non binding silk cloth of Rp.15.835 per meter. While the social profits of binding silk cloth of Rp.17.841 per meter.***

Keywords: Natural silk, silk yarn, binding silk cloth, Policy Analysis Matrix (PAM), private and social profits.

1. Introduction

The national production level silk yarn in Indonesia was only 19 tons per year [1], while national consumption for silk yarn was estimated at about 900 tons per year [2]. According to Indonesian Mars [3] the total consumption of silk yarn in South Sulawesi Indonesia, about 60% was used to produce plain silk cloth, and 30% for the production of binding silk motifs and 10% again for the production of batik silk motif.

Wajo region is one of the districts in South Sulawesi Indonesia, which is famous as the producer of silk Bugis area of considerable potential. In this area there were about 5,806 business units Gedokan and Not Weaving Machine Tools (handloom) with a total production of about 2.3 million meters per year, while 157 heads of families engaged in mulberry cultivation and silkworm maintenance with cocoon production of 1,866 kilograms of yarn per year [4]-[5]-[6]-[7].

Characteristics of silk cloth weaving business in Wajo consists of business who produce of binding and non binding silk cloth. The production process of non binding silk cloth shorter than the production of binding silk cloth. However, some problems were still encountered in the implementation of business development of non binding silk weaving at Wajo among others, the difficult to obtain raw materials silk yarn, silk yarn prices tend to rise, the difficult to obtain labor weavers. This causes the low profits and can resulted the business continuity of silk weaving unsustainable. Therefore, this study aimed to analyze private and social profits of silk cloth business in Wajo region Indonesia.

2. Research Methods

2.1. Location Research

The study was conducted in Wajo region. The choice of location was purposively, with consideration Wajo is the largest silk cloth producing region in South Sulawesi Indonesia.

2.2. Population and Sample

The population in this study was a businessman weaving of non binding silk cloth in Wajo region Indonesia. Sampling was done by purposive. The samples were 15 respondents, with research sites in Pakkana village.

2.3. Analysis Methods

Model analysis used in this study is Policy Analysis Matrix (PAM, see Table 1). The use of this model with the consideration that this model can answer the research objectives to be achieved is to analyze of private and social profits of silk cloth.

Table 1: Policy Analysis Matrix (PAM)

Description	*Revenue*	*Costs*		*Profit*
		Input Traded	*Input Non Traded*	
Privat price	A	B	C	D
Sosial price	E	F	G	H
Divergence Effect	I	J	K	L

Source : Meonke dan Person (in [8])

PAM matrix can do some analysis as proposed by Monke and Pearson (in [8]), namely Analysis of Private profits (PP) and Social Profits (SP)

1. Private Profit or *Private Provitability* (PP) ;
D = A – (B + C)
Where:
D = Private profits

A = Revenue in private price
B = Cost of traded inputs in private price
C = Cost of non traded inputs in private price

If D> 0, then the commodity system to profit at the expense of normal, which has implications that commodity was able to expand, but if resources are limited or their commodity more profitable alternative.

2. Social or *Social Provitability* (SP) ;
H = E – (F + G)

Where:
H = Social profits
E = Revenue in social price
F = Cost of traded inputs in social price
G = Cost of non traded inputs in social price
If H > 0, means the commodity system to profit at the expense of normal in the social price and can be prioritized in develpment.

3. Results And Discussion

3.1. Price and Cost Components

Input output prices used for Policy Analysis Matrix (PAM) is the private prices and social prices. According to Gray, et al [9] private price is the market price for the resources used in the production process as well as for production, while the social price is the price that is adjusted in such a way to describe the actual economic value of goods and services. Private prices are due to the government policy while social price occurs in the absence of government policy. Private and social prices for the input-output are described in Table 2.

According to Gray, C., [9] that the goods or services are not traded when the input without any government intervention, domestic demand can be fulfilled by local production (domestic) at a price below its value c.i.f (cost, insurance, freight) while the price f.o.b (free on board) is too low to stimulate exports. In contrast to traded inputs, in case of shortage demand fulfilled of supply in the international market (see Table 3.)

Table 2: Average of Private and Social Prices of Input-Output Weaving of non Binding Silk Cloth Respondents per month in the Pakkana Village in Wajo Region, Indonesia.

Description	Components	Units	Producing of Non Binding Silk Cloth	
			Privat Price	**Social Price**
Input	**Raw Material**			
Traded	- Warp Yarn	Rp/Kg	412.667	375.000
	Supporting Material			
	- Silk Dyes	Rp/ Gram	500	398
Input	**Raw Material**			
Non Traded	- Weft Yarn	Rp/Kg	260.333	260.333
	Supporting Materials			
	- Soap	Rp/ Batang	2.500	2.500
	- Ash Soda	Rp/Kg	10.000	10.000
	- Kanji	Rp/Kg	50.000	50.000
	- Fuel	Rp/Liter	8.000	8.000
	Labor for:			
	1. Warp Yarn			
	- Spools/Pali	Rp/Meter	200	160
	- Hani/Sau	Rp/Meter	300	240
	- Cucuk/Apparisi	Rp/Bum	20.000	16.000
	2. Weft Yarn			
	- Spools/Pali	Rp/Meter	200	160
	- Palet	Rp/Kg	10.000	8.000
	3. Weaving			
	- Polos Weaving	Rp/Meter	3.600	2.880
	- Crystals Weaving	Rp/Meter	3.885	3.108
	Equipment :			
	Depreciation of equipment			
	- ATBM/handloom	Rp/Unit	12.500	12.500
	- Cooking Pot	Rp/Unit	1.146	1.146
	- Stove	Rp/Unit	917	917
	- Basin	Rp/Unit	1.042	1.042
	- Tool Spools	Rp/Unit	1.250	1.250
	Work Capital	%	1,25	-
	Trading System Cost		-	-
Output	**Silk Cloth**			
	- Polos Weaving	Rp/Meter	35.100	35.100
	- Crystals Weaving	Rp/Meter	39.625	39.625
	- Binding Weaving	Rp/Meter	-	-

Table 3: Average of Private and Social Cost of Input-Output Weaving of non Binding Silk Cloth Respondents per month in the Pakkana Village in Wajo Region, Indonesia

Description	**Components**	**Producing of Non Binding Silk Cloth**	
		Privat Costs (Rp.)	**Social Costs (Rp.)**
Input	**Raw Material**		
Tradable	- Warp Yarn	7.015.339	6.375.000
	Supporting Material		
	- Silk Dyes	234.000	186.264
Input	**Raw Material**		
Non	- Weft Yarn	9.892.654	9.892.654
Tradable	**Supporting Materials**		
	- Soap	70.000	70.000
	- Ash Soda	28.000	28.000
	- Kanji	55.000	55.000
	- Fuel	56.000	56.000
	Labor for:		
	1. Warp Yarn		
	- Spools/Pali	138.000	110.400
	- Hani/Sau	207.000	165.600
	- Cucuk/ Apparisi	80.000	64.000
	2. Weft Yarn		
	- Spools/Pali	138.000	110.400
	- Palet	380.000	304.000
	3. Weaving		
	- Polos Weaving	936.000	748.800
	- Crystals Weaving	2.929.290	2.343.432
	Equipment :		
	Depreciation of equipment		
	- ATBM/handloom	50.000	50.000
	- Cooking Pot	2.292	2.292
	- Stove	1.834	1.834
	- Basin	2.084	2.084
	- Tool Spools	1.250	1.250
	Work Capital	264.790	-
	Trading System Cost	347.600	347.600

Output	**Silk Cloth**		
	- Polos Weaving	9.126.000	9.126.000
	- Crystals Weaving	29.877.250	29.877.250
	-		

Source: Primary data after processing.

4. Private and Social Profits of Silk Cloth

Policy Analysis Matrix (PAM) describes the state of revenue, traded and non-traded inputs and profit per meter binding and non binding silk cloth. To detail can be seen in Table 4.

Table 4: Policy Analysis Matrix (PAM) Business of non Binding Silk Cloth Weaving in Pakkana Village in Wajo Region, Indonesia

Producing of Non Binding Silk Cloth	Revenue (Rp./meter)	Costs (Rp./meter)		Profit (Rp/meter)
		Input Traded	*Input* Non Traded	
	A	B	C	D
Private Price	38.465	7.267	15.362	15.835
	E	F	G	H
Social Price	38.465	6.471	14.153	17.841
	I	J	K	L
Divergence Effect	0	796	1.210	-2.006

Source: Primary data after processing.

Table 4, shows that there is private and social profits of non binding silk cloth weaving business in which private and social profits value is > 0. The value of private profits of Rp.15.835,- and social profits of Rp. 17.841,-. When an attempt to obtain private profits is positive, meaning that businesses are able to compete at the level of the actual price, which includes no impact on policy and market failures. And if a business makes a positive social profit, meaning that business can compete on the international price levels without the help of any government policy [10].

This fact shows that the social profit is greater than private profit. In other words that the profit received businessmen weaving non binding silk cloth with private profit a smaller than to the price should be. This means that there is a policy that is applied to silk cloth weaving business in Wajo region not stimulate an increase in income businessmen, because of the policy of profit received by businessmen to be lower than the social profit or cost of production of non binding silk cloth weaving incurred by businessmen greater than costs should be incurred.

It is indicated because of government policies that permit the inclusion of silk yarn imported from China (warp yarns) because of the needs of the local yarns is not sufficient. However, the government did the imposition of import duties are quite high at 15%, 10% PPN and import PPN of 2.5%, so that businesses silk cloth bought at a high price in the market. This factor is indicated because low of private profits earned of non binding silk cloth businessmen.

Related to it, Pearson, S, et al [10] stated that private profits will vary with social profits, caused due to the divergence as a result of policies that distorted or market failure. In other words, the current market is not perfect and failed to create an efficient market because of the monopoly, externalities or market development of domestic resources.

Other factors can be seen in the pattern of input traded like warp yarns. Wholesalers provide silk yarn to businessmen of non binding silk cloth weaving, usually they increase the price of the goods that they sell (silk yarn) and the yarns price paid by businessmen (craftsmen) at the time of selling its products to wholesalers, but traders are usually lower the price of the goods they buy (product silk cloth) of businessmen (craftsmen). For example, if a businessman (craftsman) submits woven worth Rp.5.000.000, then he will receive a silk yarn with value Rp.3.000.000, and receive cash as much as Rp. 2.000.000. Yarns and cloth prices based on the time of the transaction price is determined by the traders itself.

When viewed government intervention in terms of marketing (the restrictions on imports of silk cloth) will greatly assist businessmen of silk cloth weaving. This condition is reflected in the value of social and private profits are relatively large, but on the contrary, if restrictions on imports of silk cloth there is no and duty free would be very detrimental to businessmen of silk cloth weaving, because of silk cloth price in the international market is cheaper than domestic prices. However, this value remains that the presence and absence of government policy on the business of silk cloth weaving in Wajo region, businesses could be benefit.

5. Conclusion and Suggestion

5.1. Conclusion

Weaving businesses of non binding silk cloth in Wajo given private and social profits. Social profits of binding silk cloth greater than private profits.. Private profits of Rp. 15.835, - per meter while the social profits of Rp.17.841, - per meter.

5.2. Suggestion

Because of the higher social profits than private profits earned businessmen silk cloth in Wajo region, so need for government policies that apply to the business of weaving silk cloth which stimulates an increase in revenue as restrictions on imports of silk cloth in order to increase the price of domestic silk cloth, especially silk cloth production Wajo region, Indonesia.

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