

Detection of Production Cost *Pempek* of Palembang on Small-Scale Enterprises

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Abstract: Production cost is all costs incurred to produce goods or services during the relevant period which are ready to be marketed. The objective of this study is to detect the production cost of pempek Palembang on small-scale enterprises. This study used a survey method. The sampling method used was purposive sampling method with a total sample of 4 small-scale entrepreneurs in various production centers of Pempek Palembang. In this study, the production cost of pempek of Palembang studied was the type of *adaan* and *lenjer*. The result showed that the average total production cost of small-scale Enterprises is IDR 2,289,565.63 with an average total number of dough is 25 Kg/day. The production cost of *adaan* and *lenjer* is IDR 704.13/item. The average revenue from *adaan* and *lenjer* is IDR 663,000.00/total production/day with the assumption that the product is sold entirely. The average income from *adaan* and *lenjer* is IDR 196,158.75/total production/day.

Keywords: Cost Production, Pempek, Small-Scale Enterprises

1. Introduction

Food is the most important staple needs for humans in fulfilling daily needs. Food as a nutritional source of carbohydrates, proteins, fats, vitamins, minerals, and water is the main basis for humans to achieve health and well-being throughout the life cycle. In fulfilling food needs, it is very important to maintain the existing food security conditions with one of the ways is food diversification (Haloho, 2014). Food diversification is the main choice at this time in solving problems in fulfilling food needs and security food in various countries, one of which is Indonesia.

Indonesia as one of the agricultural countries in fulfilling food needs and food security has diversified some agricultural products, one of them is cassava (*Manihot esculenta*) which is used as a substitute to non-rice food which is a source of nutritional carbohydrates. Cassava is a crop that is very easily found in the market and the price is relatively cheap and easy to process, one of them is tapioca flour. Tapioca flour is flour derived from starch that has been extracted from cassava. Tapioca flour has been widely used both as a substitute and as the main raw material in the manufacture of food products including the traditional food of Palembang, namely *Pempek*.

Pempek is a Palembang traditional food which is processed from fish meat mixed softly with tapioca flour and water, and several other ingredients such as eggs, mashed garlic, seasoning and salt which are served by boiling or frying then eaten with gravy or sauce called "cuko". *Pempek* can be very easily found in the city of Palembang, among them there are those who sell in restaurants, on the roadside, and there are also those who sell around.

The traditional food has also been patented by the Directorate General of Intellectual Property Rights, the Ministry of Law and Human Rights of Indonesia (Department of Industry, Trade and Cooperatives of Palembang, 2011). *Pempek* is not only produced in the city

of Palembang but also almost all regions in South Sumatra Province produce it. There are various types of *pempek* including *lenjer*, *kapal selam*, *panggang*, *lenggang*, *kulit*, *otak-otak*, *tahu*, *keriting*, *telok*, *pistel*, *adaan* and other creation *pempek* such as beef sausage *pempek*, beef meatball *pempek*, and cheese *lenggang pempek* (Department of Industry, Trade and Cooperatives of Palembang, 2011). *Pempek* in Palembang city is mostly produced by producers who have small and medium scale enterprises (SMEs). This is also marked by the rapid development of small and medium scale enterprises (SMEs) compared to large enterprises in the city of Palembang, one of which is the Palembang traditional food industry.

The development of small and medium scale enterprises (SMEs) in Palembang from the food industry sector reached approximately 1,800 business units from 2011 to 2014 (Mukhlis et al., 2014). Whereas the number of small and medium-scale pempek producers registered in the Department of Industry, Trade and Cooperatives of Palembang reached approximately 180 pempek business units, some of them are spread on the 26 Ilir market, which is known as the largest *pempek* production center in Palembang (Government of South Sumatra Province, 2016). The high number of small, medium and large-scale Enterprises of *Pempek* is related to the high consumption pattern of the *Pempek* on the community in Palembang.

The high culture of eating pempek in the community of Palembang has an impact. Based on data, the high fish consumption rate in the province of South Sumatra reaching 35.31 kg/cap/year over the realization of the average national fish consumption rate of 33.89 kg/cap/year in the year 2012 (Ministry of Maritime Affairs and Fisheries, 2013). This is supported by data from PT. Pos Indonesia, the city of Palembang stated that starting from December 2013 to 2014, ordering online pempek increased from 100 kg/month to 2.5 - 3.5 tons/month with the destination of ASEAN countries such as Malaysia, Thailand and Singapore (Nurfiriana et al., 2016).

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The huge opportunity of market for *Pempek* in Palembang cannot be followed by the development of small and medium scale *Pempek* Enterprises. It can be caused by various problems, such as the limited total production and the technical aspects of making and processing pempek are still traditional.

One of the terms for business development is knowing the determination of the production cost of *Pempek*. The production cost of *Pempek* also has varieties influenced by the price and quality of the raw material for making Pempek used by small scale Enterprises. Utilization of the use of production cost for small medium-scale enterprises (SMEs) and important for competing businesses and industries, both in the same field and other fields. Determining the production cost is a very important thing in business activities.

The usefulness of the production cost is to determine the selling price of the product and determine the cost of the finished product and product in the processing which will be presented in the balance sheet. In determining the cost of production, information needed by business owners is information about raw material costs, labor costs, and overhead costs of production activities. These three types of activities must be carefully determined both in recording their classification. So that the information on the production cost resulted can be used properly for the determination of selling prices and for periodic business profit and loss calculations. The production cost is very influential in the calculation of the business income, if the business owner is uncaring or wrong in determining the cost of production, it can lead to errors in the determination of profit and loss obtained from the business (Eprilianta, 2011).

2. Research Methods

The sampling method used in this study was purposive sampling. A total sample of 4 small-scale enterprises in various production centers of *Pempek* in Palembang.

Data collected was primary data and secondary data. Primary data is data obtaining from surveys and direct interviews with sample entrepreneurs using a list of questions or questionnaires. The sample entrepreneurs give information about costs in production activities and processing techniques. While secondary data was obtained from books and sources and institutions that support and are related to this study.

The data obtained in the field was processed in tabulation and descriptive description, namely describing the results in the form of a systematic description of the discussion. As for answering the objective of the study to detect the determination of the production cost of *Pempek* using a formula of the analysis of production costs, revenue and, income.

3. Result and Discussion

3.1 Total Production Cost

The total production cost of *Pempek* enterprises in Palembang is the total of all fixed production costs and variable production costs during the production process. The average total cost of production on small scale *Pempek* enterprises in Palembang can be seen in Table 1.

Table 1: The Average Total Production Costs of Pempek in Small-Scale Enterprises of Palembang.

No.	Description	Cost (IDR/day)	Total of dough (Kg/day)
1.	Fixed production costs	137,256.78	25
	Variable production costs	2,152,308.85	
	Total production costs	2,289,565.63	

Source : Primary Data of Study, 2018.

Based on the results of the study showed that the average total production cost per day issued the small-scale entrepreneurs in Palembang is IDR 2,289,565.63. The magnitude of the average total production cost of *Pempek* in small-scale enterprises is influenced by the number of unstable variable costs where prices can rise and fall suddenly, so it is very influential in the amount of the average total production costs that must be spent by owners.

3.2 Joint Production Cost

Joint production cost is production costs which consist of raw material costs, labor costs and other overhead costs in a one-time production process to produce various types of main products (Mursyidi, 2010) In the *Pempek* production process, it is necessary to calculate joint costs occurred. This is because process of making *Pempek*, business owners process the main raw materials into several products at the same time with technical objectives to shorten the time in the production process. The calculation of joint cost in the production of *Pempek* in this study aims to determine the production costs per type of *Pempek*, namely *adaan* and *lenjer*. The average production cost per type of pempek in small-scale Enterprises can be seen in Table 2 below:

The results showed that the average production cost per type of *Pempek* issued by the small-scale entrepreneurs in Palembang is IDR 466,841.25 for the types of *adaan* and *lenjer* and for other types of *Pempek* is IDR 1,355,883.13. In calculating the production cost per types of *Pempek* has the same calculation results between the type of *adaan* and *lenjer*. This is because the number of *adaan* and *lenjer* produced from the main raw materials is the same so that in the process of weighting and processing data the amount produced is also the same.

Table 2: The Average Production Cost per Type of Pempek in Small-Scale Enterprises of Palembang.

No.	Description	Total Production Cost (IDR/Day)	Cost Production per Type of Product (IDR/Day)
1.	Small-Scale Enterprises	2.289.565,63	466,841.25

Adaan Lenjer	466,841.25
Other Pempek	1,355,883.13

Source : Primary Data of Study, 2018.

The aim of determining the production cost for each type of *Pempek* is to determine the production cost per item of the *Pempek* produced, which will make it easier for small-scale entrepreneurs to set the selling price of the products to avoid losses so that they get the desired profit by for small-scale entrepreneurs of *Pempek* in Palembang.

3.3 Production Cost

The production cost is all costs incurred by the small-scale entrepreneur in producing various types of *Pempek* in one production process. The aim of determining the production cost of a product is to make it easier for small-scale entrepreneur to set the selling price of *Pempek* per item in order to get the benefits that the producers want. The average production cost of *Pempek* for small scale Enterprises can be seen in Table 3 below:

Table 3: The Average Production Cost *Pempek* in Small-Scale Enterprises of Palembang.

No.	Description	Production Cost (IDR/Day)	Total Production (Item/Day)	Production Cost (IDR/Item)
1.	Small-Scale Enterprises			
	<i>Adaan</i>	466,841.25	663	704.13
	<i>Lenjer</i>	466,841.25	663	704.13

Source : Primary Data of Study, 2018.

The results showed that the average production cost per item of *adaan* and *lenjer* incurred by the small-scale entrepreneurs in Palembang is IDR 704.13 per item. The results of the calculation of the cost production of small-scale Enterprises is quite high when compared to the average production capacity of 25 Kg/day. This is supported by the theory of production cost, If the production capacity produced is bigger so the production costs incurred will be lower and conversely if the production capacity produced is smaller, the production costs incurred will be higher (Mursyidi, 2010).

3.4 Revenue

Revenue is a multiplication between the production of *Pempek* obtained by small-scale entrepreneur and the selling price per item. The revenue assumed in this study is revenue from selling of *adaan* and *lenjer* and sold entirely to consumers. The average revenue obtained by small-scale Enterprises of *pempek* can be seen in Table 4 below:

Table 4: The Average Revenue of *Pempek* in Small-Scale Enterprises of Palembang.

No.	Description	Total Production (Item/Day)	Price IDR/item)	Revenue (IDR/Total Production/Day)
1.	Small-Scale Enterprises			
	<i>Adaan</i>	663	1,000.00	663,000.00
	<i>Lenjer</i>	663	1,000.00	663,000.00

Source : Primary Data of Study, 2018.

The results showed that the average revenue of small-scale entrepreneur from the type of *adaan* and *lenjer* in Palembang with the assumption that all *Pempek* products were sold was IDR 663,000.00. The revenue show that if the production capacity of *pempek* is bigger and selling price is higher, the revenue obtained will be higher and conversely, if the production capacity of *Pempek* is smaller and the selling price is lower, The revenue obtained will be lower. The selling price of *Pempek* is IDR 1,000 which has been determined by small-scale entrepreneurs of *Pempek* who were respondents in this study, it is caused by competition among small-scale entrepreneurs in a central location of Pempek, namely 26 Ilir Market. Where in the central of *Pempek* which is 26 Ilir Market, the perpetrators have agreed to set a selling price of IDR 1,000 so that the average total revenue obtained is same.

3.5 Income

Income is the result of the reduction in the total production costs incurred by each small-scale entrepreneur with the total revenues obtained from the selling of *Pempek*. The income earned by small-scale entrepreneur in this study from the selling of two types of *Pempek*, namely *adaan* and *lenjer* and assumed that *adaan* and *lenjer* was sold entirely. The average income earned by small-scale entrepreneur in Palembang can be seen in Table 5 below:

Table 5: The Average Income of Pempek in Small-Scale Enterprises of Palembang.

No.	Description	Production Cost (IDR/Day)	Revenue (IDR/Total Production/Day)	Income (IDR/Total Production/Day)
1.	Small-Scale Enterprises			
	<i>Adaan</i>	466,841.25	663,000.00	196,158.75
	<i>Lenjer</i>	466,841.25	663,000.00	196,158.75

Source : Primary Data of Study, 2018.

The results showed that the average income of the small-scale entrepreneur from the type of *pempek adaan* and *lenjer* in Palembang with an assumption that they both were sold entirely was IDR 196,158.75. The results of the average income of small-scale entrepreneurs in Palembang are reduction between the total revenue of *adaan* and *lenjer* with the production costs per type of *Pempek*. This aims to determine the magnitude of the benefits obtained by small-scale entrepreneur from *adaan* and *lenjer* which is the most popular type of *Pempek* by consumers.

4. Conclusion

Based on this study it can be concluded that the average production cost of *Pempek* in small-scale enterprises of Palembang from the type of *adaan* and *lenjer* is IDR 704.13 per item with an average capacity of the production of *pempek* dough is 25 Kg/day.

5. Recommendation

Based on this study it can be recommended that the need for support from the government both from facilities and infrastructure as well as easy accessibility of cooperative for small-scale Enterprises of *Pempek* for increasing production capacity of *Pempek* in Palembang.

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