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## THE CONTRIBUTION OF THE FURNITURE INDUSTRY IN SUKOHARJO REGENCY AND STEPS TO FACING THE THREAT OF AN ECONOMIC RECESSION AT THE END OF THE COVID-19 PANDEMIC ERA

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### ARTICLE INFO

### ABSTRACT

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*Illustration of the economic recession in Indonesia that occurred due to the ongoing pandemic. This is supported by data showing that consumption in several quarters is still minus. This condition is also due to the low purchasing power of the people. As a result of this, it also affects all sectors, including the furniture industry sector, which has also experienced the impact of a decline in purchasing power at both national and international levels with various existing obstacles. One of the furniture industries in Indonesia is located in Sukoharjo Regency. This study aims to determine the contribution of the existing furniture industry and how to anticipate the threat of an economic recession. The data used in this study is secondary data from 2015 to 2020 sourced from the Department of Trade, Cooperatives, Small and Medium Enterprises of Sukoharjo Regency. Data analysis used in this research is contribution analysis. Based on the results of the study, it can be seen that the contribution of the furniture industry in Sukoharjo Regency from 2015 to 2020 fluctuated. In 2015 it was recorded that the contribution given was worth 6.06%, then followed in 2017 it had a contribution value of 7.81 and then decreased until 2020 it reached 5.3 percent. There are five strategic steps in dealing with and anticipating the threat of an economic recession that occurs. One of the steps is to prepare an emergency fund so that it can survive when turnover decreases.*

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### KEYWORDS

Contribution, Economic Recession, Furniture Industry



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## INTRODUCTION

This The COVID-19 pandemic has had a different impact on each country. The impact in question depends on whether or not the economic sector in the country has the impact of the pandemic. In general, the sectors affected are tourism, transportation and trade (Barua, 2020). The micro position also says that it is not only the sector that must be considered but also many people or citizens who have lost their jobs due to the pandemic so that the state does not have to focus solely on the macro side such as distribution, GDP and so on (Nasution, D. A., Erlina, E., & Muda, 2020). The World Bank and the IMF have predicted that the pandemic will bring about a global economic recession as economic growth declines to minus 2.8%. Although prior to the pandemic, predictions stated that growth would increase, in fact the turmoil due to the pandemic was extraordinary (Nations, 2020). Indonesia is also predicted to experience this. The existence of a policy of limiting the movement of people's space has a significant impact with a decrease in economic activity. The end of the problem is the declining distribution of income and increasing unemployment so that it is feared that it will lead to an economic recession (Darmastuti, S. Juned, M. Susanto, FA. Al-Husin, 2021).

Indonesia has great potential to further develop the furniture industry. Not only because it has abundant sources of raw materials, but also skilled craftsmen. For example, in terms of raw materials from rattan, Indonesia has great potential because it is a producer of 80% of the world's rattan raw materials with 312 types of rattan species that can be utilized. The furniture industry has made a positive contribution to the country's exports. It was recorded that the export value of furniture in January 2019 was USD 113.36 million or around Rp. 1.61 trillion. Meanwhile, throughout last year, the value of national furniture exports reached USD 1.69 billion, equivalent to Rp. 24 trillion, or an increase of 4% compared to the achievement in 2017 (Kerjo, 2019).

The global recession actually occurred four times, including in 1975, 1982, 1991, and 2009. The recession that occurred was due to a contraction in the value of global gross domestic product. Disturbances in the financial and economic sectors also contributed to the economic recession. So far, several developed countries have experienced a global recession in 2009 but emerging markets can actually anticipate it (Kose, M. A., Sugawara, N., & Terrones, 2020). The Covid-19 problem regarding health will certainly have an impact on economic problems, plus several countries have implemented lockdown policies so that some crucial sectors cannot move. This situation makes some companies have problems (Nicola, M., Alsafi, Z., Sohrabi, C., Al-Jabir, A., Al-Jabir, A., Losifidis, C., . . . Agha, 2020). It is feared that the recession will re-emerge in the era of the never ending COVID-19 pandemic, so the country must have responsive policies to tackle the problem so that there is no decrease in excessive economic activity (Ozili, P. K., & Arun, 2020).

The people's purchasing power that has not improved is felt by industries in Indonesia, one of which is the furniture industry. Indeed, this industry is able to penetrate the international market share so that it has great potential (Ramadhan, 2019). But in fact this industry also experienced concerns because there were no orders. One of the furniture industries growing in Indonesia is in Sukoharjo Regency. This location has several points that have even become the center of the furniture industry with rattan material and is able to penetrate the international world to America, Africa and other regions. This study aims to determine the contribution of the furniture industry in Sukoharjo Regency and how the industry deals with the threat of an economic recession that may occur.

## RESEARCH METHOD

This research is a descriptive analytic study. The data used is secondary data from the Department of Trade, Cooperatives, Small and Medium Enterprises of Sukoharjo Regency. The data needed is data on the number of MSME business units in Sukoharjo Regency, especially in the furniture sector from 2015 to 2020. Other data are also needed as research supporting data. Data analysis used in this research is contribution analysis. The calculation of the contribution analysis can be seen in the mathematical calculations below (Saputro & Sariningsih, 2020).

$$Z = A/B \times 100\%$$

Information :

Z = Contribution (%)

A = Number of Business Units in Each Cluster (Unit)

B = Total Business Units in the Same Year (Units)

## RESULT AND DISCUSSION

### a. Contribution of the Furniture Industry to MSMEs in Sukoharjo Regency

**Table 1.** The number of MSMEs assisted by the District Cooperatives and SMEs Trade Office Sukoharjo

Cluster Name	Year					
	2015	2016	2017	2018	2019	2020
Lurik	82	82	79	79	77	77
Batik	29	29	32	34	35	35
Guitar	52	52	51	51	50	50
Rattan	84	84	86	87	87	87
<b>Furniture</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>29</b>
Mushroom	37	37	35	33	33	33
Herbs	52	52	55	58	60	60
Processed food	150	28	85	97	150	150
Tatah Sungging	25	25	26	26	26	26
<b>Total</b>	<b>544</b>	<b>422</b>	<b>482</b>	<b>498</b>	<b>551</b>	<b>547</b>

Source: Department of Trade, Cooperatives, Small and Medium Enterprises of Sukoharjo Regency (2020)

Based on table 1, it can be seen that the UMKM industry in Sukoharjo Regency consists of several parts such as lurik, batik, guitar, rattan, furniture, mushroom cultivation, herbal medicine. processed and real encrusted foods. When viewed from the number of industrial units, the food processing industry is still the first to reach 150 units of the food processing industry. This was followed by the existence of lurik and rattan industries with business units ranging from more than 70 industrial units. If you look at the furniture industry, it is still far below other industries, but the number of business units tends to be stable. It was recorded that from 2015 to 2019 the number of furniture business units in Sukoharjo Regency and those assisted by the Department of Trade, Cooperatives, Small and Medium Enterprises of Sukoharjo Regency were 33 business units and only experienced a decline in business in 2020 reaching 29 business units. Of course, this decline was also caused by the Covid-19 pandemic which also had an impact on all existing industries. Contribution of Clusters to Total MSMEs Assisted by the

Department of Trade, Cooperatives and SMEs, Sukoharjo Regency can be seen in the table below.

**Table 2.** Contribution of Clusters to Total MSMEs Assisted by the Department of Trade, Cooperatives and SMEs, Sukoharjo Regency

Cluster Name	Year					
	2015	2016	2017	2018	2019	2020
Lurik	15.07	19.43	16.39	15.86	13.97	14.08
Batik	5.33	6.87	6.64	6.83	6.35	6.40
Guitar	9.56	12.32	10.58	10.24	9.07	9.14
Rattan	15.44	19.90	17.84	17.47	15.79	15.90
<b>Furniture</b>	<b>6.07</b>	<b>7.81</b>	<b>6.85</b>	<b>6.63</b>	<b>5.99</b>	<b>5.30</b>
Mushroom	6.80	8.76	7.26	6.63	5.99	6.03
Herbs	9.56	12.32	11.41	11.65	10.89	10.97
Processed food	27.57	6.63	17.63	19.48	27.22	27.42
Tatah Sungging	4.60	5.92	5.39	5.22	4.72	4.75

Source: Processed Secondary Data Analysis (2022)

Based on table 2 regarding the Contribution of Clusters to Total MSMEs Assisted by the Department of Trade, Cooperatives and SMEs, Sukoharjo Regency, it can be seen that the food processing industry, lurik and rattan is still an industry that has a fairly large contribution to Sukoharjo Regency. Basically, rattan raw materials are also used as furniture, so it is not surprising that one industry and another are interrelated. In the furniture industry itself, the contribution given tends to fluctuate from 2015 to 2019. The highest contribution from the furniture industry was in 2016 with a contribution value of 7.81%. However, after that year, it actually decreased to the lowest in 2020 which only reached 5.30 percent. This is because the number of furniture industries fostered by Sukoharjo Regency has not increased but is followed by an increase in the number of industries in Sukoharjo Regency which is increasing year by year. The decline in 2020 also indicated that the furniture industry was also affected by the pandemic. Difficulties in finding workers due to health-related problems have hampered the production of this industry. There are several furniture industries that were forced to stop operating in 2020 for certain reasons, either because of activity restrictions or because of public panic due to the pandemic, so many people prefer to stay at home. Difficulties in raw materials are also experienced by several furniture industries in Sukoharjo Regency, including a decrease in offline purchase requests because buyers usually come to the production site to see samples, but with the policy of limiting the activities of buyers, they cannot come directly and then order.

#### **b. Furniture Industry Strategy Steps to Face the Threat of Economic Recession**

The Covid-19 pandemic that has hit all countries, including Indonesia, has not ended yet. This pandemic hit Indonesia in 2020 to be exact in March. The pandemic has made the government implement several policies, one of which is community activities or activities outside the home. This impact certainly has fatal consequences for various kinds of economic activity actors which result in economic threats that may occur. A recession is predicted to occur if there is a movement in GDP (gross domestic product) which begins to slowly decline or when economic growth is negative for two or more quarters in

one year. The perpetrators of offline-based MSME business activities, including the furniture industry, will certainly experience a considerable decrease in turnover because they usually visit the production site but there is no policy that prevents consumers from coming to the production site and accessing buying and selling.

Over time, it turns out that almost all entrepreneurs, big, small and medium in fact experience the same thing. This is because between one economic activity carried out by one entrepreneur is usually related to another business. Not surprisingly, Micro, Small, and Medium Enterprises all experience a decline in sales or demand for the goods or services they sell. This will continue so that later the entrepreneur decides for the costs that are usually sacrificed on the parts of the Impact resource that are usually sacrificed. This is different from a more flexible industry such as the furniture industry so that it is possible to adjust conditions. This should be imitated by all industries in Indonesia.

One of the drivers of the Indonesian economy is supported by the existence of MSMEs. On this basis, actually policies, funding, education, and financial literacy must support the existence of MSMEs. The government's alignment with MSMEs should be in line with the development of MSMEs. The current pandemic period is expected to be able to survive and even increase the chances of this pandemic so that it can create new job opportunities for people who have been laid off from their jobs. MSMEs are also predicted to be able to encourage the economy by producing goods that are needed by the community during the pandemic. The relatively affordable prices of MSME products must also be followed by people's purchasing power so that the two are interrelated and lead to an increasingly better economy. If this flow goes well, it seems that Indonesia does not have to face the threat of an economic recession which is being feared by many parties. The transfer of sales with an online digital marketing system must also be given to MSMEs, especially with a lot of training so that sales and distribution of goods are not constrained and collide with government policies. which is being set. Of course, this must also be adopted by the furniture industry in Sukoharjo Regency which can implement these strategic steps. In the future, this industry should be able to consistently export its products abroad, thereby increasing the country's foreign exchange

Tips so that the furniture industry can survive in times of recession, one of which is maintaining financial health. In addition to maintaining business financial health, it is also necessary to maintain personal or family financial health. Because, these two things are very related and have an impact. There are five strategic and important steps that can be taken so that the furniture industry can survive in times of recession. First, prepare an emergency fund so that it can survive when turnover declines. The second step is to quickly adapt to the existing conditions. Thinking of other strategies to survive (lowering costs, finding alternative income, etc.). The third step is to dare to make business changes. See new opportunities, respond to existing needs, and not fixate on existing products, if necessary, debt restructuring, to reduce the burden on cash flow. Because, there are debt installments, then negotiate with the credit provider to get relief. The fifth step is to add new consumers to new areas by increasing promotional strategies that suit consumer needs.

## **CONCLUSION**

Based on the results of the study, it can be seen that the contribution of the furniture industry in Sukoharjo Regency from 2015 to 2020 fluctuated. In 2015 it was recorded that the contribution given was worth 6.06%, then followed in 2017 it had a

contribution value of 7.81 and then decreased until 2020 it reached 5.3 percent. This is certainly influenced by the Covid-19 pandemic and because of the policy of limiting community activities outside the home, resulting in a decline in sales and demand for the furniture industry. This is the increasing time, it turns out that there are many issues that reveal that Indonesia is faced with an economic recession so that industry and MSMEs must also anticipate this. There are five strategic steps in dealing with and anticipating the threat of an economic recession that occurs. First, prepare an emergency fund so that it can survive when turnover declines. The second step is to quickly adapt to the existing conditions. Thinking of other strategies to survive (lowering costs, finding alternative income, etc.). The third step is to dare to make business changes. See new opportunities, respond to existing needs, and not fixate on existing products, if necessary, debt restructuring, to reduce the burden on cash flow. Because, there are debt installments, then negotiate with the credit provider to get relief. The fifth step is to add new consumers to new areas by increasing promotional strategies that suit consumer needs.

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