The Influence of the Amount of Raw Materials and Labor on the Level of Industrial Income at UD Setya Abadi D.M

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Abstract:

Purpose:
The main goal of establishing a company is to produce far more than its operational costs. With profit growth, or what we often refer to as profit, it is hoped that it can finance the company's operational activities sustainably. This research aims to determine the effect of raw materials and labor on the level of industrial Income at UD. Setya Abadi D.M.

Methodology:
The analytical method used is quantitative. This study used a documentation study approach, using firm financial reports from the previous three years to gather data.

Findings:
The research results show that the level of raw materials has a positive and significant influence on industrial Income at UD. Setya Abadi D.M. As raw materials become available, industrial Income will also increase. Labor has a negative and significant influence on industrial Income at UD. Setya Abadi D.M. This means that when the number of workers increases, it does not affect the level of industrial Income.

Implication:
Furthermore, raw materials and labor together positively and significantly influence the level of industrial Income at UD. Setya Abadi D.M., the industry's income level will increase when both become more efficient.

INTRODUCTION

In the business world, all organizations strive to increase their capacity to succeed. The main goal of establishing a company is to produce far more than its operational costs. With profit growth, or what we often refer to as profit, it is hoped that it can finance the company's operational activities sustainably (Dumadi et al., 2021).

Many food-related industries are growing, from professional businesses to start-up businesses. It is because technological advances and improvements in people's welfare have had a significant impact on demand and diversity in people's consumption tastes.

Jean Baptiste Say believes that production value is always proportional to Income. The more production, the greater the Income that will be generated. In general, workforce productivity can be achieved by increasing abilities, skills, and expertise and creating a work environment that encourages productivity.

The food business is an activity that has good prospects. Food is a primary need, so there is a big possibility for every business actor to make food their place of business. Currently, the food industry is booming. Several manufacturers provide high-quality products or services to consumers. In Indonesia, the food industry, especially the snack food category, has developed rapidly. More and more variations of products sold in the market fall into the snack food category.

However, business owners must overcome several problems and obstacles, such as obtaining high-quality materials at affordable prices. Business actors can improve the overall quality of a product by using raw materials. If raw materials are used in more significant quantities and at affordable prices, it can speed up production, increase the number of products, and increase company profitability.

Apart from raw materials, labor is also a significant factor. More people working to high standards can increase the quality and quantity of production, which will benefit the company because the increasing number of people working can increase the production produced and the Income earned.

Based on the explanation in the background above, this research aims to explain (1) How the amount of raw materials influences the level of industrial Income and (2) how the number of workers affects the level of industrial Income.

Literature Review, Raw Material. Raw materials are used in production to produce finished goods or final products. Raw materials are essential for manufacturing or processing processes to create more complex products.

Every business operating in the industrial sector needs raw materials for its production process. When the amount of raw materials increases, the number of finished goods may also increase (Ridhwan, 2013). Therefore, the possibility of profits will be more significant considering the production output (Trisnawati, 2017).

Raw materials significantly influence the manufacturing process, so business owners use these materials to carry out manufacturing process activities that can produce products. Thus, the hypothesis formulated is H1: the amount of raw materials influences the level of industrial Income.

Labor. Labor is workers or the workforce, referring to human resources who are willing to work in an organization and have the potential to achieve the organization's goals and objectives physically and mentally. Laborers are sometimes also referred to as workers, providers, or apprentices.

Labor is one of the leading production factors in the economy and plays an essential role in the economic development of a country. According to Adam Smith, humans are an essential production factor that can determine the welfare of nations. As it is, nature (land) has meaning once human resources can utilize it optimally for life.

Labor is essential to physical production and can influence an organization's production quality, efficiency, and competitiveness. The main focus is to increase production results and economic growth by improving the workforce's quality and productivity. Thus, the hypothesis formulated is H2: the number of workers influences the level of industrial Income.

Income. Income is the money or economic value an individual or organization receives, usually in fees, salaries, profits, or other sources. According to Rekso Prayitno, the amount of money earned in a certain period is called Income. Therefore, Income is the total money workers will get as payment for the services they provide to an organization during a specific period.

Income from the general public in trade transactions, namely buying and selling. Income is obtained when transactions between sellers and buyers occur by mutual agreement. The money from selling a product or providing customer services is usually called profit. Every organization must make every effort to obtain large profits to achieve its desired goals because the large profits obtained will determine the success or failure of the organization.

METHODS

Location and Time of Research. This research was conducted at the company UD Setya Abadi D.M, who is on Jl. Kalikepiting 117B No. 17A, Surabaya City. The research time and data collection were from

August to December 2023. The data source used in this research is secondary data. According to Siregar (2017), Secondary data is data that other parties have collected. Secondary data in this research was obtained from financial reports at the company UD. Setya Abadi D.M.

Data Types and Sources. The type and source of data for this research were carried out using quantitative data, namely by providing an overview and analyzing the data to understand the impact of variables that influence raw materials and labor on industrial Income at companies UD Setya Abadi D.M. This research uses secondary data sources.

Data Collection Techniques. The method used to collect data for this research uses a documentation study method of company financial reports for the last three years (Muhartini et al., 2021).

Data Processing Methods. The data processing method used is quantitative analysis. The test used in this research is multiple linear regression analysis. The data processing method using multiple linear analysis is used to determine the influence of raw materials (X1) and labor (X2) on the level of industrial Income (Y).

This analysis is used because the research has more than one independent variable. The multiple linear regression used to analyze the data in this research is linear analysis with two independent research variables and one dependent variable. It aims to determine the relationship between variables X1, X2, and Y, the equation of which can be written as follows:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$

Y = Value of UD industry income. Setya Abadi D.M

β_0 = Constant

X1 = Raw materials

X2 = Labor

e = Error

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis.

Table 1. T Test Table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-308430725.205	50110576.981		-6.155	.000
	Labor	-769921.855	2133175.657	-.052	-.361	.722
	Raw material	177033.036	28857.935	.878	6.135	.000
a. Dependent Variable: Income						

Source: SPSS Data Processing (2018)

Based on the results of data processing in the table above, a multiple linear regression equation can be prepared as follows:

$$Y = 177033.036X_1 - 769921.855X_2 - 308430725.205 + e$$

The resulting constant value is -308430725.205. From this value, it can be seen that if raw materials (X1) and labor (X2) are zero, then the resulting Income (Y) is -308430725.205. The X1 coefficient is 177033.036, meaning that raw materials (X1) positively influence Income. If there is an increase 1, then Income (Y) will increase by 177033.036, assuming X2 is constant. The X2 coefficient is -769921.855, meaning that Labor (X2) negatively influences Income. If there is an increase of 1, then Income (Y) will decrease by -769921.855, assuming X1 remains constant.

Hypothesis Testing, Hypothesis 1. Based on the calculation results in the table, the sig value is 0.000 because it is smaller or less than 0.05, which indicates that Raw Materials (X1) positively influence the level of industrial Income (Y). Therefore, the hypothesis that raw materials positively influence industrial Income is accepted.

Hypothesis 2. Based on the calculation results in the table, the sig value is 0.722 because it is more significant than 0.05, which indicates that Labor (X2) negatively influences the industrial Income (Y) level. Therefore, it can be concluded that the hypothesis which states that labor has a positive influence on industrial income levels is rejected.

Hypothesis 3.

Table 2. F Test Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
		ANOVAa				
	Regression	2638727781974101.500	2	1319363890987050.800	27.031	.000b
1	Residual	1024981747932144.400	21	48808654663435.445		
	Total	3663709529906246.000	23			

a. Dependent Variable: Income

b. Predictors: (Constant), Raw Materials, Labor

Source: SPSS Data Processing (2018)

Based on the calculation results in the table, the sig value of 0.000 is smaller or less than 0.005, which indicates that Raw Materials (X1) and Labor (X2) have a simultaneous or joint effect on the industrial income level variable (Y). Therefore, the hypothesis that Raw Materials and Labor together significantly affect the level of industrial Income is acceptable.

Influence of Raw Materials on Industry Income Levels. Based on the statistical tests in SPSS for raw material variables, it can be concluded that raw materials have a positive and significant effect on industrial income levels, so H1 is accepted. It shows that if the production of raw materials is available, the level of industrial Income will increase.

This research aligns with the theory put forward by Sukanto (2012), which states that raw materials greatly influence Income because raw materials are an essential production factor. If there are fewer raw materials available, the production process can run slower.

Influence of Labor on Industry Income Levels. Based on the statistical tests in SPSS for the labor variable, it can be concluded that labor negatively influences industrial income levels, so H2 is rejected. It shows that if the number of workers increases, it does not affect the level of industrial Income.

This research also supports the initial findings of research conducted in 2015 with the title "Analysis of the Influence of Private Investment, Capital Expenditures and Labor on Economic Growth in Manado City 2003-2012" by Maike Humiang, Vekie Rumate, and Steeva Tumangkang. Research findings show that 2003–2012, labor had a negative and significant impact on economic growth in Manado.

The Influence of Raw Materials and Labor Together on the Level of Industrial Income. Based on the research results, raw materials and labor significantly influence the industrial Income level. The greater use of raw materials and labor productivity will increase the output produced to increase profits.

If the workforce is more productive, the goods produced will increase in a shorter period. Apart from that, good management of raw materials can reduce production costs and increase profit margins. So, both together can have a positive influence on industry income levels.

CONCLUSION

Based on the data analysis and discussion previously discussed, the following conclusions can be drawn:

Raw materials have a positive and significant influence on industrial productivity at UD. Setya Abadi D.M. Therefore, raw materials are also called the main ingredients or principal components of a product. If production runs without raw materials, then production will not be able to run.

Labor hurts industrial Income at UD. Setya Abadi D.M but not statistically significant. It means that the influence of labor in industrial production activities can be assessed relatively or imperfectly and can also significantly contribute to industrial productivity.

Labor and raw materials together can have a positive influence on the level of industrial Income at UD. Setya AbadI D.M. So, if both are used together, it can increase output and profits for the company.

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