

THE EFFECT OF CAPITAL, LABOR, LENGTH OF BUSINESS, PRODUCT INNOVATION, AND MARKETING REACH ON THE PRODUCTION OF MSMEs GOYOR WOVEN SARONG PEMALANG REGENCY

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ABSTRACT

Goyor woven sarong is one of the superior products of Pemalang Regency. Pemalang Regency became the most producing area the goyor woven sarong commodity in Central Java Province. North Wanarejan Village is the center of the goyor woven sarong-producing area. However, the existence of this center area is not in line with the amount of goyor woven sarongs production that has fluctuated and its decreased trend. This study aims to analyze the effect of capital, labor, length of business, product innovation, and marketing reach on the production of goyor woven sarong. This study used sample of 59 out of 139 Micro, Small, and Medium Enterprises (MSMEs) actors of Goyor Woven Sarong. The sampling technique used is a stratified random sampling method. Data collection techniques were carried out using direct interview and questionnaire. The data was analyzed through multiple linear regression. The result shows that capital, labor, and product innovation have a positive and significant effect on the production of Goyor Woven Sarong MSMEs, while the length of business has no significant effect on the production of Goyor Woven Sarong MSMEs. There is no difference between the average production of goyor woven sarongs marketed within Pemalang Regency and the average production of goyor woven sarongs marketed outside Pemalang Regency. The implication of this research is to increase the production of goyor woven sarongs, which can be done through Cooperative, Small and Medium Enterprises, Industry and Trade Office of Pemalang regency; MSME's actor of goyor woven gloves actors; tailors; and the community.

Keywords: MSMEs Production, Goyor Woven Gloves, Capital, Labor, Length of Business, Product Innovation, and Marketing Reach.

1. Introduction

The era of the industrial revolution 4.0 today has changed the pattern of community economic activity, one of which is in the Micro, Small, and Medium Enterprises (MSMEs) group. Many production processes have switched from using manual labor to using machines. In addition, the marketing process has also shifted from manual marketing to digital marketing via the internet (Sukirno, 2013)(Ayodya, 2020). MSMEs actors adopt to changes in the era of industrial 4.0 so that still exist and survive. One of the MSMEs that are still implementing labor-intensive production is the Goyor Woven Sarong MSMEs. Goyor woven sarong is one of the superior commodities of Pemalang Regency. Pemalang Regency is the largest region producing goyor woven sarong commodities in Central Java Province.

Table 1. Distribution of Production of Goyor Woven Sarong for Central Java Province 2021

Table Head.	Regency/City	Number of Production Centers
1.	Pemalang Regency	20
2.	Tegal Regency	13
3.	Tegal City	4
4.	Surakarta City	3
5.	Magelang City	1
	Amount	41

Source: Central Bureau of Statistics, 2021

Table 1 shows the existence of several regional centers for the production of goyor woven sarongs spread across several districts or cities in Central Java Province. There are five regions: Magelang City, Surakarta City, Tegal City, Tegal Regency, and Pemalang Regency. Pemalang Regency is a district with the largest number of goyor woven sarong production centers in Central Java compared to other regions. The production of the woven sarong in Pemalang Regency still uses Non-Machine Looms (ATBM) amid the development of production technology. The woven sarong is used as a source of livelihood for the people of Pemalang Regency through the Goyor Woven Sarong MSMEs. The production of goyor woven sarong in Pemalang has many stages including the preparation of raw materials, dyeing threads, attaching threads to the plangkan, the process of drawing motifs, the process of tying threads, coloring process of threads that have been drawn, thread spinning, weaving process using ATBM, sewing, washing, and drying process. The process of making one sheet of cloth takes approximately 15 days. These sarongs are produced in three types: low-quality, medium-quality, and fine-quality (Pemalang Regency Government, 2022).

Based on data obtained from the Office of Cooperatives, Industry and Trade of Pemalang Regency in 2017, the production of Goyor Woven Sarong in Pemalang Regency in 2014-2016 fluctuated and tended to decrease. In 2015 the production of goyor woven sarongs in Pemalang Regency decreased to 609,900 pieces. Furthermore, in 2016 the production of goyor woven sarongs in Pemalang Regency decreased to 575,428 pieces. Then, based on the 2020 Small Industry Report for Pemalang Regency, the production of goyor woven sarongs in North Wanarejan Village was 289,800 pieces. This indicates a downward trend in the production of the goyor woven sarong commodity.

2. Literature Review

2.1 Production Theory

Production according to Salvator (2005) is a change in the form of various inputs or factors of production into outputs in the form of goods or services. Production starts from the provision of raw materials which are processed into finished materials through several stages so that they have added value to goods or services. Ownership of the factors of production will determine the amount of production of goods or services. According to Sukirno (2016), the factors of production are divided into four, including labor, land and natural resources, capital, and entrepreneurial abilities.

2.2 Capital

Capital is one of the production factors that play a role in the production process. Capital plays an important role in setting up or running a business. Capital can be in the form of money, houses and

factory buildings, machine tools, and inventory. Sources of capital according to Adi (2009) include: own capital, loans, and share statements. Then, capital is classified into several types including investment capital, working capital, and operational capital.

2.3 Labor

According to BPS, the workforce is the working-age population (15 years and over) who can produce goods or services. The population consists of workers and non-workers. According to Sukirno (2016), the workforce based on their level of education and expertise can be divided into:

2.3.1 Rude labor

Unskilled labor, namely workers who have a low level of education and do not have expertise in a particular field.

2.3.2 Skilled workforce

Skilled workforce, namely workers who have expertise from training and work experience such as mechanics, carpenters, and radio repair experts.

2.3.3 Educated workforce

Educated workforce, namely workers who have a high level of education and have expertise in certain fields such as doctors, accountants, economists, and the like.

2.4 Length of Business

The length of business is one of the factors that affect the amount of production. An indicator of how long a business has been in production is how long the entrepreneur has run the business. It is hoped that the longer the business has been established, the more experience it will have in running its business. With business experience in the production of certain goods or services, an entrepreneur has a way to produce goods or services more efficiently. The length of business can be used as an indicator of a company's loyalty to producing the products it produces. This is in line with research conducted by Lesmana (2014) that in which research showed a positive effect of length of business on total production but not significant.

2.5 Product Innovation

Product Innovation The concept of innovation according to Schumpeter (1934) in Rahman & Budiyanto (2022) is an attempt to introduce new products or product modifications. Product innovation is the introduction of a new product or service. Product innovation can take the form of significantly improving an existing product or service. Some examples include improvements in functional characteristics, technical specifications, components and materials, software, and user-friendliness.

2.6 Marketing Reach

Utilization of the internet can be used to expand market reach. Utilization of the internet in expanding the market can be done by marketing through online media. Entrepreneurs can optimize social media to expand the market (Sukarsih et al., 2016). Marketing reach covers the region: regional, national, and overseas. The marketing reach of the central industry has a wider market reach. Central industries are small industrial groups that form a production area with similar products (Suroyah, 2016).

2.7 MSMEs

MSMEs have an important role in the country's economy. The law on MSMEs is contained in the Law. No. 20 concerning Micro, Small, and Medium Enterprises. According to the law, the definition of MSMEs includes:

2.7.1 Micro business

Micro-businesses are productive economic businesses owned by individuals or individual business entities that have a maximum turnover of IDR 300 million, and have assets or business capital (not including land and buildings for business premises) of a maximum of IDR 50 million. The number of workers consists of 5-19 people.

2.7.2 Small business

A small business is a productive economic enterprise owned by an individual or an individual business entity that has an annual turnover of IDR 300 million-IDR 2,5 billion and has assets or business capital (excluding land and buildings for business premises) of IDR 50- 500 million, and is not a branch of the company. The number of workers consists of 20-99 people

2.7.3 Medium business

Medium enterprises are productive economic enterprises owned by individuals or individual business entities that have an annual turnover of IDR 2,5-50 billion, have assets or business capital (excluding land and buildings for business premises) of IDR 500 million- 10 billion, and are not a branch of the company. The number of workers consists of more than 100 people.

2.8 Goyor Woven Sarong

The goyor woven sarong is one of the superior products from Pematang Regency. The sarong is made using Non-Machine Weaving Tools (ATBM). Goyor woven sarongs have been produced since before 1957 and are still being produced today. According to Fitriyani & Suryadi (2020), the process of making Goyor woven sarongs is relatively complicated. Therefore, this business requires a relatively large number of workers. The goyor sarong manufacturing process includes the yarn order stage, yarn spinning stage, and thread motif painting stage.

3. Research Methodology

This type of research is quantitative research. Quantitative research is research that is used to test theories and/or hypotheses by measuring variables in numbers and then analyzing the data using mathematical calculations and/or statistical tests (Efferin et al., 2008). This research was conducted in North Wanarejan Village, Taman District, Pematang Regency. The population in this study were Micro, Small, and Medium Enterprises (MSMEs) Goyor Woven Sarongs in North Wanarejan Village with a sample of 59 out of 139 actors MSMEs. The sampling technique used a stratified random sampling method. Stratified random sampling is a sampling technique that is carried out by first grouping a population into certain sub-populations based on certain characteristics (Bahri, 2018). Collecting data using the direct interview method with the help of a questionnaire.

4. Results

Data were analyzed using multiple linear model equations and obtained multiple linear regression equations. The multiple linear regression equation in this study is as follows:

$$P = \alpha + \beta_1 M + \beta_2 TK + \beta_3 LU + \beta_4 IP + \beta_5 D + e \quad (1)$$

Information:

- P = Production of Goyor Woven Sarong MSMEs
- α = Constant number
- β_1 = The regression coefficient of the capital variable
- β_2 = The regression coefficient of the labor variable
- β_3 = The regression coefficient of the length of the business variable
- β_4 = The regression coefficient of the product innovation variable
- β_5 = The regression coefficient of marketing reach variable
- M = Capital
- TK = Labor
- LU = Length of Business
- IP = Product Innovation
- D = Marketing Reach
- e = Residual variable

The regression model equation is said to be BLUE (Best Linear Unbiased Estimation) if it passes the classical assumption test. The classic assumption test in this study includes Normality Test, Multicollinearity Test, and Heteroscedasticity Test.

Table 2. Normality Test Results

Testing	Mark
Jarque-Bera	1.122236
Probability	0.570571

Source: Primary Data, 2023 (processed)

The normality test is used to find out in the regression model whether the confounding or residual variables have a normal distribution or not. Table 2 shows that the results of the normality test using the Jarque-Bera approach are 1.122236 with a probability value of $0.570571 > 0.05$. This shows that the data is normally distributed.

Table 3. Multicollinearity Test Results

Independent Variable	Centered VIF
Capital (M)	5.016245
Labor (TK)	4.659984
Length of Business (LU)	1.099031
Product Innovation (IP)	1.194395
Marketing Reach Dummy (D)	1.533367

Source: Primary Data, 2023 (processed)

The multicollinearity test is used to test whether or not there is a high correlation between the independent variables in the regression model. Table 3 shows that the VIF value of each independent variable is < 10 . This shows that the absence of multicollinearity symptoms can be tolerated by the model.

Table 4. Heteroscedasticity Test Results

Independent Variable	Coefficient	Std. Error	t-Statistics	Sig.
Capital (M)	2,02E-07	2,27E-07	0,890975	0,3770
Labor (TK)	-0,466854	0,954755	-0,488978	0,6269
Length of Business (LU)	0,072016	0,285491	0,252254	0,8018
Product Innovation (IP)	1,245608	4,325459	0,287971	0,7745
Marketing Reach Dummy (D)	5,196741	7,550447	0,688269	0,4943

Source: Primary Data, 2023 (processed)

The heteroscedasticity test is used to test whether or not there is an inequality of variance from the residuals of one observation to another. Table 4 shows that the significance value of each independent variable is >0.05 . This shows that the regression model does not experience heteroscedasticity.

Statistical tests in this study included: The coefficient of Determination (R^2), F-test, and t-test. The coefficient of determination is used to explain how much the independent variable contributes to the dependent variable. The F-count test is used to determine whether the independent variables influence the dependent variable. The t-test is used to determine the effect of the independent variable on the dependent variable partially with the assumption that other variables are constant.

Table 5. Coefficient of Determination

Testing	Mark
R-squared	0.932553
Adj R-squared	0.926190

Source: Primary Data, 2023 (processed)

The coefficient of determination in this study uses an adjusted coefficient of determination or Adjusted R-Square (R^2 adj). Based on the results of multiple linear regression the Adjusted R-Square is 0.926190. This shows that the independent variables (capital, labor, length of business, product innovation, and dummy market reach) can explain the dependent variable (production of Goyor Woven Sarong MSMEs) by 92.61 percent, while 7.39 percent is influenced by other variables outside of research.

Table 6. F-test results

Testing	Mark
F-statistical	146.5607
Prob(F-statistic)	0.000000

Source: Primary Data, 2023 (processed)

Table 6 shows that the calculated F-value is 146.5607 and the F-statistic probability value is 0.000000. This shows that the variables of capital, labor, length of business, product innovation, and marketing reach dummy together and have a significant effect on the production of Goyor Woven Sarong MSMEs.

Table 7. T-test results

Variable	t-Statistics	Mark
Capital (M)	5.837131	0.0000
Labor (TK)	6.201877	0.0000
Length of Business (LU)	-0.588312	0.5588
Product Innovation (IP)	2.762980	0.0079
Marketing Reach Dummy (D)	1.175820	0.2449

Source: Primary Data, 2023 (processed)

Based on Table 7, it is known that the partial effect of the independent variable on the dependent variable is through the t-count value and the t-significance level. The t-count value can be seen through the t statistic, and the level of significance can be seen through the probability values in the table above. In this study, it is known that the level $\alpha = 0.05$ and the t-table value is 1.671.

4.1 The Effect of Capital on the Production of Goyor Woven Sarong MSMEs

This study found that capital has a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. The significant effect of capital is in accordance with the Cobb-Douglas production theory which states that capital affects production. The operational capital used by MSMEs actors in Goyor Woven Sarong will determine the amount of sarong production. Operational capital used includes expenses for rayon yarn, paint, and labor wages. The results of the study regarding capital have a significant effect on production in accordance with research conducted by Sari & Kardoyono (2018) concerning the effect of capital on the amount of MSMEs numbering of goyor woven sarong in North Wanarejan Village, Pemalang Regency. Then, this research is also in accordance with research conducted by Chittithaworn et al., (2011) which proves that resources and finance are positive and significant for the success of SME businesses in Thailand.

4.2 The Effect of Labor on the Production of Goyor Woven Sarong MSMEs

This study found that labor had a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. The significant influence of labor is in accordance with the theory of production with one variable input, which describes the relationship between the level of production and the amount of labor used to produce an item (Sukirno, 2013). The workforce needed in the production of goyor woven sarong is skilled labor. The weaving skills possessed by the weaver will determine the quality of the woven sarongs produced. In addition to weaving skills, the motivation and tenacity of the workforce also affect the production of the sarongs produced. The results of research on labor have a significant effect on production in accordance with research conducted by Aprilia & Melati (2021) concerning the influence of labor on the success of the Pekalongan Batik Center UMKM business. Then, this research is also in accordance with research conducted by Biyik (2017) which proves that the number of employees has a positive and significant effect on the production of MSMEs in Turkey.

4.3 The Effect of Length of Business on the Production of Goyor Woven Sarong MSMEs

The length of a business affects a person's experience in running a business, and this experience influences the behavior of entrepreneurs through market observations (Sukirno, 2006). This

study found that the length of business did not have a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. This is because goyor woven sarong entrepreneurs are less adapted to digital-based business developments. The average entrepreneur who has been running a business for more than 25 years is an elementary school graduate and is over 50 years old. The influence of education and age causes these entrepreneurs to make less use of information technology in running their businesses. This is marked in marketing is still done conventionally through collectors' production of goyor woven sarong. The results of the research on length of business did not have a significant effect on production in contrast to research conducted by Lesmana (2014) regarding the length of business having a positive but not significant effect on production in the glass bead craft industry center in Plumbon Gambang Village. Then, this research is also not in accordance with research conducted by Chiliya & Roberts (2012) which shows that the level of experience in running a business, and the age level of the company (length of business) have a significant effect on business profitability.

4.4 The Effect of Product Innovation on the Production of Goyor Woven Sarong MSMEs

This study found that product innovation had a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. The significant effect of product innovation is in accordance with the theory of technological change described by Samuelson & Nordhaus (1992) that technological change will increase production. These technological changes are technical changes that include the: invention of new products, improvements to old products, or changes in the production process. Product innovation in this study is the number of product innovations that can be produced by MSMEs actors in Goyor Woven Sarong in North Wanarejan Village while running a business. Until now three types of product innovations can be produced by MSME actors, including coarse, medium, and fine quality. Most MSMEs actors can produce these three types of sarongs. The results of research on product innovation have a significant effect on production according to research conducted by Novitasari (2017) regarding the effect of product innovation on the positive and significant impact on company performance in UKM Sentra Malang Regency. Then, this research is also in accordance with research conducted by Osei et al., (2016) which proved that SMEs in Ghana who adopted product innovation practices experienced a significant increase in turnover.

4.5 The Effect of Marketing Reach on the Production of Goyor Woven Sarong MSMEs

In general, reach marketing is part of a marketing strategy. According to Sunyoto (2014), a marketing strategy is an integrated plan in the field of marketing that aims to achieve the marketing goals of a company. The marketing strategy is known as the marketing mix or marketing mix which includes 7P (Product, Price, Place, Promotion, People, Process, Physical Evidence). Specifically, marketing reach is part of the location (place) in the marketing mix concept. Location in this sense refers to the place where the product is available for consumers so that it is easier to access it or the means of distribution from producers to consumers. This study found that marketing outreach had no significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. This shows that the average production of Goyor Woven Sarong MSMEs marketed in Pemalang Regency is not different from the average production of Goyor Woven Sarong MSMEs marketed outside Pemalang Regency. Most of the Goyor Woven Sarong MSMEs actors sell their products to collectors. These collectors are located within the Pemalang Regency (North Wanarejan Village

and Pedurungan Village) and outside the Pemalang Regency area (Tegal City and Jakarta). The size of the production quota determined by collectors within the Pemalang Regency area and outside the Pemalang Regency area (Tegal City and Jakarta) is relatively the same, namely a minimum of 20 sarongs/month. The results of research on marketing reach do not have a significant effect on production, in contrast to research conducted by Aprilia & Melati (2021) regarding the influence of the marketing mix on the success of the Pekalongan Batik Center UMKM business. Then, this research is also not in accordance with the research conducted by Saed & Saleh (2017) which shows that market orientation has a direct and significant positive effect on the performance of small companies as measured by changes in productivity, and sales growth in the United Arab Emirates.

5. Discussion

5.1 The Effect of Capital on the Production of Goyor Woven Sarong MSMEs

This study found that capital has a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. Operational capital used includes expenses for rayon thread, paint, and wages. As for average spend for each operating capital the includes: 1) Expenses for rayon yarn IDR 15,000,000/month, 2) Expenses for paint IDR 5,000,000/month, and 3) Expenses for wages IDR 14,000,000/ month. The most operational capital is IDR 130,000,000 with an amount of production sarong of 800 units/month, while the least operational capital IDR 2,000,000 with an amount of production of 20 units/ month. It shows that the more large the operational capital issued so will the more big also the amount of production goyor woven sarong.

5.2 The Effect of Labor on the Production of Goyor Woven Sarong MSMEs

This study found that labor had a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. Skills of labor needed production goyor woven sarong. Skills owned weave by the weaver will determine quality. Besides skills in weaving, motivation and tenacity of labor also influence the production of goyor woven sarong. Motivation originates internally and externally. Internally sourced motivation from self-labor. The internal motivation of labor is to obtain wages based on goyor woven sarong that can be generated. The more lots sarong the resulting weave so will the more lots wages received.

5.3 The Effect of Length of Business on the Production of Goyor Woven Sarong MSMEs

This study found that the length of business did not have a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. Education and age cause businessmen that gave not enough utilize technology information to operate their efforts. It is marked in marketing, still done in a manner conventional through collectors.

5.4 The Effect of Product Innovation on the Production of Goyor Woven Sarong MSMEs

This study found that product innovation had a significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. The MSMEs can produce a third type of sarong. Most products as big three units with an amount production sarong goyor woven sarong of 800 units/ month, meanwhile innovation least product is a big one unit with an amount of goyor woven sarong of 80 units/ month. It shows that the more lots innovative manufactured product so will the more big also the amount of production goyor

woven sarong. Innovation products are done if MSMEs already know the wins and outs of production goyor woven sarong of byse accompanied with experienced business and creativity.

5.5 The Effect of Marketing Reach on the Production of Goyor Woven Sarong MSMEs

This study found that marketing outreach had no significant effect on the production of Goyor Woven Sarong MSMEs in North Wanarejan Village, Pemalang Regency. Price sell goyor woven sarong by collector outside region Pemalang Regency IDR 150,000 – IDR 600,000. Temporary that price sell goyor woven collectors by collector inside the region Pemalang Regency IDR 100,000 – IDR 350,000. Although the price sell goyor woven sarongs for sale to collectors in Tegal City and Jakarta taller the compared to price sold by collectors in the district Pemalang. Most MSMEs choose to sell the product to collect tors inside the region Pemalang Regency. Some considerations of the MSMEs include distance, time, and location. While, some consideration for MSMEs who sell the product to collectors in Tegal City and Jakarta because their own vehicles are quite personal and adequate for the process of transportation, and the MSMEs own relation Arab collectors located outside Pemalang Regency. The production quota, type, and motif of the goyor woven sarong are determined by the collectors. This is because collectors know more about the interest in demand for goyor woven sarong from foreign communities.

6. Conclusion

Based on the results of research and data analysis that has been carried out by researchers, the following conclusions can be obtained: 1) Capital has a significant positive effect on the production of Goyor Woven Sarong MSMEs in Pemalang Regency; 2) Labor has a significant positive effect on the production of Goyor Woven Sarong MSMEs in Pemalang Regency; 3) The length of business has no significant effect on the production of Goyor Woven Sarong MSMEs in Pemalang Regency; 4) Product innovation has a significant positive effect on the production of Goyor Woven Sarong MSMEs in Pemalang Regency; and 5) There is no difference in the average production of goyor woven sarong marketed within Pemalang Regency and the average production of goyor woven sarong marketed outside Pemalang Regency.

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