



## IMPROVING PRODUCTION COST MANAGEMENT IN BATIK MAKING IN KUALA LUMPUR, MALAYSIA

Rochmad Bayu Utomo<sup>1</sup>, Kakanita Ari Puspitasari<sup>2</sup>, Noraine binti Salleh Hudin<sup>3</sup>, Martinus Budiantara<sup>4</sup>

<sup>1,2</sup> Fakultas Ekonomi Universitas Mercu Buana Yogyakarta, Jalan Wates Km 10 Yogyakarta, Indonesia

<sup>3,4</sup>Universitas Pendidikan Sultan Idris Malaysia, 35900 Tanjong Malim, Perak, Malaysia

Email: [bayu@mercubuana-yogya.ac.id](mailto:bayu@mercubuana-yogya.ac.id)

### Abstract

Companies must manage their finances well and in a planned manner. Sound financial management must be balanced with knowledge about finance. Costs are one of the economic elements that must be managed well and correctly. The costs greatly influence the size of a company's profit. One of the cost elements is production costs. This Community Service aims to provide knowledge about calculating production costs in making batik cloth. The training participants were 4 MSME actors in Selangor Malaysia whom Krafrtangan Malaysia appointed. The first stage was a field visit to see the batik cloth production process to see the cost components. The second stage was a presentation regarding the preparation of the HPP report. The third stage was assisting in compiling production costs by calculating the results of field visits. The fourth stage was an evaluation of the community service that had been carried out. The results of the assistance are successful because the 4 MSME actors could compile production costs and see the profit obtained from the sale of the cloth.

**Keywords:** Production Costs, Financial Reports, Financial Management

---

### INTRODUCTION

Malaysia is still a tourist destination. The number of foreign tourists arriving is more than 5.5 million tourists until September 2022. Tourists coming to Kuala Lumpur will enjoy Malaysian products while visiting tourist destinations. One of the products that continues to be promoted by the Malaysian government is batik. In Malaysia, batik is a national heritage art and a source of national pride. The history and early development of the batik industry in Malaysia began in 1913 in the states of Kelantan and Terengganu (Yunus, 2011). The World Crafts Council-Asia Pacific (WCC-APR) has recognized Malaysian batik as one of the local crafts that is famous globally.

Malaysian batik is fundamentally different from Indonesian batik in terms of patterns and manufacturing processes. While Indonesian batik uses stamp and writing techniques, Malaysian batik is made by painting on a piece of cloth. Batik in Indonesia has a very philosophical motif, while Malaysian batik tends to be monotonous with floral motifs. The colours of Indonesian batik usually use brown, gold, and black, while Malaysian batik uses green, pink, and purple.

Based on the Minister of Tourism, Arts and Culture of Malaysia Handicraft Annual Report 2018, there was an increase in sales of 1.2 per cent from the previous year, meaning that Malaysians are starting to like wearing batik. With the increasing demand for batik cloth in Malaysia, several artisans from Malaysia are producing their own through training in Krafrtangan, Malaysia. The batik industry in Malaysia is dominated by small and medium enterprises (SMEs); however, in most countries, most of these companies are micro and small (Akhir et al., 2015). A good understanding of

how to calculate the production costs of batik cloth is needed so that the batik industry can grow and be sustainable. The influence of price on sales plays a vital role in a business, where the production costs of the goods produced will be included in the financial report, namely the profit and loss report. Determining the right production costs will help SMEs make a profit or loss. So, production costs for SMEs will be an essential thing that SME owners should address and ignore to determine the selling price. Price is a value made to be a benchmark for the value of an item. Price has quite a significant influence on the demand for goods.

Small and Medium Enterprises (SMEs) are businesses generally run by people just starting a business. Not many SME owners manage their business as a professional business. Including determining production costs for SMEs, which are not widely known by SME businesses. Many need help understanding need help understanding. Partners also feel this; they have difficulty determining prices because they have yet to determine production costs accurately. This is reinforced by the research results by Razali et al. (2021), which state that the production costs of batik are only calculated, including raw materials, workers and marketing. Batik artisans need to remember to include factory overhead cost components. The existence of waste in the artisans's workforce results in suboptimal production costs for batik.

Due to the above problems, good production management is needed, such as separating raw materials, auxiliary materials, factory overhead costs, and direct labour. Understanding the production process is also a factor in determining production costs. Based on the situation analysis, several problems need to be solved in the Community Service Program: (1) Batik artisans still need to understand the separation of costs in the batik cloth production process. (2) Batik artisans still need to understand the benefits of being able to calculate the cost of production. (3) Batik artisans still need to be able to calculate production costs in making batik cloth.

The following is the problem-solving framework for this community service program:

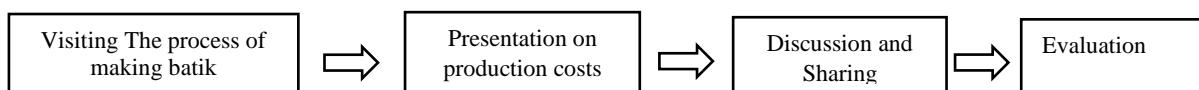


Figure 1. Problem-Solving Solution Framework

## METHOD

Target Partner Objects are 4 artisans in the textile craft sector in Kuala Lumpur, Malaysia. The partners are Abdul Gafar Enterprise, Ziyian Enterprise, Kesuma Enterprise, and Cliff Ink SDN BHD, under Krafongan Malaysia's auspices. This international community service activity is a collaboration between the Faculty of Economics, Universitas Mercu Buana Yogyakarta, Indonesia and the Faculty of Management and Economics, Universiti Pendidikan Sultan Idris, Malaysia. Implementation of activities consists of 4 (four) stages: observation, presentation, discussion and evaluation, with methods adapted to the type of activity at each stage.

## 1. Observation

At this stage, the Pengabdi, consisting of the UMBY team and the UPSI team, conducted a mapping related to determining the criteria for SMEs that would be made partners. The UPSI team coordinated with Kraftangan Malaysia Cawangan Selangor to determine the SMEs that would be made partners. At this stage, the obstacles or challenges faced by partners in developing their businesses were focused on. The results of this stage were used to design the program of activities that would be implemented.

## 2. Presentation

At this stage, both the UMBY team and the UPSI team made a short visit to the partner's business premises to sharpen the observation results. After that, a presentation was made on how to differentiate production costs. The presentation also provides cost classification, characteristics, and behaviour information to help with decision-making. With the results of this presentation, partners can understand the importance of separating costs based on the batik-making process.

## 3. Discussion

Discussions were conducted between partners with the UMBY and UPSI teams to strengthen the presentation results. Partners can directly get a detailed explanation of the problems faced, and the UMBY and UPSI teams can provide solutions so that the issues faced by partners can be adequately resolved. Several inputs were obtained regarding factors that must be considered in calculating production costs.

## 4. Evaluation

The evaluation activity was designed using a quiz method to determine partners' knowledge and skills regarding the important role of production costs in business development after they were given community service activities and training. The results of these activities can be the basis for the community service team to provide several recommendations for developing MSME businesses.

## **RESULTS AND DISCUSSION**

The service team visited the batik production site to see the batik-making process and determine what components were incurred to produce batik. The partner's location is in Kraftangan Selangor, Malaysia. It is done so that everything is noticed from recording incurred costs. On average, partners understand the production process of batik very well. Still, the production costs should have included the expenses incurred in the batik-making process. For example, the cost of disposing of liquid waste has yet to be recorded in the production costs of making batik. If this is done, the sustainability of nature due to the batik-making process will be increasingly polluted. Because so far, the determination of the introductory price by partners is still limited to the cost of raw materials, rent

and marketing, and even their own labour, they need to remember to calculate when making batik cloth. Here are photos when visiting partners:



Figure 2. Visiting The Process of Making Batik

At the presentation stage, the service team explained the importance of classifying costs in production. It is done so that partners can fully understand the cost classification and avoid mistakes in determining production costs. If costs are not calculated carefully and precisely, the impact is that the selling price of goods may not be by the entrepreneur's goal of seeking profit. Another effect is that the cost of goods can be too high, and it can be challenging to compete in the market. In this presentation session, partners are very enthusiastic, considering that their focus in calculating production costs has only been on raw materials, paying workers' salaries (if there are workers) and promotions. Partners need to remember to record electricity costs. From the discussion results, partners must remember to record small things because they are considered unimportant. Even if this is left alone, it will impact business sustainability.

Determining production costs is one of the policies that must be implemented so that SMEs can obtain maximum profit (Datar & Rajan, 2018). Determining production costs is also very important because it is the basis for deciding product prices and functions in calculating profit and loss in a period (Horngren, 2008). Therefore, a business must calculate production costs accurately and precisely (Apriliani, 2018). Several methods, including the complete costing method, can be used to determine production costs. Horngren (2018) states that the complete costing method is a cost calculation method that includes all production costs, such as raw material costs, direct labour costs, variable overhead costs, and fixed overhead costs. Below are photos during the presentation and discussion:



Figure 3. Presentation, Discussion and Sharing

At the end of the community service activity, the service team conducted an evaluation session to determine the partners' understanding of the counselling and training activities that had been carried out. The evaluation results show that partners are increasingly aware of recording costs from the SME production process. Partners realize the right benefits because the recording process is carried out correctly. As a form of appreciation to partners, the service team provided certificates of appreciation as a form of respect for partners who had participated in this activity.



Figure 4. Providing Certificates of Appreciation

## CONCLUSION

Artisans or SMEs still need to carry out orderly recording of company transactions. Determination of production costs has not been carried out carefully because it is still based on competitors, so it has yet to be calculated in detail artisans or SMEs paying attention to product production costs. Artisans or business actors must be more careful when grouping costs to calculate production costs accurately. The results of the assistance are successful because the 4 MSME actors could compile production costs and see the profit obtained from the sale of the cloth.

## ACKNOWLEDGEMENT

The author would like to thank UMBY, UPSI and Cawangan Selangor Malaysian Kraftangan Officials. The author can carry out this service well in Malaysia thanks to this collaboration.

## REFERENCES

Akhir et al. (2015). Traditional Craftsmanship: The Origin, Culture, and Challenges of Batik Industry in Malaysia. *Springer Science Business Singapore*.

Apriliani, M. F. W. 2018. Pengaruh Karakteristik Wirausaha, Modal Usaha Dan Tenaga Kerja Terhadap Keberhasilan Umkm Batik. *Economic Education Analysis Journal*, 7(2), 761–776.

Datar, S. M., & Rajan, M. V. 2018. *Horngren's Cost Accounting*. Harlow: Pearson Education Limited.

Horngren, Charles T., et al. 2008. *Akuntansi Biaya*. Edisi 7. PT INDEKS kelompok GRAMEDIA: Jakarta.

IAI. 2016. *Standar Akuntansi Keuangan Entitas Mikro, Kecil dan Menengah*. Jakarta: Dewan Standar Akuntansi Keuangan.

Isnawan, G. 2012. *Akuntansi Praktis untuk UMKM*. Jakarta: Laskar Aksara Jaya.

Jaya, A., & Hidayaturrohman. 2016. Perancangan Sistem Akuntansi Berdasarkan SAK ETAP pada UMK Kopi Sahabat Kota Libuk Linggan. *Jurnal EMBA*

N.A. Yunus, 2011. *Batik Malaysia: Menemukan Kembali Tradisi*. Singapura: Tuttle Publishing

Ooi, Can Seng. (2006). *Tourism And the Creative Economy in Singapore*. Singapore: S.T. Press

Pahlevi, Andreas Syah et al. 2018. *Kolase Pemikiran Ekonomi Kreatif Indonesia*. Yogyakarta: Oxo.

Razali et al. (2021). Current Challenges of The Batik Industry in Malaysia and Proposed Solution. *AIP Conference Proceedings*.