



(RESEARCH ARTICLE)



## Diversity of processed food MSMEs in Luwuk sub-district, Banggai Regency, Indonesia

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### Abstract

The objective of this study was to examine the prevalence, diversity, and characteristics of Processed Food micro, small, and medium-sized enterprises (MSMEs) in Luwuk Subdistrict, as well as their cost structure, marketing strategies, revenue generation, and business viability. This research is a descriptive qualitative study. The data for this study were collected through interviews and the examination of relevant documentation. Subsequently, the data collected is subjected to descriptive analysis. In light of the findings presented it can be concluded that Luwuk District has three Processed Foods MSMEs, namely Saluan Coffee, Wahyu Chips, and Aulia Food Chips. Saluan Coffee is classified as a small business, whereas Wahyu Chips and Aulia Food Chips are categorized as micro businesses. The marketing activities of each MSME are conducted through two distinct channels: direct and indirect. The costs incurred by each MSME vary considerably, with a range of Rp 245,000,000 to Rp 255,000,000. The highest total costs were incurred by the Aulia Food Chips, amounting to Rp 255,259,000. In terms of revenue, the Kopi Saluan has the highest total revenue among the three Processed Food MSMEs in Luwuk Subdistrict, amounting to IDR 514,187,000. The R/C ratio calculations demonstrate that each MSME has a ratio value exceeding 1, indicating the feasibility of developing these Processed Foods MSMEs in the Luwuk subdistrict.

**Keywords:** Processed Food; Micro; Small and Medium Enterprises; Msmes

### 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) possess distinctive advantages, including local content-based output at relatively affordable prices, accessible labor and straightforward skills, as well as distinctive product specifications and a presence in international markets. Micro, Small, and Medium Enterprises (MSMEs) constitute a pivotal component of the national economy, as they are more effective than other business entities in generating productive employment through investment and technological advancement. Micro, Small, and Medium Enterprises possess greater flexibility than their larger counterparts, conferring a competitive advantage. Consequently, MSMEs exert a considerable influence on the quality of life of individuals and communities, and they represent a sector that merits particular attention (Rahmadani and Subroto 2022: 167).

As Gunawan et al. (2022: 1) observe, the number of MSMEs in Indonesia increased for three consecutive years, from 2016 to 2019. The development of MSMEs in Banggai Regency, in particular, exhibited a notable increase from 2021 to 2022. The number of micro businesses increased by 16.75%, while the number of micro-assisted (large) businesses increased by 0.40% and the number of small businesses increased by 0.02%.

The number of MSME products, including those derived from agricultural, livestock, and fishery sources, continues to expand. Additionally, the quantity of high-quality products is capable of competing at both the local and national levels.

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This is a common challenge faced by MSME actors, the government, and stakeholders alike. It is imperative to enhance the quantity, diversity, and quality of MSME products to positively impact regional contributions and the financial standing of local governments and communities.

In light of the aforementioned description, the researcher conducted a study entitled "Development of Processed Food MSMEs in Luwuk Subdistrict, Banggai Regency." The objective of this study was to analyze the number, diversity, and specifications of Processed Food MSMEs in Luwuk District, as well as the cost structure, marketing, income, and business feasibility of these MSMEs.

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## 2. Methods

This research employs a descriptive qualitative methodology. The data for this study were gathered through the use of interviews and the examination of relevant documentation. Subsequently, the data collected is subjected to descriptive analysis.

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## 3. Results and discussion

### 3.1. Diversity and Specifications of Processed Food MSMEs in Luwuk Sub-district

#### 3.1.1. *Kopi Saluan (KOPSAL) MSME*

Saluan coffee is a locally produced coffee bean variety that originated in Banggai Regency. This product is manufactured from robusta coffee, cultivated by the inhabitants of Lokait Village, Simpang Raya Subdistrict, where the majority of the population is Saluan Tribe, an indigenous tribe in Banggai Regency. The Saluan Coffee was established in 2016 by Mrs. Tuti Datu Adam. The enterprise produces two distinct products: ground coffee and roasted coffee. According to the criteria set forth in the business classification system, Saluan Coffee MSME are categorized as small businesses. This designation is based on the fact that they are independent productive economic businesses or self-owned businesses with annual sales reaching Rp 500,000,000.

#### 3.1.2. *Wahyu Chips MSME*

Wahyu Chips is a small and medium-sized enterprise (SME) that employs the use of agricultural raw materials as processed products, which are then manufactured into a variety of snacks with different flavors. Wahyu Chips was established in 2015 by Mr. Toto Raharjo. Wahyu Chips has developed a range of processed food products, including banana chips, sweet bananas, salted bananas, taro, taro balado, cassava, cassava balado, sweet batata, purple batata, tempeh chips, jackfruit chips, breadfruit chips, and banana mas. In accordance with the criteria set forth in the business specifications, the Wahyu Chips MSME is classified as a micro business, given that its annual sales revenue is approximately Rp 300,000,000.

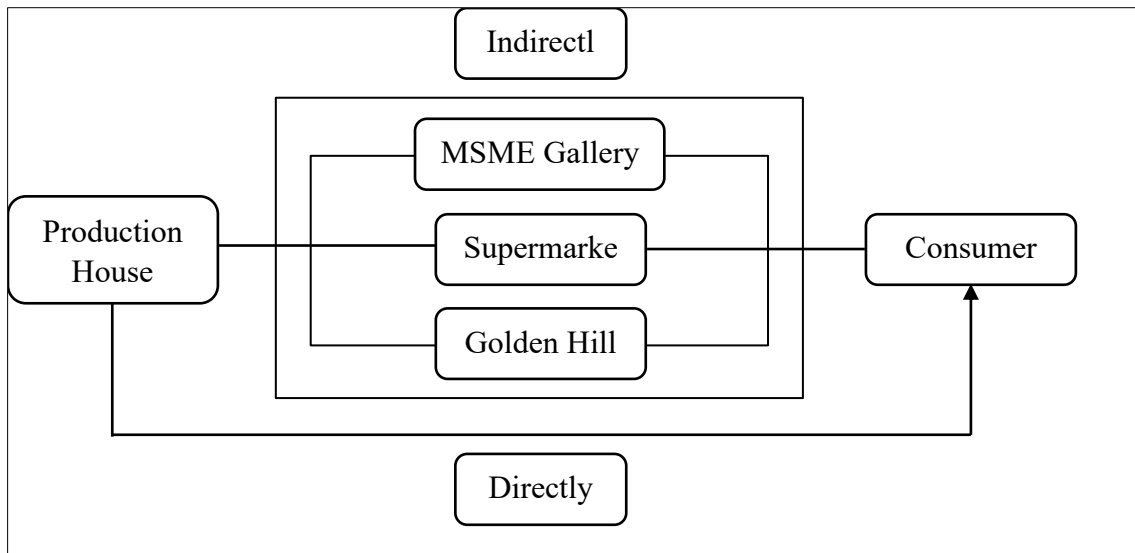
#### 3.1.3. *Aulia Food Chips MSME*

The Aulia Food Chips was established in 2016 by Mr. Ramadhon. Aulia Food Chips MSME employ locally sourced agricultural ingredients as the primary raw materials for the production of processed products. The raw materials employed in the production process include bananas, cassava, and taro (*Beta vulgaris*). The products manufactured by the Aulia Food Chips MSME include taro chips, cassava, and banana chips. In accordance with the criteria established for MSME, Aulia Food Chips is classified as a micro business. This classification is based on the business's status as a productive economic enterprise with individual business ownership and a sales turnover of approximately Rp 300,000,000 per year.

### 3.2. Marketing, Cost Structure, Income, and Business Feasibility of Processed Food MSMEs in Luwuk Sub-district

#### 3.2.1. *Marketing of processed food MSME products in Luwuk sub-district*

The marketing of processed food products produced by MSMEs in Luwuk Subdistrict is conducted in a manner that facilitates the optimal distribution of these products to consumers. The marketing of Processed Food MSMEs in Luwuk Sub-district is illustrated in Figure 1. From this illustration, it can be observed that two distinct marketing channels are evident: direct and indirect. In direct marketing, the producer directly markets their product to the consumer. In indirect marketing, products are first distributed from production facilities to MSME galleries, supermarkets, and Golden Hill, before reaching consumers.



**Figure 1** Marketing of MSME Products in Luwuk Sub-district

**3.3. Cost structure of Processed Food MSMEs in Luwuk sub-district**

The costs incurred by each Processed Food MSMEs in Luwuk sub-district are classified into two categories: fixed costs and variable costs. The costs incurred by each MSME are presented in Tables 1 and 2.

**Table 1** Fixed Costs of Processed Food MSMEs in Luwuk Sub-district in 2022

No.	MSME	Fixed Cost (Rp)		Total (Rp)
		Building Rent	Depreciation	
1	Saluan Coffee	2.496.000	2.196.000	4.692.000
2	Wahyu Chips	2.748.000	2.304.000	5.052.000
3	Aulia Food Chips	2.340.000	2.100.000	4.440.000

Source: Processed data, 2023

**Table 2** Variable Costs of Processed Food MSMEs in Luwuk Sub-district in 2022

No.	MSME	Variable Cost (Rp)		Total (Rp)
		Labor Wages	Raw Materials	
1	Saluan Coffee	127.782.000	113.289.000	241.071.000
2	Wahyu Chips	127.544.000	119.462.000	247.006.000
3	Aulia Food Chips	131.610.000	119.209.000	250.819.000

Source: Processed data, 2023

The data presented in Table 9 illustrates that the fixed costs incurred by the three Processed Food MSMEs in 2022, namely Saluan Coffee, Wahyu Chips, and Aulia Food Chips, are not significantly disparate. The fixed costs, which consist of building rent and depreciation, amount to Rp 4,692,000 for Saluan Coffee, Rp 5,052,000 for Wahyu Chips, and Rp 4,440,000 for Aulia Food Chips. The highest fixed costs were incurred by the Wahyu Chips MSME, amounting to Rp 5,052,000.

Table 10 illustrates the variable costs incurred by the three Processed Food MSMEs in 2022, comprising labor and raw materials. The total cost for Aulia Food Chips is the highest among the three, amounting to Rp 250,819,000, followed by Wahyu Chips (Rp 247,006,000) and Saluan Coffee (Rp 241,071,000).

**Table 3** Total Costs of Processed Food MSMEs in Luwuk Sub-district in 2022

No.	MSME	Total Cost (Rp)		Total (Rp)
		Fixed Cost	Variable Cost	
1	Saluan Coffee	4.692.000	241.071.000	245.763.000
2	Wahyu Chips	5.052.000	247.006.000	252.058.000
3	Aulia Food Chips	4.440.000	250.819.000	255.259.000

Source: Processed data, 2023

Table 3 presents the total business costs incurred by Processed Foods MSMEs in 2022. The highest total costs were incurred by the Aulia Food Chips MSME, amounting to Rp 255,259,000, followed by Wahyu Chips at Rp 252,058,000, and Saluan Coffee at Rp 245,769,000. This indicates that the difference in total costs of the three MSMEs is not significant.

**Table 4** Revenue Costs of Processed Food MSMEs in Luwuk Sub-district in 2022

No.	MSME	Revenue Cost (Rp)
1	Saluan Coffee	769.950.000
2	Wahyu Chips	459.000.000
3	Aulia Food Chips	471.960.000
Total		1.700.910.000

Source: Processed data, 2023

As illustrated in Table 4, the highest revenue cost among the three processed food MSMEs in 2022 was observed in Saluan Coffee, amounting to Rp 769,950,000. This was followed by Wahyu Chips (Rp 459,000,000) and Aulia Food Chips (Rp 471,960,000). Therefore, the aggregate revenue cost of all Processed Foods MSMEs in Luwuk Subdistrict in 2022 was Rp 1,700,910,000.

### 3.4. Income of Processed Food MSMEs in Luwuk sub-district

The aggregate revenue of Processed Foods MSMEs in Luwuk Subdistrict in 2022 is presented in Table 5. A review of the data in the table leads to the conclusion that the Saluan Coffee MSME in Luwuk District generated the highest revenue among the three Processed Foods MSMEs in 2022, with a total income of Rp 514,187,000. The next highest income was that of Aulia Food Chips, with a total income of Rp 216,701,000, followed by Wahyu Chips with an income of Rp 206,058,000.

**Table 5** Income of Processed Food MSMEs in Luwuk Sub-district in 2022

No.	MSME	Revenue (Rp)		Total (Rp)
		Total Revenue (TR)	Total Cost (TC)	
1	Saluan Coffee	759.950.000	245.763.000	514.187.000
2	Wahyu Chips	456.700.000	252.058.000	206.058.000
3	Aulia Food Chips	471.960.000	255.259.000	216.701.000

Source: Processed data, 2023

### 3.5. Business feasibility of Processed Food MSMEs in Luwuk sub-district

The feasibility of a business venture is determined by a comparison of the ratio of total revenue to total costs, which is expressed as an R/C ratio. The R/C Ratio results indicate that the ratio value for Saluan Coffee MSME is 3.0, Wahyu Chips MSME is 1.8, and Aulia Food Chips MSME is 1.8. The criteria for business feasibility are as follows: if the R/C Ratio value is greater than 1, then the business is deemed to be feasible. Based on the aforementioned calculations, it can be

concluded that the R/C Ratio value for each MSME is greater than 1, and thus the business is deemed to be feasible for development.

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#### 4. Conclusion

The objective of this study is to examine the number, diversity, and characteristics of Processed Foods MSMEs in Luwuk Subdistrict, as well as the cost structure, marketing strategies, revenue generation, and business viability of these MSMEs. In light of the findings presented, it can be concluded that Luwuk Sub-district is home to three Processed Food MSMEs: Kopi Saluan MSME, Wahyu Chips MSME, and Aulia Food Chips MSME. Kopi Saluan is classified as a small business with an annual income of up to IDR 500,000,000, while Wahyu Chips and Aulia Food Chips are categorized as micro businesses with an annual income of approximately IDR 300,000,000. The marketing activities of each MSME are conducted through two distinct channels: direct marketing, whereby the products are distributed directly from the production facilities to the consumers, and indirect marketing, which involves the use of MSME galleries, supermarkets, and Golden Hill as intermediaries. The costs incurred by each MSME vary considerably, with a range of Rp 245,000,000 to Rp 255,000,000. The highest total costs were incurred by the Aulia Food Chips MSME, amounting to Rp 255,259,000. In terms of revenue, the Kopi Saluan MSME achieved the highest total revenue among the three Processed Food MSMEs in Luwuk Subdistrict, amounting to IDR 514,187,000. The R/C ratio calculations demonstrate that each processed food MSME has a ratio value exceeding 1, indicating that the three Processed Food MSMEs in Luwuk Subdistrict are viable for further development.

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#### Compliance with ethical standards

##### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

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