ABSTRACT

Micro and small manufacturing industries have great potential for the Indonesian economy. This can be seen from the contribution of micro and small industries to GDP which reaches 60%, is able to absorb a large workforce, and the production index has increased during 2010-2019. Apart from these potentials, the problem that occurs in the micro and small manufacturing industry is the difference in production growth rates in each industrial sector. The dynamics of production growth in 2010-2019 tended to decline. The purpose of this study is to analyze the level of efficiency in the micro and small manufacturing industry sector as well as to analyze the input and output variables that cause inefficiency based on the Indonesian Standard Classification of Business Fields (KBLI).

This study analyzes 23 sectors of the micro and small manufacturing industry in 2010-2019. The type of data used is secondary data obtained from the published reports of the Central Statistics Agency (BPS) in the form of micro and small industry profile data. The data analysis method uses Data Envelopment Analysis (DEA) to determine the efficiency value of each sector of the micro and small manufacturing industry, using Banxia Frontier Analyst software. The output variable used in this study is the production index, while the input variables are the number of workers, labor expenditures, expenditures, and partnerships.

The results showed that the efficiency level of the micro and small manufacturing industry was low. DEA calculations show that out of 23 sectors of micro and small manufacturing industry, only 8 sectors achieve efficiency compared to other micro and small industries that become Decision Making Units (DMU). The efficiency achievement is also inconsistent with the efficiency value from 2010-2019. Industries that have managed to maintain a consistent level of efficiency are the computer, electronic, and optical industries (KBLI 26). The variable that causes the most inefficiencies in the micro and small manufacturing industry is labor expenditure, because the amount of labor expenditure tends to decrease. The low allocation for labor expenditure will have an impact on the resulting output.

Keywords: Efficiency, Micro and Small Manufacturing Industry, Data Envelopment Analysis (DEA).