

TEXTILE INDUSTRY IN INDONESIA AMIDST THE IMPACT OF THE COVID-19 CORONAVIRUS PANDEMIC

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ABSTRACT

This paper discusses the political economic situation during the economy in textile and textile products companies trying to diversify products by producing Personal Protective Equipment (PPE) and masks as a strategy to survive in the midst of the impact of the coronavirus (Covid-19) pandemic that hit almost all joints in Indonesia caused by the Covid19 pandemic. Using david ricardo's theory of comparative excellence, this paper tries to show that the textile industry switches the function of producing personal protective equipment or medical devices as well as economic disruptions due to the impact of coronavirus.

Keywords: Indonesian Economy, Textiles, Disruption.

ABSTRAK

Tulisan ini membahas situasi ekonomi politik selama perekonomian di perusahaan tekstil dan produk tekstil yang mencoba melakukan diversifikasi produk dengan memproduksi Alat Pelindung Diri (APD) dan masker sebagai strategi bertahan di tengah dampak pandemi virus corona (Covid-19) yang melanda hampir seluruh sendi di Indonesia akibat pandemi Covid-19. Dengan menggunakan teori keunggulan komparatif david ricardo, tulisan ini mencoba menunjukkan bahwa industri tekstil beralih fungsi memproduksi alat pelindung diri atau alat kesehatan serta gangguan ekonomi akibat dampak virus corona.

Kata Kunci: Ekonomi Indonesia, Industri Tekstil, Disrupsi.

INTRODUCTION

Economic growth goes wrong one indicator that can be used by a country to assess and evaluate development conditions economy in the country (Harakan, 2020; Rasanjani, Harakan, Pintobtang & Jermisittiparsert, 2019). Growth Economics is a process of changing conditions the economy continuous towards a state that is better over a period of time. Economic growth can also be interpreted as a process of increasing production capacity an economy embodied in form of increase in national income (Prasojo, Putri, & Hariyati, 2021; Rinaldi, Jamal, & Seftarita, 2017; Wulandari & Zuhri, 2019).

Indonesia's economy in 2019 grew 5.02 percent, lower than the 5.17 percent achieved in 2018. In terms of production, the production profit of Other Service

Field Business is 10.55 percent. Meanwhile, the total textile and textile products export industry fell by 2.87% to US\$ 12.84 billion in 2019 from US\$ 13.22 billion in 2018. Meanwhile, imports of textiles and textile products fell 6.4% to US\$ 9.37 billion from before US\$ 10.02 billion. For this reason, the domestic textile market remains under pressure due to the rapid influx of imported raw materials and textile products sold at very low prices.

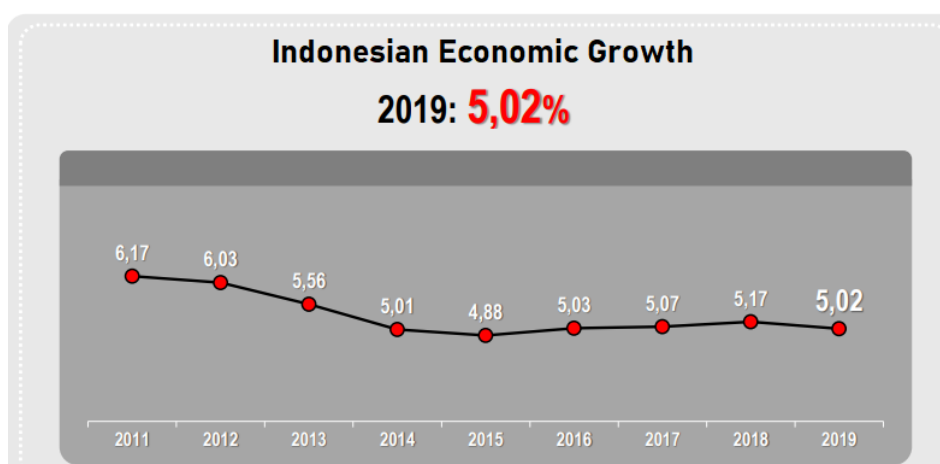


Figure 1. Indonesian Economic Growth 2011-2019

In addition, Statistics Indonesia (BPS) data revealed that in the last 10 years textile export growth is less than 3%, whereas imports grew by more than 20%. The Company also strengthened its focus on the uniform segment and maintained efforts to increase its retail. The Company also actively participates in auctions held by various government agencies, state-owned enterprises, hospitals, private companies, and universities to continue expanding its market.

Data from the Central Statistics Agency (BPS) shows that the production of the apparel industry experienced significant growth of 15.29 percent. Meanwhile, the Ministry of Industry targets, exports from the national TPT industry will penetrate up to USD15 billion throughout 2019. Increased production capacity in goods and services Physical services in accordance with a certain period of time will certainly have a positive effect on economic engagement (Indayani & Hartono, 2020; Santosa, 2020).

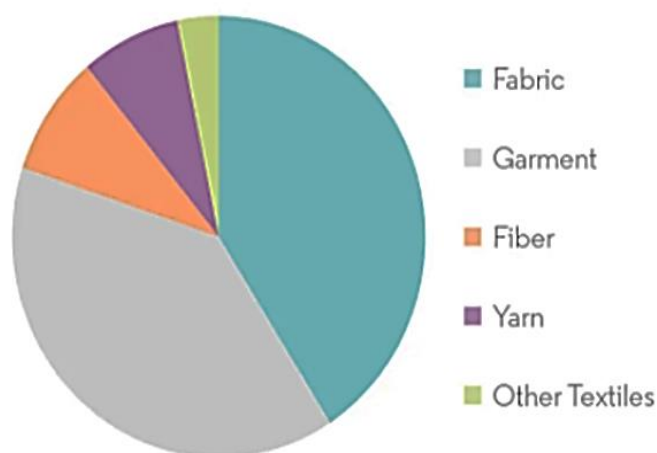


Figure 2. Textiles Industry, Revenue (%), by Textile Type, Indonesia, 2019

Surely Industrialization or private need to collaborate and creating several breakthroughs and finding a way out to survive economic disruptions (Purnomo, 2016), such as those made by textile companies trying to diversify products by producing Personal Protective Equipment (PPE) and masks as a strategy to survive in the midst of the impact of the coronavirus pandemic (Covid-19) that hit almost all economic joints and a massive decline in exports.

RESEARCH OBJECTIVES

Based on the explanation above, where economic disruptions due to Covid-19 have had a major impact in the textile sector, the purpose of this research is to look at and describe textile companies and textile products trying to diversify products by producing Personal Protective Equipment (PPE) and masks as a strategy to survive in the midst of the impact of the coronavirus pandemic (Covid-19) that hit almost all joints in Indonesia caused by the Covid-19 pandemic.

THEORETICAL FRAMEWORK

Interconnectedness or cooperation in the world of business or export has its role to develop national economic growth (Hu & Yao, 2022). Based on that, I prefer 2 Theories, namely export supply theory and comparative advantage theory is a theory put forward by David Ricardo. Theory in a supply market is the opposite of

the demand side. Offer is the number of goods offered by the manufacturer where the manufacturer is able to provide it (Gregory, 2006). The offer of an item is influenced by the price of the item by reference to the legal offer that reads. If the price of goods rises then the number of goods offered will also rise assuming and vice versa *ceteris paribus*. In addition to the price factor of the number of goods offered is also influenced by the price of other goods, input prices, technology, expectations and other factors. Comparative Excellence Theory The theory of comparative excellence is a theory put forward by David Ricardo in his book (The Principles of Political Economy and Taxation in 1817). In theory of comparative advantage the state can continue to trade even if one country does not have an absolute advantage or in other words has an absolute disadvantage to the other country in producing two goods. In general David Ricardo bases his theory on a number of simplified assumptions, namely: (1) there are only two countries and two goods (2) free trade (3) there is perfect labor mobility within the country but no mobility between the two countries (4) constant production costs (5) no transportation costs (6) no technological changes. this paper, in that case, the key to the need and export of goods to a country is the need that creates economic growth is international trade. In his view, in international trade, a supply market is the opposite of the demand side and can continue to trade even if one country does not have an absolute advantage or in other words has an absolute disadvantage to another country in producing two goods (Ricardo, 2005).

RESEARCH METHODS

Method used for this paper is qualitative research method. According to Afifuddin & Saebani (2009) Qualitative research method is a research method used in to examine the condition of natural objects, (the opponent is an experiment) where researchers are a key instrument, data collection techniques are carried out triangulation (combined), data analysis is inductive, and the results of research qualitatively emphasizes meaning rather than generalization.

RESULTS AND DISCUSSION

Availability of Personal Protective Equipment (PPE) in the midst of the outbreak of corona covid-19 becomes very important . Moreover, the covid-19 pandemic has spread to various countries in the world (Kashyap, Rathore, & Tripathi, 2021). So the demand for PPE also increased dramatically. Therefore, many textile industry players switch their regular production to mask and PPE products. This step is carried out to meet the needs of these products in the midst of the coronavirus pandemic covid-19 that is currently spreading in Indonesia, as well as to meet the production gap during the pandemic.

Textile and textile products companies (TPT) try to diversify their products by producing Personal Protective Equipment (PPE) and masks as a defensive strategy in the midst of the impact of the coronavirus (Covid-19) pandemic that hit almost all economic joints of the country. PT Sri Rejeki Isman Tbk (SRIL) or Sritex, one of the TPT issuers on the Indonesia Stock Exchange (IDX) also took the diversification strategy with products such as masks and PPE equipment to be marketed domestically. The move was taken in anticipation of the widespread impact of declining exports on the company's revenues. In addition, nowadays these products, both masks and PPE are the most demanded products in Indonesia. The export market is the largest contributor to Sritex's revenue, reaching 65%. The decline in exports occurred due to the policy of lockdown or quarantine of regions in European countries, where most of the export destinations of textile companies from Solo. The move was taken in anticipation of the widespread impact of declining exports on the company's revenues. In addition, nowadays these products, both masks and PPE are the most demanded products in Indonesia (Siburian, 2020).

According to the data we obtained from respondents through google questioner shared form, 69.2% of respondents stated that the value of exports decreased during the pandemic Covid19. In addition, respondents revealed that the thing that is exported is a basic necessity. in addition, the government has full attention to the health protocols in order to develop economic growth through the export sector. Data can be seen according to the chart below:

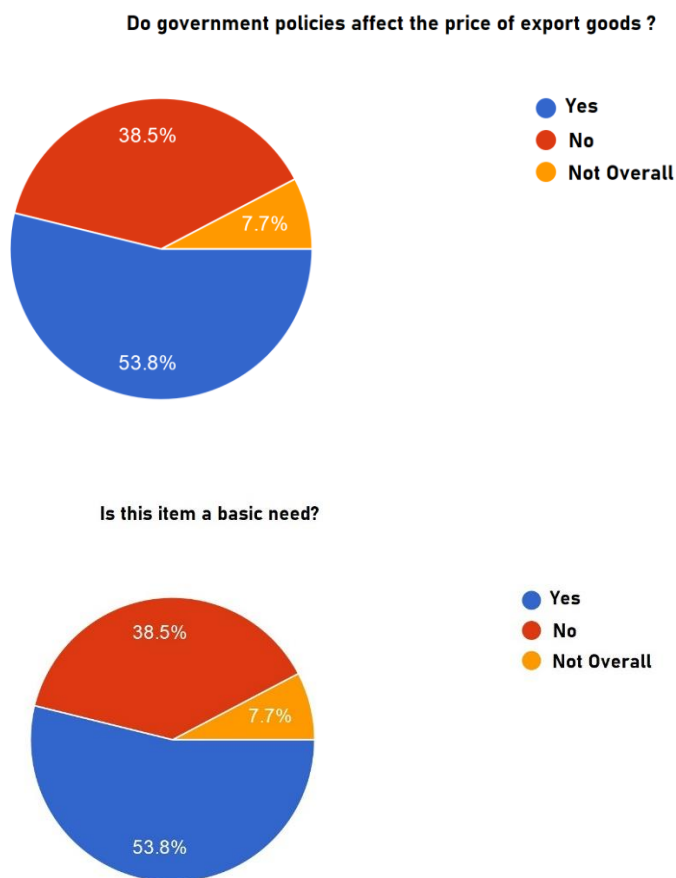


Figure 3. Respondents through Google Questioner

Based on financial statement data, SRIL sales in the first 3 months of this year fell slightly by 0.07% to US\$ 316.62 million or Rp 4.75 trillion (assuming exchange rate of Rp 14,900/US\$) from US\$ 316.85 million. Meanwhile, the cost of sales increased to US\$ 257.58 million from US\$ 252 million.

In this case the strategy carried out by PT Sri Rejeki Isman Tbk (SRIL) or Sritex, one of the TPT issuers on the Indonesia Stock Exchange (IDX) also took the diversification strategy with products such as masks and PPE equipment to be marketed domestically for the sustainability of the company. The move was taken in anticipation of the widespread impact of declining exports on the company's revenues. In addition, nowadays these products, both masks and PPE are the most demanded products in Indonesia. Due to the Covid-19 pandemic, it is still not predicted when it will end. That means the easing of lockdown in Sritex's export destination countries is unpredictable. Through its social media accounts, PT Sri

Rejeki Isman Tbk. (Sritex) began producing nonmedical masks to assist the government in tackling the coronavirus or Covid-19 outbreak. Citing the company's Instagram account, mask orders can be made through pre-orders with a minimum order of 1,000 pieces at a price of Rp 5,500 per sheet (including VAT). Sritex also works with the online app Halodoc, and masks can be purchased through the app for at least 10 pieces at the same price.

The company has already obtained orders to produce PPE and blankets for medical personnel and paramedics. Production permits and circulation permits have been bagged, although the total value of the order is still unable to cover operational costs. Because at the moment all countries are still looking for different patterns of life, the rules are still changing constantly including lockdown.

CONCLUSION

Based on the above discussions, global economic disruptions such as The Covid19 pandemic, especially in Indonesia, has a big impact in the economic sector, especially in the textile sector. The impact resulted in a decrease in exports, until sritex company cooperated with the government to continue to run textile business for the present needs during the pandemic. It is intended for the company and the people in Indonesia today. From there I concluded that the pandemic not only adversely affects the national economy, but textile companies try to diversify products by producing Personal Protective Equipment (PPE) and masks as a strategy to survive the impact of the coronavirus pandemic (Covid-19) with anticipation of the widespread impact of declining exports on the company's revenues in addition to taking such diversification strategies with products such as masks and PPE equipment to be marketed in the country is the right step and prioritize economic growth during the pandemic as a joint priority , without us knowing that there is an impact that is force majeure at this time.

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