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Influence of Manufacture of Textiles, Clothing, and Leather and Manufacture of Paper, Printing, and Publishing on Economic Growth

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Abstract

Purpose – The purpose of this research is to know the influence of manufacture of textiles, clothing, and leather and manufacture of paper, printing, and publishing on economic growth.

Design/Methodology/Approach – The method of research used was a causal research design in North Sumatera Province. The data used are secondary data sourced from Statistics Agency of North Sumatera Province. The method of analysis used in this research is SEM method using software Smart PLS.

Findings – The results show that manufacture of textiles, clothing, and leather and manufacture of paper, printing, and publishing influence to the economic growth.

Research Limitations/Implications – Limitations of the study included not analyzing by data pooling, and samples were restricted only to North Sumatra Province. The implication of this research is that the variables of manufacture of textiles, clothing, and leather give a significant contribution to the economic growth of North Sumatra. To this end, that need to be made some policies shoul be implemented to facilitate manufacture of textiles, clothing, and leather others invest in the district and city in North Sumatra.

Originality/Value – The originality of this study attempts to examine export indicators in certain segments where other studies do not examine them.

Keywords Manufacture of textiles, clothing, and leather, manufacture of paper, printing, and publishing, economic growth

1. Introduction

The positive performance of the industrial sector has contributed substantially to the increase in economic growth in the first quarter of 2017 which reached 5.01% or above the economic growth in the same period last year of 4.92% (Suyanto, 2011). Many believe that this component is able to describe the overall economic condition as well as prospects for growth Industrial sector is one of the main driving force of economic growth of a country (Suyanto, 2011; Nurlina and Muda, 2017; Sirojuzilam *et al.*, 2017; Syahyunan *et al.*, 2017). Industrial development will have a major impact on increasing prosperity and prosperity of the people, promoting economic growth, encouraging the creation of appropriate technologies, strengthening the people's capacity in the process of national economic growth, expanding job opening and business opportunities, and strengthening national stability (Ningrum, 2008). Industrial technology improvement program is implemented to increase the added value of industrial products, and gradually change the structure of the added value content so that it is increasingly based on the ability of technology and human resources quality; improve the efficiency, quality, and competitiveness of industrial products with the characteristics of competitive advantage and high performance; and accelerate the process of transfer of industrial technology (Jones *et al.*, 2017; Muda *et al.*, 2017a, 2017b). These strategic steps are taken to enable the industry's ability to grow. The process of mastery of industrial technology, both manufacturing technology and product technology, is done gradually and has shown significant progress. Mastery technology is gained through, among other things, through technology transfer processes, technology adaptation as well as research and development of applied technology, both conducted through government-owned research and development institutions (R&D) as well as in industrial activities. R&D of government is directed to make various prototype of equipment that suitable with requirement of small industry, such as agricultural processing equipment, leather industry, metal and machinery industry, and handicraft (Asmeri *et al.*, 2017; Khoiruman and Haryanto, 2017). Structuring the industrial structure is aimed at increasing the added value of industrial products, reducing the dependency of imports of industrial products economically, expanding the national industrial production base vertically and horizontally, including developing new industries in order to fill the empty upstream–downstream series efficiently, increasing efficiency and competitiveness as well as expanding the type of export-oriented industry, and strengthening the industrial structure in terms of institutional aspects of business and industry players. Structuring of industrial structures is also closely linked to efforts of industrial dispersal to regions to improve resource allocation efficiency while also developing industrial growth centers. Nationwide the share of the paper industry on economic growth has decreased, while competition in the world market tends to be more stringent. Textile and textile products have an important role in the economy of North Sumatra Province. In the last 5 years, however, the industry's share of economic growth has declined, while competition in the world market is tighter. The textile industry is competing with similar industries in China. After the cost of labor in China is increasingly expensive so that the cost of production is soaring, the world's textile manufacturers are now starting to look at Indonesia as its production base. Business sector developments textile and paper as one of the foundations decision making of the perpetrator's strategy business and government. Other goals are to identify the field which business is currently being progressing, in terms of its contribution to the economic growth of the province of North Sumatra. This research can be made the basis for that next research more of a quantitative study. These descriptive studies become complementary to other quantitative studies, for business decision making and government.

2. Material and methods

This is associative-causal research, which was aimed at analyzing the relationship between two or more variables. Type of data is Secondary Data from North Sumatera in Figures by Central Bureau of Statistics 1999–2016. Causal-comparative research is ex post facto, meaning data are collected after all the events in question (Badaruddin *et al.*, 2017; Marhayanie *et al.*, 2017; Muda *et al.*, 2017a, 2017b). Research takes one or more of the consequences as dependent variables and tests the data by tracing back to the past in search of causes, interrelationships and meanings and tending to rely on quantitative data. The purpose of this study was to investigate the possibility of causal relationships based on observations of the consequences, and to rediscover facts that may be the cause through certain data. Causal-comparative research has ex post facto characteristics, meaning data are collected after all the events in question have taken place. Research takes one or more of the consequences (Achmad *et al.*, 2017) and tests the data by tracing back to the past in search of causes, interrelationships and meanings and tending to rely on quantitative data.

3. Result and discussion

3.1. Result

3.1.1. Evaluation of the structural model (Inner Model) Inner model evaluation through the bootsraping menu also generates $T_{statistics}$ values that will be used to test the hypothesis. The criteria are $T_{statistic} > 1.66$ (Dalimunthe *et al.*, 2016; Ferine *et al.*, 2017; Lubis *et al.*, 2017). If the value of $t_{count} < t_{table}$, then Ho accepted and when the value of $t_{count} > t_{table}$, then Ho is rejected which means that the variable in question there is influence which is significant (Muda *et al.*, 2017a, 2017b). This means that the independent variables tested have an effect significantly to the dependent variable. The result of T-statistics value in the table path coefficients is presented in Figure 1.

The effect test can be seen in Table 1.

Table 1 produces a coefficient of 0.005, smaller than $1\alpha = 5\%$ then the decision of hypothesis testing rejects H_0 and accepts the hypothesis H_a (Muda, 2017; Sihombing *et al.*, 2017; Honggowati *et al.*, 2017; Rahmawati *et al.*, 2017). The results show that manufacture of textiles, clothing, and leather are significant variables on the economic growth (Y).
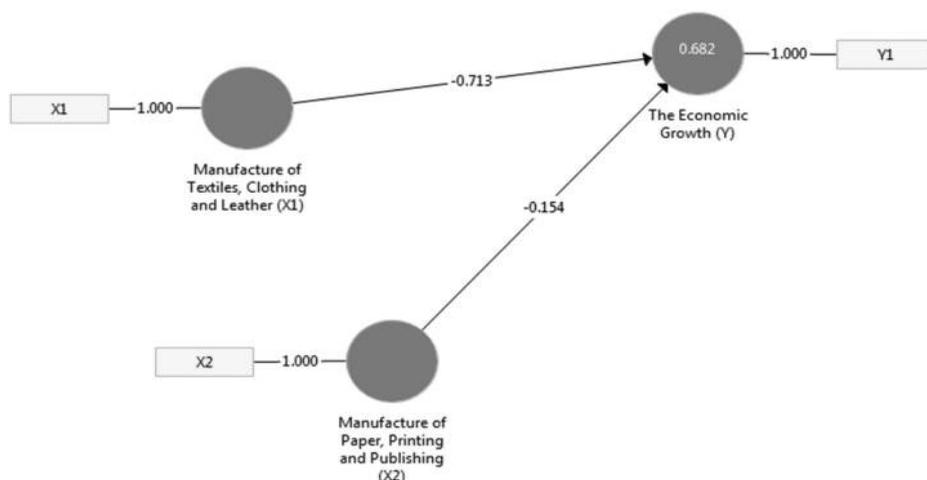
Figure 1.
Overall Model with
Co-efficient

In addition to hypothesis testing through the bootstrapping menu that produces T-statistics, inner model evaluation is also done by reviewing the R-square value (Muda *et al.*, 2017a, 2017b). The R-square value generated from the inner model evaluation is presented in Table 2 and Figure 2.

The variation of R-square adjusted value is 63.3%. The existence of manufacture of textiles, clothing, and leather also has a great contribution on economic development of a region, because with the number of business units workers that many will create jobs and be able to absorb labor so it has the potential to reduce unemployment in an area (Suprianto *et al.*, 2017). Types of textiles, clothing, and leather industries have enough influence on the industry in Indonesia. This shows that are quite potential in reducing unemployment because it absorbs a relatively large workforce (Suyanto, 2011). Unemployment is the biggest problem for a country, because unemployment leads to low income and community productivity in the end will lead to poverty and other social problems. Country which is developing is often faced with the large unemployment rate due the narrowness of employment and the size of the working age population. Narrow employment is due to the scarcity of capital to invest, the number labor force, and socio-political issues in the country. One of the indicators to see how large an area is absorbing energy work is by looking at some variables that affect demand labor in a company (Suyanto, 2011). Small industry development is the way that is considered a major role in the development of the manufacturing industry (Muda *et al.*, 2017a, 2017b). The development of small industries will help overcome unemployment problems considering

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	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Manufacture of paper, printing, and publishing (X2) -> the economic Growth (Y)	−0.154	−0.125	0.251	0.613	0.540
Manufacture of textiles, clothing, and leather (X1) -> The economic growth (Y)	−0.713	−0.759	0.185	3.859	0.000

Table 1.
The Result of
Bootsraping

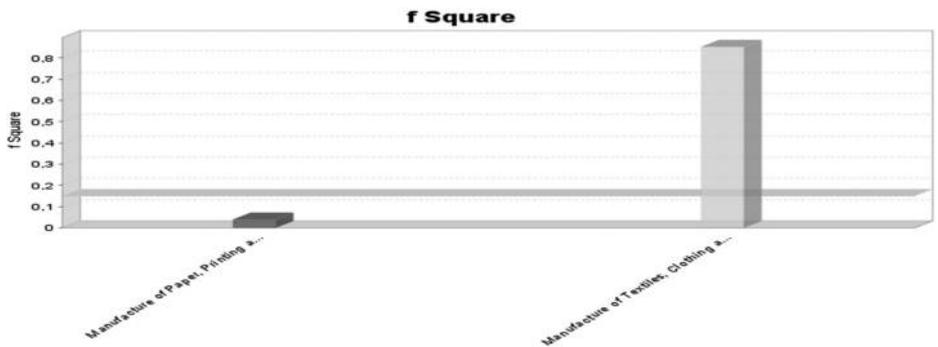|	R Square	R Square Adjusted
The economic growth (Y)	0.682	0.633

Table 2.
R-Square Value

Figure 2.
F Square

the technology used is labor-intensive technology so it can increase employment and business opportunities, which in turn encourage regional development and rural areas (Sirojuzilam *et al.*, 2017). The role of the home industry or small industry has an influence big on the economy in Indonesia due to build an industry this small does not require a large capital and able to absorb labor. Larger employment must be sustained by growth a relatively high economy. Very economic factor effect on investment is interest rate, taxation policy, regulation banking, and basic infrastructure. While the noneconomic factor is stability politics, law enforcement, land issues for business labs, crime rates in society, labor and student demonstrations, government commitments, commitment of banking, infrastructure and bureaucratic services of local government in particular business licensing (Khoiruman *et al.*, 2017). Necessary government policy within creates a conducive climate for increasing investment activities. Other than that required investment creation strategies in the labor-intensive industrial sector to reduce the increasing unemployment rate (Sirojuzilam *et al.*, 2017). For that industrial sector which is able to absorb labor becomes very important in terms of helping increase in employment.

4. Limitation and implications
Limitations of the study was include the following: not analyzed by data pooling and samples were restricted only to North Sumatra Province. The implication of this research is that the variables of manufacture of textiles, clothing, and leather give a significant contribution to the economic growth of North Sumatra. To this end some policies should be implemented to facilitate manufacture of textiles, clothing, and leather in the District and City in North Sumatra.

5. Conclusions
The results show that manufacture of textiles, clothing, and leather influence the economic growth and manufacture of paper, printing, and publishing contribute significantly to the economic growth in North Sumatera.

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