



## TAX INCENTIVES UNDER CUSTOMS FACILITIES FOR SUSTAINABLE AND COMPETITIVE TEXTILES AND WEARING APPAREL IN WEST JAVA

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### Abstract

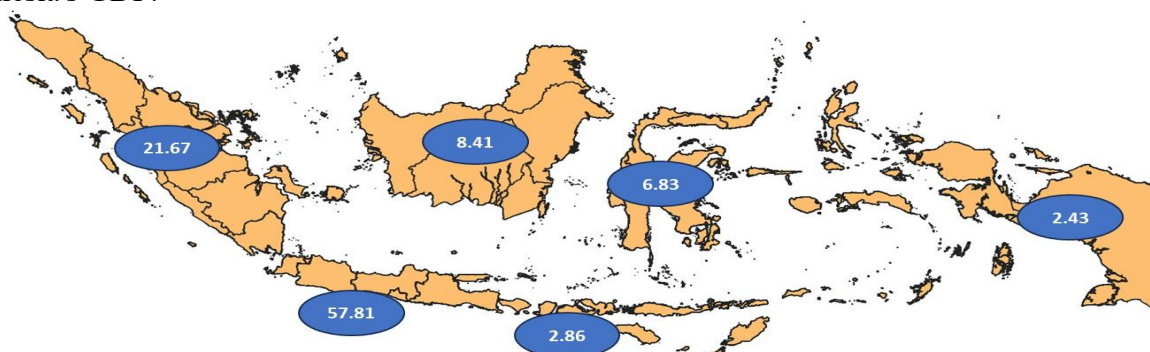
The manufacturing industry dominates West Java Province's Gross Domestic Product (GDP), with the textile and wearing apparel sector as a key contributor and the second-largest employer in the region. The Textile and Textile Products (TPT) sector benefits from customs facilities such as Bonded Storage (TPB) and the Import Facility for Export (KITE). However, the manufacturing workforce experienced significant shocks in 2020 and 2023, with contractions of -12.76% and -1.85%, respectively. The number of layoffs reached 4,629 in 2022, increased to 19,217 in 2023, and stood at 5,567 as of September 2024. This research aims to develop an early warning system for the TPT industry, assess the impact of customs facilities on investment, employment, and exports, and identify customs policy measures to strengthen the sector. A mixed-methods approach, combining quantitative descriptive analysis and qualitative interpretation, is applied. The study uses secondary data from 2019 to 2024 and primary data from in-depth interviews with officials from the Directorate General of Customs and Excise, TPT companies receiving facilities, bonded zone entrepreneurs, and related associations. The findings indicate that key early warning indicators for layoffs include demand from export destination countries (NTE), minimum wages, and the availability of raw materials. Customs facilities positively influence investment, employment absorption, and net exports, while also contributing to a reduction in unemployment. Effective customs policies to support the TPT industry include strict enforcement against illegal goods, protection of domestic industries, local export destination programs, inland free trade agreements (FTAs), and strategies for companies to improve product quality and diversify their buyers.

**Keywords:** Customs Facilities; Layoff; Manufacturing Industry, TPT Industry; West Java

### INTRODUCTION

Gross Domestic Product (GDP) is a macroeconomic indicator used to plan and evaluate economic development in a region. This indicator measures the value of production, consumption, productivity, investment, exports, and imports, and is used to support the formulation of policies aimed at improving domestic economic performance (Central Bureau of Statistics, 2024).

Indonesia's Gross Domestic Product (GDP) distribution from 2019 to 2023 is largest among the islands of Java, Sumatera, Kalimantan, Sulawesi, Bali-Nusa Tenggara, and Maluku-Papua (Central Bureau of Statistics, 2024). Java contributes the largest GDP compared to other islands. Consequently, when a shock occurs in Java, it will have the greatest impact on Indonesia's GDP.





Source: (Central Bureau of Statistics, 2024), processed by the author (QGIS).

**Figure 1.** Average Distribution of Indonesia's Gross Domestic Product (GDP) from 2019 to 2023

The largest GDP contributors on the island of Java are the provinces of Jakarta, East Java, West Java, Central Java, Banten and DI Yogyakarta (Table 1).

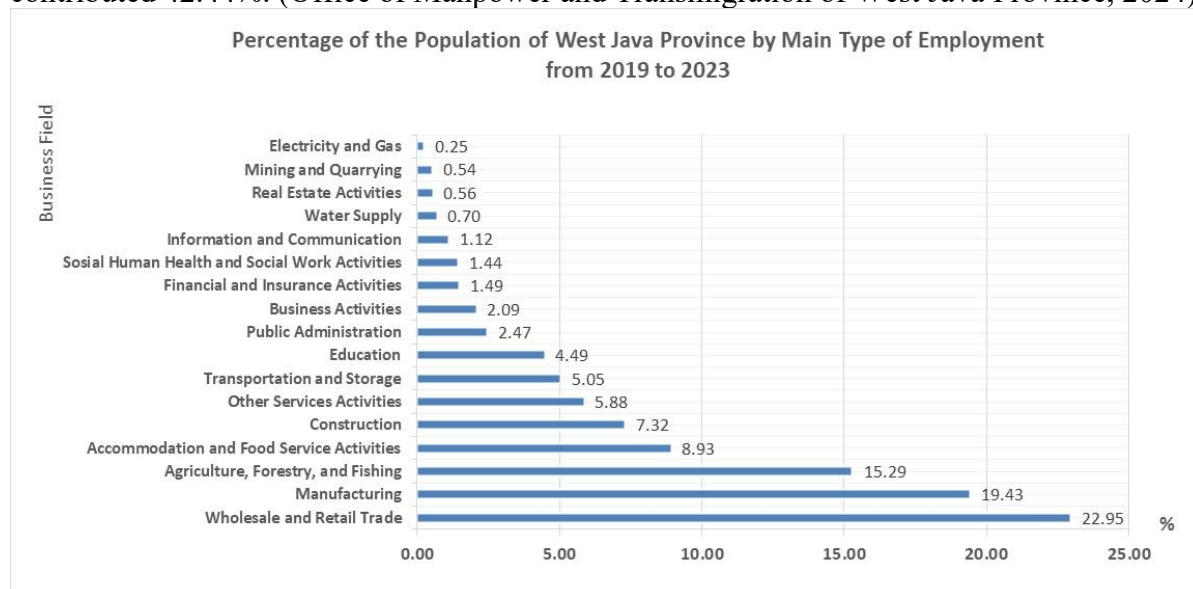
**Table 1.** Distribution of GDP on Java Island

Province	Island	2019	2020	2021	2022	2023	Average (5 years)
DKI Jakarta	Java	17.55	17.55	17.18	16.65	16.77	17.14
East Java	Java	14.62	14.59	14.48	14.27	14.38	14.47
West Java	Java	13.24	13.21	13.01	12.65	12.79	12.98
Central Java	Java	8.48	8.55	8.38	8.15	8.26	8.36
Banten	Java	4.12	3.97	3.93	3.90	3.96	3.98
DI Yogyakarta	Java	0.88	0.88	0.88	0.87	0.88	0.88

Source: (Central Bureau of Statistics, 2024), processed by the author

West Java Province, as one of the largest contributors to GDP on the island of Java, is supported by the manufacturing industry, which contributes the most at 41.73%, followed by wholesale and retail trade, automobile and motorcycle repair at 14.63%, agriculture, forestry, and fisheries at 8.71%, and other business sectors (Central Bureau of Statistics, 2024). The Central Bureau of Statistics categorizes the manufacturing industry as consisting of the textile and apparel industry (Central Bureau of Statistics, 2024).

The large proportion of the Manufacturing Industry business sector to GDP in West Java Province (41.73%) will certainly absorb labor, this is reflected in the population data of West Java Province based on the main type of employment in 2019 to 2023, namely the wholesale and retail trade sector at 22.95%, followed by the manufacturing industry at 19.43%, and agriculture, forestry and fisheries at 15.06% while other sectors (14 types of business fields) contributed 42.44%. (Office of Manpower and Transmigration of West Java Province, 2024).



Source: (Office of Manpower and Transmigration of West Java Province, 2024), processed by the author

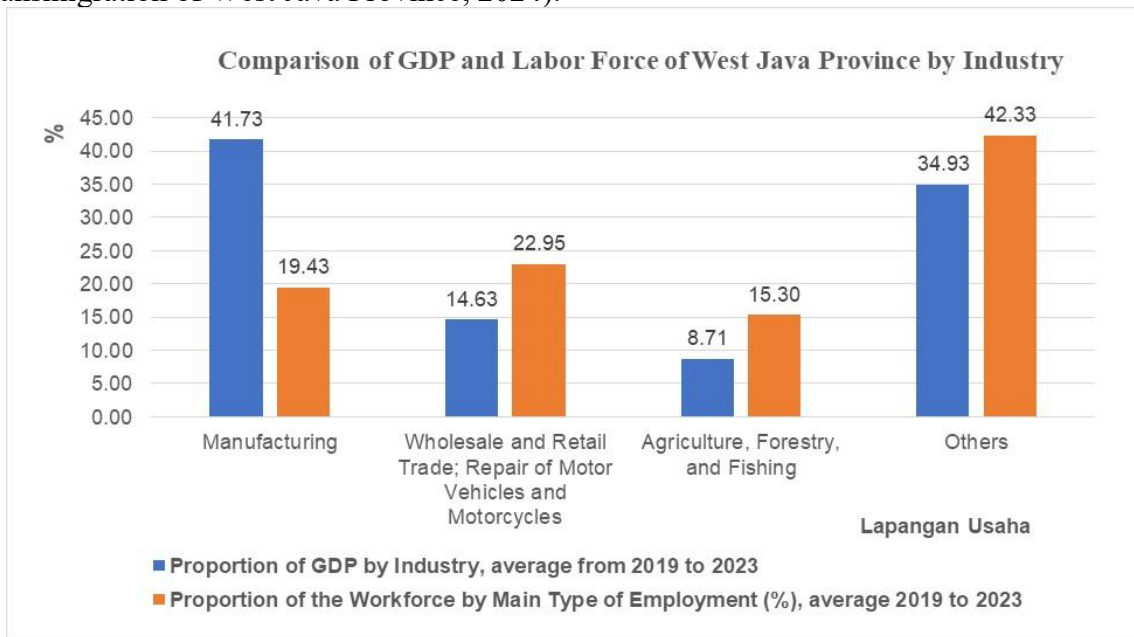
**Figure 2.** Number and Growth of the Working Population in West Java Province

Although the wholesale and retail trade sector has the largest contribution to labor absorption, its contribution to the GDP of West Java Province is below the contribution of the Manufacturing Industry sector (41.73% compared to 14.63%). The workforce in the wholesale and retail trade sector is generally formal or informal workers. The contribution to labor



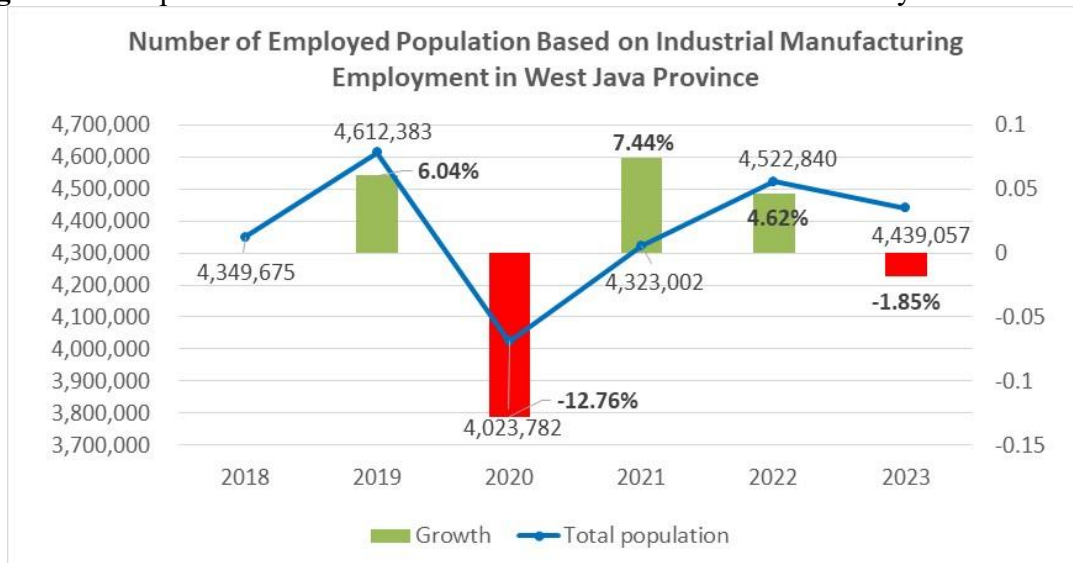
absorption of the Manufacturing industry absorbs the second largest workforce and it turns out that this industry provides the largest proportion of GDP, with an average of 41.73% compared to other industries (Figure 3). Consequently, changes/shocks in the Manufacturing Industry sector will impact the workforce in West Java Province.

The manufacturing sector workforce experienced a shock (negative growth) in 2020 and 2023, amounting to -12.76% and -1.85%, respectively (Office of Manpower and Transmigration of West Java Province, 2024). The decline in the number of people employed in West Java Province, particularly in the manufacturing sector, is reflected in the reduction of the workforce in this sector. This is evident in the number of workers in the manufacturing industry, which was recorded at 4,612,383 in 2019, but decreased to 4,023,782 in 2020, and from 4,522,840 in 2022 to 4,439,057 in 2023 (Figure 4) (Office of Manpower and Transmigration of West Java Province, 2024).



Source: (Central Bureau of Statistics, 2024) and (Office of Manpower and Transmigration of West Java Province, 2024), processed by the author

**Figure 3.** Comparison of GDP and Labor Force in West Java Province by Business Sector



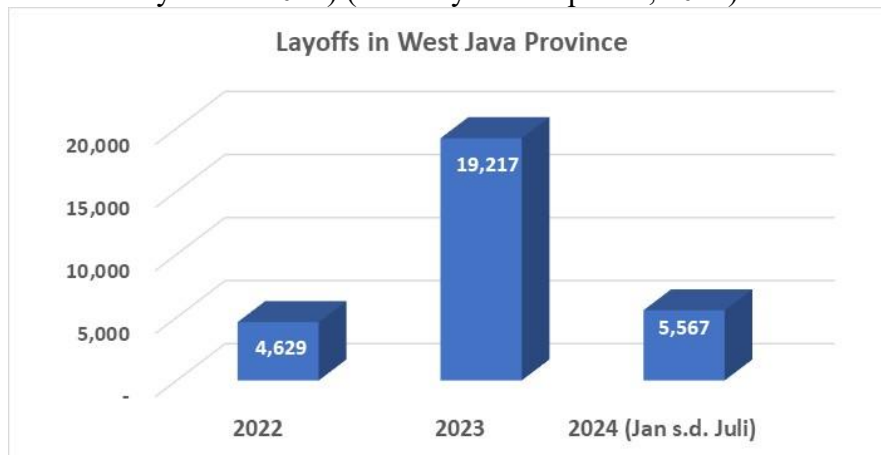
Source: (Office of Manpower and Transmigration of West Java Province, 2024)



**Figure 4.** Number and Growth of the Working Population in West Java Province Based on the Main Employment Field in the Manufacturing Industry from 2018 to 2023

Indications of a decline in the manufacturing workforce can also be seen in data on old-age security claims from the Social Security Agency for Employment (BPJS Ketenagakerjaan). According to a policy analyst at the West Java Manpower and Transmigration Office (Disnakertrans), based on BPJS Ketenagakerjaan data, there were 409,462 old-age security (JHT) claims from January to September 2022, with a total payment of IDR4.319 trillion. One of the requirements for JHT claims is resignation or layoffs (PHK). As of August 2022, 8,370,354 people in West Java were registered as wage-earning workers. Compared to the total number of wage-earning workers, as of September 2022, the percentage of workers who filed claims was 4.9% of the total wage-earning workers in West Java (cnbcindonesia, 2022).

Ministry of Manpower data shows that in 2023, 19,217 workers were layoffs in West Java. This represents a 315% increase compared to 2022, when 4,629 were layoffs. Meanwhile, from January to July 2024, 5,567 workers were layoffs in West Java (a 20% increase compared to the total number of layoffs in 2022) (Ministry of Manpower, 2024).



Source: (Ministry of Manpower, 2024)

**Figure 5.** Number of Layoffs Workers in West Java Province from 2022 to April 2024

The Manufacturing industry is an economic activity that carries out the activity of changing a basic material mechanically, chemically, or by hand so that it becomes a finished/semi-finished product, and/or a less valuable product into a higher value product, and its nature is closer to the end user. Included in this activity are industrial/makloon services and assembly work (Central Bureau of Statistics, 2024). Based on the criteria of the Central Bureau of Statistics, the main categories of the manufacturing industry include the Manufacture of Textiles and Wearing Apparel or the Textile Product Textile Industry (TPT) (Central Bureau of Statistics, 2024).

The government has implemented several programs to encourage the growth of the manufacturing industry, one of which is the Directorate General of Customs and Excise (DGCE). DGCE facilitates trade and industry, maintains borders, and protects the Indonesian people from smuggling and illegal trade, particularly in the manufacturing industry in West Java Province. These include the Bonded Zone facility (KB), Import Facility for Export (KITE), and Bonded Logistics Center (PLB) (DGCE, 2023). By providing customs facilities, it is hoped that companies will have a competitive advantage and be able to compete in the international market, which will greatly influence the movement, progress and development of domestic industry, which of course will have an impact on the workforce.

Previous research has discussed the textile industry and labor. Research conducted by (Putri, 2012) stated that the apparel industry sector has the largest labor absorption, while subsectors such as the carpet and yarn industry have significant employment multiplier



potential. Meanwhile, research by (Hermawan, 2011) revealed that domestic textile production is influenced by world cotton prices and wage levels. This results in a less than favorable outlook for Indonesian textiles and textile products, as they rely on high levels of imported cotton, investment, and exchange rates. Meanwhile, research by (Yanti, Hartani, Nuraeni, Lumbanbatu, & Kristina, 2023) Since the COVID-19 pandemic, the export value and volume of textile and apparel exports have declined, particularly from 2019 to 2020. This has impacted the workforce in the textile and apparel industries. The impacts on the workforce include temporary unemployment, reduced working hours, and even layoffs and the potential for layoffs.

Unlike previous studies, this research focuses on customs facilities provided to the textile and apparel industry in West Java Province, including supervision by the Directorate General of Customs and Excise (DGCE), workforce development, investment, and net exports of textile and apparel products. The objectives of this study are to:

1. analyze early warning indicators of layoffs in the manufacturing industry, particularly among workers in the textile industry in West Java Province;
2. analyze the impact of customs facilities on investment, employment and unemployment, as well as exports and imports (net exports) in the manufacturing industry, particularly the TPT sector in West Java Province;
3. analyze customs policies to improve the performance of the manufacturing industry, particularly the TPT sector in West Java Province.

## **METHODS**

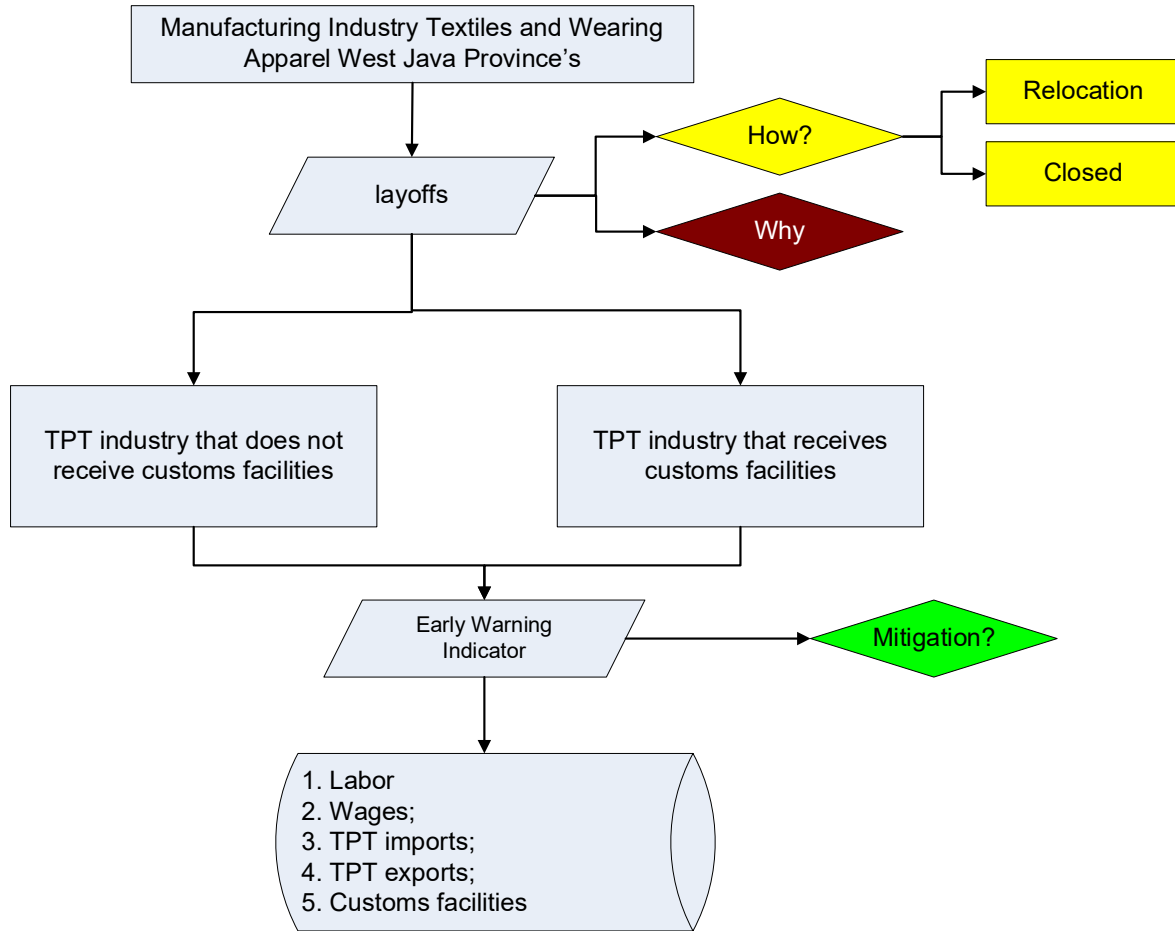
To answer the research questions, this study employs an explanatory sequential mixed-methods design, in which quantitative data collection and analysis are followed by qualitative data collection and analysis, and then integrated in the interpretation stage (Cresswell, 2014).

The data sources used in this research consist of quantitative secondary data from the Directorate General of Customs and Excise (DGCE), the Central Bureau of Statistics (BPS), the West Java Provincial Statistics Agency (BPS West Java), the West Java Manpower Office, the Ministry of Manpower, the Ministry of Investment and Downstream Industry (BKPM), and the Social Security Administering Body for Employment (BPJS Ketenagakerjaan). The secondary data cover the period from 2019 to July 2024. The secondary data include the value of customs facilities in the Textile and Textile Products (TPT) sector, employment, imports and exports, minimum wages, and GDP.

The primary data are qualitative in nature and were obtained through in-depth interviews with TPT companies receiving customs facilities in West Java Province, the West Java Textile Industry Bonded Zone Entrepreneurs Association (APKB), and officials/analysts at the West Java Regional Customs and Excise Office, Customs and Excise Office Bandung, and Customs and Excise Office Purwakarta, conducted in 2024.

The analytical tools used are quantitative descriptive analysis and qualitative interpretative analysis, which focuses on interpreting meaning (Cresswell, 2014). Descriptive statistics aim to describe and compare for easy understanding (Anderson, Sweeney, & Williams, 2011). The analysis of measures to mitigate layoffs in the manufacturing industry—particularly among workers in the textile industry in West Java Province—relies on the integration of quantitative findings and qualitative insights from in-depth interviews.

The research framework is subject to one limitation Manufacture of Textiles and Wearing Apparel in West Java Province that do not receive customs facilities are not included as research subjects due to the large size of the population and limited data availability. Based on the above objectives, the research framework is as follows:



Source: processed by the author

Figure 6. Research Framework

## RESULTS AND DISCUSSION

### Descriptive Analysis of the Textile and Textile Products (TPT) Industry in West Java Province

#### TPT Industry Categories and Types of Customs Facilities

The textile and textile industry (TPT) is part of the manufacturing industry group, contributing the largest proportion to West Java Province's GDP. However, in 2020 and 2023, the manufacturing industry experienced a shock, with the industry's workforce experiencing negative growth. The TPT industry categories in West Java Province include:

1. TPT industry that does not receive customs facilities;
  - a. Domestic input (raw materials) and domestic output (finished goods).
  - b. Domestic/foreign input (raw materials) and domestic output (finished goods).
  - c. Domestic/foreign input (raw materials) and foreign output (finished goods).
2. TPT industry that receives customs facilities;
  - a. Domestic/foreign input (raw materials) and foreign output (finished goods).

Within the supervision area of the West Java Customs and Excise Regional Office, until July 2024, several customs facilities are provided to the textile and textile industry:

Table 2. Proportion of Facility Types at the West Java Customs and Excise Regional Office

No.	Type of Industry	Numbers	Proportion (%)
1	<b>Bonded Storage (TPB)</b>		
	<b>a. Bonded Zone (KB)</b>	<b>343</b>	<b>81.28</b>
	1) Garment, Textile, dan Yarn	TPT 176	51.31



	2) Footwear	TPT	29	8.45
	3) Electronics and electronic goods	Non-TPT	27	7.87
	4) Plastic and plastic products	Non-TPT	9	2.62
	5) Others	Non-TPT	102	29.74
	<b>b. Bonded Warehouse (GB)</b>		<b>21</b>	<b>4.98</b>
	<b>c. Bonded Logistic Centre (PLB)</b>		<b>12</b>	<b>2.84</b>
<b>2</b>	<b>Import Facilities for Export (KITE)</b>		<b>46</b>	<b>10.90</b>
	a. Raw materials and/or TPT production results	TPT	22	47.83
	b. Raw materials and/or non-TPT production results	Non-TPT	24	52.17
	<b>Total</b>		<b>422</b>	<b>100.00</b>

Source: (Customs and Excise Office West Java Regional, 2024), processed by the author

The TPT industry is spread within the supervision area of the West Java Customs and Excise Regional Office, namely in all regencies/cities in West Java except Bekasi City and Bekasi Regency which are under the supervision area of Customs and Excise Office Bekasi and Customs and Excise Office Cikarang (Jakarta Customs and Excise Regional Office). Bonded Zone (KB) facilities are the most dominant customs facilities in West Java Province (81.28%), until July 2024 the TPT industry dominated this type of KB industry, namely garment, textile and yarn and footwear, with a proportion reaching 59.76%. In addition, this TPT industry can be grouped based on capital-intensive (Technology) and labor-intensive (Labor).

Based on the type of goods produced, the textile and textile industry is classified into upstream, middle, and downstream industries. The upstream TPT industry is labor-intensive, meaning it employs a large workforce, while the middle and downstream industries are capital-intensive, meaning they employ a small workforce and utilize a large amount of capital (technology and machinery).



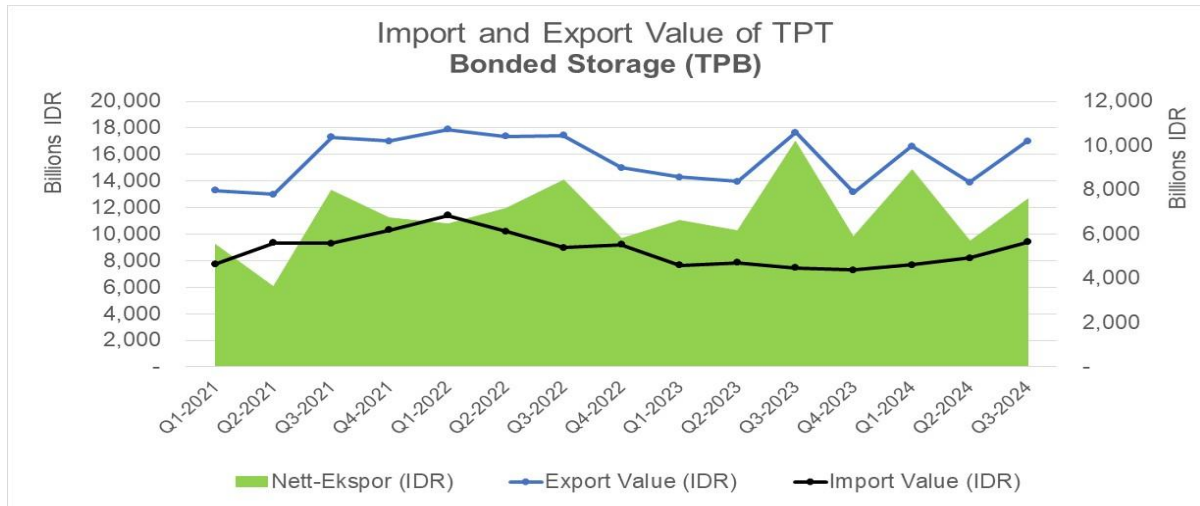
Source: (DGCE, 2024), processed by the author

**Figure 7.** TPT Industrial Products in West Java Province

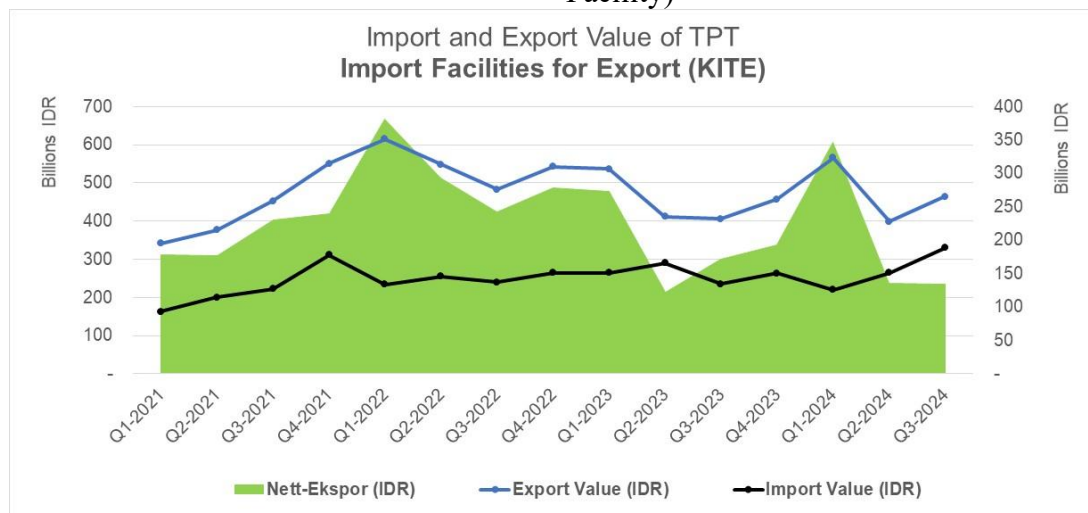
From the type of investment, for TPT Companies receiving Customs Facilities, it is Foreign Direct Investment (PMA) and Domestic Direct Investment (PMDN).

#### **Import and Export Value of TPT**

The comparison of the import and export values of textile and textile products (TPT) companies receiving facilities is positive, indicating that the facilities are being utilized effectively, enabling the companies to continue producing goods and exporting. Figures 9 and 10 show the development of import, export, and net export values of TPT companies receiving facilities at the West Java Customs and Excise Regional Office.



Source: (Customs and Excise Office West Java Regional, 2024), processed by the author  
**Figure 8.** Import, Export and Net-export Value of TPT products in West Java Province under the Supervision of the West Java Customs and Excise Regional Office (TPB Facility)



Source: (Customs and Excise Office West Java Regional, 2024), processed by the author  
**Figure 9.** Import, Export and Net-export Value of TPT products in West Java Province under the Supervision of the West Java Customs and Excise Regional Office (KITE Facility)

**Value of Customs Facility**

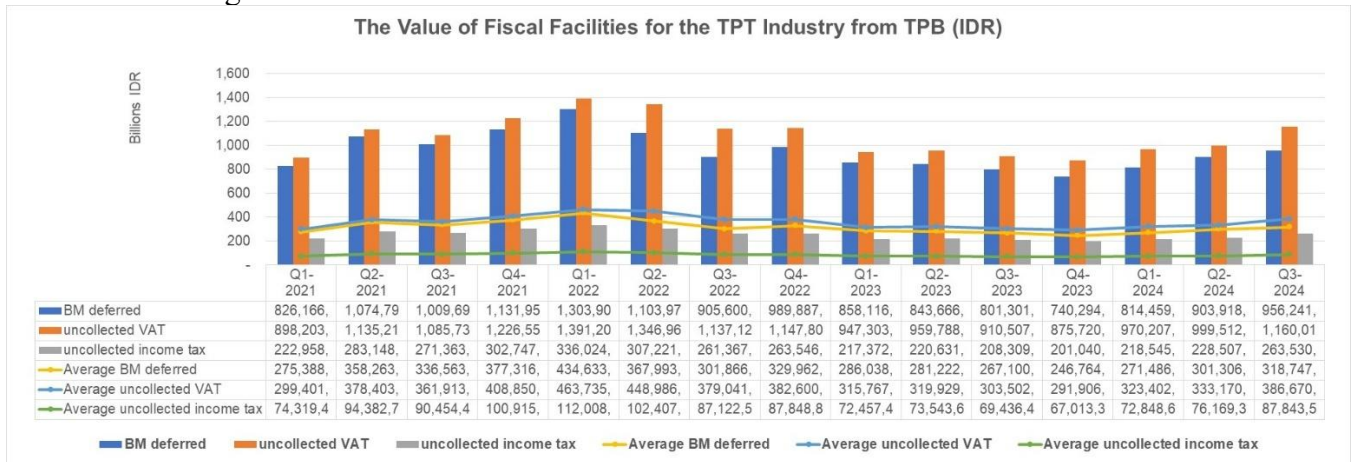
Bonded Storage and KITE receive fiscal and non-fiscal facilities from DGCE, fiscal facilities obtained by TPT industry entrepreneurs under the supervision of the West Java Customs and Excise Regional Office, in the form of TPB, namely deferred import duty (BM deferred), uncollected VAT (PPN not collected), and uncollected income tax (PPH not collected), while KITE, namely exempted import duty (BM free) and uncollected VAT (PPN not collected).

The total value of facilities provided through DGCE from 2021 to Q3 2024 is:

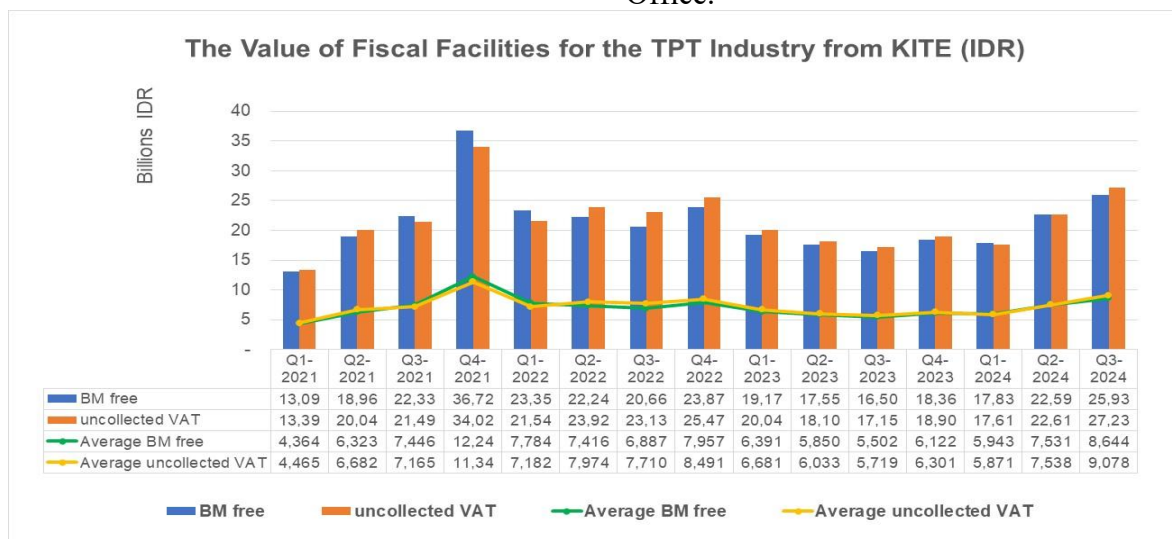
- a. for TPB reached IDR34,262,127,268,005.00 with a monthly average reaching IDR253,793,535,319.00
- b. for KITE it reaches IDR643,941,167,267.00 with a monthly average reaching IDR7,154,901,859.00



Figure 11 and 12 show that the facility value increased in 2022 and decreased in 2023, but then increased again in 2024.



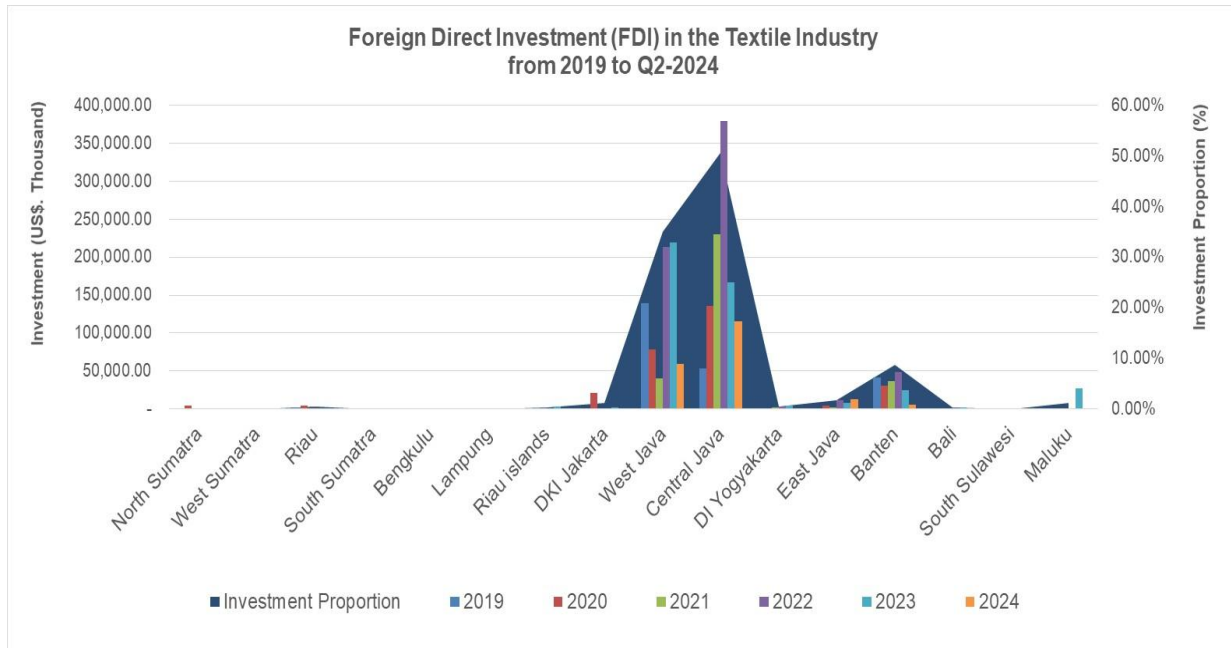
Source: (Customs and Excise Office West Java Regional, 2024), processed by the author  
**Figure 10.** The value of fiscal facilities at Bonded Storage Areas (TPB) in West Java Province under the supervision of the West Java Customs and Excise Regional Office.



Source: (Customs and Excise Office West Java Regional, 2024), processed by the author  
**Figure 11.** The value of the West Java Province KITE fiscal facility under the supervision of the West Java Customs and Excise Regional Office.

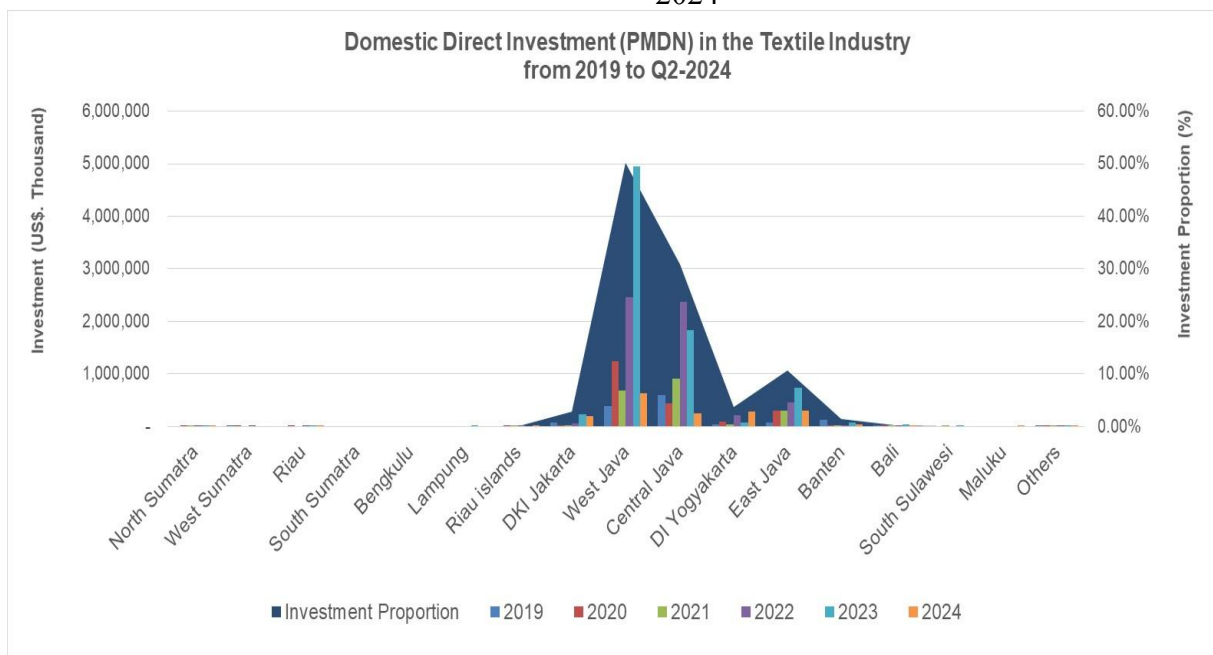
**Investment Value in the Textile Industry**

Textile and textile companies in West Java Province are classified by investment type as Foreign Direct Investment (FDI/PMA) and Domestic Direct Investment (PMDN). The largest proportion of FDI investment in the Indonesian textile industry from 2019 to June 2024 was in Central Java (50.60%) and West Java (35.00%). Meanwhile, the largest proportion of PMDN investment was in West Java (50.13%) and Central Java (30.94%).



Source: (Ministry of Investment and Downstream Industry/BKPM, 2024), processed by the author

**Figure 12.** Foreign Direct Investment in the Textile Sector in Indonesia from 2019 to Q2-2024



Source: (Ministry of Investment and Downstream Industry/BKPM, 2024), processed by the author

**Figure 13.** Domestic Direct Investment (PMDN) in the Textile Sector in Indonesia from 2019 to Q2-2024

**Export Destination Country and Country of Origin Import**

As recipients of customs facilities, manufacturing companies, particularly those in the textile and textile industry, obtain imported raw materials, which are then processed for export. The country of origin for TPB facility recipients was China, accounting for 42.74% of imports from 2021 to Q3 2024, followed by the Republic of Korea (15.57%), and Vietnam (9.09%).



Meanwhile, the largest export destinations (NTEs) were the United States (47.24%) and Japan (7.67%).

**Table 3.** Country of Origin of Imports and Destination of Exports of Textile and Textile Products (TPT) from Companies Receiving TPB Facilities in West Java Province under the Supervision of the West Java Customs and Excise Regional Office, 2021 to Q3 2024

Country of Origin	Import Foreign Exchange TPB	%	Export Destination Country	Export Foreign Exchange TPB	%
CHINA	56,421,708,656,038	42.74%	UNITED STATES	110,942,099,078,844	47.24%
KOREA, REPUBLIC OF	20,556,921,227,105	15.57%	JAPAN	18,022,880,454,007	7.67%
VIET NAM	11,997,696,904,279	9.09%	KOREA, REPUBLIC OF	14,005,437,499,244	5.96%
TAIWAN, PROVINCE OF CHINA	9,969,978,241,816	7.55%	GERMANY	6,674,857,320,169	2.84%
HONG KONG	8,422,579,183,364	6.38%	TURKEY	6,138,129,650,921	2.61%
JAPAN	4,567,825,844,972	3.46%	BANGLADESH	6,024,926,673,569	2.57%
AUSTRALIA	4,123,196,016,192	3.12%	CANADA	5,439,148,930,558	2.32%
UNITED STATES	3,549,448,221,309	2.69%	CHINA	5,124,936,660,268	2.18%
THAILAND	2,662,961,722,934	2.02%	VIET NAM	4,997,747,746,058	2.13%
Others (116 Countries)	9,754,551,689,000	7.39%	Others (146 Countries)	57,463,381,319,350	24.47%
	132,026,867,707,010			234,833,545,332,987	

Source: (Customs and Excise Office West Java Regional, 2024), processed by the author

**Table 4.** Country of Origin of Imports and Destination of Textile and Textile Exports of Companies Receiving KITE Facilities in West Java Province under the Supervision of the West Java Customs and Excise Regional Office, 2021 to Q3 2024

Country of Origin	Import Foreign Exchange KITE	%	Export Destination Country	Export Foreign Exchange KITE	%
CHINA	1,733,666,929,111	46.15%	UNITED STATES	2,833,121,997,076	39.62%
JAPAN	1,087,961,791,305	28.96%	JAPAN	1,283,673,031,605	17.95%
KOREA, REPUBLIC OF	292,875,278,797	7.80%	NETHERLANDS	423,830,578,509	5.93%
THAILAND	241,208,153,943	6.42%	KOREA, REPUBLIC OF	246,093,889,104	3.44%
TAIWAN, PROVINCE OF CHINA	185,475,957,855	4.94%	GERMANY	219,118,816,866	3.06%
VIET NAM	71,773,569,032	1.91%	UNITED KINGDOM	211,590,643,568	2.96%
UNITED STATES	53,747,622,827	1.43%	INDIA	168,795,498,892	2.36%
HONG KONG	21,536,201,207	0.57%	UNITED ARAB EMIRATES	123,203,009,549	1.72%
INDIA	21,235,042,926	0.57%	VIET NAM	106,677,814,013	1.49%
Others (19 Countries)	47,511,698,229	1.26%	Others (62 Countries)	1,534,159,770,599	21.46%
	3,756,992,245,232			7,150,265,049,781	

Source: (Customs and Excise Office West Java Regional, 2024), processed by the author

The country of origin for imports from KITE recipients was China, accounting for 46.15% of imports from 2021 to Q3 2024, followed by Japan at 28.96%, and Korea at 7.80%. Meanwhile, the largest export destinations (NTEs) were the United States (36.62%) and Japan (17.95%).

Tables 4.2 and 4.3 above show that China is the largest importer of textile raw materials, while the United States is the largest exporter.

### Early Warning of Layoffs in the Textile Industry in West Java Province

There are TPT companies receiving customs facilities in West Java Province that have closed their businesses, resulting in layoffs, due to (DGCE, 2024):

1. Bankruptcy due to Company's bills to other parties in business relations;
2. Disputes between factories or factory owners (owners or owner's families);
3. Availability of suppliers and raw materials;
4. Relocation due to wages; or
5. Orders/Demands decrease.

Based on the results of in-depth interviews with DGCE officials in the West Java Customs and Excise Regional Office, Customs and Excise Bandung, Customs and Excise Purwakarta,



TPT Companies that received customs facilities in Bandung City/Regency, TPT Companies that received customs facilities in Purwakarta Regency and Companies as well as the West Java Textile Industry Bonded Zone Entrepreneurs Association (APKB) and TPT Company investors who relocated, the following are several indicators that can cause layoffs in the TPT Industry in West Java Province:

***Demand for Goods***

The economic principle of a company is to produce goods to generate profit. Profit is derived from the sale of the goods produced (output). Sales volume is influenced by demand for those goods. For export-oriented textile and textile products (TPT) companies receiving facilities in West Java Province, as long as consumer demand remains, layoffs can be avoided. Based on the case study of textile and textile products companies receiving customs facilities, both TPB and KITE, in West Java Province, demand for goods is significantly influenced.

The demand for goods from buyer/export/sales countries of manufactured goods as shown in Table 5 and Table 6 is dominated by the United States, therefore when a shock occurs in the United States, TPT Companies must be able to find other buyers by shifting markets/expanding markets to other export destination countries.

During the COVID-19 pandemic, when demand for foreign goods declined, the government, through the Directorate General of Customs and Excise, provided domestic sales relaxation for goods produced by the textile and textile industry receiving customs facilities. However, the primary purpose of providing customs facilities was to encourage exports, ensuring continued exports, either to existing buyers or through a shift to other buyers.

As research into the impact of declining textile exports on the workforce shows, since the COVID-19 pandemic, the export value and volume of textile and apparel exports have declined, impacting the workforce in the textile and apparel industries. The impacts on the workforce include temporary unemployment, reduced working hours, and even layoffs and the potential for layoffs (Yanti, Hartani, Nuraeni, Lumbanbatu, & Kristina, 2023).

Furthermore, the sales phase of manufactured goods for export is currently affected by logistics costs. However, despite these costs, TPT companies can still survive as long as buyer demand remains strong.

For TPT companies in the local sales category (selling domestically produced goods), maintaining the purchasing power of the community is a factor in ensuring the sustainability of TPT companies.

Through its oversight function, the Ministry of Finance reported that the Directorate General of Customs and Excise (DGCE) had taken 31,275 actions from January to early November 2024, with a total value of goods reaching Rp6.1 trillion and potential state losses reaching Rp3.9 trillion. Of these actions, import actions were dominated by actions on textile and textile products (TPT), with 12,495 actions and a value of Rp4.6 trillion. (Ministry of Finance, 2024), 75.41% of goods resulting from customs enforcement came from enforcement of imported TPT goods.

**Table 5.** Enforcement by DGCE Period January 2024 to Early November 2024

<b>Enforcement</b>	<b>Export and Import</b>	<b>Enforcement Import of TPT</b>	<b>% Enforcement Import of TPT</b>
<b>Number of Enforcement</b>	31.275	12.495	39.95%
<b>Value of Goods</b>	IDR6,1 Trillion	IDR4,6 Trillion	75.41%

Source: (Ministry of Finance, 2024), processed by the author

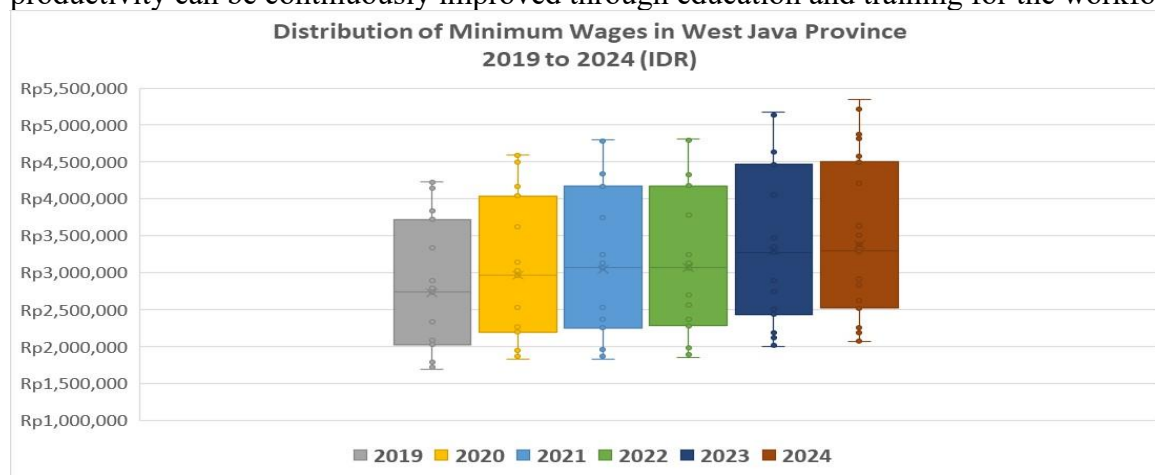
Apart from providing customs services and facilities, DGCE plays a role in maintaining domestic industry through supervision, so that industry can grow and develop sustainably.



**Minimum Wage**

In the production process, the use of labor in the production market must be compensated by the Company in the form of labor wages as a company cost. The amount of wages will affect the cost burden incurred by the Company. The minimum wage is an early indicator of layoffs in the textile and textile industry in West Java Province. The average minimum wage for districts/cities in West Java Province continues to increase (Figures 15 and 16), resulting in increased costs for the Company.

This minimum wage has also led to the relocation of textile and textile products (TPT) companies in West Java Province to Central Java Province, leading to layoffs in West Java Province. This relocation occurred without regard to productivity levels. For companies, this productivity can be continuously improved through education and training for the workforce.



Source: (West Java, Central Java and East Java Province, 2024), processed by the author

**Figure 14.** Minimum Wage Amounts for Districts/Cities in West Java Province

The average minimum wage in West Java Province from 2019 to 2024 was higher than that in Central Java and East Java. Table 8 shows a comparison of the average minimum wages across the three provinces on Java Island.

**Table 6.** Average Minimum Wage for Districts/Cities in West Java, Central Java and East Java Provinces (IDR)

Year	West Java	Central Java	East Java
2019	2,731,081	1,824,395	2,254,314
2020	2,963,496	1,980,785	2,446,161
2021	3,040,731	2,041,504	2,482,463
2022	3,072,179	2,052,738	2,502,930
2023	3,291,625	2,198,563	2,694,768
2024	3,370,534	2,288,331	2,789,433

Source: (West Java, Central Java and East Java Province, 2024), processed by the author

**Availability of Raw Materials**

The textile and textile industry (TPT) is a sector with a supply chain that spans from upstream (raw materials) to downstream (finished products). Therefore, the availability of raw materials is a factor in the sustainability of TPT companies.

The textile and textile industry in West Java Province relies on domestic and/or imported raw materials for its raw materials. The closure of raw material suppliers can lead to the closure of the textile and textile industry, as has been the case in West Java.

As research (Novarini & Sukardan, 2015) shows, to reduce the national textile industry's high dependence on imported cotton raw materials, hemp fiber can be used. Cellulose fiber is



expected to be an alternative that can reduce the use of cotton fiber for textile raw materials and textile products (TPT).

### **The Impact of Customs Facilities on the Textile and Textile Industry in West Java Province**

The provision of customs facilities, both fiscal and non-fiscal, attracts investors to Indonesia, particularly in West Java Province. Among the attractive customs facilities are Bonded Storage (TPB) in the form of Bonded Zones and Import Facility for Export (KITE).

Based on research results (Nurchahyo & Purwana, 2021), most bonded zone companies benefit from corporate profits, depending on industry type, investment type, facility age, export level, and exemption level. Furthermore, there are differences in the influence of investment type and facility age on corporate profits. Mixed investment has a greater positive impact on corporate profits than domestic and foreign investment. Facility ages of 1-2 years and 2-3 years have a greater impact on corporate profits.

#### ***Customs and Investment Facility Value***

The customs facilities provided by the West Java Customs and Excise Regional Office to the TPT Industry until July 2024 are as shown in Table 4 above, consisting of Bonded Zones (KB) and Import Facilities for Export Purposes (KITE) with facility values as shown in Figure 11 and Figure 12 above, with an average monthly KB of IDR253,793,535,319.00 and KITE of IDR7,154,901,859.00.

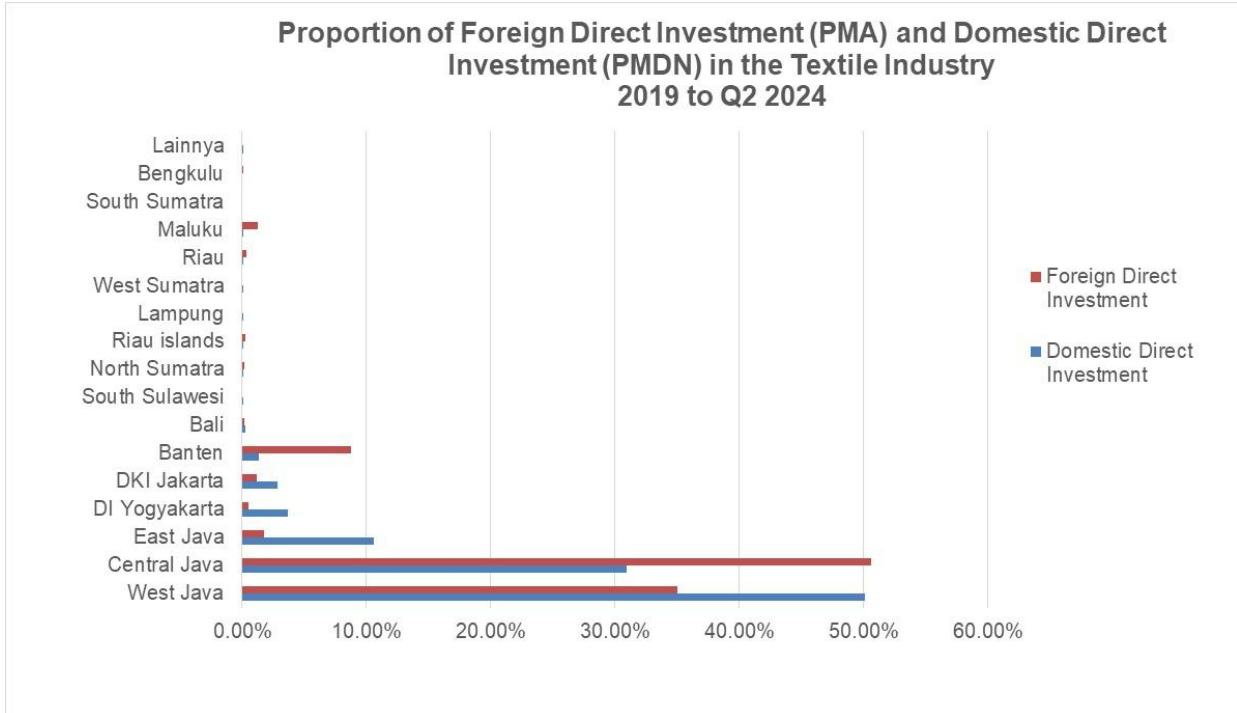
In addition to fiscal facilities, KB and KITE also receive facilities in the form of simplified customs procedures. These customs facilities have resulted in increased investment, particularly in the textile and textile industry, in West Java Province. West Java Province's investment in the textile industry increased from 2019 to 2023, but declined during the COVID-19 pandemic.

**Table 7.** Investment Development in West Java Province

<b>Year</b>	<b>Foreign Direct Investment (US\$. Thousand)</b>	<b>Domestic Direct Investment (IDR Million)</b>
2019	139,153.00	382,791.00
2020	77,942.80	1,234,935.00
2021	40,130.60	692,012.00
2022	213,007.80	2,467,863.00
2023	219,652.40	4,949,099.00
Q2 2024	59,522.10	633,098.00

Source: (Ministry of Investment and Downstream Industry/BKPM, 2024), processed by the author

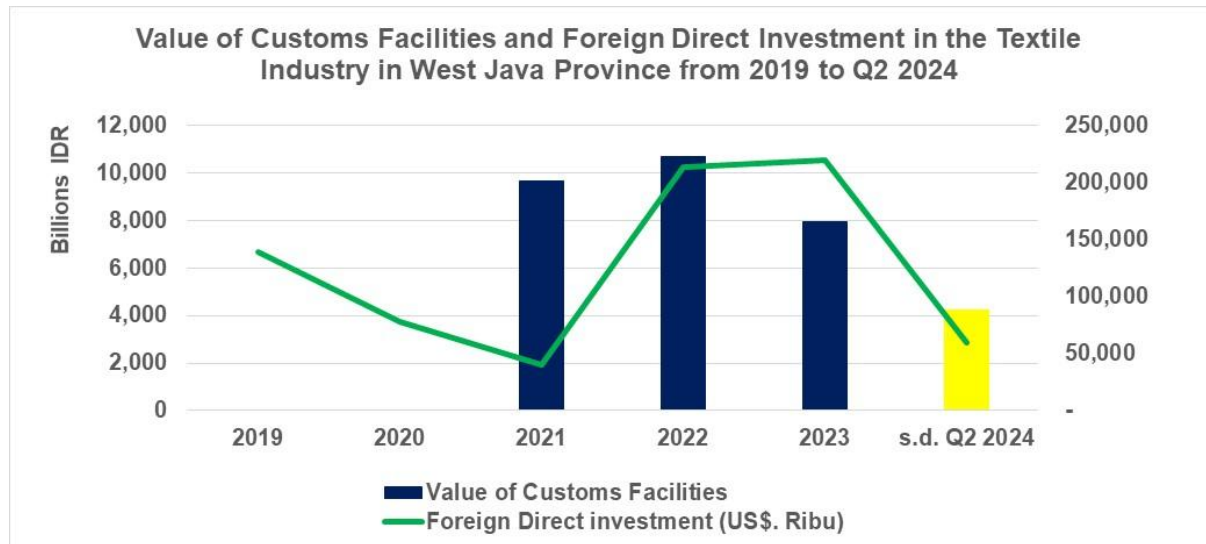
The largest textile industry investments are in two (2) provinces as shown in Figure 13 and Figure 14, namely West Java and Central Java Provinces. The proportion during 2019 to Q2 2024 for PMA is 50.60% in Central Java Province and 35% in West Java, while the remainder (14.40%) is spread across various provinces. Domestic investment is 50.13% in West Java Province and 30.94% in Central Java Province, and the remaining 18.93% is spread across various provinces.



Source: (Ministry of Investment and Downstream Industry/BKPM, 2024), processed by the author

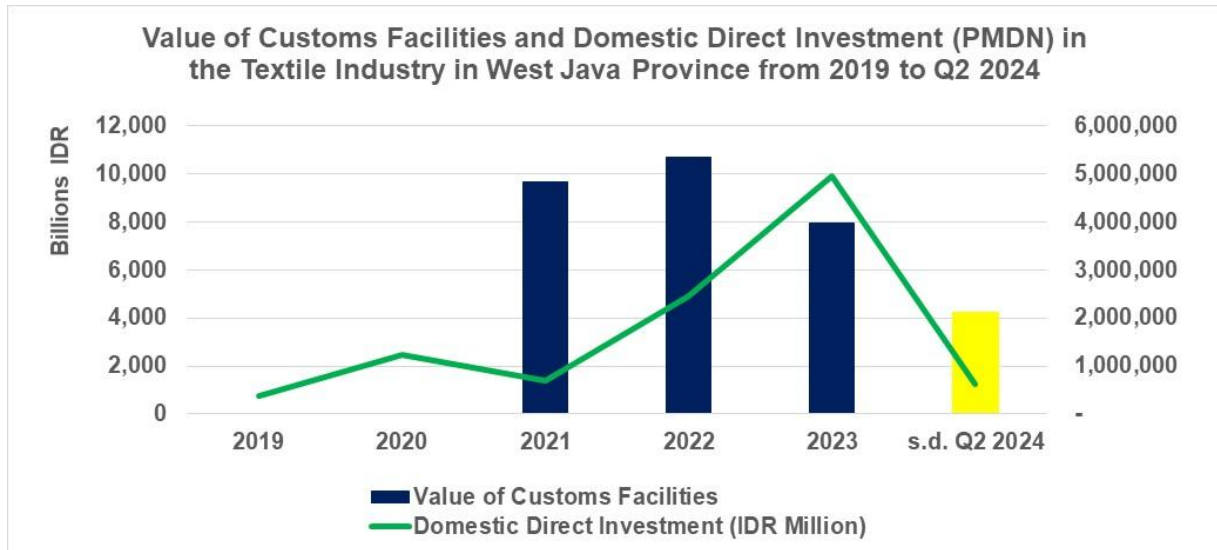
**Figure 15.** Textile Industry Investment Proportion from 2019 to Q2 2024

Customs facilities in the TPT sector in West Java Province have a positive effect on textile industry investment. Figures 18 and 19 show an increasing trend in PMA and PMDN investment in the textile sector of West Java Province.



Source: (Ministry of Investment and Downstream Industry/BKPM, 2024), processed by the author

**Figure 16.** The Impact of Customs Facilities on Foreign Direct Investment in the Textile Industry in West Java Province

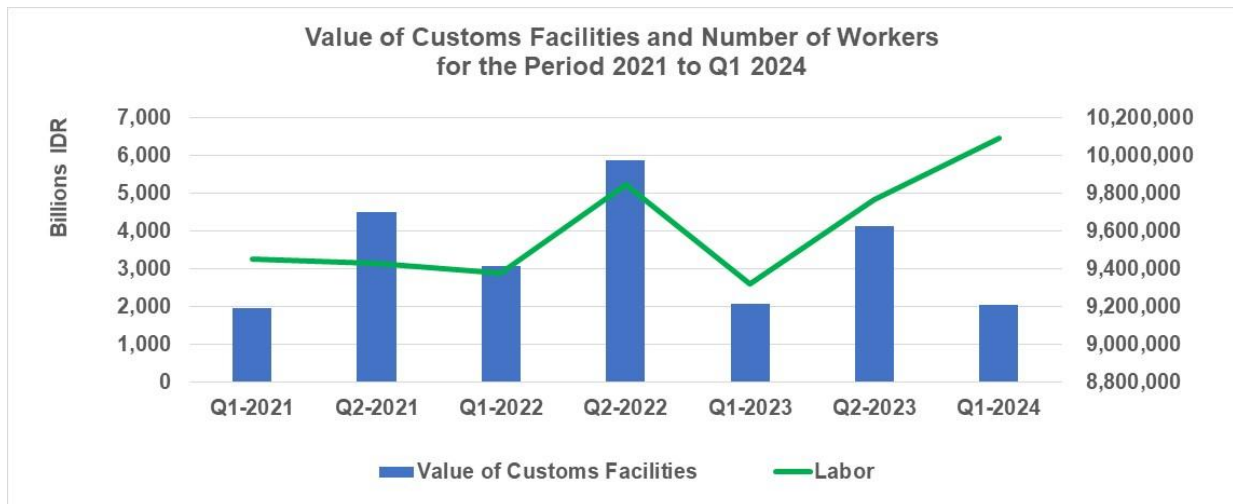


Source: (Ministry of Investment and Downstream Industry/BKPM, 2024), processed by the author

**Figure 17.** The Impact of Customs Facilities on Domestic Direct Investment (PMDN) in the Textile Industry in West Java Province

***Customs Facilities, Labor and Unemployment Values***

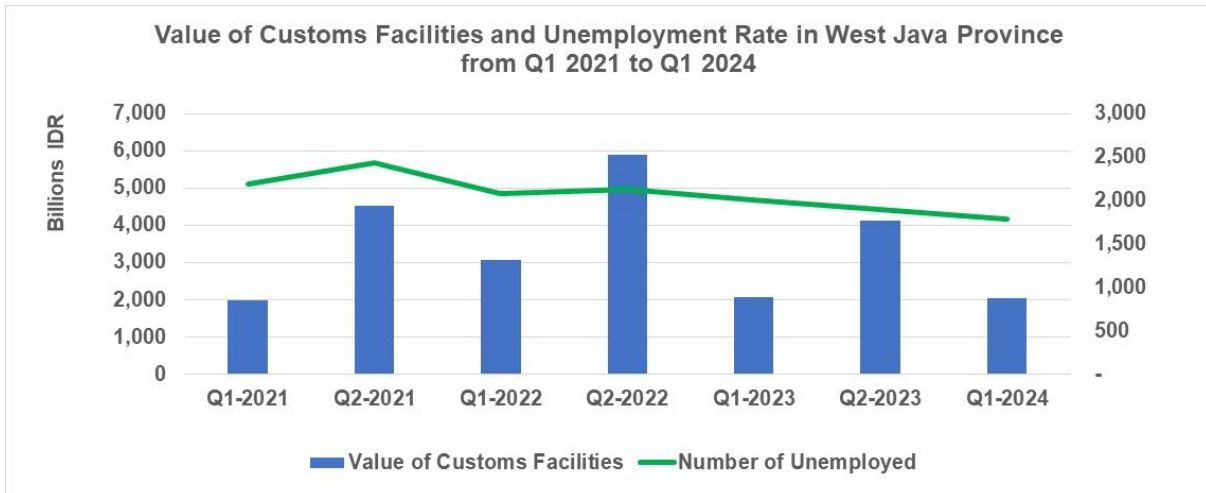
In terms of employment, the provision of customs facilities attracts both domestic and foreign investors, resulting in a subsequent impact on employment. Figure 20 shows the impact of customs facilities on employment, with employment increasing from Q1 2021 to Q1 2024.



Source: (DGCE, 2024) dan (Central Bureau of Statistics, 2024), processed by the author

**Figure 18.** The Impact of Customs Facilities on the Number of Workers (Laborers/Employees/Staff) in West Java Province

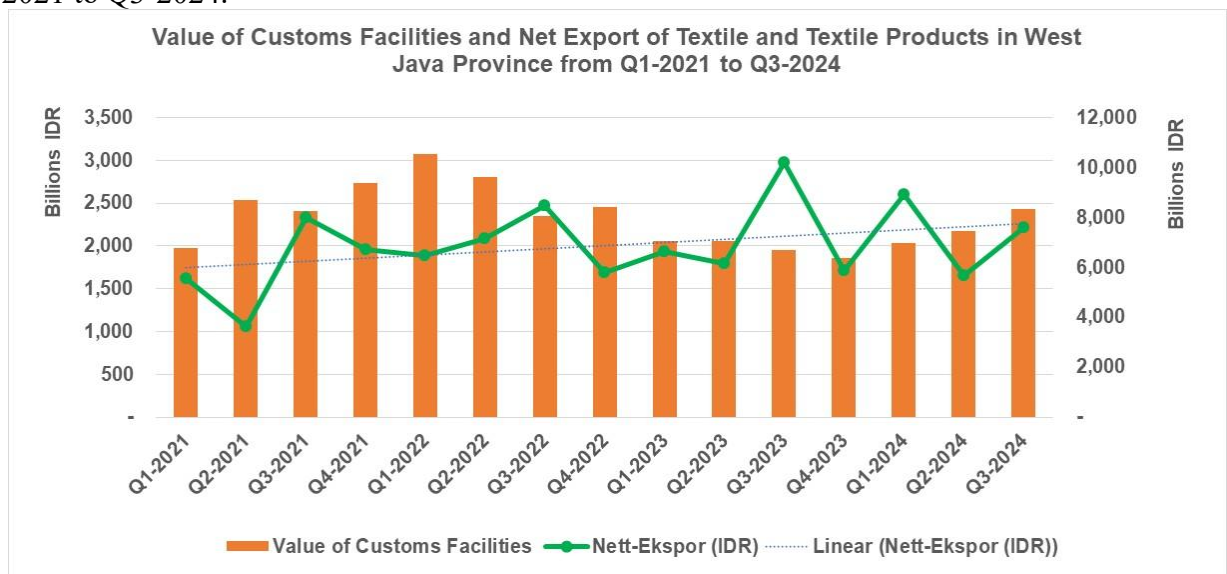
Layoffs naturally lead to unemployment. The following is a comparison of the value of customs facilities and the unemployment rate in West Java Province. The unemployment rate trended downward from Q1 2021 to Q1 2024. Therefore, the customs facilities provide a multiplier effect on the workforce in West Java Province.



Source: (DGCE, 2024) dan (Central Bureau of Statistics, 2024), processed by the author  
**Figure 19.** The Impact of Customs Facilities on the Percentage of Unemployment in West Java Province

### Customs Facility Value and Net Exports

The purpose of providing customs facilities is to encourage exports. Facilitating imports of raw materials has been shown to increase exports, resulting in net exports of textile and textile products in West Java Province remaining positive and showing an upward trend from Q1-2021 to Q3-2024.



Source: (DGCE, 2024) dan (Central Bureau of Statistics, 2024), processed by the author  
**Figure 20.** The Impact of Customs Facilities on Net Exports of TPT Products in West Java Province

### Customs Policy to support the TPT Industry, especially in West Java Province

Based on the analysis above, customs policies in order to support domestic industry, especially the TPT Industry in West Java Province, are grouped based on the type of TPT Industry category, namely:

#### *TPT industry with the aim of selling domestically produced goods that do not receive customs facilities*

For the textile and textile industry, which falls into this category, the role of customs can be optimized in monitoring illegal goods, thereby enabling the Directorate General of Customs and Excise to protect the domestic industry. Furthermore, the government, through the



Directorate General of Customs and Excise, can provide short-term protection to the textile and textile industry to prevent it from being flooded with imports.

Furthermore, the availability of raw materials is a determining factor in the sustainability of the textile and textile industry. Therefore, the government (not just the Directorate General of Customs and Excise) must support the industry from upstream, middle, and downstream.

***TPT industry with the aim of selling goods produced abroad that do not receive customs facilities***

For textile and textile products (TPT) industries in this group, whose production is intended for export, the Directorate General of Customs and Excise can provide customs clearance facilities. Furthermore, to mitigate buyer demand, the industry must improve the quality of its products to attract other buyers (from other countries), rather than relying on a single buyer/export destination country.

***TPT industry with the aim of selling goods produced abroad that receive customs facilities***

For the textile and textile industry in this group, whose production is for export and whose raw materials are sourced from imports, to be sustainable, the industry must diversify its export destinations (buyer diversification). Furthermore, the industry must also prepare for sustainable raw materials.

Based on the interview results, there are suggestions regarding customs policies to support the textile and textile industry, including encouraging a local export facilitation program. This policy could be an extension of the existing import facilitation program for exports. Furthermore, customs can also promote an inland free trade agreement (FTA) program, which can increase the competitiveness of Indonesian products in the domestic market. Products produced by bonded zone companies can be proposed as goods eligible for reduced import duties, similar to those produced by free trade agreement (FTA) partners, thus becoming import substitutes for goods distributed in Indonesia.

## **CONCLUSION**

Several indicators have been identified as early warning signs for potential layoffs in the textile industry in West Java. The main indicators are fluctuations in firms' demand for goods, changes in district/city-level minimum wage policies, and the availability of raw materials. These three factors are directly related to the stability and sustainability of company operations, which ultimately affect the welfare of workers in the textile sector. Fluctuations in demand for goods play a significant role in determining production volume. A sharp decline in demand often forces companies to reduce the number of workers in order to cut operating costs. Changes in minimum wage policies also directly affect a company's cost structure. Wage increases that are not accompanied by improvements in productivity or company revenue can create an additional burden and may trigger workforce reductions. The final factor, the availability of raw materials, is particularly relevant in the context of globalization and disrupted supply chains, especially due to international trade barriers.

Meanwhile, customs facilities have been shown to play a crucial role in supporting the stability of the textile and textile products (TPT) sector in West Java. This study finds that effective customs policies have a positive impact on enhancing the sector's investment attractiveness. Incentives such as reduced import tariffs for certain raw materials or simplified export procedures can create a more competitive business environment, thereby encouraging investment growth in the textile industry. Another impact of appropriate customs facilities is the expansion of employment opportunities. With incentives that facilitate trade processes, companies can increase their production capacity, which in turn creates new jobs. Furthermore, the increase in export value resulting from these policies has a knock-on effect in the form of regional economic growth, potentially reducing unemployment in related sectors.



This research offers a new perspective on the strategic role of customs policy in labor-intensive sectors such as the textile industry. Such policies not only provide solutions to challenges related to the availability of raw materials, but also enhance investment attractiveness. Thus, customs policy can be seen as an important policy tool for supporting the sustainability of the textile sector in the face of global challenges such as international competition and market fluctuations.

This study has several limitations. First, it focuses only on West Java, one of the centers of the textile industry in Indonesia. As a result, the findings may not fully capture the dynamics of the textile sector in other provinces, particularly those with different industrial structures or customs policies. Second, the study examines only the textile and textile products (TPT) sector, even though customs policies also affect other labor-intensive industries. Third, the analysis of the impact of customs policies does not incorporate long-term data. Since the empirical findings in this study are based solely on interview data, this limitation may constrain a deeper understanding of the long-term effects of the policies.

### Suggestions

To maximize the positive impact of the customs sector, this study highlights the importance of strengthening synergies between customs policy and textile industry management to create an ecosystem that supports workforce sustainability. These findings offer practical implications for the government, including the need for policy designs that are more responsive to market dynamics and industry needs.

Customs authorities can also provide advanced facilities to enhance the competitiveness of domestic industries. These facilities may include local export facilitation and inland free trade arrangements. Such advanced facilities can also strengthen domestic products as import substitutes, thereby saving the country's foreign exchange reserves.

With further research and well-designed policies, the role of customs can be further enhanced to support economic growth through a highly competitive textile industry. Recommendations for future research include a more in-depth analysis of the impact of customs policies on other labor-intensive sectors, as well as direct testing through case studies of textile companies in Indonesia.

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