

LITERATURE REVIEW: IMPLEMENTATION OF TARGET COSTING IN MSMEs

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ABSTRAK

This article provides a concise literature review on the implementation of target costing in Micro, Small, and Medium Enterprises (MSMEs). Target costing, as a proactive cost management method, holds significant potential for balancing product quality, competitiveness, and profitability in MSMEs. The literature review covers the definition of target costing, its fundamental principles, implementation steps, and the benefits it can bring to MSMEs, including enhanced cost efficiency and increased product quality and competitiveness. The review also addresses challenges in implementation, such as limited resources and managerial skills. This article offers a comprehensive overview of the potential and challenges of implementing target costing in MSMEs, serving as a foundation for further research and practical application.

Kata Kunci: Target Costing, MSMEs, Literature Review

INTRODUCTION

Business is the most common thing to do in our country and is one of the factors of economic growth in Indonesia. Currently there are 9.09 million MSMEs registered with the Ministry of Cooperatives and SMEs in 2022. However, there are many obstacles faced by business actors, one of which is not maximizing the profit or profits they get. There are various methods that can be utilized by business actors, one of which is by using target costing. Target costing itself is Target Costing according to Witjaksono (2006: 157) is a system that sets a basic price according to the selling price that customers are willing to pay, or the cost of production is determined according to what is desired (target). as a basis for determining the selling price of products that will obtain the desired profit. Target costing according to Krismiaji and Aryani (2011:335) is the process of finding out the highest costs that can be incurred when making a new product and then making a profitable prototype within a predetermined maximum cost limit.

This is in line with research conducted by Santoso in 2013 which stated that target costing had increased the company's profits, by cutting non-value-added costs. By implementing the target costing method, the Company's profit increased by 3.35%, from 6.5% to 10.15% of the set selling price. Implementing target costing is a good alternative effort to maximize the company's targeted profits by reducing production costs that arise during the product design process, according to other research conducted by Saefullah in 2022. The previous target costing calculation was IDR 1,736,938,080 to IDR 1,656. 497,520 , shows production cost efficiency.

RESEARCH METHODS

Through thorough research and interpretation of literature related to a particular topic, including identification of research questions by searching and analyzing related literature, the literature review serves as a framework relating new and previous findings to identify indications of progress or not using a methodical manner (Randolph, 2009). Literature review is the research methodology used in this research. The first step in

searching for research data was to collect information from journals using the key search term "Implementation of Target Costing in MSMEs" in Google Scholar. Through a title search, 12,800 journals were found related to relevant titles. The next step is to categorize the available data based on standards set by the journal or those that are current and relevant to the researcher's title. The following is a mapping of journal searches that have been sorted by researchers:

Table 1.
Journal Search Process Mapping

Journal search on Google Scholar
There are 12,800 Journals
Sort existing data according to specified journal criteria
There were 32 Journals in the sample

RESULTS AND DISCUSSION

Targeting product costs according to the selling price anticipated by customers is known as target costing. Finding the selling price and subtracting the profit yields the total cost. Target Costing = Competitive market price – expected profit.

Setting selling prices, determining desired profits, determining cost targets, carrying out value engineering, and utilizing Kaizen Costing and operational control are several steps that can be used to implement target costing, according to Salman (2016). The application of target costing for MSMEs has been examined in the following study

Table 2.
Research regarding the application of Target Costing to MSMEs

No	MSMEs	Information	Researcher
1	UD. Jaya Era	This business was able to reduce expenses from previous production costs by 9% to 13%.	Bancin, Pohan, Tambunan (2023)
2	CV. Mineral Nature's Gift	In the target costing calculation, the production cost is IDR 13,719,240 per month, while the company's production cost calculation using the target costing method is IDR 14,671,900 per month. where Rp. 952,660 profit seen	Samana, Walandaow, Maradesa (2023)
3	UD. Ramayana Agro Mandiri	Production costs were reduced to IDR 433,537,380 with a profit of IDR 482,302,620 thanks to the implementation of target costing. UD Ramayana Agro Mandiri was able to use the target costing method to achieve the desired profit target thanks to an increase in profit margin of 56.3%.	Fitriyah, Priminingtyas, Retnoningsih (2020)
4	UD. Winda	Companies that use target costing can save between 9% and 13% of their initial costs by implementing the strategy.	Indrawahyuni, Adil, Nasrun, Herianto (2020)
5	PT. Hilal Gemilang Khair	Research findings show that the costs incurred before applying the target costing method were IDR 6,506.55/kg, and afterward it was IDR 6,289.52/kg. The company can achieve cost efficiency of IDR 217.04/kg with a percentage	Ayu, Suhendro, Wijayanti (2021)

		of 3.45% by applying the target costing method. The research findings support the hypothesis that PT Hilal Gemilang Khair can use a target costing approach which reduces single face production costs.	
6	Maem Mbok'e's cooking	The efficiency of production costs for uduk rice package products from IDR 668,502 to IDR 514,440 and kebuli rice package products from IDR 537,694 to IDR 427,150 is explained by the target costing calculations carried out by MSMEs.	Ramadhani and Novita (2021)
7	CV. Mandiri Bags	application of the target costing method, CV production costs. Total production costs are Rp. 311,692,000 because Mandiri Tas can reduce direct raw material costs by Rp. 4,200,000 (2.58%) to Rp. 158,160,000 and factory overhead costs of Rp. 2,880,000 (3.90%) to Rp. 70,900,000. In other words, the company can save total production costs of IDR 7,080,000 (2.22%) by using this target costing method compared to the one currently used.	Yuliani (2018)
8	CV. Golden foods Asia Raya	The use of target costing allows 75% of the cost target to be achieved. This shows how effective target costing is when used to set selling prices and increase production cost efficiency.	Muharram (2019)
9	Risha Bakery	The findings show that Risha Bakery's level of readiness can be seen from several variables, such as the company's intention to increase profits, setting cost targets, reducing production cost inefficiencies, and value engineering. Therefore, Risha Bakery is considered ready to apply the target costing method.	Palulun, Luhsasi, Sitorus (2021)
10	Vomit Café	Research findings show that Vomit Café production costs can become more efficient if target costing is implemented. This is due to the application of value engineering to the Potato Wedges product resulting in a selling price of IDR 18,000, a cost per unit of IDR 12,585 with a cost ratio of 69.91%, and a profit of IDR 5,415 with a cost ratio of 69.91%. profit ratio of 30.09%. Value engineering for the Cookies Milkshake product determines the selling price at IDR 17,000, the cost per unit is IDR 11,893 or 69.95%, and the profit is IDR 5,107 with a profit ratio of 30.05%.	Miftahussalam, Hardiyanto, Farida (2021)
11	PT. Tasindo Central Perkasa	Based on the findings of the investigation and analysis, PT. Tasindo Central Perkasa will be able to calculate production costs more efficiently and generate profits of 25%, in line	Firdaus and Sandari (2018)

		with the company's cost savings target. It can be seen that in 2010 it was Rp. 3,278,232,000; in 2011 amounting to Rp. 3,298,160,000 saved; in 2012 amounting to Rp. 3,329,420,250 saved; in 2013 amounting to Rp. 3,243,068,500 saved; and in 2014 it amounted to Rp. 3,360,151,000.	
12	Coal Kebab	The findings of this study show that you can lower production costs and increase revenue by using target costing. Before the Target Costing concept was implemented, production costs were IDR 6,771,500. However, once done, production costs can be reduced to IDR 7,883,583.33. The reason for these high costs is because business actors and MSMEs previously did not take overhead costs into account in their calculations. production cost. The application of the Target Costing method is proven to be able to help minimize production costs so that profits can increase.	Aprilia, Jumri, Pakata, Mardiana, Marpiah (2023)
13	Oteku	The company was able to achieve the desired sales profit of 31%, compared to previously only being able to achieve a sales profit of 29%. Research findings show that the OTEKU company can increase profits by using a target costing strategy.	Syukri, Fitri, Purna, Suandi (2022)
14	CV GRV Interior	Data analysis findings show that the product under study has a production cost of Rp. 8,000,000, with a selling price of Rp. 9,680,000. After carrying out a simulation of applying the target costing method, the researchers calculated production costs of IDR 740,000 or 9.25%.	Maknun, Pramukti, Pelu (2023)
15	Kurnia Sari Bakery	Based on the research results, Kurnia Sari Bakery can manage production costs effectively through value engineering by implementing target costing. If the target costing method is used, the company's production costs can be reduced by 8% to 15%.	Haqui, Lestari, Rosdiana (2018)
16	Acehnese Beef Jerky	Target costing has only been implemented by one MSME, namely Gunung Seulawah MSME, which shows that this business can optimize profits effectively and achieve profits of more than 25% compared to other MSMEs.	Affiqah and Fuadi (2019)
17	Bright Rays Awning	Based on value engineering and target costing methods, UMKM Sinar Terang Awning was able to increase profits by 5.92%, based on research findings. And can save production costs from IDR 57,744,162 to IDR 53,870,160. so that Sinar Terang Awning MSMEs can use production costs efficiently to maximize profits	Sidik and Nugroho (2022)

18	PT. Indonesian Core Nutrition	It is recommended that businesses use activity-based costing methods to calculate production costs more precisely and in detail, thereby enabling tracking of savings or control of production costs in percentage terms. The target costing method is used to determine the upper limit of production costs that must be incurred. In order for the company's products to remain competitive in the market, there is a safe limit where production costs can be reduced without reducing the expected profit margin.	Rahmasania and Dahtiah (2022)
19	UD. Darma Yasa	The results of this research show that from calculations before implementing target costing the total cost per brick block was IDR 1,929.75, after implementing target costing the total cost per brick block was IDR 1,808.7. This indicates that target costing reduces brick production costs compared to the company's current practices.	Darmayasa, Sujana, Haris (2019)
20	Mandala Bakery	Because the target costing method compares production costs and gross profit obtained with and without target costing, the research results show how effectively it is applied in calculating production costs at Mandala Bakery.	Arifin, Karamoy, Kalalo (2016)
21	PT. Four Seven Abadi Jaya	Research findings show that PT. Empat Tujuh Abadi Jaya uses target costing more effectively than other companies.	Mamentu and Wangkar (2022)
22	CV. Varel Tri Putra Mandiri	Target costing is a useful substitute that can be used by CV. Verel Tri Putra Mandiri to find out how much the company spent on overall production and the difference in costs between the two periods. This is possible to reduce production costs, namely CV. Verel Tri Putra Mandiri had to pay IDR 13,269,000 to IDR 12,765,000.	Sumakul, Manossoh, Mawikere (2018)
23	UD. Jaya Flowers	The results of the analysis of target costing calculations show that UD Kembang Jaya has achieved production cost efficiency.	Abna, Wiyono, Paramita (2019)
24	UD. Kurnia	Target costing allows UD. Karunia reduces production costs from IDR 43,865,000 using conventional methods to IDR 43,190,500. As a result, the company was able to save production costs of IDR 674,500.	Utami, Sokarina, Suryantara (2022)
25	Brownice Manado	Research findings show that the Target Costing method can reduce required production costs, allowing further profit optimization that meets company objectives without increasing product prices. Bearing this in mind, Brownice MSMEs may discover that there is an alternative	Kumaat, Morasa, Suwetja (2023)

		approach to estimating production costs: the Target Costing method.	
26	Trendy Fried Chicken	Research findings show that the actual costs are smaller than the previously established target costs. The use of target costing can be an alternative to reduce production costs, he concluded.	Tambunan, Ilat, Pusung (2021)
27	UD. JJ Bakery	Research findings show that target costing at UD. JJ Bakery is said to be efficient if its business increases gross profit by Rp. 234,601,536 after applying the target costing method. Before using the target costing method, gross profit was IDR 230,128,704. Thus, IDR 4,472,832 is the difference in increased gross profit. It is recommended that companies implement the target costing method because of the anticipated increase in gross profit efficiency that accompanies it.	Wuysang and Pusung (2019)
28	UD. Acong Bakery	The research results show that implementing target costing can reduce production costs and increase profits. Before applying the target costing concept, production costs were IDR 120,365,014 with a profit of IDR 77,034,986. However, after the target costing concept is implemented, production costs can be reduced to IDR 111,581,014 and profits can increase to IDR 85,818,986. Since the target costing method has been proven to help reduce production costs and increase profits, businesses should use it.	Pioh, Manassoh, Tirayoh (2019)
29	Sumaru Endo	Research findings show that Sumaru Endo MSMEs can boost income during the Covid-19 pandemic by using target costing. A comparison of the total profits obtained before and after implementing target costing shows this. Because the target costing approach has been proven to increase business profits during the Covid-19 pandemic, the business world must use it.	Nangoy, Tirayoh, Mintalangi (2022)
30	UD. Elshadai Furniture	Research findings show that the target costing method can help business owners control production costs. This is shown by the comparison of production costs—previously IDR 299,072,000 and after using the target costing method IDR 212,181,200—between the two periods. As a result, the company's profit increased from 25% to 47%.	Lateka and Gerungai (2022)
31	CV. Multi Building	Implementing the target costing method helps businesses achieve their financial goals. Before target costing is applied, profits can be made	Dinda, Yulinarti, Maharani (2021)

		between IDR 15,000 and IDR 19,000 per square meter; After target costing is applied, profits can be obtained between IDR 17,000 and IDR 27,000 per square meter. This shows that the target costing approach has a track record of helping businesses generate profits.	
32	UD. Rante Tondon	Research findings show that company profits can increase by using the target costing method as a tool to control production costs. The percentage of profits obtained increased by 25% when compared to the traditional method when the production costs of cupboards, tables and 3-door doors—which had been sold for Rp. 173,507,000—reduced through the use of the target costing method. The costs associated with production are very high, amounting to IDR 207,067,000 and shows a small profit margin of 9%.	Malluka, Sabijono, Randonowu (2023)

From the table above, it can be concluded that there are 32 articles as samples regarding the analysis of the application of Target Costing to MSMEs and several of the articles state that the company has implemented predetermined target costing. One of the articles that has implemented target costing is Gunung Seulawah MSMEs in the food sector, which shows that the company can optimize profits well and achieve profits of more than 25% compared to other MSMEs.

CONCLUSION

Field research is necessary for target costing, a cost accounting technique that management can use to control expenses during the design and development phase of a project. Many studies have helped implement target costing in several MSMEs from various different sectors, which it is hoped will help the community to implement it so that it can increase profits to help the progress of MSMEs.

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