

## Decreasing Return to Scale in Cottage Industries: Empirical Evidence from the Coconut Sugar Industry in Banyumas, Indonesia

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<b>Abstract</b>	<p>This study aims to analyze the economies of scale of the cottage industry for coconut sugar production in Banyumas, Indonesia. This study applies a survey method to coconut sugar craftsmen. Data analysis was performed by regression analysis based on the Cobb-Douglas production function approach. The findings indicated that decreasing returns to scale was a problem for the domestic production of coconut sugar. These findings show that the production of coconut sugar is not very productive. Labor and financial capital inputs have a significant positive share but the resulting increase in output is less proportional than the increase in the two inputs. Social capital, experience, and education do not affect industrial performance. To increase input productivity and production efficiency, it is necessary to apply more effective production techniques and technologies to produce quality products so that the selling price can be higher. Additionally, it is required to enhance the sap's quality through its extraction methods and the regrowth of high-yielding coconut tree varieties. From the institutional aspect, the development of this industry requires stronger partnerships with related parties such as local governments, exporting companies, cooperatives, and universities through research and development.</p>
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