CROSS BORDER COMMUNITY EMPOWERMENT THROUGH SELLING PRICE LITERACY: EVIDENCE FROM INDONESIA–TIMOR LESTE CROSS BORDERS

Manuel Brito, João Câncio Freitas, Afonso Aleixo, Yolinda Yanti Sonbay, Antonius Yohanes Wiliam Timuneno, Beatrix Yunarti Manehat, Kristina Wada Betu, Leopold Melkiano Trian Dawu

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ABSTRACT
Purpose: This study aims to carry out an empowerment cross.border community to increase the understanding and ability of border economic actors to determine appropriate and competitive selling prices based on the costs incurred.

Theoretical Framework: The empowerment, training, and financial literacy theory are adapted in this article to explain cross-border residents' economic transactions.

Design/Methodology/Approaches: The method used in this study is a combination of qualitative and quantitative, which compiles and analyzes dan combines both qualitative and quantitative information.

Finding: The results of the activity show that participants' understanding and skills increased after carrying out this activity, in which they appropriately determined the selling price by first calculating the production costs.

Research Practical & Social Implication: In this study, the cross-border community realizes the benefits of financial knowledge to enhance business development and sustainability for their well-being.

Originality/Value: The findings of the research can potentially contribute to the development of business environments and policies to facilitate and enhance cross-border trade potential.

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A Ph.D. in Business Management. Universidade Católica Timorense de São João Paulo II, Timor-Leste. E-mail: britoinfordepe@gmail.com Orcid: https://orcid.org/0000-0001-9891-2339
B Ph.D. in Public Management. Universidade Católica Timorense de São João Paulo II, Timor-Leste. E-mail: jcancio.freitas@gmail.com Orcid: https://orcid.org/0009-0008-9057-5890
C Master in Management Development. Universidade Católica Timorense de São João Paulo II, Timor-Leste. E-mail: afonsoaleixo.dare@gmail.com Orcid: https://orcid.org/0009-0005-3403-5118
D Ph.D. in Accounting. Widya Mandira Catholic University, Kupang, Indonesia. E-mail: yolinda81@gmail.com Orcid: https://orcid.org/0000-0001-91511583
E Master in Accounting, Widya Mandira Catholic University, Kupang, Indonesia. E-mail: antoniustimuneno@unwira.ac.id Orcid: https://orcid.org/0000-0001-9862-1216
F Master in Accounting, Widya Mandira Catholic University, Kupang, Indonesia. E-mail: manehatbeatrix@gmail.com Orcid: https://orcid.org/0009-0002-9483-5473
G Master in Accounting, Widya Mandira Catholic University, Kupang, Indonesia. E-mail: kbetu96@gmail.com Orcid: https://orcid.org/0009-0004-4891-1492
H Master in Accounting, Widya Mandira Catholic University, Kupang, Indonesia. E-mail: leopolddawu@gmail.com Orcid: https://orcid.org/0000-0002-4377-3383
EMPOWERMENT OF COMMUNITIES TRANSFRONTIERAS THROUGH SELLING PRICE LITERACY: EVIDENCE FROM INDONESIA–TIMOR LESTE CROSS BORDERS

RESUMO
Objetivo: Este estudo tem como objetivo realizar uma capacitação da comunidade transfronteiriça para aumentar a compreensão e a capacidade dos agentes econômicos fronteiriços de determinar preços de venda adequados e competitivos com base nos custos incorridos.

Estrutura Teórica: A teoria da capacitação, do treinamento e da alfabetização financeira é adaptada neste artigo para explicar as transações econômicas dos residentes fronteiriços.

Projeto/Metodologia/Abordagens: O método usado neste estudo é uma combinação de qualitativo e quantitativo, que compila e analisa informações qualitativas e quantitativas.

Conclusões: Os resultados da atividade mostram que a compreensão e as habilidades dos participantes aumentaram após a realização dessa atividade, na qual eles determinaram adequadamente o preço de venda calculando primeiro os custos de produção.

Implicações Práticas e Sociais da Pesquisa: Neste estudo, a comunidade transfronteiriça percebe os benefícios do conhecimento financeiro para aprimorar o desenvolvimento dos negócios e a sustentabilidade para seu bem-estar.


EMPODERAMIENTO DE LA COMUNIDAD TRANSFRONTERIZA A TRAVÉS DE LA EDUCACIÓN SOBRE PRECIOS DE VENTA: EVIDENCIA DE LAS FRONTERIZAS INDONESIA–TIMOR LESTE

RESUMEN
Objetivo: Este estudio pretende capacitar a la comunidad transfronteriza para aumentar la comprensión y la capacidad de los agentes económicos fronterizos para determinar precios de venta adecuados y competitivos en función de los costes incurridos.

Marco Teórico: En este artículo se adapta la teoría de la capacitación, la formación y los conocimientos financieros para explicar las transacciones económicas de los residentes fronterizos.

Diseño/Metodología/Enfoques: El método utilizado en este estudio es una combinación cualitativa y cuantitativa, que recopila y analiza información cualitativa y cuantitativa.

Conclusiones: Los resultados de la actividad muestran que la comprensión y las habilidades de los participantes aumentaron tras realizar esta actividad, en la que determinaron correctamente el precio de venta calculando primero los costes de producción.

Implicaciones Prácticas y Sociales de la Investigación: En este estudio, la comunidad transfronteriza se da cuenta de los beneficios del conocimiento financiero para mejorar el desarrollo empresarial y la sostenibilidad para su bienestar.

Originalidad/Valor: Los resultados de la investigación pueden contribuir potencialmente al desarrollo de entornos y políticas empresariales que faciliten y aumenten el potencial del comercio internacional.

Palabras clave: Capacitación de la Comunidad, Precio de Venta, Mercado Transfronterizó, Indonesia, Timor Oriental.

1 INTRODUCTION

Indonesia and Timor-Leste have very deep historical and sociocultural relations, even though both countries were divided by Dutch and Portuguese during the colonial era. The relation was further strengthened during 24 years of integration of Timor-Leste as a province...
of Indonesia in 1975 and ended in September 1999 after the referendum under the supervision of the United Nations which left Timor-Leste as an independent country. As a consequence, both countries are politically and geographically divided through the establishment of the territory “boundary area”, such as the case of the Nipane village of Oécusse (Timor-Leste) and Humusu Wini village of North Central Timor Regency (Indonesia).

However, these differences do not affect much the sociocultural and economic relations between the people of the two countries (Raharjo, 2016; Suwartiningsih, Purnomo, & Lahade, 2020; Wiranta, 2008), where this common cultural identity brings benefits to facilitate socio-economic interactions between them (Sarjono & Rudiatin, 2022).

Cross borders areas have unique characteristics, which have a combination and dynamics of sociocultural, political, economic factors (Brahim, 2016; Yusliana, Fahik, & Devi, 2023) plus geographical factors that are very complex and complicated. The existence of this border zone forms a dynamic and complex trade process, social economic interaction, which on the one hand has the potential to accelerate border economic development and on the other hand creates complexity of problems due to inconsistencies in political policies, cultural differences and gaps in economic and human development (Wiranta, 2008).

The two countries adopted cross-border cooperation to stimulate the economic improvement of cross-border residents, promote stability, create attractiveness, and promote harmonization of kinship relations in border areas (Mais, Kleden, & Dhosa, 2020; Raharjo, 2016; Sarjono & Rudiatin, 2022; Yusliana et al., 2023).

Regarding economic aspects, Indonesia and Timor-Leste have bilateral cooperation, especially having agreed on cooperation and traditional market regulations (Raharjo, 2016). Of course, the economic dynamics in this border zone are driven by informal business, especially informal traditional markets economic transactions (Yusliana et al., 2023). The existence of border zones’ economic transactions contributes to the acceleration of border areas’ economic development (Blater, 2000 cited by Awang, Sulehan, Abu Bakar, Abdullah, & Liu, 2013), especially helping to increase income, create jobs and reduce community poverty (Awang et al., 2013; Gumbo, 2012; Sarjono & Rudiatin, 2022).

Among others, one of the efforts established is the creation of an informal market in the form of border markets such as the one at the Humusu Wini border market. The Wini Market which is located at Humusu Wini village, North Central Timor Regency (TTU), East Nusa Tenggara Province (NTT), is an "informal cross-border trade" for trade transactions and family interactions across border residents (Sarjono & Rudiatin, 2022; Suwartiningsih et al., 2020),
especially helping the Humusu Wini community to sell their products and the Oécusse community to shop and have family gatherings (Raharjo, 2016; Suwartiningsih et al., 2020). Apart from that, border markets, are also a venue for cultural activities and political expressions, a network of communication channels, history and rituals, and centres of community participation (Sarjono & Rudiatin, 2022). The existence of this market stimulates very dynamic border areas’ trade interactions, namely in basic needs commodities transactions (Wiranta, 2008; Yusliana et al., 2023) due to the economic structure of the border areas of Indonesia and Timor-Leste shows a predominance of primary activities, especially agriculture and trade (Wiranta, 2008).

However, border economic interaction areas have not had a significant impact on the welfare of border areas residents, where local people still live in a situation of poverty (Wiranta, 2008), have low education and income (Farid, Mujiyati, & Andari, 2017; Raharjo, 2016) and the poverty rate in TTU is almost 40% (Farid, Mujiyati, & Andari, 2017; Raharjo, 2016). Meanwhile, the quality of human capital in both regions is still low, where Timor-Leste’s human development index is 0.606 in the medium category (Brito, 2017, 2021; United Nations Development Programme, 2020) and TTU in 2017 is the third lowest of all provinces in Indonesia at 62.03 (Kosat, 2020).

Conditions of poverty and lack of economic opportunities at the border encourage people to carry out informal cross-border trading activities (Brahim, 2016), as the main source of livelihood activity, which stimulates free-from-government taxes borders crossers of both countries (Sarjono & Rudiatin, 2022). However, economic transaction activities have been carried out with weak business knowledge. Sellers and buyers at the Wini border market trust each other, as reported by Suwartininsih et. al. (2020), is triggered by the kinship factor which relies on not setting high prices for goods and thus ignoring best practices of business.

Based on the situation analysis above, the actual condition that occurs is their lack of knowledge and skills in determining the selling price of goods being marketed, including the mechanism for calculating the basic costs of producing goods. Limited knowledge and skills in determining prices hinder the profit maximization process, which in turn disrupts business growth and sustainability. Business actors’ negligence in calculating sales prices continuously results in losses and business closure (Rahim et. Al. 2022). Lusardi, Mitchell, & Cyrto (2010) and Fazli Sabri, Cook, & Gudmunson (2012) emphasized a lack of financial management knowledge causes people to have financial problems.
Meanwhile, many community service activities about determining the selling price and have been carried out in the national context and outside the NTT-Timor Leste (Timor Island) region, notably in Riau (Andri, S. M., Donawati, & Suryati, 2023), Pekan Baru (Andri et al., 2023), Bekasi (Murdayanti, Indriani, Gurendrawati, Ulupui, & Suherman, 2020), Kalimantan Selatan (Noor & Lestari, 2019), Pati (Gunawan, Nugraha, Nurkamid, & Mulyani, 2022), Semarang (Rachmawati, Karim, & Wisayang, 2021; Santoso, Sulistyawati, & Setyo Wahdi, 2021), Lampung (Halimah, Saleh, & Swissia, 2019), Purwakarta (Yustitia & Adriansah, 2022), Sumatra Utara (Fauzi, Siregar, & Malik, 2020), Bogor (Mulyati, Agustina, & Husnayetti, 2021), and Brebes (Apipah, Dumadi, & Riono, 2022). However, there have been no community service activities focused on the Indonesia-Timor Leste cross-borders, involving both countries residents/participants.

Considering the economic problems and empowerment efforts that have not been optimal (Wiranta, 2008) as well as the literature gaps presented above, socialization activities and discussions were carried out regarding determining the selling price of goods in the border area of Humusu Wini and Nipane villages is a response and solution to the needs of both cross border areas communities. Furthermore, the main aim of implementing this international community service activity is to contribute to increasing understanding and financial literacy skills, especially in determining the correct and competitive selling price of goods. Finally, the ultimate expectation is that understanding the best practice of pricing will help the growth and sustainability of border residents’ businesses.

2 METHOD RESEARCH

Mentoring and socialization methods were adopted into this international community service activity for business community beneficiaries in Humusu-Wini village, Indonesia, and Nipane-Oécusse village, Timor-Leste. The implementation of Mentoring and socialization activities allows direct interaction with informal business participants in the Wini traditional market. The implementation of this activity was carried out due to collaboration between Catholic Universities of Widya Mandiri Kupang (UNWIRA) and Universidade Católica Timorense (UCT) de São João Paulo II.

The activity began with socialization using a seminar model and continued with discussions, which covered the topic of community empowerment, particularly in the establishment of the selling price of the Humusu-Wini border market. It is expected that through
the implementation of the activity will provide an understanding over the importance of determining the price of goods in buying and selling transactions.

The mechanism for implementing community service activities on October 23, 2023 was carried out through the stages of preparation/initial survey, implementation and evaluation (Cf. Figure 1).

**Figure 1**

*Phase of implementation of cross border community extension*

![Diagram](source)

Source: Prepared by authors (2023)

(a) **Preparation/initial.** The initial preparatory activities are the contact with communities, local authorities in both villages of cross-border areas, and cross-border service authorities in the context of compiling initial information related to economic activities and problems that occur in the process of border economic transactions. At this stage, scheduling coordination, mechanisms for implementing activities are established and the content will be conveyed during the socialization activities on the know how to determine the selling price of the products. For the final coordination in this stage, the team solicited the representative of the Indonesian Embassy in Oécusse and both cross-border authorities to facilitate the transit of Timorese participants to local activity.

(b) **Implementation.** International community service activities were carried out with a socialization mechanism which is associated with the process of determining sales prices. It was followed by an interactive discussion, allowing participants to ask questions and discuss the way to determine the sales price of goods in the economic transaction process. This implementation process, logistically, was supported by the Wini–Indonesia PLBN authority and the local authorities of Humusu Wini and Nipane-Oécusse villages.

(c) **Evaluation.** This evaluation stage was implemented to determine responses from participants regarding their understanding of determining the selling price of goods. In addition,
during the activity implementation process, activity documents are provided, which later on can be used as important information for the evaluation process.

3 RESULT AND DISCUSSION

Based on the results of the initial situation analysis of the border zone survey (Figure 1), it was noted that informal business residents of the cross border area did not grasp the determination of selling prices for goods based on accounting norms but only on estimates. This phenomenon is caused by the lack of ability to calculate the costs incurred to acquire an item.

Figure 2

*The Initial Survey of the border area situation*

![Image of survey results](source: Prepared by authors and google map search (2023))

Responding to the problem, training activities determining the selling price of goods based on production cost were implemented, precisely on October 23, 2023, and the venue was at Humusu Wini Border Market, Indonesia. The sole aim of the training is to provide an understanding of financial literacy, especially in determining the selling price of goods. Participants involved are communities from the villages of Humusu Wini-Indonesia and Nipane-Oécusse, Timor-Leste. The activity is rated as important due to its contribution to financial well-being (Ali, Ali, Badghish, & Soomro, 2021).

The service activity involves 23 border communities who always carry out business transactions at the Wini market, and have informal businesses in the form of kiosks in their respective places of residence. The one day training schedule which commenced from 9.00 and finished at 15.00 hrs East Indonesian time was facilitated by resource persons from UNWIRA and UCT with the assistance of the organizing committee team.

The training activity focus is to elevate participants' understanding and ability in determining the selling price of goods plus calculating the costs incurred to produce/purchase a product.
The activity was preceded by the presentation of material by the facilitators covering the importance of determining selling prices and how to calculate the costs of producing or purchasing an item (figure 3). After the delivery of the material by the resource persons, a simulation and discussion on the calculation of production costs and the way to determine the selling price were conducted with the assistance of UCT and UNWIRA organizing committee.

**Figure 3**

*Presentation of Selling Price Determination*

Calculation of production cost of product. At this stage, the participants are guided by a facilitator through a Focus Group Discussion mechanism to identify and record the total costs sacrificed/expended to obtain a product (Cf. Figure 4). Determining the cost of production is a mechanism for identifying, recording, classifying and calculating the overall costs incurred in producing a product (Apipah et al., 2022; Mulyati et al., 2021; Yustitia & Adriansah, 2022). Participants of this session identified three main components of production costs: raw materials, labour and transportation. The identification and calculation of these costs is an accounting mechanism for calculating the cost of production of an item, where the production price of an item is the accumulation of procurement costs for goods/raw materials and operational costs (Andri et al., 2023; Yustitia & Adriansah, 2022). In the accounting domain, determining production prices is crucial as it is not only a benchmark for determining selling prices, but also an instrument for controlling production costs, determining profit margins, and the basis for calculating profit and loss (Mulyati et al., 2021).

**Determination of profit margin and selling price.** Participants were also given the skills and knowledge in determining profit margins based on basic production costs. Margin in accounting is the percentage of profit that buyers want to obtain when selling a product (Mulyati et al., 2021). Of course, the profit margin is determined by the costs incurred to obtain a product. Next, material regarding determining selling prices was presented. The selling price calculation is by accumulating the total cost of production with the desired profit margin.
The topic of calculating the cost of production and determining the selling price of the product is not provided as an addition to the presentation method but also through simulations and demonstrations in group form (Cf. Figure 4).

Figure 4

*The process of Group Discussion and Facilitation*

![Image of group discussion and facilitation](source: Prepared by authors (2023))

The calculation simulation of this activity is to calculate the cost of purchasing mineral water products, then followed by calculating the desired profit margin and determining the final price per product unit. The example of calculating total costs and determining product selling prices shows in following section.

If the purchases 1 box bottle of mineral water to sell in its kiosk and pays a total of $4 for the 24 bottles, the cost per item is $0.167. After the calculation of its costs for selling goods, a profit margin needs to be set that covers this cost and provides a profit. If the profit margin is defined about 35%, the desired profit is $0.06 (0.35 x $0.167) per bottle sold.

Then, add the cost value and desired profit margin into the formula to find the selling price standard.

\[
\text{Selling price} = (\text{cost}) + (\text{desired profit margin}) = \$0.167 + \$0.06 = \$0.225.
\]

The selling price of $0.225 per bottle is an ideal price point for products.

The closing of this international community service activity measured the understanding and the benefits (Alluyah & Sunarto, 2020) through participant feedback requests. The evaluation method used a “pre-test” and “post-test” to measure participants’ knowledge and abilities after activity, which are presented in the Figure 6 below (Cf. Figure 6).
Figure 6

Pre-Test and Post-Test Results of Training Activities

![Diagram showing the results of pre-test and post-test activities.](image)

Source: Prepared by authors (2023)

As shown in Figure 6 above, this activity provides benefits for participants because they understand how to identify production costs, calculate the cost of production, determine profit margins, and set selling prices for goods correctly and competitively.

It is expected that financial literacy, especially the understanding and the ability to determine basic costs and product selling prices, will affect the performance and increase the welfare of border communities, as reported by Selvaraj, Johnson, & Sakthivelrani (2016) that financial literacy plays a significant role and is important in the community empowerment. Furthermore, Ali et al. (2021) and Kefela (2011) emphasized that the good financial literacy improves the prosperity and happiness of the community due better in financial management decisions.

4 CONCLUSION

The empowerment of the economic capacity of Wini and Nipane border actors was successfully carried out due to the active involvement of participants and the support of stakeholders from the Oéucse-Timor Leste and Humusu C-Indonesia. The mutual cooperation...
between UCT and UNWIRA, including the full support of the border services authorities of both countries and the local authorities of both villages was indeed very determinant to the success gained. It has provided significant benefits to economic actors of border areas namely in increasing their understanding and ability to determine the correct selling price based on basic production costs so that they can then discover the profit made in a business.

Participants were previously with little knowledge in determining sales prices, so sales prices of goods set on the Humusu Wini Market were based on estimates without taking into account sacrificed costs. Understanding the selling prices of products, informal business actors at the border can determine competitive and fair selling prices, thus ensuring fair transactions and the sustainability of their businesses. The significant impact of this effort is the acceleration of border area economic development of Indonesia and Timor-Leste, which can further contribute to the well-being and prosperity of border residents of the two countries.

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