CHAPTER III

METHODOLOGY

A. Research Subject

This chapter discuss the methodology implemented in this study. The chapter start from elaboration of research design, and collecting the population and sample. furthermore, this research discuss regarding the sampling technique employed by the researcher.

1. Research Location

This study conducted in Bantul regency, Yogyakarta. To know the halal food business in Bantul regency consist some concept of Islamic business ethics and internal factors that exist in business. Islamic business ethic include the concept of free will, justice and responsibility. Internal factors that include the several aspect but this research only take an concept in example management, human resource and capital. This research only focus on Halal food business in Bantul Regency.

B. Type of Data Research

This study using primary data through questionaire as the instrument and interview to Micro Small and Medium Enterprises halal food business who registered in Lembaga Pengkajian Pangan, Obat-obatan dan Kosmetika Majelis Ulama Indonesia (LPPOM MUI) Yogyakarta as the tool of research. The research using quantitative as the research methodology and Using the associative research, according to Sugiyono (2008) associative research need to recognize the relation or influence some variables or more than one variable.

The purpose of this study is to know the influence of Islamic business ethic and internal factors toward the performance of Micro Small and Medium Enterprises (MSME). The purpose of quantitative research is to known and understand the subject and object with showing more detaile about the data based on questionnaire and interview to get the data and use the descriptive analyze to analyze the perseption from respondent. So, analyze the influence of Islamic business ethic and internal factor used to multiple linear regression.

MSME have cause and effect model show the capabilities, skill, self-concept and the result generated by a situation can be predicted. Revenue is the result that achieved by a person or group of people within organization or business in accordance with their respective powers and the responsibilities in order to achieve the objective of organization. The researcher choose the characteristic of business especially food business there is not applied ethic in a business. The implementation of Islamic business ethic in MSME worlds performance, because almost community in Bantul regency, Yogyakarta is Muslim and give knowledge about a good on business morality. Concerning to this matter, this research is to know and asses the ethic in business especially in Islamic perspective toward the MSME performance.

C. The Sampling Data Technique

In this research are focus and choose the population from Yogyakarta community, especially all of labor who working on Halal Food business. It will determine the result of this research data. This research use technique determining purposive sampling, to recognize the reaction of respondent toward some variable so researcher use likert scale 1 to 5 as the maximum and minimum scale. The population from this study including all of actors in a Food business in Bantul regency as well as manager or owner, and labor in the business. Based on the data from Department of Trade and Industry (2009) Yogyakarta, total MSME actually for food business in DIY (Daerah Istimewa Yogyakarta) is 943 MSME,but total

of halal food business in DIY is 579 MSME. However, in this research only focus in Bantul Regency sine the limitation of the research and minimize the cost.

The technique sample data is taken from owner and labor of halal food business or MSME in Yogyakarta especially in Bantul regency. The population of this research is all of MSME in Halal food business Bantul regency who registered in MUI Yogyakarta as 71 halal food business in Bantul regency. Researcher take the respondent based on Slovin formulation that is:

$$n = \frac{N}{N(D)^2 + 1}$$

Information :

n = sample size

N = population size

D = the leniency to not be fastidiously fault of sample that can be tolerated

So, this research take the sample :

$$n = \frac{71}{71(0,05)^2 + 1}$$

$$n = \frac{71}{1,1775}$$

$n = 60,29$ unanimous decision be 60 sample

D. Technique Data Collection

The technique of collecting data in this study use the primary data with two instrument toward halal food business in Bantul regency, and secondary data such as the data profile of the Micro small and Medium enterprises (MSME) in Bantul regency. While the source of data from the respondent of Bantul regency businessman and the labor in food business consisting of the owner or management of those business that is contained in halal food business in Bantul regency. The researcher choose halal food business since the owner definitely are Muslim and interesting to scrutinized, because of that those business had many kind of Islamic activity. Those business teach the Islamic act for labor and those management, and also there are any responsibility for labor especially for Muslim who work in there. The society is helpful since the business had an Islamic activity for example *pengajian, sodaqoh*, give free food for all, Qurban etc. The important thing from thus business food it has a lable halal food from MUI and only sell halal food proven in a quality.

Data collection was done by interviews technique completed with questionnaires. The questionnaire was used as guides for interviews more structured and standardized. The steps which carried out in the data collection process as follows:

a. Prepare the questionnaire and do test validity reliability
b. Recruit surveyors and supervisors as field executive
c. Conducting training to supervisors
d. Implementation of data collection, submission of the results of data collection to the team researchers
e. Next data collected is tabulated, processed and interpreted according to research objectives.

Data collection done with several techniques as follows:

1. The documentary technique used for collection of data sourced from secondary data such as:

a. physical state and geographic area

b. central to existing MSME

c. number and characteristics of employment

2. Questionnaire technique, done by making a series of questions related to the competence of halal food Business in Bantul regency,Yogyakarta.

3. Interview techniques, used as a complement to get data that can not collect through another technique, as well as a, cross-check against collected data.

E. Definition of Operational Variables

1. Dependent Variable

The dependent variable is the variable which only influencing by other variable. The dependent variable in this study is Micro Small and Medium Enterprise (MSME) in Halal food business performance. The performance of MSME or business are always changes, sometimes in significantly. The changes of those is effect of several factors. The performance of business include the level of importance. In the other word, dependent variable in this study is performance but also the level of importance for those business or MSME.

Every dimension of variable of MSME in halal food business performance use likert scale through 1 to 5 for very agree, agree, netral, disagree, and very disagree. It doesn't like another researcher who only use until 2 scale or 3, because if just 2 scale or 3 it's not really give specific answer. In 5 scale it would be giving a specific answer and make easier for researcher and respondent to choose and answer.

2. Independent Variables

The independent variables in this study there are two variable, that is Islamic business ethic and Internal factors. There are including free will, justice, responsibility, management, human resource and capital who influence the dependent variable. Likewise to dependent variables have the scale same. The

scale in dependent variable have 5 point, the point 1 is the lowest scale and 5 point is the highest scale. Giving 5 scale in the research make an easier interpretatio for researcher.

F. Quality Data and Instrument Test

Research instrument is the tools or facility use in collecting data to be more easy, good result, efficient, complete and systematic in research, therefore it made for researcher easier to process the data. The instrument in this research using the sheet of questionaire (Suharsimi, 2010).

The questionaire use the inquiries with the type of the closed questions. Closed question is the question which composed in such a way so that the respondents choose some scale to answer the response to make easier and give the limitation to answer the question. The validity and reliability data is very important in primary data since measuring the quality of data and reliability of data. The characteristic of a good data on primary data arae valid and reliable, and it is important the instrument have to be tested for primary data.

The valid instrument is the instrument which had a higher validity, but if the instrument less valid is a worse validity. The validity test instrument in this research using pearson correlation and the reliability test using alpha cronbach, where the test use the SPSS.

G. Data Analysis

1. Descriptive Analyses

Descriptive analysis use to analyze the demography of respondent, descriptive concerning gender, age, education, income and duration. This description used to know and show the identity of respondent, and represent the collection data every single demography of respondent using SPSS. Not only describe the information

object but also shows the perception who expressed by the respondent every question in questionnaire and would be process with smartPLS 3. The estimation of this study using 5 likert scale that is:

$$\text{Range of Value} = \frac{(\text{Max value} - \text{Min value})}{\text{Max value}}$$

$$\text{Range of Value} = \frac{(5-1)}{5} = \frac{4}{5} = 0{,}80$$

From the formulation above determine the interval value. the interval scale shows in table 3.1:

Table 3.1 Perception Scale Estimate

Interval	Scale
1 until 1,80	very disagree
> 1,80 − 2,60	Disagree
> 2,60 − 3,40	Quite Agree
> 3,40 − 4,20	Agree
> 4,20 − 5,00	Very Agree

Source : Baroroh, 2008 (Processing Data).

Table 3.1 explain the perception scale estimation divided into 5 scale. This scale use to calculate the variables based on respondent perception.

2. Description of Research Variables

The description of research variables use to show the condition of some variables in this research. The variables including dependent variabel (endogenous variable) and independent variable (exogenous variable), describe Performance of Micro small and medium enterprises performance for dependent variable, Internal factors and Islamic business for independent variable. The central tendency from this research measured by mean, minimum, maximum, and standard deviation which use smartPLS 3 for analyses data processing.

Table 3.2 Variable Latent and Variable Indicators

Varible Latent	Variable Indicator or Manifest	Notation
Islamic Business Ethic (Variable Exogenous)	Free Will	X1.1
	Justice	X2.1
	Responsibility	X3.1
Internal Factors (Variable Exogenous)	Management	X4.2
	Human Resource	X5.2
	Capital	X6.2
Performance of MSME (Variable Endogen)	Inovation	Y1
	Importance	Y2
	Productivity	Y3

Source: Primary Data Process with SmartPLS

3. Structural Equation Modeling SEM Analysis

This research using Structural Equation Model (SEM) as instrument analysis through the Partial Least Square (PLS) use smartPLS 3 to analyze the influence between exogen and endogen variables. The conceptual modeling in SEM PLS based on the previous study and rational, since it must be develop and construct estimation. The data used in PLS SEM does not have to meet the requirements of data normality assumption, thus PLS SEM becomes an alternative procedure other than SEM based covariance, because in reality we often find that the data we will by not normally distributed. PLS SEM can use small sample sizes, Does not require randomization of the sample thus selected samples with non-probability approaches, such as accidental sampling, purposive sampling and the like can be used in PLS SEM. On the predictor side, PLS can handle many independent variables, even when predictors display multicollinearity (Garson, 2016). In SEM model formulation is a statistical modeling technique are cross sectional and general based on the theory use path analysis handling causal paths relating predictors as well as paths relating the predictors to the response variable, whereas

partial least square (PLS) as an alternative method of estimating the model for managing SEM based on theory and previous study.

PLS SEM may be implemented as a regression model, predicting one or more dependents from a set of one or more independents it can be implemented as a path model (Garson, 2016). In Structural Equation Modeling there are have some step and objective to processing data, primary data processing step by step using SmartPLS to estimation model test as follows:

a. Construction Path Diagram Scheme

In SEM partial least square use to explain the relationship between variable latent and indicator, so it visualized the relationship between indicator and construct and the relationship between construct was. The path diagram, there are including outer and inner model, to visualize and analyze the model in comprehensiving. It easier for researcher to see accordance with comprehensive path diagram.

b. Outer Model

Researcher make the spesification relationship model between latent construct and indicator, and structural model from latent variable. In Outer model including convergent validity or loading factor value, discriminant validity and cross loading factor to understand the value of discriminant in each construct, composite reliability, average variance extracted, and cronbach alpha.

c. Inner Model (Structural Model)

The model show the relationship each variable latent for easier to explain. In inner model or structural model consisting R square and Q square predictive relevance to know and estimate the result of parameter coefficient and level of significancy.

d. Hypthesis test with Resampling Bootstrap

Hypothesis test in SEM with PLS method include the testing toward parameter X1, parameter X2 and Y. based on structural modeling. Resampling bootstrap was important to solve the problem in estimation to get the best estimation and to cope the assumption.

The analysis is determines the effect from Islamic business ethic and internal factor for food business especially for food business in Bantul regency, Yogyakarta. Bantul regency has Islamic atmosphere in business ethic. Therefore, this research give the information why Islamic business ethic had an impact and influence for halal food business in Bantul regency, Yogyakarta.

The other case, the analysis from the research focus the influence of internal factors toward the development of small and medium sized enterprises in Bantul regenccy, whether it can increase or decrease the income, develop the business, management and marketing. The entry data was checked the truth completeness before analyzed. Data processing was carried out using with Microsoft Excel, smartPLS 3 and also SPSS aplication. The results of the analysis displayed either descriptively qualitative, as well as quantitative and equipped use table to be more communicative.