The Effect Of Business Competition, Brand Equity, And Islamic Work Ethos On Business Development With Religiosity As Variable Intervening (Case Study Of Smes In Boyolali Regency)

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Abstract. The results of this study indicate that business competition, Islamic work ethic and religiosity have a positive and significant impact on business development. Brand equity has no significant positive effect on business development. Business competition has a negative and insignificant effect on religiosity. Brand equity has a positive and insignificant effect on religiosity, while Islamic work ethic has a positive and significant effect on religiosity. Religiosity is able to mediate the Islamic work ethic variable on business development. However, religiosity is not able to mediate the variables of business competition and brand equity on business development. Keywords: Business Competition, Brand Equity, Islamic Work Ethic, Religiosity, Business Development

1 Introduction

The development of business in Indonesia is very fast and rapid, ranging from small-scale to large-scale businesses. A business activity that produces services or goods with the aim of making a profit, all of which is carried out in an organized manner, is called a business (Suwarso, 2018). The more businesses or businesses established by the community in a country, the easier it will be for the country to become a developed country. As said by Mr. Ir. H. Joko Widodo as President of the Republic of Indonesia, Indonesia's mission to become a developed country in 2023 is by increasing the number of business people and entrepreneurs. Because with the businesses established by the community, they are able to overcome several economic problems such as unemployment and poverty, and able to increase per capita income which in turn is able to raise people's standard of living. Therefore, business is very important and has an impact on the economy in Indonesia.

The more business businesses that develop in Indonesia, the level of competition will become increasingly fierce and hot because many superior products are created by other business people. Various efforts must be made by a business person to maintain their products in order to be able to compete with other products and achieve the expected mission. A business person must also be active in promoting, innovating products, recognizing consumer tastes, preparing good brand equity and so on (Sukma, 2019).
Discussing about brand equity, according to Kotler & Keller (2017) it is actually a symbol or trademark that is able to change the taste possessed by consumers so that in making decisions using the basis of proximity to the characteristics of the goods. So that consumers are interested in goods or services, a businessman must prepare a uniqueness or advantage in brand equity. That way a consumer is expected to be able to remember and give an assessment of the goods or services.

In addition to improving product quality and preparing good and attractive brand equity, a business person who embraces Islam must also have the values of an Islamic work ethic which is likened to a job that does not only look for material but also becomes a worship. In this case, the Islamic work ethic is very important for human success, in a very broad social environment and in a limited work community (Irkhami, 2014). In the business world, the progress and success of a business will be successful if a businessman does all the charitable provisions that adhere to the Islamic work ethic so that Muslim businessmen have advantages over other businessmen and become pious businessmen.

In this study the intervening variable uses religiosity, because religiosity is considered to affect the relationship between the independent variable and the dependent variable. This is in line with Fauzan's (2013) research that religiosity has a significant positive influence on business development. The same result was also obtained by Ma’zumi et al. (2017) that religiosity affects business development.

The magnitude of the impact of religiosity on business development makes businessmen who embrace Islam in a province with a Muslim majority increase their religiosity side. Central Java is one of the provinces in Indonesia with the largest population and the majority are Muslim (BPS Jateng, 2021). The growth of MSMEs in this province is very helpful in growing the economy and reducing unemployment. One of them is in Boyolali Regency in 2020 the number has reached 66,036 micro business units recorded at the Cooperatives and Employment Service (DISKOPNAKER). Various home-based businesses have developed in this area, such as making snacks to making souvenirs. The resulting product is already known outside the city.

Graph 1. Development of the Number of SMEs in Boyolali Regency 2016-2020
Source: Boyolali District Manpower Office

The number of developments in Boyolali Regency SMEs in the picture above explains that the development of SMEs in Boyolali Regency is not growing well. It can be seen in 2016 the number of MSMEs in Boyolali Regency was only around 16,012 units then in 2017 the number was only 16,137 units as well as in 2018 and 2019 the number of MSMEs in
Boyolali Regency was the same as 2017. However, in 2020 the number of MSMEs soared to reach This 66,036 units was supported by the discovery of the disbursement of grants distributed from the Ministry of Cooperatives and Small and Medium Enterprises to MSME actors in Boyolali Regency.

However, in this case there is an asymmetry between the growth in the number of MSMEs and the income earned by MSME actors. This can be seen from the phenomenon of one of the MSME implementers "Bandeng Presto Bu Rita Boyolali" he said he was one of the recipients of capital assistance funds from the Ministry of Cooperatives and Small and Medium Enterprises (KEMENKOP UKM) worth Rp 2.4 million. The boost for business capital is used to increase the business of milkfish products, typical of Boyolali. “This Boyolali specialty food product has been established since 2016 until now. However, his business has been badly affected by the COVID-19 pandemic. The COVID-19 pandemic has caused people's purchasing energy to drastically shrink, resulting in all MSMEs including their businesses,” said Ratih (Antaranews.com, 2021).

Not only with the data obtained, the gap of previous research (research gap) is also the background of this research. In research conducted by Yasa & Sukaatmadja (2017) on the effect of business competition on business development, it shows that there is a negative and significant influence, business competition on the development of Micro, Small and Medium Enterprises (MSMEs). Meanwhile, another study conducted by Lestari et al. (2015) stated that business competition has a positive and significant influence on business development. Thus, there is a gap in research results that must be adjusted, so in this study included the religiosity variable as an intervening variable.

Therefore, researchers are interested in conducting this research, namely to find out how much influence business competition in this area has on the development of the business itself. By looking at several things related to business competition, brand equity, Islamic work ethic, and the religiosity of a businessman. The difference between this study and other research is adding the religiosity variable as an intervening variable with the object of research on SMEs in Boyolali Regency. So the researchers chose the title, "The Influence of Business Competition, Brand Equity, and Islamic Work Ethic on Business Development With Religiosity as an Intervening Variable (Case Study of SMEs in Boyolali Regency)"

2 Method

This research is a quantitative research that is listed in the type of field research (field research). Quantitative strategy is an objective strategy for managerial economic decision making. This research starts from an informed information. This information can be in the form of numbers and so on and can also be in the form of an explanation which will later be converted into numbers and then processed so that a decision can be taken (Tika, 2006).

Thus, the research in this study, researchers went directly to the field to obtain data from micro-enterprises in Boyolali Regency regarding the effect of business competition, brand equity, Islamic work ethic on business development with religiosity as an intervening variable.

3 Result and Discussion

3.1 Test T test

The t test shows the value of whether the independent variables (business competition, brand equity, religiosity) individually affect the dependent variable (business development). The results of the t test in this study are as follows:
### Table 1. t test result

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2,720</td>
<td>2,806</td>
<td>.970</td>
<td>.335</td>
</tr>
<tr>
<td>Business</td>
<td>.231</td>
<td>.088</td>
<td>.167</td>
<td>2,637</td>
</tr>
<tr>
<td>Competition (X1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>brand equity (X2)</td>
<td>.088</td>
<td>.063</td>
<td>.090</td>
<td>1.389</td>
</tr>
<tr>
<td>Islamic Work Ethic (X3)</td>
<td>.201</td>
<td>.080</td>
<td>.036</td>
<td>2,517</td>
</tr>
<tr>
<td>Religiosity (Z)</td>
<td>.393</td>
<td>.105</td>
<td>.438</td>
<td>3,752</td>
</tr>
</tbody>
</table>

The basis for decision making in this test is the significance value <0.05, which means that there is an effect of the independent variable on the dependent variable partially. So that the following results are obtained:

1) The business competition variable (X1) has a coefficient value of 0.231 and a significance value of 0.010 <0.05, so business competition (X1) has a positive and significant effect on business development (Y). This means that partially every 1 point increase in the business competition variable (X1) can increase business development (Y) by 0.231.

2) The brand equity variable (X2) shows a coefficient value of 0.088 and a significance value of 0.168 > 0.05, so the brand equity variable (X2) has no significant positive effect on business development (Y). This means that every additional 1 point of brand equity (X2) has no effect on business development (Y).

3) The Islamic work ethic variable (X3) has a coefficient value of 0.201 and a significance value of 0.014 <0.05, the Islamic work ethic variable (X3) has a positive and significant influence on business development (Y). Which means that every 1 point increase in the Islamic work ethic variable (X3) will increase the business development variable (Y) by 0.201.

4) The religiosity variable (Z) has a coefficient value of 0.393 and a significance value of 0.000 <0.05 then the religiosity variable (Z) has a positive and significant influence on business development (Y). This means that partially every 1 point increase in the religiosity variable (Z) will increase the business development variable (Y) by 0.393.

3.2 Path Analysis

This test is carried out with the intention of finding the relationship between variables X1, X2, X3 to Z and vice versa Z variable to Y and also the relationship between variables X1, X2, X3 to Y but through Variable Z The results of the path analysis test that have been carried out are as follows:
### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>5,005</td>
<td>2,685</td>
<td>1,864</td>
<td>.065</td>
</tr>
<tr>
<td>Business Competition (X1)</td>
<td>-.039</td>
<td>.085</td>
<td>-.025</td>
<td>-.452</td>
</tr>
<tr>
<td>brand equity (X2)</td>
<td>.007</td>
<td>.061</td>
<td>.007</td>
<td>.120</td>
</tr>
<tr>
<td>Islamic Work Ethic (X3)</td>
<td>.652</td>
<td>0.040</td>
<td>.892</td>
<td>16.240</td>
</tr>
</tbody>
</table>

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.885a</td>
<td>.783</td>
<td>.777</td>
<td>1.947</td>
</tr>
</tbody>
</table>

### 3.2.1 Equation I

The regression equation is:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \]

Based on the table above, the following regression is obtained:

\[ Y = 5,005 + (-0.039) + 0.007 + 0.652 + 1 \]

1. The constant 5.005 means that if business competition (X1), brand equity (X2) and Islamic work ethic (X3), constant (X1, X2, X3 = 0) then the religiosity variable (Z) is at the level of 5,005.

2. Based on the regression results in equation I, the significance value for the business competition variable (X1) is 0.652 > 0.05, the significance value for the brand equity variable (X2) is 0.905 > 0.05 and the Islamic work ethic value is 0.000 < 0.05. These results give the conclusion that X1 and X2 do not have a significant effect on Z, while X3 has a significant effect on Z.

3. Business competition regression coefficient (X1) is -0.039 with a significance value of 0.652 > 0.05. This means that an additional one point on business competition (X1) does not have a positive and significant effect on religiosity (Z).

4. The brand equity coefficient (X2) is 0.007 with a significance value of 0.905 > 0.05. This means that each additional point in X2 does not affect the increase in religiosity (Z).

5. The coefficient of Islamic work ethic (X3) is 0.652 with a significance value of 0.000 < 0.05. This means that each additional point on the Islamic work ethic (X3) will increase religiosity (Z) by 0.652.

6. The value of R² (R. Square) in the model summary table is 0.783. That is, the contribution of X1, X2, and X3 to Z is 0.783 while the remaining 0.217 is influenced by contributions from other variables not examined. Then the magnitude of I is \( I = (1 - 0.783) = 0.465. \)
3.2.2 Equation II

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
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<tr>
<td></td>
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<td>.088</td>
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<td>.090</td>
<td>1.389</td>
</tr>
<tr>
<td>Islamic Work Ethic (X3)</td>
<td>.201</td>
<td>.080</td>
<td>.306</td>
<td>2,517</td>
</tr>
<tr>
<td>Religiosity (Z)</td>
<td>.393</td>
<td>.105</td>
<td>.438</td>
<td>3,752</td>
</tr>
</tbody>
</table>

*Dependent Variable: Business Development (Y)*

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.849a</td>
<td>.720</td>
<td>.708</td>
<td>1.998</td>
</tr>
</tbody>
</table>

Based on the table above, the following regression equation can be obtained:

\[ Y = + 1X_1 + 2X_2 + 3X_3 + Z \]

With the calculation as follows:

1. The constant 2.720 means that if business competition (X1), brand equity (X2), and Islamic work ethic (X3), constant (X1, X2, X3 = 0) then the business development variable is at the level of 2,720.

2. The results in the regression equation II give the result that the significance value of the variables X1, X2, X3 and Z to Y is the business competition variable (X1) of 0.010 < 0.05 brand equity (X2) 0.168 > 0.05 Islamic work ethic (X3) 0.014 < 0.05 and religiosity (Z) 0.000 < 0.05. So this shows that there is a significant effect of the variables X1, X3 and Z on Y, while the X2 variable does not have a significant effect on Y.

3. Business competition regression coefficient (X1) is 0.231 with a significance value of 0.010 < 0.05. So every one point increase in business competition (X1) can affect an increase in business development (Y) by 0.231.

4. The brand equity regression coefficient (X2) is 0.088 with a significance value of 0.168 > 0.05. So there is no effect of the increase in brand equity variable points (X2) on business development (Y).

5. The regression coefficient of Islamic work ethic (X3) is 0.201 with a significance value of 0.014 < 0.05. So every one point increase in Islamic work ethic (X3) can have an effect on increasing business development (Y) by 0.201.
6. The regression coefficient of religiosity \((Z)\) is 0.393 with a significance value of 0.000 <0.05. So every one point increase in religiosity \((Z)\) will increase business development by 0.393.

7. The value of \(R^2\) (R. Square) in the model summary table is 0.720. That is, the contribution of \(X1, X2, X3\) and \(Z\) to \(Y\) is 0.720 while the remaining 0.28 is influenced by contributions from other variables not examined. Then the magnitude of 2 is \(2 = ((1-0.7203) ) = 0.529\)

The results from the figure above conclude that the variable \(X\) (independent) can directly affect the variable \(Y\) (dependent) and can also have an indirect effect on the intervening variable.

1. The effect of business competition \((X1)\) on business development \((Y)\) through religiosity \((Z)\)
   The direct effect of business competition on business development \((H1)\) is 0.167, while the indirect effect of business competition \((X1)\) on business development \((Y)\) through religiosity \((Z)\) is \((H5 \times H4) = (-0.025 \times 0.438) = -0.010\). Then the total effect of business competition \((X1)\) is the sum of the direct and indirect effects, namely 0.167 + (-0.010) = 0.157. Based on the above calculations, it can be concluded that business competition has a direct effect of 0.167 and an indirect effect of 0.157.

To determine the effect of the intervening variable using the Sobel test, as follows:

\[
Sp2p3 = (P3^2SP2^2 + P2^2SP3^2 + SP2^2SP3^2)
\]

\[
Sp2p3 = (0.393)^2 (0.085)^2 + (-0.039)^2 (0.088)^2 + (0.085)^2 (0.088)^2
\]

\[
Sp2p3 = (0.154 \times 0.0072) + (0.0015 \times 0.0077) + (0.0072 \times 0.0077)
\]

\[
Sp2p3 = (0.0011 + 0.000011 + 0.000055
\]

\[
Sp2p3 = 0.001661
\]

\[
Sp2p3 = 0.0407
\]

Information:

\(P3 = \) Coefficient of intervening variable
\(P2 = \) Coefficient of independent variables
\(Sp2 = \) Standard error coefficient 1
\(Sp3 = \) Standard error coefficient 2

Based on \(Sp2p3\) can be obtained the value of \(t\) arithmetic mediation statistics with the following formula:

\[
t = p2p3 : Sp2p3
\]

\[
t = (-0.0153) : 0.0407
\]
t = -0.3759

The calculated t value of -0.3759 is smaller than the t table of 0.1966 with a significance level of 5%, so it can be concluded that it is not significant. This means that religiosity is not able to mediate the effect of business competition (X1) on business development (Y).

2. The influence of brand equity (X2) on business development (Y) through religiosity (Z).

The direct effect of brand equity on business development (H2) is 0.090, while the indirect effect of brand equity (X2) on business development (Y) through religiosity (Z) is (H6 X H4) = (0.007 X 0.438) = 0.003. Then the total effect of brand equity (X2) is the sum of direct and indirect effects, namely 0.090 + 0.003 = 0.093. Based on the above calculations, it can be concluded that brand equity has a direct effect of 0.090 and an indirect effect of 0.093.

To determine the effect of the intervening variable using the Sobel test, as follows:

\[ t = \frac{p_2 p_3}{S_{p_2 p_3}} \]

\[ t = \frac{0.0027}{0.023} \]

The t-count value of 0.1196 is smaller than the t-table of 0.1966 with a significance level of 5%, so it can be concluded that it is not significant. This means that religiosity is not able to mediate the influence of brand equity (X2) on business development (Y).

3. The influence of Islamic work ethic (X3) on business development (Y) through religiosity (Z)

The direct effect of Islamic work ethic on business development (H3) is 0.306, while the indirect effect of business competition (X1) on business development (Y) through religiosity (Z) is (H7 X H4) = (0.892 X 0.438) = 0.390. Then the total influence of the Islamic work ethic (X3) is the sum of the direct and indirect influences, namely 0.306 + 0.390 = 0.696. Based on the above calculations, it can be concluded that the Islamic work ethic has a direct effect of 0.306 and an indirect effect of 0.696.

To determine the effect of the intervening variable using the Sobel test, as follows:

\[ t = \frac{p_2 p_3}{S_{p_2 p_3}} \]

\[ t = \frac{0.0027}{0.023} \]

The t-count value of 0.1196 is smaller than the t-table of 0.1966 with a significance level of 5%, so it can be concluded that it is not significant. This means that religiosity is not able to mediate the influence of Islamic work ethic (X2) on business development (Y).
Based on $Sp^2p_3$ can be obtained the value of $t$ arithmetic mediation statistics with the following formula:

$$t = \frac{p^2p_3}{Sp^2p_3}$$

$$t = 0.256 : 0.054$$

$$t = 4.745$$

The $t$ arithmetic value of 4.745 is greater than the $t$ table of 0.1966 with a significance level of 5%, so it can be concluded that it is significant. This means that religiosity is able to mediate the influence of Islamic work ethic ($X_3$) on business development ($Y$).

### 4 Conclusion

From the results of the analysis and discussion on the effect of business competition, brand equity and Islamic work ethic on business development with religiosity as an intervening variable for case studies on SMEs in Boyolali Regency, the following conclusions are obtained:

1. Business competition has a positive and significant effect on business development in MSMEs in Boyolali Regency.
2. Brand equity has a positive and insignificant effect on business development in MSMEs in Boyolali Regency.
3. The Islamic work ethic has a positive and significant effect on business development in MSMEs in Boyolali Regency.
4. Religiosity has a positive and significant effect on business development in MSMEs in Boyolali Regency.
5. Business competition has a negative and insignificant effect on religiosity.
6. Brand equity has a positive and insignificant effect on religiosity.
7. Islamic work ethic has a positive and significant effect on religiosity.
8. Religiosity is not able to mediate business competition variables on business development in MSMEs in Boyolali Regency.
9. Religiosity is not able to mediate brand equity variables on business development in MSMEs in Boyolali Regency.
10. Religiosity is able to mediate Islamic work ethic variables on business development in MSMEs in Boyolali Regency.

### References


