

CHAPTER I

INTRODUCTION

A. Background

Small and Medium Enterprises (SMEs) are the only business left when the economic crisis hit Indonesia from 1997 to 1998. Even today, in an era that is increasingly sophisticated with many new technologies, SMEs remain the largest economic contributor in Indonesia and have become one of the best solutions in poverty reduction in Indonesia (Suci Y. R., 2017). No less competitive with the many foreign businessmen who have begun to come to Indonesia, the development of businesses owned by the Indonesian people has also increased. Starting from businesses in the fields of fashion, agribusiness, automotive, cosmetics, to culinary. Especially during the *Covid-19* pandemic which has an influence on the number of SMEs. For example, in Yogyakarta Province, which will be the location of this research, the number of SMEs has also increased from the last three years. Below is a graph of SMEs in Yogyakarta province based on a business scale.

Figure 1. 1 Graph of SMEs in Yogyakarta in 2017 – 2020 based on Micro Business

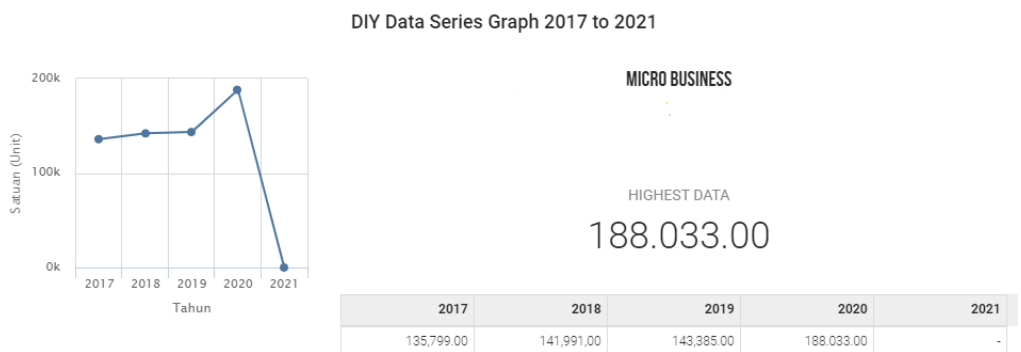


Figure 1. 2 Graph of SMEs in Yogyakarta in 2017 – 2020 based on Small Business



Figure 1. 3 Graph of SMEs in Yogyakarta in 2017 – 2020 based on Medium Business

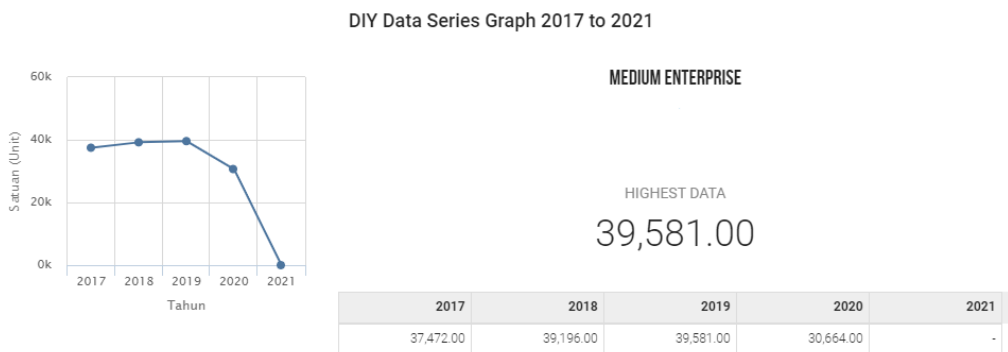
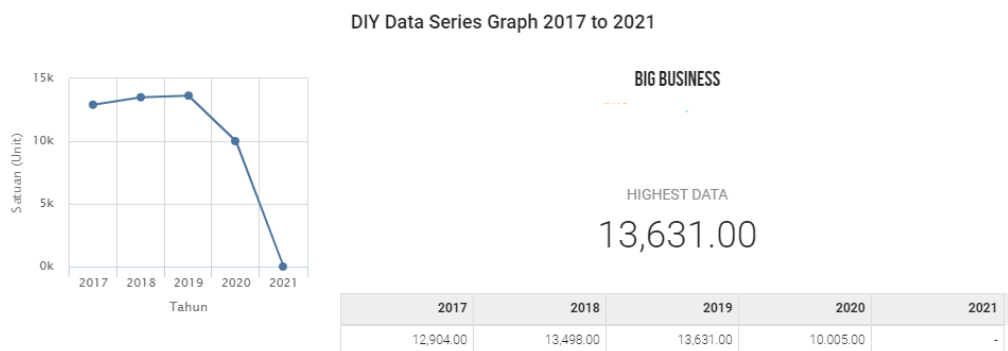


Figure 1. 4 Graph of SMEs in Yogyakarta in 2017 – 2020 based on Big Business



Source: (DIY Cooperatives and SMEs Office, 2021)

From the data above, it can be seen that the number of businesses in the micro category has increased, although in the category of a small, medium, and big businesses the number has decreased. This is because many businesses that have long been built were forced to close due to the impact of *Covid-19*.

Covid 19 which had stopped the economy so that many businesses went bankrupt, but continued to create small businesses or household businesses whose production costs were cheaper but could still generate income. The example are the production business of cloth masks and home-made food or snacks, because these products are in great demand today. Apart from the increasing need for masks, the production of masks and home-made food is an alternative to increase financial income, which has become a major problem for the Indonesian community during this pandemic or just to fill spare time at home. The production of food or home snacks is also increasingly diverse. Adjusting to existing trends and bringing back traditional food from the past that was rarely found before. The interest of the Indonesian people in the products sold by these SMEs players has also increased, especially in the increasingly varied food products. Especially in the city of Yogyakarta, which is already well-known as a tourism city with a variety of specialties that always attracts tourists who come to buy it, both for personal consumption and as souvenirs for relatives in their hometown.

In addition to increasing consumer interest in food products sold by SMEs, there has also been an increase in consumer awareness of consuming

halal food products. As following the command of Allah SWT to consume halal food contained in the Al-Quran as follows:

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ إِنَّهُ لَكُمْ عَدُوٌّ مُبِينٌ

Meaning:

"O people, eat what is clean and good from what is on the earth, and do not follow the steps of Satan. Because actually, Satan is a real enemy for you "(Surah Al-Baqarah: 168)

Especially when the government began to require halal labeling for food products, including those sold by SMEs. The Halal Product Guarantee Agency (BPJH) of the Ministry of Religion issued a decision on October 17, 2019, regarding the obligation of all food and beverage products to be halal certified, including those sold by street vendors and small and medium enterprise groups (SMEs). The signing of this MoU was carried out on October 16, 2019 (BPJH, 2019). This raises pros and cons in several circles, especially SMEs. Some object because of the cost and complexity of managing halal certification, some object because it could be that if they do not take care of halal certification, they will lose customers. On the other hand, some SMEs players make this one of the attractions to attract consumers. So that some SMEs continue to produce as usual. This means that there is no halal label on the product. And some maintain the halal label so as not to lose customers.

Not only the halal label, but people are also interested in the brand image of a food product. Especially now that promotional technology is increasingly sophisticated. Not a few SMEs are willing to pay famous artists or people to

promote their food products. This aims to increase the brand image of their products because the promotion of these foods by artists through social media, the artist or famous person makes many people know and are interested in buying the food product being promoted. Not only are ordinary people's SMEs food products promoted by artists to become famous, many food products that are produced by the artists themselves become famous quickly and are bought by many fans. This is due to the superiority of the artist's name.

Apart from the halal label and brand image, price is also the main factor that attracts consumers to buy a product. Especially among students who often save more money. Food products with relatively cheap prices are the target of everyone, including students. However, not a few are willing to pay more to buy a popular food product. For example, the SMEs food product "Bittersweet By Najla", which produces a contemporary dessert box that has a hit because the price is quite expensive for the size served. However, it is still in great demand, so producers open branches and resellers in several regions in Indonesia, including Yogyakarta.

The factors above, namely halal labeling, brand image, and price are proven to have an influence on purchase intention. This is reinforced by several previous studies. However, there are differences or gap in the results (research gap) obtained by previous researchers, including:

Table 1. 1
Research Gap

GAP	Researcher	Result
Issue: The effect of halal labeling, brand image, and price on buying interest in food products		
The result GAP: There are several differences in the results of previous studies regarding the effect of halal labeling, brand image, and prices on buying interest in food products		
Halal labeling affects consumer buying interest in food products	(Aminuddin, 2018)	Halal labeling shows positive and significant results on consumer buying interest at Pizza Hut in Medan City.
Halal labeling affects consumer buying interest in food products	(Ratnasari, 2019)	Halal labeling shows positive and significant results on consumer buying interest at the Kampoeng Kopi Banaran / Banaran 9 Mart Souvenirs Center.
Halal labeling does not affect consumer buying interest in food products	(Trifiyanto, 2018)	Halal labeling shows negative and significant results on interest in buying a typical food product from the Kebumen area, namely Lanting.
Brand image affects consumer buying interest in food products	(Putri, 2019)	The brand image shows a positive and significant result on Popeye Fried Chicken's buying interest in Colomadu.
Brand image affects consumer buying interest in food products	(Desnianty, 2019)	The brand image shows a positive and significant result on the interest in buying fruit seeds at the Hortimart Agro Center Semarang.
Brand image does not affects consumer buying interest in food products	(Fauzy & Rafikasari, 2020)	The brand image does not have a partial effect on buying interest in Le Minerale products.
Price affects consumer purchase interest in SMEs food products	(Silaningsih & Utami, 2018)	Price has an influence on buying interest in SMEs for snack products.
Price affects consumer purchase interest in SMEs	(Andriani, 2020)	Price has a partial and simultaneous effect on the purchase interest of

food products		Alwahida Indonesia Herbal Products (HPAI).
Price does not affects consumer purchase interest in SMEs food products	(Suroso & Iriani, 2014)	Price does not have an influence on buying interest in Sedaap Cup Noodles in Kelurahan Ketintang, Surabaya.

From the GAP above and the current phenomenon of increasing SMEs, researcher is interested in examining how the influence of halal labeling, brand image, and prices on the interest in buying SMEs food products with a focus on processed food. Here the researcher took samples from students who were studying at a university-based on Islam accredited A in Yogyakarta based on the BAN-PT website (2019) which include: 1) Universitas Muhammadiyah Yogyakarta, 2) Universitas Islam Indonesia, 3) Universitas Ahmad Dahlan, 4) UIN Sunan Kalijaga for students who are currently taking S1 (Strata 1) from all faculties.

The reason of the researcher chose the campus was that it was a university where the majority of students and lecturers were Muslim and their learning was full of Islamic values. Likewise, the campus environment and its surroundings still have an Islamic foundation where helps and affects the application of what has been learned. Because if an only theory is owned but the environment does not help, it will be difficult to apply it in the long term in everyday life. For example, such as the atmosphere or campus environment requires students and visitors who are on the campus to wear Muslim clothes and also a canteen that only provides halal food. These basics make students

get used to it. This lesson and application of Islam are important to become the basis of student knowledge about religion, especially regarding the halal label of food which is one of the topics of this research.

In addition, the researcher chose these campuses because the campuses were accredited A. This ensures that the quality of education that is carried out on the campus is already good. Whether it's in terms of teaching staff, educational support facilities, or guarantees of student graduates who can compete with other campus students or compete in the world of work such as in companies or government institutions.

Here, the researcher chose the object of the SMEs processed food products because the SMEs was not far from the students. Most students must have shopped at SMEs because the average price of SMEs products is relatively cheap and affordable. And usually, the students are more updated about the development of social media so that students often know more quickly about food brands that are promoted through social media.

In addition, researcher chose food products because food is a basic need among clothing, food, and shelter. Especially processed food because processed food is an option to temporarily relieve hunger or during free time while doing other activities. In addition, processed food have many variations of processed shapes and flavors and can be done starting from a small production. Especially during the covid pandemic like this, many are starting to produce homemade food. In the province of Yogyakarta itself, the number

of SMEs that selling processed food in 2021 is 2270, which is dominated by small businesses, with details per district as follows:

Table 1. 2
The Amount of SMEs Processed Food Product in Yogyakarta

No.	Districts	Amount
1.	Sleman District	666
2.	Bantul District	825
3.	Kulon Progo District	145
4.	Gunung Kidul District	267
5.	Yogyakarta City	367
	TOTAL	2270

Source: diskopukm DIY, 2021

Table 1.2 above describes the number of SMEs that selling processed food per district in Yogyakarta. In Sleman district there are 666 SMEs, in Bantul district there are 825 SMEs, in Kulon Progo district there are 145 SMEs, in Gunung Kidul districts there are 267 SMEs, and in Yogyakarta City there are 367 SMEs. With a total of 2270 SMEs in the province of Yogyakarta that sells processed food products.

And the last reason the researcher took samples from students of the Islamic campus in Yogyakarta was to make it easier for researchers to collect data because researcher were also students from one of the Islamic campuses in Yogyakarta.

Based on the explanation above, the researcher raised the title "**The Effect Analysis of Halal Labeling, Brand Image, and Prices toward Buying Interest on SMEs Processed Food Products (Case Study in Yogyakarta).**"

B. Problem Formulations

Based on the background above, the research problem formulations that arise are:

1. How does halal labeling on SMEs processed food products affect student buying interest?
2. How does the brand image of an SMEs processed food products affect student buying interest?
3. How does the price of an SMEs processed food products affect student buying interest?

C. Purpose

Based on the formulation of the problem above, the objectives of this study are:

1. To analyze the effect of halal labeling on SMEs processed food products on student buying interest.
2. To analyze the effect of the brand image of SMEs processed food products on student buying interest.
3. To analyze the effect of the price of SMEs processed food products on student buying interest.

D. Benefit

The benefits expected from this research are:

1. For entrepreneurs or SMEs players, it is hoped that this research will be of particular concern to attract consumer buying interest. By paying more attention to the existence of halal labeling on food products being sold, increasing brand image, and adjusting sales prices so that food products sold will be more secure and reliable and make buyers or consumers feel safe and comfortable.
2. For researchers, it is hoped that this research can increase knowledge and understanding about SMEs and the factors that can attract consumers to buy a food product. And as reference material for further research.
3. For readers, it is hoped that this research can add insight and as reference material for readers who are opening a business or if one day readers want to open a business, especially in the culinary field.