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Implementation of Business Ethics in Building Consumer Trust in the MSME Sector

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Abstract:

The purpose of this study is to analyze the effect of the application of business ethics on consumer trust in the MSME sector, with a case study on Warung Oma Sri in Medan. Quantitative method with data collection by questionnaire to 30 respondents, namely customers of Warung Oma Sri. The data were analyzed with multiple linear regression to test the relationship between the independent and dependent variables. The ethics findings show that the application of business has a significant influence on consumer trust. Regression analysis shows that the higher the application of business ethics, the greater the level of consumer trust. Based on the results of the F as well as t-tests, the research model proved to be significant, with the application of business ethics playing a major role in increasing consumer trust at Warung Oma Sri.

Keywords: business ethics, consumer trust, MSME

Introduction

Business ethics is an important foundation for maintaining good relations between business actors and consumers. According to Prihatminingtyas (2019), business ethics is an understanding of optimal practices in control and administration, including morals and standards that apply to everyone and have economic and social implications. Business actors consider the interests and social and cultural aspects of society to achieve their goals. The implementation of good ethics not only creates a positive image but also builds The implementation of good ethics not only builds a positive image but also strengthens consumer trust, which is one of the main factors for business success, especially in the MSME sector. By prioritizing business ethics, MSMEs can build strong relationships with customers and gain a competitive advantage amidst increasingly fierce competition. In addition, commitment to business ethics also helps MSMEs in meeting the demands of ethics and corporate social responsibility (CSR).

Positive contributions to society and the surrounding environment enable MSMEs to improve their brand image and expand their market share (Bengu et al., 2023).

MSMEs have a very important role in the Indonesian economy because they contribute greatly to increasing employment and economic growth. Most MSMEs in Indonesia are home-based businesses that absorb a large number of workers. Based on data from the Ministry of Cooperatives and SMEs, in 2019 there were 65.4 million MSME units in Indonesia which absorbed up to 123.3 thousand workers in total, thus having a significant impact on reducing the unemployment rate in Indonesia. The contribution of MSMEs to the National GDP is also quite large, reaching 60.5%, which indicates great potential to continue to be developed to strengthen their contribution to the national economy (Ministry of Finance of the Republic of Indonesia, Directorate General of Treasury, 2023)

In the face of fierce competition and changing consumer tastes, MSMEs need to focus their strategies on strengthening sustainable relationships with customers. Consistent application of business ethics can be the foundation of this relationship. Good business ethics ensure that the products and services provided are by promises, safe, and of high quality. Transparency in communication, such as clear product information and fair return policies, can further strengthen consumer trust (Yunita, et al., 2022).

Warung Oma Sri, as one of the MSMEs in the culinary field, faces similar challenges. By maintaining ethical values in the services and products offered, Warung Oma Sri strives to build and strengthen consumer trust. This study aims to explore how the application of business ethics at Warung Oma Sri affects consumer trust and contributes to the success of its business. Understanding the importance of business ethics and its impact on consumer relationships needs to be continuously developed, especially in the MSME sector which has limited resources but has great potential in creating broad social and economic impacts. Thus, this study is expected to provide insight for other MSME actors in implementing effective business ethics strategies to build consumer trust and achieve long-term success.

Literature Study

Benefits of Business Ethics

The benefits of business ethics can be seen from several main aspects. First, business ethics helps build and maintain trust between important elements in a business, such as employees, consumers, suppliers, and the community. This trust is very important to maintain good relationships and ensure the continuity of the company's operations.

Second, the implementation of business ethics contributes to improving the company's reputation. Companies that run their businesses with good ethics will be more appreciated and trusted by the community, both on a micro and macro scale. This good reputation provides long-term benefits in building sustainable relationships with all parties involved.

Third, business ethics plays a role in preventing unethical practices such as fraud and deception. By maintaining ethics, companies create a fairer and more honest business environment. Although it does not always produce immediate profits, business ethics is a long-term investment that supports customer loyalty, strong partnerships with suppliers, and good relations with the community (Hasoloan, 2018).

Principles of Business Ethics

The principles of business ethics consist of several important aspects that need to be considered by business actors. First, the principle of autonomy emphasizes the importance of business people's awareness in making decisions based on their understanding of right and wrong, as well as responsibility towards themselves and others, including stakeholders (Surajiyo, 2018). The characteristics of an autonomous business person include an understanding of the business field they are engaged in, the conditions faced, the goals they want to achieve, and awareness of the risks and values that apply (Prihatminingtyas, 2019). Second, the principle of honesty is the main foundation of business activities and greatly determines long-term success. Honest business people can build trust in relationships with employees, consumers, and business partners; honesty is a requirement in every agreement to create good business relations (Prihatminingtyas, 2019). Furthermore, the principle of justice requires the fulfillment of the rights of all parties involved in the business. Justice must be upheld to ensure that no party is harmed, be it employees, consumers, or investors (Echdar, 2019). The principle of mutual benefit encourages business actors to create a situation where all parties benefit, where producers want to benefit from the products sold, while consumers have the right to get quality goods and services at reasonable prices (Prihatminingtyas, 2019). Finally, the principle of moral integrity requires business people to respect the values and position of each individual and ensure that the decisions and actions taken do not harm others. By implementing this principle, business people can maintain the company's image and strive to make it a proud entity (Medina, 2019).

Thus, it can be concluded that the principles of business ethics include honesty, fairness, responsibility, promise-keeping, and moral integrity. These principles are an important foundation for running an ethical and sustainable business.

Consumer Trust

Trust is a positive psychological condition that arises in the context of a relationship or situation between a product or service and a customer (Kamilullah et al., 2018). All information and judgments made by customers about products, features, and related benefits are included in consumer trust. Products, people, businesses, or anything that is the subject of someone's views and opinions can be considered objects. Features or qualities that an item may or may not have are called attributes. Benefits, on the other hand, are the beneficial outcomes of

behavior and arbitrary standards related to the quality offered to customers (Rosdiana et al., 2019).

According to Ridwan et al., (2020), four components of trust indicators are important to understand. First, the perception of integrity reflects consumers' views of companies that implement acceptable principles, such as keeping promises, behaving ethically, and being honest. Second, the perception of goodness relates to how much consumers trust a partnership that has goals and motivations to support each other, especially in situations where commitments have not yet been formed. Third, the perception of competence refers to the company's ability to solve problems faced by consumers and meet their various needs. Finally, all information and judgments made by customers about products, features, and related benefits are included in consumer trust. Products, people, businesses, or anything that is the subject of someone's views and opinions can be considered objects. Features or qualities that an item may or may not have are called attributes. Benefits, on the other hand, are the beneficial results of behavior and arbitrary standards related to the quality offered to customers.

Overall, consumer trust plays a vital role in building strong relationships between businesses and customers. By understanding these components of trust, businesses can increase consumer trust, which in turn can support business success and create long-term, mutually beneficial relationships.

Research Methods

This method focuses on the application of business ethics in building consumer trust in the MSME sector, with a case study at Warung Oma Sri, Jl. Perjuangan No.70, Sei Kera Hilir I, Kec. Medan Perjuangan, Medan City, North Sumatra 20222 using quantitative methods to measure the relationship between the application of business ethics and consumer trust.

The sample used in this study consisted of 30 respondents randomly selected from Warung Oma Sri customers. The research instrument was a questionnaire compiled based on previous research, namely "The Influence of Islamic Business Ethics on Consumer Loyalty in MSMEs in Aree Pidie Village" by Raizatul Hilma (2022). Data were collected using a Likert scale (1-5) to measure the level of application of business ethics and consumer trust. The independent variable in this study is the application of business ethics, while the dependent variable is consumer trust.

Data analysis using multiple linear regression, t-test to assess the influence of individual variables, and F-test to see the influence of all variables simultaneously.

Results And Discussion

Respondent Criteria

Table 1. Respondent

Respondent Criteria	n	ercentage (%)
Gender		
Man	2	6.7%
Woman	28	93.4%
Age		
< 20 Years	13	43.3%
20-30 Years	17	56.7%
Shopping Frequency		
1 time	2	6.7%
2-3 times	6	20%
More than 3 times	22	73.3%
Type of Product		
Purchased	22	73.3%
Food	6	20%
Drink	2	6.7%
Snack		

Source: Researcher (2024)

From the respondent criteria in Table 1, the majority of Warung Oma Srik customer respondents are female, namely 28 people (93.4%), while only 2 men (6.7%). In terms of age, the largest group of respondents is in the 20-30 year range, namely 17 people (56.7%), while the remaining 13 people (43.3%) are under 20 years old.

Shopping frequency shows that the majority of respondents shopped more than 3 times, namely 22 people (73.3%), followed by those who shopped 2-3 times, namely 6 people (20%), and only 2 people (6.7%) who shopped once.

The type of product purchased was mostly food, which was 22 people (73.3%), followed by drinks by 6 people (20%), and snacks by 2 people (6.7%). Because of this, food is the most popular product among customers at Warung Oma Srik.

Validity Test

Table 2. Validity Test Results

VARIABLE X	Pearson Correlation	Conclusion
Quest 1	0.774	Valid
Quest 2	0.556	
Quest 3	0.620	
Quest 4	0.531	

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Quest 5	0.493	
Quest 6	0.529	
Quest 7	0.501	
Quest 8	0.787	
VARIABLE Y	Pearson Correlation	Conclusion
Quest 1	0.711	
Quest 2	0.738	
Quest 3	0.759	Valid
Quest 4	0.784	
Quest 5	0.600	
Quest 6	0.558	

Source: Researcher (2024)

From Table 2, all indicators in variables X and Y have a value of Rcount > Rtable (0.349). Thus, all questions in both variables are declared valid. This shows that the instrument is valid and can be relied on to measure the variables.

Reliability Test

Table 3. Reliability Test Results

Model	Cronbach's Alpha	
X	.747	Valid
Y	.809	Valid

Source: Researcher (2024)

Based on the results of the reliability test shown in Table 3, the Cronbach Alpha value for variable X is 0.747 and for variable Y is 0.809, both of which are above the commonly used reliability threshold (0.7). Thus, both variables are declared reliable, indicating that the research instrument has good internal consistency and can be relied on to measure the variables.

Normality Test

Table 4. Normality Test Results

N		30
Normal Parameters ^a	Mean	.0000000
	Std. Deviation	1.60005057
Most Extreme Differences	Absolute	.120
	Positive	.079
	Negative	-.120
Kolmogorov-Smirnov Z		.660
Asymp. Sig. (2-tailed)		.777

Source: Researcher (2024)

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From the test results of Table 4, an analysis was carried out using the One-Sample Kolmogorov-Smirnov Test. From these results, the Asymp. Sig. (2-tailed) value was obtained, namely $0.777 > 0.05$. then, there is insufficient evidence to reject hypothesis 0 because it is normal. Thus, it is concluded that the residual data meets the assumption of normal distribution, with a valid regression model for further analysis.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.449	2.336		1,904	.067
	Implementation of Business Ethics (X)	-.092	.066	-.255	1.395	.174

a. Dependent Variable: Abs_Res

Source: Researcher (2024)

From Table 5. the sig. result is $0.174 > 0.05$. So it can be stated that there is no symptom of heteroscedasticity.

Multicollinearity Test

Table 6. Multicollinearity Test Results

Coefficients ^a							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		B	Std. Error	Beta			Tolerance
1	(Constant)	(Constant)	-.936	3,736		.251	.804
	Implementation of Business Ethics (X)	.779	.105	.813	7,394	.000	1,000

a. . Dependent Variable: Consumer Confidence (Y)

Source: Researcher (2024)

Business Ethics Implementation variable (X) with a tolerance value of 1,000 > 0.01 and VIF 1,000 < 10 . So there is no multicollinearity problem in the Business Ethics Implementation variable, because a high tolerance value indicates that this variable is not explained by other independent variables in the model. With a low VIF value, it can be stated that this variable is also not affected by multicollinearity. So, there are no symptoms of multicollinearity.

Multiple Linear Regression Test

Table 7. Multiple Linear Regression Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-.936	3,736		-.251	.804
Implementation of Business Ethics (X)	.779	.105	.813	7,394	.000

a. Dependent Variable: Consumer Confidence (Y)

Source: Researcher (2024)

From Table 7, the unstandardized coefficient value for the constant is -0.936 with sig. 0.804, which indicates that the constant is not significant. Meanwhile, for the variable of Business Ethics Implementation (X), the unstandardized coefficient is 0.779 with a sig. 0.000, which indicates that this variable has a significant influence on Consumer Trust (Y). These results are entered into the following multiple linear regression equation:

$$Y = -0.936 + 0.779 \times \text{Implementation of Business Ethics} + e$$

Thus, this equation depicts a positive relationship between the Implementation of Business Ethics and Consumer Trust, indicating that an increase in the Implementation of Business Ethics is expected to increase Consumer Trust.

t-test

Table 8. t-Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-.936	3,736		-.251	.804
Implementation of Business Ethics (X)	.779	.105	.813	7,394	.000

a. Dependent Variable: Consumer Confidence (Y)

Source: Researcher (2024)

From the results above, the variable of Business Ethics Implementation (X) has a significance value of 0.000 which is <0.05 which indicates that this variable has a significant influence on Consumer Trust (Y). In addition, the t-value of 7.394>

t-table 1.701, which further strengthens that the Implementation of Business Ethics significantly affects Consumer Trust.

F Test

Table 9. F test results

ANOVA ^b					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	144,955	1	144,955	54,667	.000 ^a
Residual	74.245	28	2,652		
Total	219,200	29			

a. Predictors: (Constant), Implementation of Business Ethics (X)
b. Dependent Variable: Consumer Confidence (Y)

Source: Researcher (2024)

From Table 9, the sig. value is $0.000 < 0.05$ and $F_{count} 54.667 > F_{table} 4.20$, it is concluded that the variable of Business Ethics Implementation (X) has a significant influence on Consumer Trust (Y) which shows a valid and significant regression model in explaining the relationship between the two variables.

Discussion

Based on the results of the research data analysis, there are several important findings in understanding the relationship between the implementation of business ethics and consumer trust at Warung Oma Sri. First, the majority of respondents who shop at Warung Oma Sri are women, with a dominant age between 20 and 30 years and a shopping frequency of more than three times. This shows that Warung Oma Sri has a relatively young and quite loyal customer base.

Validity test shows all questions to measure the implementation of business ethics and consumer trust are declared valid, while the results of the reliability test show good consistency. With valid and reliable research instruments, the data collected can be used to measure both variables accurately. In addition, the normality test produces a sig. value of $0.777 > 0.05$, indicating normal data and the regression model meets the assumption of normality. The absence of symptoms of heteroscedasticity and multicollinearity also ensures that regression analysis can be carried out without interference from other variables that affect the results.

The results of multiple linear regression analysis show that the application of business ethics has a significant effect on consumer trust, because the positive value is 0.779. This means that the better the application of business ethics at Warung Oma Sri, the higher the level of consumer trust in the business. The significant results of the t and F tests also strengthen this finding, indicating that business ethics plays an important role in building and maintaining consumer trust. These results are in line with the opinion of Budi Prihatminingtyas (2019) who emphasized the importance of business ethics in maintaining good relations

between business actors and consumers. The application of good ethics not only creates a positive image but also builds consumer trust which is a key factor in business success.

Consumer trust, as expressed by Kamilullah, Kusyanti, and Aryadita (2018), is a positive psychological condition that arises in the relationship between a product or service and a customer. In this context, the application of business ethics principles such as honesty and moral integrity is very important. This is in line with the findings of research on MSME actors, such as Warung Oma Sri, must be able to demonstrate a commitment to transparency, integrity, and fairness in their operations to build consumer trust.

Furthermore, this study found that the principles of business ethics applied contribute to the company's reputation. According to Hasoloan (2018), the application of business ethics contributes to improving the company's reputation, which in turn supports customer loyalty. By maintaining a good reputation, Warung Oma Sri can strengthen long-term relationships with consumers. This result is consistent with Surajiyo's statement (2018) which states that business people's awareness in making decisions based on ethical principles is the key to building strong trust with all stakeholders.

This study also identified four components of trust indicators expressed by Ridwan, Militina, and Achmad (2020), namely perception of integrity, perception of kindness, perception of competence, and consistency of seller behavior. These four components play an important role in increasing consumer trust in Warung Oma Sri. Consistent application of business ethics will strengthen consumers' positive perceptions of these four components, thus creating a mutually beneficial relationship for consumers and business actors.

Overall, this study supports the argument that the implementation of good business ethics in the MSME sector can increase consumer trust and support business success. Deeper knowledge and understanding of business ethics and its impact on consumer relationships will provide useful insights for other MSME actors in implementing effective business ethics strategies.

CONCLUSIONS AND SUGGESTIONS

Conclusion

From the findings of this study on the implementation of business ethics at Warung Oma Sri and its influence on consumer trust, it can be concluded that Warung Oma Sri has implemented business ethics well, which includes honesty, transparency, and fairness. The implementation of these ethics significantly contributes to increasing consumer trust, where customers feel confident that they are getting quality products and services as promised. In addition, the implementation of business ethics principles not only has an impact on short-term profits, but also builds long-term relationships with consumers, which has the potential to increase customer loyalty. The positive reputation gained from good ethical practices has helped Warung Oma Sri maintain a strong image in the eyes of consumers and attract new customers through recommendations. However, challenges remain, such as intense competition and changes in consumer

preferences, so it is important for Warung Oma Sri to continue to adapt and develop innovations. This study also shows that the implementation of business ethics can be an effective strategy for other MSMEs, especially in the culinary sector, to build consumer trust and increase competitiveness in the market. Overall, business ethics is an integral part of a business strategy that supports long-term growth and success.

Limitations

Some limitations that need to be considered in this study. First, the data collection method using a questionnaire has the potential to produce bias if respondents are not honest in providing answers; therefore, further research can consider the interview method to obtain more in-depth information. Furthermore, the scope of this study focuses on only one MSME in the culinary sector, so that studies in other sectors or by comparing several MSMEs in various fields can provide broader insights into the application of business ethics and consumer trust.

Suggestions for Further Research

For further research, it is recommended that researchers expand the sample size to include more respondents from various backgrounds, so that the research results are more representative. Researchers are also advised to use a combination of qualitative and quantitative methods, such as in-depth interviews and observations, to gain a more holistic understanding of the implementation of business ethics. In addition, cross-sector research can be conducted to analyze whether the implementation of business ethics has a similar impact on consumer trust in other sectors. Finally, it is recommended to consider external factors that can affect consumer trust, such as economic conditions, customer satisfaction, and marketing strategies, in order to gain a more comprehensive picture of the relationship between business ethics and consumer trust.

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