Research Article

The Effect of Capital and Labor Wages on Income in Islamic Economics Perspective: A Case in CV of Ibu Kartini Serang District of Banten Province

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Abstract.
This study aims to determine if labor wages and capital have a simultaneous impact on income in a company, as well as whether capital influences income just partially. The Kadugenep Lightning village’s Mrs. Kartini’s resume is the subject of this investigation. The approach used is quantitative and makes use of several linear regression methods. The traditional assumption test, partial test, or simultaneous test is the one that is conducted. While labor wages do not affect income, capital has a partial effect. Prob. capital value of 0.0000 (<5% or 0.05), t-count of 8.970087 > t-table 1.67793, and labor wages of 0.1485 (> 5% or 0.05) and t-count of 1.480135 < t-table 1.67793. Meanwhile, simultaneously, capital and labor wages influence the income of Mrs. Kartini’s CV. This is evidenced by the results of the F test with an F-statistic value of 0.000000 (<5% or 0.05) and the F-count is 89.68561 > F-table 4.05. The R-squared value is 0.79440 which means that 79.44% of the income variable can be explained by capital and labor wages and the rest is explained by other factors. In the production process, CV Ibu Kartini uses capital that is not contrary to Islamic law and has provided fair and proper wages to workers in an Islamic view.

Keywords: MSMEs, capital, labor wages, income

1. Introduction

Micro, Small, and Medium-Sized Enterprises (MSMEs) have emerged as a crucial component of national economic development initiatives. A region’s economy can really benefit from the growth of MSMEs, making it more resilient and better equipped to withstand economic downturns. A “business in the productive economic sector that is independently managed by an individual or business entity but is not a subsidiary or branch of a company that is owned or part of a medium and large business and has met the criteria for a small business as stipulated by law” is what Law No. 20 of 2008 defines as a small business. But they are integral to the process of creating MSMEs. They are inseparable from various obstacles that hinder the progress of MSMEs which
ultimately affect the income received, business competition is getting tougher and the number of competitors is increasing, making a company must be able to innovate and develop better.

One of the problems that are often faced is such as limited capital. Own capital according to [1] can be interpreted as all means, both money and tools that support production activities. Previous research conducted by [2] also stated that the most common problem that arises in MSMEs is related to limited capital. In this study, it was explained that limited capital is an obstacle for MSMEs in achieving success because in running a business, sufficient funds are one of the requirements for the business to run smoothly.

In addition to capital, the problem of labor wages is also an obstacle and a factor that can affect MSME income, wages that are below standard or even inadequate can affect the productivity of workers. Based on research conducted by [3] wages are another factor that can affect income. Wages that are sufficient and appropriate for workers are meant to help the nutritional intake employees which will also have an impact on production activities.

One of the characteristics of Kadugenep Village, Petir District, and it is even an open secret, is that the village is famous for its bag-making center. In carrying out its production activities, CV of Ibu Kartini experienced many obstacles such as a lack of capital and staffing problems which ultimately affected the income generated. Several obstacles occur, including the lack of production equipment such as sewing machines which are limited in number and the system is already inferior to the latest sewing machines making production for bag requests and orders hampered. From this description, the researcher is interested in conducting research on the factors that affect income at CV Ibu Kartini.

Refers to the background that has been presented, the researcher made a research formulation with the title “The Influence of Capital and Labor on Company Income in an Islamic Perspective (Case Study CV of Ibu Kartini in Kadugenep Petir Village for the 2019-2022 period).

2. Literature Review

2.1. Income

Revenue is one of the elements that must exist in a company and is the total value that originates from the sale of goods and services to customers. In addition, the success of
the running of the company can also be measured from the income received. According to [4] provides a definition that income is the result of the sale of goods that occur due to buying and selling transactions between sellers and buyers, both carried out in cash or credit. In the view of Islam, income is income that comes from business that is lawful and clear. Income derived from halal sources will be blessed by Allah SWT, whereas income derived from sources that are forbidden by Allah would bring misfortune and even punishment in the hereafter.

In carrying out its activities, CV of Ibu Kartini has implemented the sharia principles of justice which can be seen from the provision of compensation or wages to its employees properly and according to the agreement and produces quality goods that are in accordance with prices to be sold to consumers.

2.2. Capital

Capital has a broad meaning that includes all thoughts and ideas given by humans in mechanisms for the creation of products and services in physical and non-physical forms such as tools and buildings as well as knowledge. According to [5] capital or what can be called capital are all forms of company assets that are intended for the manufacture of goods and services, whether directly related or not. In Arabic capital is called al-amal (mufrad) or al-amwal (plural) which means wealth. In addition, capital in Islam is also known as ra’su maal. Ra’sul maal in the Islamic concept is that all assets that are seen from the Shari’ah have value where the human role also contributes to the development process [6].

The capital used in the production process at CV of Ibu Kartini has met the requirements, such as (1) It is fully owned capital because it is private capital, (2) Capital has value such as money and means of production that can be exchanged such as machinery and buildings. (3) Capital is utilized in a way that is permitted by syara’, namely by buying and selling of production goods. And (4) The intention is clear, namely carrying out industrial activities for making bags.

2.3. Labor Wages

[7] provides a definition that human labor is all forms of activity originating from humans, both energy and thought in order to create goods of use value. Wages are defined as the price given for the services and contributions that have been made by workers in Production [8]. Wages in Arabic are al-ujrah or ijarah which is taken from the word al-ajr.
which means 'iwadh or reward. In addition, the reward (tsawab) is also called ajr which means reward or reward.

At CV of Ibu Kartini, the pay structure is reasonable and equitable. First and foremost, fairness: at CV of Ibu Kartini, pay is determined by position or contribution; if a person has a high enough level of responsibility, they will be paid more, and vice versa. Secondly, decent the pay that employees at CV of Ibu Kartini receive is based on the amount of work they complete and the amount that was previously agreed upon by both parties. This number is, of course, still within the bounds of what is considered to be a suitable amount and the local wage customs.

3. Methods

Quantitative method is the approach used in this research. According to [9] Quantitative is a scientific method in which scientific principles are measurable and rational. It is called a quantitative method because the analysis carried out is statistical with research data in the form of numbers.

The population is the financial statements CV of Ibu Kartini whose address is in Kadugene Village, Petir District the 2019-2022 period. The sample used in this study is the monthly financial statements CV of Ibu Kartini’s for the 2019-2022 period. In this study the sampling technique used is non-probability sampling with saturated sampling technique

Using the eviews10 data analysis program, the researcher applies the prerequisite tests of cointegration, stationarity testing, and error correction modeling. The traditional assumption tests include the autocorrelation, heteroscedasticity, multicollinearity, and normalcy tests. And the partial t test, simultaneous f test, and coefficient of determination (R2) comprise regression analysis (hypothesis test).

4. Results And Discussion

4.1. Research Result

Prerequisite test

a. Stationarity test

Based on the table, it is known that the ADF test value of the Y variable is -7.476123 <5% critical value, namely -2.925169, so that the Y variable is stationary. Variable X1 has
TABLE 1: Unit root test value with ADF test method at level.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Score ADF Test</th>
<th>Mackinnon Critical Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>Y</td>
<td>-7.476123</td>
<td>-3.577223</td>
<td>-2.925169</td>
</tr>
<tr>
<td>X1</td>
<td>-6.748682</td>
<td>-3.577223</td>
<td>-2.925169</td>
</tr>
<tr>
<td>X2</td>
<td>-5.197390</td>
<td>-3.577223</td>
<td>-2.925169</td>
</tr>
</tbody>
</table>


An ADF test value of -6.748682 < critical value of 5% -2.925169 so that it can be said that variable X1 is static. And variable X2 has an ADF test value of -5.197390 <5% critical value so that it can be said that variable X2 is static. Based on the Augmented Dickey-Fuller (ADF) test with a Mackinnon critical value of 5%, it was concluded that all variables were statistical at the level level, then they could proceed to the cointegration test. However, the ECM analysis method could not be continued because all the research variables were stationary at levels and henceforth the ordinary regression model was used.

b. Cointegration test

TABLE 2: Cointegration test results.

<table>
<thead>
<tr>
<th>Hypothesized</th>
<th>Trace</th>
<th>0.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of CE(s)</td>
<td>Eigenvalue</td>
<td>Statistic</td>
</tr>
<tr>
<td>None *</td>
<td>0.482397</td>
<td>58.97269</td>
</tr>
<tr>
<td>At most 1 *</td>
<td>0.382137</td>
<td>28.67951</td>
</tr>
<tr>
<td>At most 2 *</td>
<td>0.132360</td>
<td>6.531012</td>
</tr>
</tbody>
</table>

Trace test indicates 3 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

<table>
<thead>
<tr>
<th>Hypothesized</th>
<th>Max-Eigen</th>
<th>0.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of CE(s)</td>
<td>Eigenvalue</td>
<td>Statistic</td>
</tr>
<tr>
<td>None *</td>
<td>0.482397</td>
<td>30.29318</td>
</tr>
<tr>
<td>At most 1 *</td>
<td>0.382137</td>
<td>22.14850</td>
</tr>
<tr>
<td>At most 2 *</td>
<td>0.132360</td>
<td>6.531012</td>
</tr>
</tbody>
</table>

Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

To see the results, you can compare the statistical trace value with the critical value (5%). Based on the table that the trace statistical value of 58.97269 is far greater than the 5% critical 29.79707. Besides that, to strengthen the results of the cointegration test, can be found from the maximum eigenvalue statistics of 30.29318 higher than the critical value 21.13162. Then the result is cointegration has occurred between the research variables, namely income, capital and labor wages. This has shown that there has been an equilibrium between these variables in the long term.

Classical Assumption Test

a. Normality test Table

In addition to examining the histogram image, the probability and jarque-bera coefficient values also demonstrate the data's normality. The jarque-bera value is 0.289954 (<2), according to the eviews output, indicating that the data is normally distributed. 0.865042 (>(> 5% or 0.05), which indicates that the probability value indicates that the data is normally distributed.

![Figure 1: Normality test results.](source: Data processed Eviews10, 2023.)
### Multicollinearity test

From the multicollinearity test above, the VIF values of variables $X_1$ (1.788610), $X_2$ (1.788615) are obtained. Where the value is less than 10 ($<10$), so there is no multicollinearity problem in the data.

### Heteroscedasticity test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-7.12E+14</td>
<td>8.27E+14</td>
<td>-0.861917</td>
<td>0.3936</td>
</tr>
<tr>
<td>$X_1^2$</td>
<td>-0.840712</td>
<td>0.690807</td>
<td>-1.216999</td>
<td>0.2304</td>
</tr>
<tr>
<td>$X_1X_2$</td>
<td>7.292953</td>
<td>5.543189</td>
<td>1.315660</td>
<td>0.1954</td>
</tr>
<tr>
<td>$X_2^2$</td>
<td>-36522218</td>
<td>43668244</td>
<td>-0.836356</td>
<td>0.4077</td>
</tr>
<tr>
<td>$X_2$</td>
<td>-17.66700</td>
<td>15.91131</td>
<td>-1.10342</td>
<td>0.2732</td>
</tr>
</tbody>
</table>

Source: Data processed Eviews10, 2023.
The results of the eviews say that the prob. Chi square is 0.5576 (> 5% or 0.05) which states that the research data not have heteroscedasticity problems.

c. Autocorrelation test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>2257848.</td>
<td>8370100.</td>
<td>0.269752</td>
<td>0.7886</td>
</tr>
<tr>
<td>X1</td>
<td>0.069172</td>
<td>0.324687</td>
<td>0.213041</td>
<td>0.8323</td>
</tr>
<tr>
<td>X2</td>
<td>-0.350759</td>
<td>1.134257</td>
<td>-0.309241</td>
<td>0.7586</td>
</tr>
<tr>
<td>RESID(-1)</td>
<td>-0.134224</td>
<td>0.157622</td>
<td>-0.851557</td>
<td>0.3992</td>
</tr>
<tr>
<td>RESID(-2)</td>
<td>-0.093540</td>
<td>0.165527</td>
<td>-0.565106</td>
<td>0.5749</td>
</tr>
</tbody>
</table>

The results of the eviews state that the prob. Chi-square is 0.5985 (> 5% or 0.05) which indicates that the data does not contain autocorrelation problems.

4.2. Multiple linear regression results

The general form of the equation used is:

\[ Y = -19623212.6777 + 2.64285721545 \times X1 + 1.5566985306 \times X2 \]

From the regression equation above, it can be concluded:

1. A constant value of -19623213 indicates that when the variables of capital and labor wages have no value (zero) or are not constant, income is -19623213.

2. The value of the capital coefficient (X1) is 2.6428, meaning that if capital has increased by 1 unit, income (Y) will increase by 2.6428

3. The coefficient of labor wages (X2) is 1.5566, meaning that if the income wage increases by 1 unit, income (Y) will increase by 1.5566

a. T Test Results
### Table 6: Statistical test results.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-19623213</td>
<td>7938032</td>
<td>-2.472050</td>
<td>0.0173</td>
</tr>
<tr>
<td>X1</td>
<td>2.642857</td>
<td>0.294630</td>
<td>8.970087</td>
<td>0.0000</td>
</tr>
<tr>
<td>X2</td>
<td>1.556699</td>
<td>1.051727</td>
<td>1.480135</td>
<td>0.1458</td>
</tr>
</tbody>
</table>

R-squared 0.799440
Adjusted R-squared 0.790526
S.E. of regression 7416961
Sum squared resid 2.48E+15
Log likelihood -825.8856
F-statistic 89.68561
Prob(F-statistic) 0.000000

Source: Data processed Eviews10, 2023.

The t table value is therefore 1.67793. As a result, the following deductions can be made:

a) Capital significantly and favorably affects income, as indicated by the capital's tcount value of 8.970087 > ttable 1.67793.

b) The labor wage does not significantly and positively affect income variables, as evidenced by its tcount of 1.480135 < from ttable 1.67793.

### b. F Test Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
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<tbody>
<tr>
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Source: Data processed Eviews10, 2023.

Based on table F with a value of df 1 = 1 and df 2 = 46, the value of the F table is 4.05. From the regression results above, it can be seen that the Fcount value is 89.68561.
> Table 4.05, therefore it is concluded that capital and labor wages together have a positive and significant effect on income.

c. Coefficient Correlation

The output eviews' R-squared of 0.79440 (79.44%) indicates that, of the total income, 79.44% can be explained by labor wages and capital variables; the remaining 20.56% can be explained by variables not covered by the study.

4.3. Discussion of Research Result

4.3.1. Effect of capital on CV of Ibu Kartini income

Capital (X1) receives a coefficient of 2.642857, a prob value of 0.0000 (<5% or 0.05), and a tcount of 8.970087 > ttable 1.67793, according to the partial results. These findings indicate that H0 was rejected and H1 was accepted in this study, indicating that capital (X1) had a positive and significant impact on Mrs. Kartini's income and on Ibu Kartini's income on her CV. This outcome is consistent with a study published in 2020 under the title Influence of Capital, Labor, and Time Allocation on the Income of a Pulse Counter Business in the City of Makassar by Rusdiaman Rauf, Wisda Zuleha Suwardi, and Ismail Hasang. According to research, capital increases income. According to the hypothesis proposed that capital is one of the company's investments such as accounts receivable and inventory, where the capital will be returned to the company's cash through sales proceeds. And the incoming capital will be reused in further production financing [10].

4.3.2. Effect of labor wages on the income CV of Ibu Kartini

The labor wage variable, or X2, in this study's partial test (t test) yielded a coefficient value of 1.556699, a t-statistic and a prob of 0.1458 (> 5% or 0.05), and a tcount of 1.480135 < ttable 1.67793. These results suggest that the X2 variable, or labor wage variable, has no effect on Ibu Kartini's (Y) income CV. The findings of this study are consistent with those of [11] investigation, which demonstrates that labor wages have no bearing on income. This is due to the fact that the wages will influence the total amount of income to be received and will increase the costs that must be incurred. When the wage rate rises, there is an increase in production costs, so that the price per unit of goods will also increase. The response that usually occurs to consumers when the price of goods rises is to reduce the number of purchases or not even buy, obviously this will have an impact on the income that will be received by a company [12]. Lestari et all in [13]
found that labor wages have a positive and significant impact on income in his study, The Effect of Working Capital and Labor Wages on Tamborine Micro Business Income, Small and Medium Enterprises in Bungah District, Gresik Regency. These findings differ from these ones. In addition to boosting work motivation, a high wage rate will also enable employees to produce more goods; the greater the production output, the greater the chance of earning a high salary.

4.3.3. The effect of capital and labor wages on the income CV of Ibu Kartini simultaneously

The F statistical test results indicated that a prob value was produced by the two variables, which are labor wages and capital. The Fcount value is 89.68561 > Ftable 4.05 and the capital variable (X1) and labor wages (X2) have a positive and significant simultaneous effect on income (Y) of 0.000000 (<5% or 0.05). Both capital (X1) and labor wages (X2), the two study variables, together have an impact on Ibu Kartini’s income CV. These findings are consistent with a study on the effects of capital, labor wages, and raw materials on the income of the cracker industry carried out by Risma Dyah Ayuningtyas and M. Faisal Abdullah in [14]. This study revealed that labor wages and capital had concurrently a positive effect on income. As is well known, capital is a very important initial factor in running a business, namely to meet production costs and purchase raw materials. Labor wages are also a factor in the success of the production process, where labor wages are remuneration for the contribution of workers in making products. the higher the success of the production process, the higher the possibility of getting a large amount of income.

5. Conclusions

On Kartini's income CV, capital has a significant and positive partial influence. An industry’s ability to continue operating depends greatly on the capital employed in the production process. Ibu Kartini’s income CV, labor wages do not have a favorable or noteworthy impact. The cost of production increases with wage levels. The income CV of Kartini is positively and significantly impacted by the variables of capital and labor wages. When something is used in the production process, like purchasing raw materials or employing labor to create production goods, it is referred to as capital. Capital can take the form of money or objects. CV’s capital sources and utilization of Ibu Kartini in the production process are in line and in accordance with Islamic sharia
rules. where capital comes from its own capital without any elements of usury and the use of capital is clearly carried out to support production activities. The labor wages provided by CV of Kartini have fulfilled the pillars and conditions of wages in Islam. In addition, the wages given are also in accordance with Islamic.

References


