



RESEARCH ARTICLE

Analyzing the Determinants of Business Performance in Micro and Small Enterprises among Muslim Entrepreneurs in Aceh Province

Abdus Salam ^{1*} | Imilda ²

^{1,2} Study Program in Information Management, STMIK Indonesia Banda Aceh, Banda Aceh City, Aceh Province, Indonesia.

Correspondence

¹ Study Program in Information Management, STMIK Indonesia Banda Aceh, Banda Aceh City, Aceh Province, Indonesia.
Email: abdussalam@stmiki.ac.id

Funding information

STMIK Indonesia Banda Aceh

Abstract

This study aims to identify the factors influencing the business Performance of Micro, Small, and Medium Enterprises (MSEs) run by Muslim entrepreneurs in Aceh Province. MSEs play a vital role in the local economy; however, their business Performance is often hindered by various challenges, including limited resources and managerial issues. Several factors affecting the business Performance of SMEs in Aceh include entrepreneurial capacity, government support, access to Islamic finance, and the application of religious principles in business operations. This research employs a quantitative approach with a survey involving 120 Muslim entrepreneurs in Aceh as respondents. Data were collected through a questionnaire measuring factors related to management, financing, and the application of Islamic principles in business management. The factor analysis results identify three main variables that impact MSE Performance in Aceh: (1) business strategies, including planning, internal processes, and entrepreneurial orientation; (2) external support from the government; and (3) the implementation of Islamic principles in business practices. The first factor has the greatest impact on Performance, followed by government policy support and Islamic business practices. These findings can help stakeholders formulate policies that support SMEs in becoming more competitive and sustainable in the market while emphasizing the religious values that guide business management among Muslim entrepreneurs in Aceh.

Keywords

MSE Performance; Muslim Entrepreneurs; Islamic Finance; Business Strategy; Islamic Business Practices.

1 | INTRODUCTION

Micro and small enterprises (MSEs) play a vital role in the economy of Aceh Province, particularly for Muslim entrepreneurs. This sector provides employment opportunities and contributes to meeting the local community's needs. However, the business Performance of MSEs in Aceh is influenced by various factors related to management, capital, and the business practices implemented by the owners. For Muslim entrepreneurs, religious aspects often serve as a consideration in running their businesses, influencing decisions related to business management and development. On the other hand, challenges such as limited access to financing, suboptimal resource management, and increasing competition present barriers to improving their business Performance. This study aims to analyze the factors affecting the Performance of MSEs among Muslim entrepreneurs in Aceh. By identifying these factors, it is hoped that a clearer understanding of the challenges faced and the opportunities available to support business development in the region will emerge.

When analyzing the factors influencing the Performance of micro and small enterprises (MSEs) among Muslim entrepreneurs in Aceh Province, several aspects need to be considered as they significantly impact productivity and business sustainability. Previous research has shown that MSEs play a crucial role in driving economic growth and improving community welfare. However, these businesses still face challenges related to management and competitiveness. One key factor affecting MSE Performance is the entrepreneurial capacity of business owners. Aulia's (2020) research indicates that entrepreneurial competence has a significant effect on business Performance, especially in the micro and small sectors. The application of sound entrepreneurial knowledge can directly enhance business outcomes. Similar findings were reported by Hia *et al.* (2021), who revealed that financial support through programs such as Ultra Micro Financing positively contributes to the growth of micro and small businesses. Such programs provide the necessary financial backing to strengthen the operational capacity of entrepreneurs, allowing them to manage their businesses more effectively and sustainably. Therefore, improving entrepreneurial skills and providing appropriate financing access are essential to supporting the success of MSEs in Aceh.

Another important factor is the support provided by the government and related institutions. According to Tambunan (2023), local governments play an active role in providing capital assistance, offering guidance in business license processing, and supporting digitalization and e-commerce-based marketing. This support is crucial, as many MSEs in Aceh have yet to leverage technology to enhance their competitiveness fully. The use of e-commerce platforms allows MSEs to expand their market reach and simplify the process of product marketing. Additionally, assistance with business license processing helps entrepreneurs obtain legitimate permits, thus improving the legality of their businesses in the market. Government-provided capital also aids MSEs in increasing their production capacity and expanding their market presence. Without such support, MSEs would struggle to grow and compete with more advanced businesses. Therefore, collaboration between the government, financial institutions, and business owners is essential to creating an ecosystem that fosters the growth and sustainability of MSEs in Aceh.

Religious aspects also play a crucial role in business Performance, as noted by Mustikowati and Wilujeng (2020), who emphasize the importance of ethics and morality in entrepreneurship. Integrating religious values into business practices can lead to both economic and social benefits. By adhering to ethical principles based on religious teachings, entrepreneurs are more likely to make responsible decisions that build trust with customers and business partners. Maintaining integrity and fairness fosters long-term relationships and enhances a business's reputation, supporting sustainable growth. Additionally, businesses guided by religious values often prioritize the welfare of the community, ensuring that profit-making activities also bring broader benefits to society. These entrepreneurs tend to adopt inclusive and socially responsible practices, considering the environmental and social impact of their actions. As a result, integrating religious values not only strengthens the business but also promotes a positive influence on the surrounding community, achieving a balance between financial success and social responsibility.

Rizki *et al.* (2024) argue that while MSEs provide significant employment opportunities, their contribution to national output remains low. This limited productivity is often due to a lack of access to resources and innovation. In this regard, entrepreneurship training and the use of digital applications, as seen in the program implemented in the Tasikmadu subdistrict (Dewi *et al.*, 2022), can help enhance the capacity and Performance of entrepreneurs. By equipping entrepreneurs with the necessary skills and knowledge, training programs can improve their ability to manage and grow their businesses more effectively. Furthermore, the adoption of digital tools can streamline business operations, expand market reach, and improve competitiveness. Digital platforms can provide access to e-commerce, enabling businesses to tap into wider markets and increase their visibility. These initiatives not only improve business Performance but also contribute to the overall growth of the local economy. Therefore, supporting MSEs with training programs and digital tools is essential for boosting their productivity and ensuring their long-term sustainability in an increasingly competitive market.

Based on the analysis, it can be concluded that several key factors, including the individual capabilities of business owners, government support, the adoption of appropriate technology, and the application of religious values in business

operations, influence the Performance of MSMEs in Aceh. These factors are interconnected and play a crucial role in enhancing the competitiveness and sustainability of MSMEs in the region. Therefore, stakeholders need to conduct a thorough evaluation of the various aspects impacting MSME development. Collaboration between the government, the private sector, and the community will greatly contribute to creating an environment that supports the growth of small businesses. With an integrated approach and appropriate policies, MSMEs are expected to grow more competitively and sustain themselves amidst increasingly dynamic market challenges.

2 | THEORITICAL REVIEW

The performance of micro and medium-sized enterprises (MSMEs) is influenced by various interacting factors, both internal and external. These factors include managerial aspects, capital, access to technology, marketing networks, as well as the social and economic conditions surrounding the business. For Muslim entrepreneurs in Aceh, these factors are also shaped by religious principles that guide the way they conduct their businesses.

1) Business Performance of MSMEs

The Performance of Micro, Small, and Medium Enterprises (MSMEs) plays a vital role in the economy, with indicators such as revenue growth and long-term sustainability often used to assess it. Studies show that the success of MSMEs is heavily influenced by how well resources are managed, including human, financial, and social resources. Rifa'i (2017) stresses the role of Islamic Rural Financing Banks (Bank Pembiayaan Rakyat Syariah) in supporting financial inclusion, which, in turn, positively affects MSME Performance by improving access to capital for small businesses. Additionally, Gunawan *et al.* (2021) found that enhancing managerial skills through training and consultancy can significantly improve MSME Performance. Such efforts help entrepreneurs develop essential operational skills, which leads to better decision-making and more efficient business practices. The adoption of technology and strong market networks are also crucial for MSMEs, providing them with a competitive advantage in today's digital and interconnected world. By incorporating these strategies, MSMEs can strengthen their Performance and ensure their continued growth, even in the face of challenges. This integrated approach enables small businesses to compete more effectively and adapt to the evolving market environment.

2) Factors Influencing MSME Performance

Several factors affect the Performance of Micro, Small, and Medium Enterprises (MSMEs), including managerial capabilities, workforce quality, and efficient financial management. Diana *et al.* (2022) emphasize the importance of marketing competence and creativity as critical components for business success. At the same time, access to capital remains a crucial factor that should not be overlooked. Alfarizi (2023) points out that MSMEs adopting innovative and environmentally friendly business models tend to perform better. In this regard, updates to business strategies play a key role in enhancing overall Performance. Moreover, financial instruments such as card al-Hasan (interest-free loans) are vital in supporting business sustainability, particularly for Muslim entrepreneurs. Rifa'i (2017) and Andrean (2023) highlight the significance of these financial tools in ensuring the continued growth of small enterprises, especially those in the early stages of development. The integration of modern strategies, including digital marketing and sustainable business practices, enables MSMEs to remain competitive in a rapidly changing market environment. By focusing on these factors, business owners can improve operational efficiency, increase profitability, and ensure long-term success. This approach ensures that MSMEs are not only resilient but also capable of adapting to future market dynamics.

3) The Role of Business Ethics in Islam

In business, ethics rooted in Islamic principles play a pivotal role in guiding Muslim entrepreneurs in managing their ventures. Values such as justice and transparency encourage business owners to prioritize the welfare of the community alongside their financial interests. Andrean (2023) explains that the allocation of social funds from Islamic banks is essential in helping MSMEs operate in line with Islamic teachings, ensuring ethical business practices while promoting growth within these small enterprises. Additionally, Alifah *et al.* (2023) emphasize that strong financial literacy among MSME owners boosts their ability to make ethical and sustainable decisions. With better financial understanding, entrepreneurs are more capable of managing resources efficiently, avoiding exploitative practices, and ensuring long-term business success. By integrating Islamic ethics into their operations, MSMEs not only establish trust with customers and stakeholders but also cultivate a reputation that supports long-term growth. Ethical practices grounded in Islamic values serve not only as a moral guideline but also as a strategic approach for achieving lasting success while making positive contributions to the community.

4) Access to Financing for MSMEs

Access to financing plays a vital role in determining the Performance of Micro, Small, and Medium Enterprises (MSMEs). Rinandiyana *et al.* (2020) found that training in accounting software usage can improve financial administration, leading to better access to financial resources for MSMEs. Research by Effendi and Wardhani (2016) revealed that debt financing positively affects the development of MSMEs in Bogor, indicating that the right financial

support can significantly enhance business Performance. Moreover, access to appropriate financing is essential for MSMEs' growth. Islamic financial institutions, such as Baitul Maal Wat Tamwil, offer solutions to the capital challenges often faced by small businesses (Anggraeni *et al.*, 2013). These institutions provide financing that aligns with Islamic principles, helping MSMEs overcome financial barriers while ensuring ethical and sustainable business practices. By securing adequate funding, MSMEs can improve operational efficiency, expand their market reach, and invest in innovative solutions, ultimately achieving long-term success. Addressing financing challenges allows MSMEs to strengthen their competitiveness and make a more significant impact on the economy.

5) Social Networks in Business

Social networks play a crucial role as a catalyst in the development of MSMEs. Sidiq and Wijayanti (2018) show that relationships within social networks can enhance business Performance by providing access to market information and new opportunities. These networks help entrepreneurs stay informed about trends and consumer behaviour, which can lead to more effective business strategies. Moreover, Anggraeni *et al.* (2013) found that access to Islamic microfinance is closely linked to business development, creating an interdependent relationship between social networks and financial access, both of which support MSME growth. The Performance of MSMEs is influenced by both internal and external factors, including managerial capabilities, access to Islamic finance, and social networks. Effective management skills enable entrepreneurs to run their businesses more efficiently, while financial access, particularly through Islamic finance, provides the capital necessary for business expansion and sustainability. Furthermore, social networks foster collaboration, information exchange, and partnership opportunities, all of which are essential for MSMEs to thrive in competitive markets.

Understanding the interplay of these factors can help stakeholders design more effective policies that support MSMEs in overcoming current economic challenges. By leveraging social networks, MSMEs can access valuable resources, including capital, expertise, and market insights, which significantly enhance their ability to grow and succeed. Through targeted interventions that focus on strengthening social networks and improving access to finance, policymakers can create an environment conducive to the growth of small businesses. This holistic approach will be essential for enabling MSMEs to navigate economic uncertainties and thrive in a rapidly changing business landscape.

3 | METHOD

This research employs a quantitative approach and survey method to analyze the factors influencing the business Performance of micro and medium-sized enterprises (MSMEs) run by Muslim entrepreneurs in Aceh. The main objective is to identify the variables associated with the success of these businesses based on the Islamic principles practised by entrepreneurs. The study targets all Muslim entrepreneurs in Aceh who manage micro and medium-sized businesses. Using purposive sampling, the sample was chosen based on criteria such as the exclusion of entrepreneurs involved in producing or selling goods that conflict with Islamic teachings and those not utilizing conventional financing. The sample consists of 120 respondents, which is considered adequate for performing Exploratory Factor Analysis (EFA), a method requiring more than 100 samples and a minimum of 5 observations per variable, as recommended by Hair *et al.* (2019). This sample size is expected to provide a clear representation of the factors affecting business Performance.

Primary data for the research is collected through a questionnaire distributed to Muslim entrepreneurs in Aceh. The questionnaire is designed to measure aspects related to MSME Performance, such as managerial factors, access to Sharia financing, and the integration of Sharia principles into business management. Additionally, secondary data was obtained from government reports and other publications regarding MSMEs in Aceh. The study incorporates 12 variables that reflect factors influencing MSME Performance, drawing from previous research that combines balanced scorecard principles with the characteristics of Muslim entrepreneurs. The variables include business productivity, Islamic microfinance, Islamic business practices, characteristics of Muslim entrepreneurs, government stimulus, entrepreneurial orientation, profitability, business expansion and sustainability, adaptability, business strategy, promotional perspective, and internal business processes.

The research instrument includes several sections: the first gathers demographic information such as age, education level, and entrepreneurial experience; the second evaluates managerial aspects such as business planning, marketing strategies, and resource management; the third assesses the use of Sharia financing in business operations; and the fourth section examines the application of Sharia principles in the management of the business, including business ethics and adherence to Islamic teachings. Data collection is planned over two months, with the distribution of the questionnaire both in person and online.

Collected data will be analyzed using descriptive and inferential statistical methods. Exploratory Factor Analysis (EFA) will be employed to simplify the original variables into more manageable factors. Principal Component Analysis (PCA) will be used for factor extraction, while Varimax Rotation will assist in interpreting the results. The

Kaiser-Meyer-Olkin (KMO) test and Bartlett's Test will be conducted to confirm the appropriateness of the data for factor analysis. Prior to the distribution of the questionnaire, validity testing will be done using Pearson correlation analysis to ensure that each item accurately measures the intended variable. Reliability testing will be carried out using Cronbach's alpha to verify the consistency of the measurements. Through a quantitative approach, this research aims to identify the key factors influencing the Performance of MSMEs in Aceh, which Muslim entrepreneurs run. The application of Exploratory Factor Analysis (EFA) will simplify complex data into primary factors that contribute to business success, offering a clearer understanding of these influences.

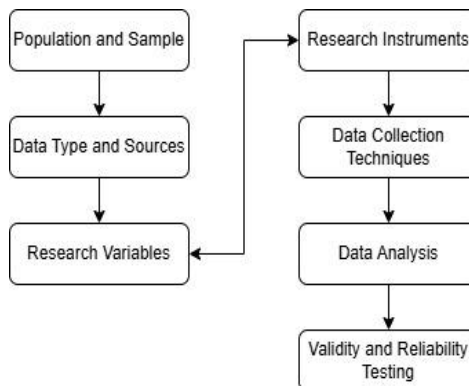


Figure 1. Research Design

The diagram illustrates the key steps in the research methodology. The process begins with determining the population and sample, followed by selecting the appropriate data type and sources. The next step involves identifying the research variables to be analyzed. Research instruments are then used to collect data through various techniques. The gathered data is analyzed to draw valid conclusions. Finally, validity and reliability testing is performed to ensure that the data used aligns with the research objectives and maintains consistency in measurement. This sequence outlines the necessary stages to ensure the validity of the research findings.

4 | RESULTS AND DISCUSSION

4.1 Results

4.1.1 Respondent Characteristics

The characteristics of the respondents involved in this study are as follows. Based on gender, the majority of respondents are male, accounting for 80%, while females make up only 20%. In terms of age, most entrepreneurs are between 31 and 40 years old (33.34%), with the 51 to 60-year-old group contributing 25.84%. This age range indicates that the majority of Muslim entrepreneurs in Aceh Province are in their productive years and possess considerable experience in business. Regarding education, the majority of respondents have a high school education (67%), followed by those with a bachelor's degree (17.5%) and a master's degree (3.33%). The lower number of respondents with higher education levels suggests that education is not always a dominant factor in starting or managing small and medium-sized businesses. The most common sector of business is the commercial sector (89.17%), indicating that many Muslim entrepreneurs in Aceh are involved in trade or goods-based businesses. Meanwhile, the majority of respondents own their companies privately (94.17%), suggesting that they tend to run their businesses independently.

Table 1. Demographic Characteristics of Respondents

Characteristic	Total Frequency	Percentage (%)
Gender	Male	96
	Female	24
Age of Respondents (years)	< 30 years	42
	31 – 40 years	37
	41 – 50 years	9
	51 – 60 years	31
	> 60 years	1
Highest Education	Junior High School (JHS)	12
	High School (HS)	80
	Bachelor's Degree	21

Business Sector Type	Master's Degree	4
	Doctorate	0
Ownership Status	Commercial Sector	107
	Service Sector	13
Ownership Status	Private Ownership	113
	Ownership by Others	3
	Collaboration	4

Table 1 outlines the demographic characteristics of the respondents. In terms of gender, the majority are male, representing 80% of the total sample, while females account for 20%. Regarding age, most entrepreneurs are between 31 and 40 years old (33.34%), followed by those aged 51 to 60 years (25.84%). A significant portion of the respondents (35%) are under 30 years, and only a small fraction (0.84%) are over 60 years old. In terms of education, the largest group of respondents have completed high school (67%), while 17.5% hold a bachelor's degree, and 3.33% have a master's degree. None of the respondents hold a doctoral degree, suggesting that higher education levels are less common among these entrepreneurs. As for the business sector, most respondents are involved in the commercial sector (89.17%), with the remaining 10.83% operating in the service sector. Regarding ownership, 94.17% of the businesses are privately owned, while a smaller proportion are either owned by others (2.5%) or involve collaboration (3.33%).

4.1.2 Factor Analysis Results

In the first stage of factor analysis, Principal Component Analysis (PCA) was applied to identify the main factors influencing the business performance of Muslim entrepreneurs' SMEs in Aceh. The Kaiser-Meyer-Olkin (KMO) result shows a value of 0.8, indicating that the data is suitable for further analysis. Additionally, the Measure of Sampling Adequacy (MSA) values for each variable are above 0.5, suggesting that all the variables used in the analysis are relevant for measuring the factors affecting business performance. Table 2 presents the results from Exploratory Factor Analysis (EFA), which identified three main factors influencing the business performance of SMEs among Muslim entrepreneurs in Aceh. Each factor consists of several related variables that contribute to overall business performance.

Table 2. EFA Results (Exploratory Factor Analysis)

Variable	Factor 1	Factor 2	Factor 3	Community
Business Strategy	0.853			0.682
Internal Business Processes	0.773			0.671
Business Adaptability	0.764			0.744
Promotional Perspective	0.762			0.690
Entrepreneurial Orientation	0.712			0.673
Business Productivity		0.812		0.534
Increased Profitability		0.705		0.635
External Stimulus (Government)		0.666		0.539
Business Expansion & Sustainability		0.541		0.664
Islamic Business Practices			0.826	0.760
Characteristics of Muslim Entrepreneurs			0.815	0.620
Islamic Microfinance			0.503	0.714

Based on the factor analysis results, three main factors were identified as influencing the business performance of Muslim SMEs in Aceh:

1) Integrated Business Strategy Factor (38%)

The first factor, contributing 38% to the total variance, includes variables such as business strategy, internal business processes, adaptability, entrepreneurial orientation, and marketing perspective. This factor indicates that the overall success of a business is heavily influenced by how entrepreneurs plan and implement their business strategies, as well as their ability to adapt to changes in the market and business environment. Entrepreneurs with strong entrepreneurial orientation and the ability to manage internal processes effectively tend to have a greater chance of success. Effective business strategy formulation and execution remain crucial in driving business growth and sustainability.

2) Business Orientation & External Stimulus Factor (11%)

The second factor, contributing 11% to the variance, includes variables such as business productivity, increased profitability, business expansion, sustainability, and external government stimulus. Although this factor has a smaller contribution (11%) to business performance, the role of external factors such as government support is significant in the development and growth of businesses. External support, such as financial aid or policies that support the SME

sector, can accelerate business expansion and improve profitability. Therefore, external support plays a critical role in sustaining and growing businesses.

3) Islamic Business Practices Factor (9%)

The final factor, which accounts for 9% of the total variance, includes variables related to the application of Sharia principles in business, such as Islamic business practices, characteristics of Muslim entrepreneurs, and Islamic microfinance. Despite its smaller contribution (9%), the application of Sharia principles in business remains essential for establishing credibility and ensuring the sustainability of businesses. Entrepreneurs who operate in accordance with Islamic values tend to build better relationships with customers and business partners and gain greater trust. Thus, Islamic business practices can be a key factor in creating sustainable and ethically sound businesses.

4.1.3 Validity and Reliability

1) Validity Test

Validity measures the extent to which an instrument or questionnaire is able to measure what it is intended to measure. This study examines two types of validity: content validity and construct validity. Content validity ensures that the indicators in the questionnaire cover all aspects of the variable being measured. To achieve this, researchers can involve experts to assess the relevance of the indicators to the intended variable. Meanwhile, construct validity focuses on whether the instrument used accurately measures the intended concept. The construct validity test is performed through exploratory factor analysis (EFA) to group relevant indicators and Pearson correlation analysis to measure the relationships between indicators and the total score of the variable. Convergent validity is tested by examining the correlation among indicators within a single variable, while discriminant validity assesses the low correlation between indicators from different variables.

Table 3. Validity Test

Variable	Item-Total Correlation	Score	Pearson Correlation	Conclusion
Managerial	0.45		0.45	Valid
Corporate Strategy	0.52		0.52	Valid
Islamic Micro Financing	0.60		0.60	Valid
Business Performance of SMEs	0.50		0.50	Valid

The validity test results for each variable indicate strong correlations between the items and total scores. The managerial variable has a correlation of 0.45, corporate strategy stands at 0.52, Islamic micro-financing is at 0.60, and business performance of SMEs shows a correlation of 0.50. With Pearson correlation values ranging from 0.45 to 0.60, all variables meet the validity requirement. These results confirm that the instruments used effectively measure the variables, supporting the reliability of the data and the overall accuracy of the study's conclusions.

2. Reliability Test

Reliability measures the consistency of an instrument in producing the same results when used multiple times. Two main types of reliability tests are commonly used: Cronbach's Alpha and test-retest. Cronbach's Alpha is used to measure the internal consistency of an instrument, indicating how well the indicators within a variable correlate with each other. A Cronbach's Alpha value greater than 0.7 indicates that the instrument is reliable. On the other hand, the test-retest method measures the consistency of an instrument by administering the same questionnaire at two different times. If the correlation between the first and second test results is high (e.g., above 0.7), the instrument is considered reliable.

Table 4. Reliability Test

Variable	Composite Reliability	Cronbach's Alpha	Conclusion
Managerial	0.893	0.85	Reliable
Corporate Strategy	0.879	0.82	Reliable
Islamic Micro Financing	0.821	0.74	Reliable
Business Performance of SMEs	0.905	0.87	Reliable

The reliability test results indicate that all variables are reliable. The managerial variable shows a composite reliability of 0.893 and a Cronbach's Alpha of 0.85, confirming strong internal consistency. Corporate strategy has a composite reliability of 0.879 and Cronbach's Alpha of 0.82, both meeting reliability standards. Islamic micro financing, with a composite reliability of 0.821 and Cronbach's Alpha of 0.74, remains within an acceptable range. Lastly, business performance of SMEs demonstrates a composite reliability of 0.905 and Cronbach's Alpha of 0.87,

reflecting excellent reliability across all variables tested.

4.1.4 Model Fit Test

The model fit test is conducted to assess how well the model used represents the data accurately. The results of the test indicate that the model fits the data well. The Chi-Square value of 42.63 with a p-value greater than 0.05 suggests no significant difference between the model and the observed data. In other words, the proposed model is a good fit for the data. Additionally, the RMSEA value of 0.059, lower than the threshold of 0.08, indicates a very small approximation error. The CFI value of 0.97, well above the minimum threshold of 0.90, indicates excellent fit. The TLI value of 0.95 also suggests that the model is superior to simpler models. Finally, the SRMR value of 0.039, well below the 0.08 threshold, shows a small difference between the observed data and the hypothesized model.

Table 5. Model Fit Test

Test Statistic	Value	Tolerance / Threshold	Conclusion
Chi-Square	42.63	$p > 0.05$	Model fits the data
RMSEA (Root Mean Square Error of Approximation)	0.059	< 0.08	Model has good fit
CFI (Comparative Fit Index)	0.97	> 0.90	Model has excellent fit
TLI (Tucker-Lewis Index)	0.95	> 0.90	Model shows good fit
SRMR (Standardized Root Mean Square Residual)	0.039	< 0.08	Model has good fit

The model fit test results show a strong alignment between the model and the data. The Chi-Square value of 42.63 with a p-value greater than 0.05 indicates no significant difference between the model and the observed data. RMSEA is 0.059, which is below the 0.08 threshold, indicating good fit. CFI and TLI values of 0.97 and 0.95, respectively, surpass the minimum acceptable values, demonstrating excellent and good fit. SRMR at 0.039, well below 0.08, shows a small difference between observed and expected values, further confirming the model's good fit.

4.2 Pembahasan

The demographic profile of the respondents offers key insights into the makeup of Muslim entrepreneurs in Aceh. The gender distribution shows that 80% of the respondents are male, which reflects a common trend where male entrepreneurs are more prevalent in the region (Aulia, 2020). The underrepresentation of female entrepreneurs suggests that more efforts may be needed to encourage women to engage in business ventures. Regarding age, the highest percentage of respondents (33.34%) are in the 31-40 years age range. This aligns with the idea that entrepreneurs in this age group are typically at their peak in terms of business experience and growth. Additionally, the significant proportion (35%) of respondents under 30 years indicates a growing interest in entrepreneurship among younger individuals. Only a small fraction (0.84%) of entrepreneurs are over 60, showing that most business owners are in their productive years, which is consistent with trends in entrepreneurship in other regions (Diana *et al.*, 2022). The educational background of respondents also provides valuable insights. While the majority have a high school education (67%), the presence of respondents with a bachelor's degree (17.5%) or a master's degree (3.33%) is notable, although fewer entrepreneurs possess advanced academic qualifications. This trend aligns with Mustikowati and Wilujeng (2020), who found that while education is important, it is not always the primary factor in running a successful small business. More often, practical skills and hands-on experience are the key drivers of success. The data also indicates that most respondents (89.17%) are engaged in the commercial sector, primarily in trade-based businesses, reflecting the region's strong focus on commerce. Moreover, the fact that 94.17% of businesses are privately owned suggests a strong preference for autonomy among entrepreneurs in Aceh, which resonates with broader patterns in the entrepreneurial ecosystem (Tambunan, 2023).

The results of the factor analysis point to three main factors influencing the performance of Muslim entrepreneurs in Aceh. The first factor, which accounts for 38% of the variance, centers around an "Integrated Business Strategy." This includes elements such as company strategy, internal business processes, adaptability, and entrepreneurial orientation. These findings mirror research by Gunawan *et al.* (2021), who emphasized the importance of strategic management and a proactive entrepreneurial mindset in driving business success. The second factor, "Business Orientation & External Stimulus," contributes 11% to the variance and highlights the importance of government support, business productivity, and expansion. External factors such as these were also identified by Hia *et al.* (2021) as essential for the growth of small businesses. Government programs and stimuli play a crucial role, especially in regions like Aceh, where access to resources may be limited. The third factor, "Islamic Business Practices," contributes 9% to the overall variance. This factor reflects the importance of integrating Islamic values and principles in business operations, such as Sharia-compliant practices and Islamic microfinance. Though it accounts for a smaller share of the total variance, this factor plays an important role in

fostering business sustainability and ethical management, which is consistent with the work of Rifa'i (2017) and Mustikowati & Wilujeng (2020).

The validity and reliability tests confirm the robustness of the instruments used in this research. The analysis of construct validity, through techniques such as factor analysis and Pearson correlation, indicates that the variables effectively measure the intended constructs. These findings align with Aulia (2020), who utilized similar methods to validate measurement instruments in entrepreneurship research. The high Cronbach's alpha values (ranging from 0.74 to 0.87) indicate that the survey instruments are reliable and consistent, supporting the conclusions of Gunawan *et al.* (2021), who also found similar results in studies of business performance in SMEs. The results from the model fit tests demonstrate that the proposed model fits the data well. The Chi-Square statistic (42.63) with a p-value greater than 0.05 suggests that there is no significant difference between the model and the observed data, indicating a good fit. Additionally, the RMSEA value of 0.059 is well below the acceptable threshold of 0.08, showing minimal approximation error. The CFI and TLI values of 0.97 and 0.95, respectively, indicate that the model is a strong fit, which is consistent with the standards outlined in studies by Rinandiyana *et al.* (2020).

5 | CONCLUSIONS

This study shows that the business performance of SMEs run by Muslim entrepreneurs in Aceh is influenced by various interconnected factors. The main factor affecting performance is the business strategy implemented by the entrepreneurs. Key aspects such as careful planning, efficient internal process management, the ability to adapt to market changes, and a strong entrepreneurial orientation are crucial in determining business success. Government support has also proven to have a significant impact on the development of SMEs. Assistance in the form of financing, training, and policies that support technology development for SMEs help improve business competitiveness and productivity. Additionally, the application of Islamic principles in business management influences performance. Muslim entrepreneurs who operate businesses in accordance with Islamic teachings, such as fairness and transparency, are more likely to sustain their operations. Islamic financing, which not only provides economic benefits but also builds trust, serves as a key source supporting SMEs. It is essential for the government, financial institutions, and SME entrepreneurs to focus on strengthening entrepreneurial capacity, implementing effective business strategies, and integrating Islamic principles in business management. With support from various parties and attention to these factors, SMEs in Aceh can develop sustainably and contribute positively to the regional economy.

REFERENCES

- Alfarizi, M. (2023). Determinasi adopsi ekonomi sirkular, model bisnis inovatif dan dukungan anggaran negara: investigasi umkm indonesia berbasis pls-sem. *Jurnal BPPK Badan Pendidikan Dan Pelatihan Keuangan*, 16(1), 37-56. <https://doi.org/10.48108/jurnalbppk.v16i1.777>
- Alifah, S., Pamungkas, A., Leksono, A., & Fahrudin, A. (2023). Upaya peningkatan literasi keuangan pada umkm bombastis di bojongsari kota depok. *Jurnal Pengabdian Kepada Masyarakat Bangun Cipta Rasa & Karsa*, 2(2), 55-60. <https://doi.org/10.30998/pkmbatasa.v2i2.1778>
- Andrean, R. (2023). Pendayagunaan dana sosial bank syariah melalui platform financial technology untuk pemberdayaan umkm pada era digital. *Velocity Journal of Sharia Finance and Banking*, 3(1), 45-59. <https://doi.org/10.28918/velocity.v3i1.860>
- Anggraeni, L., Puspitasari, H., Ayyubi, S., & Wiliasih, R. (2013). Akses umkm terhadap pembiayaan mikro syariah dan dampaknya terhadap perkembangan usaha: kasus bmt tadbiirul ummah, kabupaten bogor. *Al-Muzara Ah*, 1(1), 56-67. <https://doi.org/10.29244/jam.1.1.56-67>
- Aulia, M. (2020). Pengaruh kompetensi kewirausahaan terhadap kinerja usaha kedai kopi skala mikro dan kecil pada masa pandemi covid-19 di kota medan. *Jurnal Agriust*, 38-44. <https://doi.org/10.54367/agriust.v1i1.1049>
- Dewi, M., Kusuma, I., Kristiyanti, L., Fitria, T., & Budiyo, B. (2022). Pelatihan kewirausahaan bagi pelaku umkm di kecamatan tasikmadu karanganyar. *Budimas Jurnal Pengabdian Masyarakat*, 4(1). <https://doi.org/10.29040/budimas.v4i1.4304>

- Diana, D., Hakim, L., & Fahmi, M. (2022). Analisis faktor yang mempengaruhi kinerja umkm di tangerang selatan. *Jurnal Muhammadiyah Manajemen Bisnis*, 3(2), 67. <https://doi.org/10.24853/jmmb.3.2.67-74>
- Effendi, J. and Wardhani, D. (2016). Debt financing dan dampaknya terhadap perkembangan usaha mikro di bogor. *Al-Muzara Ah*, 4(2), 110-126. <https://doi.org/10.29244/jam.4.2.110-126>
- Fiqran Pratama, R., & Alhadi, I. (2025). Pengaruh Kinerja Keuangan dan Strategi Manajemen Laba dalam Meningkatkan Nilai Perusahaan (Analisis Empiris Kinerja Perusahaan Manufaktur Terdaftar di Bursa Efek Indonesia: Perspektif 2019-2023). *Jurnal Manajemen Dan Teknologi*, 2(1), 1-17. <https://doi.org/10.63447/jmt.v2i1.1374>
- Gunawan, A., Kania, R., & Senalajari, W. (2021). Analisis peluang bisnis start-up konsultan umkm dari akademisi dan institusi pendidikan vokasi. *Bhakti Persada*, 7(1), 11-16. <https://doi.org/10.31940/bp.v7i1.2328>
- Hia, V., Handaka, R., & Zega, Y. (2021). Pengaruh pembiayaan ultra mikro (umi) terhadap pertumbuhan ekonomi daerah melalui pertumbuhan produksi industri mikro dan kecil. *Indonesian Treasury Review Jurnal Perbendaharaan Keuangan Negara Dan Kebijakan Publik*, 6(1), 75-84. <https://doi.org/10.33105/itrev.v6i1.218>
- Imilda, Hajriyanti, R., & Zahra, R. (2025). Peran Kebijakan Dividen dalam Memoderasi Pengaruh Struktur Modal, Profitabilitas, dan Likuiditas terhadap Nilai Perusahaan. *Jurnal Manajemen Dan Teknologi*, 2(1), 18-31. <https://doi.org/10.63447/jmt.v2i1.1376>
- Mustikowati, R. and Wilujeng, S. (2020). Religiusitas dan kewirausahaan; faktor kritis dalam mencapai kinerja bisnis pada umkm di kabupaten malang. *Jurnal Studi Manajemen Dan Bisnis*, 5(2), 86-94. <https://doi.org/10.21107/jsmb.v5i2.6659>
- Rifa'i, A. (2017). Peran bank pembiayaan rakyat syariah dalam mengimplementasikan keuangan inklusif melalui pembiayaan umkm. *Ikonomika*, 2(2), 177. <https://doi.org/10.24042/febi.v2i2.1639>
- Rinandiyana, L., Kusnandar, D., & Rosyadi, A. (2020). Pemanfaatan aplikasi akuntansi berbasis android (siapik) untuk meningkatkan administrasi keuangan umkm. *Jurnal Bakti Masyarakat Indonesia*, 3(1). <https://doi.org/10.24912/jbmi.v3i1.8006>
- Rizki, R., Gunawan, C., Askianto, M., Kusufa, F., Iriani, N., Rifa'i, M.,... & Nugroho, A. (2024). Maximizing the management of red onion and crispy rice crackers micro, small, and medium enterprises (msmes) in purworejo village, ngantang subdistrict, malang regency as efforts to expand market share. *JISE*, 2(1), 46-52. <https://doi.org/10.61105/jise.v2i1.89>
- Sidiq, A. and Wijayanti, H. (2018). Analisis model relasional jejaring sebagai katalisator dalam membangun kinerja bisnis. *Media Ekonomi Dan Manajemen*, 33(1). <https://doi.org/10.24856/mem.v33i1.560>
- Tambunan, T. (2023). Analisis peran pemerintah daerah mendukung umkm naik kelas. *J.B.M*, 1(2), 77-88. <https://doi.org/10.51622/jbm.v1i2.1990>

How to cite this article: Salam, A., & Imilda. (2025). Analyzing the Determinants of Business Performance in Micro and Small Enterprises among Muslim Entrepreneurs in Aceh Province. *Indonesian Journal Economic Review (IJER)*, 5(1). <https://doi.org/10.59431/ijer.v5i1.511>