

Research Article

Strengthening MSME Performance: The Role of Entrepreneurial Orientation and Business Models in Micro Wakaf Bank PKP

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Received: 08-01-2025; Accepted: 21-01-2025

Abstract

This research aims to determine to analyze the effect of entrepreneurial orientation on the performance of MSMEs on customers of the Pondok Karya Pembangunan Micro Waqf Bank (PKP) and to analyze the effect of the Business Model on the performance of MSMEs on customers of the Micro Waqaf Bank Pondok Karya Pembangunan (PKP) Development Work. The population of this study was 100 customers of the PKP Micro Waqf Bank. Sample selection through non-probability sampling method with purposive sampling technique. The results of this study indicate that Entrepreneurial Orientation and Business Model have a positive and significant influence on MSME Performance on customers of the Pondok Karya Pembangunan Micro Waqf Bank (PKP). The managerial implications of this study emphasize the need for Micro Wakaf Bank Pondok Karya Pembangunan (PKP) to enhance entrepreneurial orientation and optimize business models among its UMKM customers. By fostering innovation, proactive risk-taking, and competitive aggressiveness, the bank can empower UMKM to adapt to market dynamics effectively. Simultaneously, developing flexible and customer-centric business models can improve operational efficiency and market responsiveness. These strategies not only drive better performance outcomes for UMKM but also strengthen the bank's role as a facilitator of sustainable economic growth in the community.

Keywords: Entrepreneurial Orientation, Business Model, MSME Performance

JEL Classification: M13, L26, G32

How to cite: Nurinda, S. R., Effendi, S., Ardheta, P. A., (2025). Strengthening MSME Performance: The Role of Entrepreneurial Orientation and Business Models in Micro Wakaf Bank PKP, *Research of Islamic Economics (RIE)* 2(2), 73-83

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1. Introduction

The micro banking sector, particularly those operating in the informal space, plays a crucial role in enabling individuals to achieve optimal performance in micro, small, and medium enterprises (MSMEs). MSMEs are vital to the Indonesian economy, serving as fundamental pillars for national economic stability, job creation, and poverty alleviation. According to data from the Ministry of Cooperatives and SMEs, the MSME sector accounts for approximately 98.67% of the workforce in Indonesia. This statistic underscores the significant impact of MSMEs on the country's economic and social stability (Ministry of Cooperatives and SMEs, 2020).

Although MSMEs make significant contributions to the economy, they frequently encounter various challenges. One major issue is the difficulty in securing financing from banks, as many do not meet standard banking requirements, such as providing asset collateral or maintaining a strong financial track record (Suwarsi et al., 2021). The People's Business Credit (KUR) program aims to assist MSMEs in obtaining financing; however, they often face obstacles such as complicated administrative procedures and credit ceiling limits that fail to address their needs (Santana et al., 2020).

In this context, the Micro Waqf Bank (BWM) emerges as an alternative solution to help alleviate the financing challenges faced by MSMEs, particularly those associated with Islamic boarding schools. BWM offers flexible financing schemes that adhere to Sharia principles, focusing not only on profit but also on empowering the local economy. Since its establishment by the Financial Services Authority (OJK) in 2017, the number of BWMs in Indonesia has steadily increased. To date, there are over 60 BWMs operating in various provinces, serving tens of thousands of customers and distributing funds in the billions of rupiah (Financial Services Authority, 2021).

Bank Wakaf Mikro Pondok Karya Pembangunan (BWM PKP) is a Sharia-compliant microfinance institution that is registered and regulated by the Financial Services Authority (OJK). The institution's primary goal is to assist individuals who lack access to formal financial services in obtaining the capital they need. Bank Wakaf Mikro focuses on supporting communities surrounding Islamic boarding schools by providing loans to growing community business groups. Currently, the institution serves over 1,000 customers and has disbursed more than 900 million in funds. Within each Islamic boarding school, Bank Wakaf Mikro operates as a cooperative, functioning as a Sharia microfinance entity that offers unsecured loans to its members without requiring collateral or interest. The loans provided by Bank Wakaf Mikro feature a minimal loan margin of just 3% per year (BWM PKP, 2024).

Business performance Measures the effectiveness and efficiency of an organization in achieving its goals. The success of business performance is closely related to the strategy used by entrepreneurs. The success of an entrepreneur in business is determined by how they utilize valuable entrepreneurial motivation and adapt to the dynamic environment that interacts with the company to achieve optimal business performance and sustainable competitive advantage (Maulana, 2021). SME performance describes the level of achievement of SMEs in achieving their business goals and targets during a certain period (Mahmudova & Kovács, 2019). In general, the problem of SME performance faced by BWM PKP customers in their business is unstable business performance. This problem happens because they do not have a competitive advantage that can be a strength in competition.

Entrepreneurial orientation is a culture owned by a company that can improve business performance and is an effective way to create the behavior needed to produce superior value for customers and superior performance for the company. Companies that have made entrepreneurial orientation part of their culture will focus on external needs, desires, and market demands in formulating business unit strategies and determining company success targets (Nizam et al., 2020). In general, the problems of entrepreneurial orientation faced by BWM PKP customers in their MSME businesses, including innovation, risk-taking, and proactive attitudes, are apparently not optimal (Venny & Trio Febriyantoro, 2020).

This finding can be seen from their lack of courage to take risks in innovating. The first variable to be studied is entrepreneurial orientation. The results of previous research conducted by (Venny & Trio Febriyantoro, 2020) entitled "Sustainable Entrepreneurial Orientation and Competitive Advantage on Business Performance: Study on MSMEs in Batam City". "Our results show that SEO does not have a significant effect on business performance in MSMEs. SEO has a significant effect on business performance in MSMEs if mediated by competitive advantages that have a full mediation role. This study can be used as a reference by MSME business actors to maintain good business performance. Using the right strategy alone is not enough to maintain good business performance. However, it must be supported by offering unique products and services (product and service differentiation) and continuing to innovate products and services so as to create new value".

With the phenomenon and influence of these two variables, this study can provide useful insights for BWM PKP in designing more effective financing and mentoring programs for MSMEs or customers. In addition, the results of this study are also expected to contribute to the development of literature on MSME performance in the context of Islamic microfinance in Indonesia, especially at BWM PKP Ciracas Jakarta. Thus, this study is expected to provide a clearer picture of how MSMEs can improve performance and competitiveness through the development of entrepreneurial orientation and effective business models. However, there has been no research that specifically examines the relationship between entrepreneurial orientation, business model, and SME performance on BWM PKP customers, especially in Ciracas Jakarta. Therefore, this research is relevant to be conducted to fill the knowledge gap.

The main problem in this study is the suboptimal performance of MSMEs, especially for customers of Bank Wakaf Mikro (BWM) Pondok Karya Pembangunan (PKP). This problem is caused by the lack of entrepreneurial orientation, such as the courage to take risks and innovation, as well as an ineffective business model. This problem is important because MSMEs have a strategic role in the Indonesian economy but often face obstacles such as the difficulty of accessing funding from formal financial institutions. As an alternative solution, this study offers a strengthening entrepreneurial orientation by emphasizing innovation, proactivity, and the courage to take risks, as well as the development of a flexible and customer-centered business model. This strategy is expected to improve MSME performance while supporting BWM's role as a facilitator of sustainable economic growth.

2. Literature Review and Hypothesis

Literature Review

Resource Based View (RBV) Theory

Wernerfelt (2024) introduced the Resource-Based View (RBV) theory, which emphasizes the collection of resources and capabilities possessed by a company. These resources and capabilities are considered crucial components that enable a firm to achieve and maintain a sustainable competitive advantage. The RBV theory serves as a strategic management framework that highlights the significance of a company's internal resources in fostering competitive advantage and facilitating long-term growth. It focuses on the processes of identifying, developing, and leveraging valuable resources (Dasuki, 2021).

Furthermore, the connection between RBV theory and Entrepreneurial Orientation underscores the importance of both in ensuring the sustainable performance of micro, small, and medium enterprises. This relationship is particularly relevant in the context of high entrepreneurial competence, marketing capabilities, knowledge sharing, financial resources, technological advancements, a propensity for change, stakeholder engagement, and individual competencies (Hasbolah et al., 2021).

Additionally, the interplay between RBV theory and Business Models is aimed at enhancing a company's competitive advantage through strategic resource utilization, capacity development, technology integration, knowledge management, and the formulation of strategies that bolster competitive positioning (Octavio & Kurniawan Tjakrawala, 2022).

Micro Waqf Bank (BWM)

Micro Waqf Bank is a Sharia-compliant microfinance institution (LKMS) established through the initiative of the Financial Services Authority (OJK). Its creation involved collaboration between OJK and the National Zakat Collection Institution (Laznas). Inaugurated in October 2017 by President Joko Widodo and OJK, Micro Waqf Bank symbolizes the commitment of both OJK and the Government to enhance the diversity and accessibility of financial services for the community, particularly for those in the small and medium-sized economic sectors. The bank provides essential access to capital and financing for small and medium communities that previously struggled to connect with formal financial institutions (Amini & Ismail, 2021).

Entrepreneurial Orientation

Entrepreneurial orientation functions in determining the direction and strategy of the company being run. In addition, entrepreneurial orientation is defined as the process, practice, and decision-making in business management, which is reflected in the attitude of continuously innovating, being proactive in seeking new opportunities, and daring to take risks (Ritonga et al., 2023). Entrepreneurial orientation is one of the most frequently researched constructs in the field of entrepreneurship (Shaher & Ali, 2020). Entrepreneurial orientation (EO) is considered a major factor or pioneer in achieving sustainable corporate growth and high competitiveness (Rahmadi et al., 2020).

Hypothesis**The Influence of Entrepreneurial Orientation on MSME Performance**

Research conducted by Lekmat (2018) shows that entrepreneurial orientation can improve MSME performance, especially financial performance and marketing performance. Research that examines entrepreneurial orientation with MSME growth was also conducted by Shafariah et al. (2019); the results of their research analysis concluded that there is a positive and significant influence between entrepreneurial orientation and MSME growth. This finding means that the better the entrepreneurial orientation, the better the MSME performance will be. The same research results were also obtained by Sumiati (2020), which showed that entrepreneurial orientation has a positive and significant influence on MSMEs. However, market orientation does not have a significant influence on MSME growth or performance. Bamfo and Kraa (2019) researched market orientation on MSME performance in Ghana. The results of this study indicate that when market orientation is applied by MSMEs in Ghana, market orientation will have a positive effect on their level of performance in their business activities.

H1: It is suspected that Entrepreneurial Orientation has a positive and significant influence on MSME Performance.

The Influence of Business Models on MSME Performance

Innovative business models are part of the main indicators of sustainable development-based businesses, product and service innovation, and technological innovation to achieve competitive advantage goals and increase revenue. In principle, an innovative business model is a high-level modification and refinement of the foundations of business examples, production processes, service structures, and product features to enhance sustainable development capabilities among businesses (Utaminingsih et al., 2023). In this case, previous research has evaluated the role of innovative business models in achieving sustainable development goals among companies and observed that innovative business models have positive interactions with MSMEs, & and lead businesses to achieve economic, environmental, and social efficiency and competitive advantage (Ben Amara & Chen, 2020). Innovative business models recombine MSMEs' internal and external capabilities and resources that can improve MSMEs' operations, efficiency, market performance, and core competencies (Müller et al., 2021), enabling them to achieve sustainable development goals. Therefore, innovative business models have become an important trend in industrial settings and enable the re-alignment of business capabilities and resources to achieve economic, environmental, and social efficiency. Researchers have extensively tested innovative business models in various contexts to understand their role in achieving economic, environmental, and social efficiency, but further research is needed to uncover their role in creativity, innovation, and ecosystem efficiency (Brendzel-Skowera, 2021; Ratana et al., 2022; Utaminingsih et al., 2023). Previous studies have

mainly focused on the value creation, value delivery, and value capture aspects of innovative business models (Lopes de Sousa Jabbour et al., 2019). Therefore, this study identifies a gap in the literature and emphasizes the need to examine the role of innovative business models in achieving economic, environmental, and social efficiency in MSMEs.

H2: It is suspected that the Business Model has a positive and significant influence on MSME Performance.

Conceptual Framework

Based on the conceptual framework presented, this study explains the relationship between Entrepreneurial Orientation and Business Model on MSME Performance. The variable refers to the extent to which business actors have a proactive, innovative, and risk-oriented entrepreneurial outlook. Meanwhile, the variable, namely the business model, reflects how business strategies are designed to create, deliver, and capture value for customers and other stakeholders. These two independent variables are assumed to have a positive influence on the dependent variable, namely MSME performance, which includes operational and non-operational results. The first hypothesis tests the relationship between entrepreneurial orientation and MSME performance, while the second hypothesis explores the impact of business models on MSME performance.

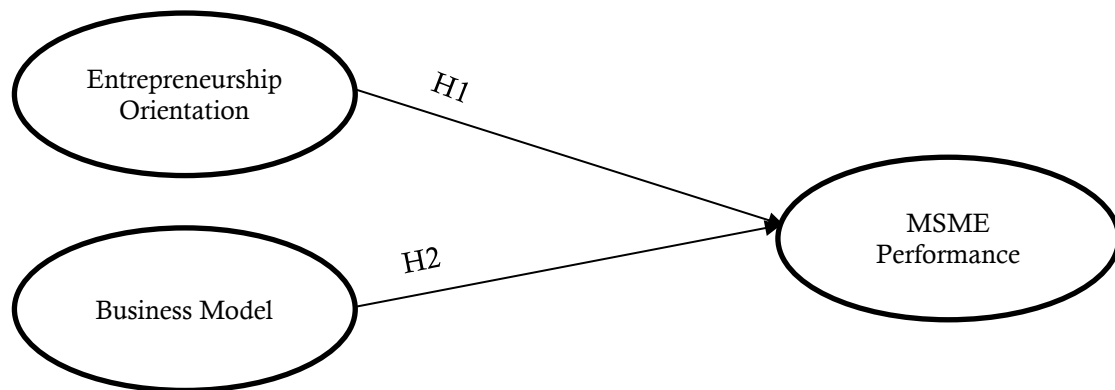


Figure 1. Conceptual Framework

3. Data and Method

This study was compiled using an associative research strategy. Research conducted with an associative research strategy aims to determine whether there is a causal relationship between the independent variable and the dependent variable so that the results of associative research can explain a symptom. This study uses associative research to determine how much influence the X variable or independent variable consisting of Intellectual Capital, Entrepreneurial Orientation and Business Model has on the Y variable or dependent variable in the form of MSME Performance on customers of the Pondok Karya Pembangunan micro waqf bank.

This study uses a quantitative approach. Quantitative research focuses on testing theories and/or hypotheses through quantitative measurement of research variables. This method involves data analysis with statistical techniques and/or mathematical modeling to understand better the phenomena being studied. Quantitative methods are descriptive and generally use analysis with an inductive approach. This method is used to investigate several specific populations or samples that are usually selected randomly. Data collection is carried out using research instruments, and the analysis carried out is quantitative/statistical with the aim of testing the established hypotheses (Hardani et al., 2020).

Population and Sample

The number of customers of Bank Wakaf Mikro Pondok Karya Pembangunan (PKP) Ciracas Jakarta is 1000. The population used in this study is 1000 active customers of Bank Wakaf Mikro Pondok Karya Pembangunan (PKP) Ciracas Jakarta. The sample in this study is 100 active customers of Bank Wakaf Mikro Pondok Karya Pembangunan (PKP) Ciracas Jakarta. Samples taken from the population must be accurate and truly represent the population.

Data Analysis Method

This study uses a data analysis approach in the form of Partial Least Square-Structural Equation Modeling 4.0 (PLS-SEM), which is one of the structural equality modeling (SEM) methods. In this study, PLS is considered superior to other SEM methods. PLS is designed to help researchers validate the concept of latent variables and identify relationships between these latent variables. This method allows multiple analyses in one test and explains the relationship between variables comprehensively. This study uses the Partial Least Square (PLS) method for data management (SEM). Outer Model Analysis, Inner Model Analysis, and Hypothesis Testing.

4. Results

Outer Model (Measurement Model)

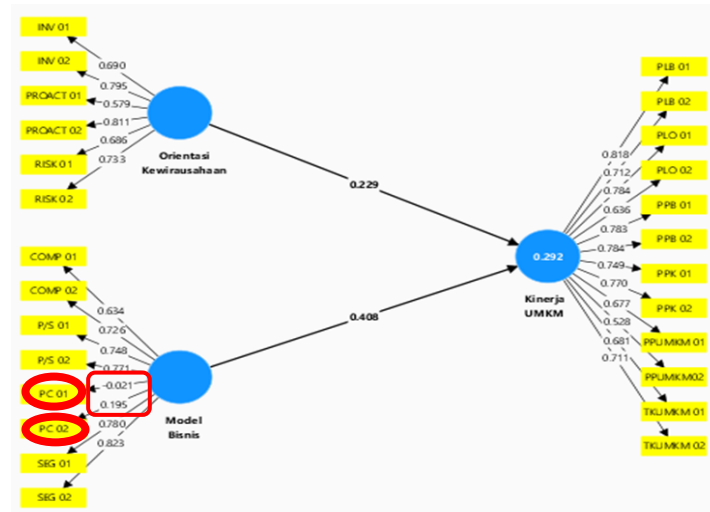


Figure 2. Outer Model Scheme

Loading factor value and Average Variance Extracted (AVE) value can be used to calculate convergent validity value. In this study, the loading factor value must be >0.5 because the loading factor value is still included in the right group for the initial stage, and the loading factor value of >0.7 is considered ideal for research in making measurement scales. In the outer model results above, there are 2 loading factor values <0.5 , so it is necessary to eliminate the loading factor value that is <0.5 . After eliminating the loading factor value, it is illustrated by the outer model scheme below:

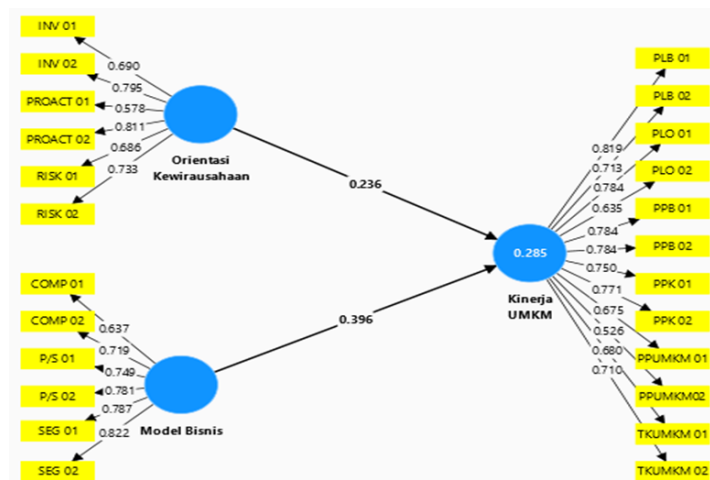


Figure 3. Outer Model Elimination Scheme

Based on data processing after eliminating the results of the outer model above for all indicators in each variable, it has shown a loading factor value of >0.5 , which is still acceptable even though it

is not yet considered ideal for research in creating a measurement scale according to the statement (Ghozali & Latan, 2017).

Composite Reliability

Composite Reliability is used to assess the reliability of variable indicators. An indicator is considered reliable if the Composite Reliability value is more than 0.7.

Table 1. Composite Reliability Data

Variables	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Note
Entrepreneurial Orientation	0.848	0.864	Reliable
Business Model	0.875	0.886	Reliable
MSME Performance	0.923	0.929	Reliable

Source: Processed Data Results (2024)

Composite reliability results above show that the observed variables have an adequate level of reliability >0.7 , according to the statement (Ghozali & Latan, 2017).

Cronbach's Alpha

Cronbach's Alpha can strengthen composite reliability in reliability testing. Variables are considered to have good reliability if each variable has a Cronbach's Alpha value of more than 0.7.

Table 2. Cronbach's Alpha Data

Variables	Cronbach's Alpha	Note
Entrepreneurial Orientation	0.816	Reliable
Business Model	0.848	Reliable
MSME Performance	0.916	Reliable

Source: Processed Data Results (2024)

The Cronbach's alpha results above show that all research variables are considered reliable or credible because the Cronbach's alpha value is >0.7 in accordance with the statement (Ghozali & Latan, 2017).

Inner Model (Structural Model)

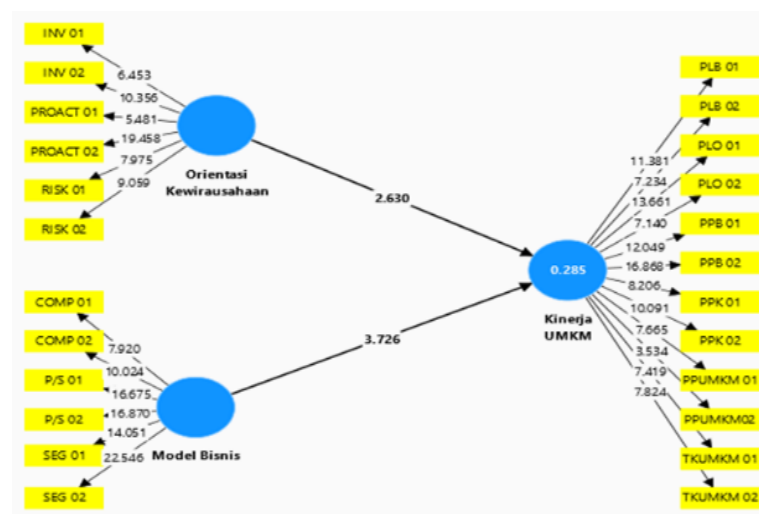


Figure 4. Inner Model Scheme

Coefficient of Determination/ R-Square (R^2)

The determination coefficient test (R-Square) in this study measures the extent to which the model can explain variations in the dependent variable. The R^2 value reflects the determination coefficient for the endogenous construct. R^2 values above 0.67 are considered "good," R^2 values between 0.33 and 0.67 are considered "moderate," and R^2 values below 0.33 to 0.19 are considered "weak."

Table 3. Data on Determination Coefficient/ R-Square (R^2)

Variables	R-Square	R-Square Adjusted
MSME Performance (Y)	0.285	0.270

Source: Processed Data Results (2024)

Based on the results of the Determination Coefficient/R-square (R^2) above, this study obtained the UMKM Performance variable (Y) of 0.285 or 28.5%, which means that the entrepreneurial orientation variable (X1) and Business Model (X2) of 28.5% are categorized as "weak." The remaining 71.5% are influenced by other variables not included in this study.

Goodness of Fit (GoF)

If the Standardized Root Mean Square Residual (SRMR) value in the PLS model is less than 0.10, then the model is considered to meet the good criteria (Goodness of Fit) and is considered perfect if the SRMR value is less than 0.08.

Table 4. Goodness of Fit (GoF) Data

	Saturated Model	Estimated Model
SRMR	0.094	0.094

Source: Processed Data Results (2024)

The Goodness of Fit (GoF) Data above, this study obtained an SRMR value on the saturated model of 0.094 and an SRMR value on the estimated model of 0.094. This SRMR value indicates that the fit model with the research hypothesis is considered to meet the criteria of a good model (Goodness of Fit) but cannot be declared perfect because the SRMR value is >0.08 according to the statement (Ghozali & Latan, 2017).

Hypothesis Testing

The assessment of the acceptance of the hypothesis in this study will be carried out by comparing the value of the one-tailed test t-table that has been set, which is 1.645, for a significance level of 0.05. The following are the results of the hypothesis testing that the researcher wants to achieve using the inner model:

Table 5. Data Results of T-Statistics and P-Values

Hypothesis	Influence	Original Sample	T-Statistics	P-Values	Results
H1	Entrepreneurship Orientation - > MSME Performance	0.236	2,630	0.004	Accept
H2	Business Model -> MSME Performance	0.396	3,726	0,000	Accept

Source: Processed Data Results (2024)

5. Discussion**Entrepreneurial orientation has a positive and significant effect on MSME performance.**

Based on the table of hypothesis testing results above, this study obtained the first hypothesis test (H1), namely Entrepreneurial Orientation on MSME Performance, with a positive Original Sample value, T-Statistics and P-Values, indicating that this study is positive and significant. This

finding proves that the first research hypothesis (H1) is accepted. The results of this test analysis are accepted because the T-Statistics value in H1 is greater than the T-table value for one-tailed significance and P-value. These results are in accordance with the statement (Ghozali & Latan, 2017). There are findings from the results of the data hypothesis research collected by the researcher, and the hypothesis is tested and analyzed using the Structural Equation Modeling (SEM) approach using the SmartPLS 4.0 application. Based on data processing with smartPLS 4.0, the results of the first hypothesis test indicate that the hypothesis is accepted. This result shows that Entrepreneurial Orientation has a positive and significant influence on MSME Performance. The higher the entrepreneurial orientation possessed by MSME actors, the better their business performance tends to be. This finding confirms the importance of entrepreneurial orientation in the development and management of MSMEs. Strong entrepreneurship helps MSMEs to be more adaptive to market changes, more innovative in products and services, and more courageous in taking new opportunities. These results also support policies and programs that encourage and develop entrepreneurial orientation in MSME actors. Training programs, mentoring, and access to resources that improve entrepreneurial skills can have a positive impact on business performance.

Business Model has a positive and significant effect on MSME Performance.

The Second Hypothesis (H2) is the Business Model on MSME Performance with a positive Original Sample value, t-statistic and p-values indicating that this study is positive and significant. This result proves that the second research hypothesis (H2) is accepted because the T-Statistics value in H2 is greater than the T-table value for one-tailed significance and P-value. These results are in accordance with the statement (Ghozali & Latan, 2017). There are findings from the results of the data hypothesis research collected by researchers, and the hypothesis is studied and tested using the Structural Equation Modeling (SEM) approach using the SmartPLS 4.0 application. Based on data processing with smartPLS 4.0, the results of the second hypothesis test show that the hypothesis is accepted. This finding shows that the Business Model has a positive and significant effect on MSME Performance. This finding means that the better the business model implemented by MSME actors, the more their business performance tends to increase. This finding shows a positive relationship between the business model and MSME performance. This fact emphasizes the importance of designing and implementing a strong business model to improve the performance of MSMEs. Elements such as market segmentation, value proposition, distribution channels, and cost structure are very important in determining the success of a business. These results support the importance of programs that help MSMEs design effective business models. Mentoring, business consulting, and training on business model development can have a significant positive impact. With a good business model, MSMEs have the potential to be more sustainable and can more easily develop their businesses. This result contributes to economic stability and faster business growth.

6. Conclusion

The findings of this study indicate that entrepreneurial orientation and business models significantly and positively impact the performance of MSMEs, particularly among customers of Bank Wakaf Mikro Pondok Karya Pembangunan (PKP). Key aspects of entrepreneurial orientation—such as innovation, risk-taking, and a proactive mindset—have been shown to enhance the adaptability and competitiveness of MSMEs in response to market dynamics. In addition, the implementation of an effective business model, which includes elements like market segmentation, value propositions, distribution channels, and a well-structured cost framework, can foster operational efficiency and ensure business sustainability.

The managerial implications of these findings highlight the necessity of providing entrepreneurial training, mentoring, and developing business models tailored to customer needs, all of which can bolster the sustainability and growth of MSMEs. Bank Wakaf Mikro PKP is well-positioned to play a strategic role by offering targeted coaching programs and financial products that support innovation and enhance the competitive advantage of MSMEs.

Recommendation

Drawing from this study, the following specific recommendations can be made for future researchers: integrate intensive training programs focused on entrepreneurial orientation and the development of adaptive business models for Bank Wakaf Mikro (BWM) customers. Additionally, future research could expand the sample size to include MSMEs from various sectors and take into account other factors such as organizational culture and market dynamics.

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