The Effect of Empowerment and Religiosity on the Performance of Mosque-assisted MSEs in Yogyakarta

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Abstract

MSEs have an important role in regional and national economic growth. However, the current performance of MSEs is not optimal due to the limitations they face. So there needs to be a deeper analysis of empowerment and religiosity in maximizing MSE performance. This research aims to analyze the influence of empowerment and religiosity on MSE performance. The data analysis method in this research uses Structural Equation Modeling (SEM) and is processed using Partial Least Square (PLS) analysis and Package for the Social Sciences (SPSS). The research sample used in this research was 137 MSEs assisted by mosques in Yogyakarta. The data used in this research is primary data, namely it comes from statements presented in the form of a questionnaire survey given to target respondents. The research results show that empowerment has an effect but is not significant on the performance of MSEs assisted by mosques in Yogyakarta. Meanwhile, religiosity has a significant effect on the performance of MSEs assisted by mosques in Yogyakarta.

Introduction

Micro and Small Enterprises (MSEs) play an important role in the economic, modern and social progress of a nation. This implies that MSEs contribute to increasing Gross Domestic Product (GDP) and are able to improve people's welfare. The contribution of MSEs in developed countries reaches 90%, becoming the largest contributor to state finances. According to the United States International Trade Commission (2012), the American economy also considers the presence of MSEs, which contribute half to 70% of the country's GDP through job creation and self-reliance. MSEs are considered a vital method for job creation and reducing economic disparities in developed countries.

Based on critical success factors proposed by Mabhungu et al, the success factors of MSE performance are owner/manager commitment, employee commitment, business planning, information management, revenue management, cost management, innovation, customer management, supplier management, competitor management, enterprise resource pool, compliance with regulations and financial resource management (Mabhungu & Van Der Poll, 2017). Very little research has been conducted in three decades to find the key factors that can prevent MSEs from failing (Abou-Stait, 2005; Anggadwita & Mustafid, 2014; Collett et al., 2014; Lampadarios, 2016; Moorthy et al., 2012; Ndiaye et al., 2018; Putra & Santoso, 2020; Wild, 2010) and there is still a gap on what factors contribute to the success of MSEs (Laitinen, 2011).

According to Moorthy et al (2012) who conducted research on MSEs in Malaysia using effective entrepreneurship variables, appropriate human resources, use of marketing, and application information as factors that affect MSE performance. Moorthy et al prove that these four factors have a positive and significant influence. In general, based on the results of
previous studies, it clearly illustrates that there is a research gap which is certainly a renewal in this study based on the variables, objects and methods used. This study adds the variable religiosity which is a differentiator from previous research.

There appears to be no research that directly convincingly assigns the meaning of success to MSEs, despite the fact that previous research outlines the importance of having valid measures of success (Ahmad, Wilson & Kummerow, 2011). It can be said that there is no agreement on the best measures of success to improve MSE performance. Referring to the results of research conducted in various countries, which have differences ranging from geographical, economic, and sociological conditions. So the determination of factors that can affect the performance of MSEs is in terms of information management as stated by Mabhungu & Van Der Poll (2017). Several experts have found that MSE empowerment has an impact on MSE performance. MSE empowerment becomes a collaborative process, empowerment places MSEs as competent actors or subjects, MSEs must see themselves as important agents who can influence change, the competence gained is obtained through empowerment (Adrian, 2019; Hermawati & Puji, 2019; Vandyani & Sumarni, 2022).

Empowerment is an effort made to provide skills and abilities or make it possible for each individual or group to develop more (Osmani, 2000). SME empowerment will encourage the realization of MSEs as an economic force that can improve people's welfare. Puji explained that the development of MSEs includes four stages, namely start-up, growth, expansion and going overseas. This four-stage MSE coaching system is a model of MSE development that is successfully implemented in Singapore (Puji Suci, 2013). Meanwhile, Indonesia does not yet have a comprehensive model that can be applied as a medium- and long-term MSE empowerment model to achieve optimal MSE performance. MSE empowerment will be more successful for MSEs that have confidence or self-confidence so that the program objectives will be achieved, and will ultimately improve MSE performance (Freeman, 1984; Hedegaard et al., 2017).

Another factor is religiosity. People are often judged by their level of religiosity. There is a strong correlation between religiosity and MSE performance. In the religious view religiosity is described as their level of knowledge, study, worship, and adherence to established rituals (Mansour & Diab, 2016; Mathras et al., 2016). Muslim religiosity can be measured by how deeply they believe and practice the principles of Islam. Religion is not only shown in the performance of religious rituals, but also in other activities motivated by belief in a higher power.

According to Agyei (2018), company performance can be influenced in several ways, namely by religious beliefs and company officials. There is a correlation between religious observance and successful performance of MSEs. Regions with a high religiosity index show more profitability and stability, according to research published in 2017 by Trigrunoh. The authors also found that religion has a stronger impact on society. Hilary et al (2008) found a positive relationship between individual religiosity and risk aversion. Researchers also found that countries located in companies with higher levels of religiosity had low-risk experiences and good business performance. Religious individuals have a low level of bankruptcy risk and religion has a strong influence on financial decisions and business performance (Hari Adi & Adawiyah, 2018; Ibor et al., 2017; Mohd Elias et al., 2018; Zainal et al., 2014).

Based on the background description, there is a research gap in the factors of improving MSE performance. The focus of this research is mosque-assisted MSEs in Yogyakarta. Based on the regional fiscal study of D.I Yogyakarta Quarter I Year 2022, the contribution of MSEs to the DIY economy is 79.6 percent of the DIY Gross Regional Domestic Product (GRDP). The
The number of MSEs grew by an average of 8.45 percent per year, while the total turnover grew by an average of 1.37 percent per year. In terms of employment, MSEs have a share of 23-25 percent in absorbing the labor force (Kemenkeu, 2022).

**Methods**

This research was conducted using the Theory Of Planned Behavior (TPB) model approach to analyze the intention of mosque-assisted MSEs in Yogyakarta, various statements that represent the construction of variables in the model will be formed according to the needs of this study and the arrangement of answers provided is made in the form of a numerical scale, so that the data generated from the respondents' answers will be analyzed quantitatively with the help of statistical analysis techniques.

This research uses a step-by-step methodical approach to data collection and analysis to answer the research questions given at the beginning of the paper. Nonetheless, a survey designed to fulfill the research variables found in the TPB theoretical model is the most common data collection method. This research is also designed to provide key variables for the construction of the TPB model using the same methodology.

While the sample in this study was determined using a non-probabilistic selection technique known as purposive sampling, often known as "sampling of opinions," where samples are taken from the population that has the above characteristics. As for the number of samples, this study uses the "10-times rule" method or also called the minimum R-squared method or the coefficient of determination, because it uses the minimum R2 in the model which is determined based on the maximum number of arrows pointing to the construct variable. Based on this method, to produce a statistical power of 80% and a significance level of 5% with 4 arrows pointing to the construct variable, this study requires 33 to 137 samples with the lowest R2 value at 0.01.

**Results and Discussion**

**Model Analysis**

SEM model analysis is divided into two stages, namely measurement model analysis aims to determine how strong the manifest variables describe each exogenous and endogenous latent variable. Furthermore, structural model analysis aims to determine the relationship between exogenous and endogenous variables.

**Validity Test Based on Loading Factor**

Variable indicators with a loading factor value greater than 0.50 have a high degree of validity, so they meet convergent calidity. Meanwhile, variable indicators with a value of less than 0.50 have a low level of validity, so variable indicators must be eliminated or removed from the model (Ghozali & Latan, 2015). Based on the analysis results displayed in table 1, the indicator values of all variables are above 0.50, so they have been declared valid.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Code</th>
<th>Empowerment</th>
<th>Religiosity</th>
<th>MSE Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment</td>
<td>X3.1</td>
<td>0.709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td>X3.2</td>
<td>0.737</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td>X3.3</td>
<td>0.627</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td>X3.4</td>
<td>0.746</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td>X3.5</td>
<td>0.777</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td>X3.6</td>
<td>0.728</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Validity Test Based on Average Variance Extracted (AVE)**

Based on Average Variance Extracted (AVE) The requirement to determine a good model is that the AVE of each construct must be higher than 0.50. Based on table 1. the AVE values of the empowerment, religiosity, and MSE performance variables are 0.556; 0.523, and 0.440, respectively, which indicates that the MSE performance variable has not fulfilled the evaluation because the AVE coefficient value <0.50. *Average Variance Extracted (AVE)* is higher than 0.5 but can accept 0.4. Because Fornell and Larcker said that if the AVE is less than 0.5, but the composite reliability is higher than 0.6, the convergent validity of the construct is still adequate (Hair et al., 2009; Lam, 2012).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment</td>
<td>0.556</td>
</tr>
<tr>
<td>Religiosity</td>
<td>0.523</td>
</tr>
<tr>
<td>MSE Performance</td>
<td>0.440</td>
</tr>
</tbody>
</table>

**Discriminant Validity Test**

Discriminant validity testing can be seen using the cross-loading value. Based on the analysis results displayed in table 3, the cross-loading value has met discriminant validity. Because, the correlation between latent variables and their indicators is higher than with other block latent variables.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Empowerment</th>
<th>Religiosity</th>
<th>MSE Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>X3_01</td>
<td>0.709</td>
<td>0.495</td>
<td>0.563</td>
</tr>
<tr>
<td>X3_02</td>
<td>0.737</td>
<td>0.461</td>
<td>0.461</td>
</tr>
<tr>
<td>X3_03</td>
<td>0.627</td>
<td>0.409</td>
<td>0.416</td>
</tr>
<tr>
<td>X3_04</td>
<td>0.746</td>
<td>0.532</td>
<td>0.605</td>
</tr>
</tbody>
</table>
Reliability Test

In addition to testing construct validity, reliability testing is also carried out using Cronbach's alpha and composite reliability criteria. Variables can be said to be reliable if the Cronbach's alpha value with composite reliability is above 0.6 (Hair et al, 2014). Based on table 4, all variables have a value greater than 0.6. So, it can be concluded that all variables used are reliable.

R-Square Result

Structural model testing is done using the R-Square value which is a goodness-fit model test. The results of the R-Square analysis can be seen in Table 4, where the R-Square value is 0.649 or 64.9%, meaning that the variability of the MSE Performance construct can be explained by the variability of empowerment, and religiosity by 64.9% while 35.1% is explained by other variables outside the model that are not studied.

### Table 4. Reliability Test Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment</td>
<td>0.899</td>
<td>0.918</td>
</tr>
<tr>
<td>Religiosity</td>
<td>0.884</td>
<td>0.907</td>
</tr>
<tr>
<td>MSE Performance</td>
<td>0.816</td>
<td>0.862</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variables</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSE Performance</td>
<td>0.649</td>
<td>0.638</td>
</tr>
</tbody>
</table>
Hypothesis Testing

This test is conducted to test the hypothesis of the influence of the independent variable on the dependent variable. The test results can be seen in table 6.

Table 6. Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Independent Variable -&gt; Dependent Variable</th>
<th>Original Sample</th>
<th>Sample Mean</th>
<th>Standard Deviation</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment -&gt; MSE Performance</td>
<td>0.201</td>
<td>0.220</td>
<td>0.155</td>
<td>1.299</td>
<td>0.196</td>
</tr>
<tr>
<td>Religiosity -&gt; MSE Performance</td>
<td>0.351</td>
<td>0.310</td>
<td>0.118</td>
<td>2.969</td>
<td>0.004</td>
</tr>
</tbody>
</table>

Effect of Empowerment on MSE Performance

The third hypothesis that tests the effect of empowerment on MSE performance shows a parameter coefficient value of 0.201, which means that there is a positive effect of empowerment on MSE performance. Then, the \( P \)-value of the identified empowerment variable is greater than 0.05, so empowerment does not have a significant effect on MSE performance, meaning that \( H_3 \) is rejected.

Based on the results of respondents' answers regarding empowerment, the respondents chose quite agree as many as 85 respondents out of 137, there are indicators of enabling MSEs that have not maximally participated in the programs implemented. In the empowering indicator, respondents gave quite agreeing answers that the empowerment of mosque-assisted MSEs was still not maximizing marketing and promotion facilities. The respondent's protecting indicator gave quite agreeing answers, the assistance provided by the mosque-assisted MSE management was still not optimal.

The results of this study are in line with research conducted by (Kusuma & Noor, 2023). Empowerment of mosque-assisted MSEs in Yogyakarta has not been fully maximized. Low education is the cause of MSE actors not understanding the importance of empowerment for the sustainability of their business. Therefore, MSE actors have difficulty in marketing due to limited information about market changes and opportunities. Human resource skills are still low, the technology used is still low which is characterized by the equipment used is still traditional and difficulties in bookkeeping administration.

Whereas empowering MSEs becomes a collaborative process, empowerment places MSEs as competent actors or subjects, MSEs must see themselves as important agents who can influence change, competence is acquired or sharpened through experience. The mosque-assisted MSE empowerment program must be able to solve the problems faced by MSEs. Therefore, the problem-solving process must of course be based on accurate data, so that the facilitation / program that is carried out is right / according to the needs, thus the mosque-assisted MSE management can achieve the expected goals and objectives effectively and efficiently.

Effect of Religiosity on MSE Performance

The fourth hypothesis that tests the effect of religiosity on MSE performance shows a parameter coefficient value of 0.351, which means that there is a positive effect of religiosity on MSE performance. Then, the \( P \)-value of the identified religiosity variable is smaller than 0.05, so religiosity has a significant effect on MSE performance, meaning that \( H_4 \) is accepted.

The results of this study are in line with research conducted by (Hari Adi & Adawiyah, 2018; Ibor et al., 2017; Mohd Elias et al., 2018). Preserving the environment while doing business is a form of worship in Islam. Mosque-assisted MSEs in Yogyakarta believe that life is not just one time. Everything that is done will be held accountable. Running a business by having ethical standards of behavior, namely piety, kindness, friendliness and trustworthiness.
Keeping God in mind in their business activities, so that in carrying out business activities MSEs will avoid bad traits such as cheating, lying, and deceiving buyers. Piety with a level of faith and solely seeking the pleasure of Allah.

A superior human being is a human being who is pious to Allah will run a business by bringing balance in his life, balanced in terms of the world and the hereafter. Islam, through the Prophet, teaches how business should be done. Starting from the ethics of doing business to the use of the property obtained. The business activities carried out by the Prophet Muhammad were based on noble morals with honesty and good speech (Aco & Endang, 2017).

The religiosity activities that are carried out regularly every day before work are considered an obligation and a call from the heart as a fulfillment of needs, the purpose of working to get material (money) is not worship. In general, high religiosity will improve the performance of mosque-assisted MSEs. Religiosity has been applied by the perpetrators of mosque-assisted MSEs, carried out in carrying out recommendations as religious people, as well as to carry out activities in their work. In this case, the mosque-assisted MSEs understand religiosity as an activity that is vertical, namely between humans and their God. They fully understand that religiosity is not just worship to God, but can also be applied in everyday life such as work. Religiosity is fully applied in running a business and is the main reference for improving performance.

The practical implications of the discriminant validity findings from this research highlight several important things in supporting the development of Micro, Small and Medium Enterprises (MSMEs) assisted by mosques. First, a deep understanding of the concept of empowerment and its implementation is required. The findings show that the empowerment program carried out has not been fully utilized by MSME actors, possibly due to a lack of understanding of its benefits. Therefore, a holistic and data-based approach is needed in designing empowerment programs to better suit the needs of MSMEs. Second, the importance of moral integrity and business ethics in driving MSME performance. The findings confirm that religiosity has a significant positive influence on the performance of MSMEs, indicating that religious principles such as honesty, kindness and trust can help in managing businesses well. Therefore, combining business ethics with religious teachings can be an effective strategy in improving the performance of MSMEs in a sustainable manner. Thus, an approach that combines an understanding of empowerment, moral integrity and religious principles can be a strong foundation in supporting the sustainable development of MSMEs and providing a positive impact on society at large.

Conclusion

Based on the results of research analysis and discussion that has been carried out in the previous chapter, the conclusion that can be drawn from the effect of empowerment and religiosity on the performance of mosque-assisted MSEs in Yogyakarta is that empowerment has an effect but is not significant on MSE performance. This means that empowerment contributes but is not significant in improving the performance of mosque-assisted MSEs in Yogyakarta. Religiosity has a positive and significant effect on MSE performance. The stronger the level of religiosity in MSE actors, the more the performance of mosque-assisted MSEs in Yogyakarta will increase.

References


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