

## The Effect of Entrepreneurship Competence and Islamic Business Ethics On The Performance of Micro and Small Enterprises (MSEs) Makassar

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### Abstract

*The objective of this study is to (1) investigate the effect of entrepreneurial skills on the performance of micro and small enterprises (MSEs) in Makassar and (2) explore the implications of Islamic business ethics on the performance of MSEs in Makassar. The primary data were collected using questionnaires and multiple regression analysis. The population of this study were all participants of MSEs in Pasar Cidu, Makassar, and the sample used in this study consisted of 40 representatives. The data obtained were analyzed by IBM SPSS Statistics 26. The results of this study indicate that (1) several business skills have a significant influence on the performance of SMEs, (2) some Islamic business ethics have a significant influence, and (3) both variables concurrently have a significant impact on the performance of SMEs in small and medium enterprises. So far, research findings suggest that entrepreneurial competence and Islamic business ethics strongly influence the performance of SMEs in Makassar. The significance of this study is that it shows that entrepreneurial ability substantially impacts SME participants' performance. Likewise, Islamic business ethics influence consumers in making a purchase decision.*

**Keywords :** Entrepreneurship Competence; Islamic Business Ethic; Micro and Small Enterprises (MSEs);

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### 1. INTRODUCTION

Schumpeter put forward one of the theories of economic growth. It is one of the twentieth century's most exciting and influential theories, renowned for its brilliant and unorthodox insights into the nature of capitalism. The Theory of Economic Development is one of Schumpeter's most essential books and the one for which he is famous. Schumpeter asked a fundamental question: Why does economic development proceed cyclically rather than evenly? Reverse the prevailing economic theory. Schumpeter argued that the economy is constantly being changed by its internal forces (Schumpeter, 1934)

This internal strength is the same as the "circular flow" of economic life, economic development characterized by innovation. Ultimately, what drives capitalism in the economy includes credit, profits, and interest. All are embodied in the "business cycle," one of Schumpeter's significant contributions to understanding economics and an enduring feature of

nearly all economics and business curricula. Schumpeter, the first economist to place entrepreneurship at the heart of capitalism, anticipated the subsequent fascination with entrepreneurship in popular business and management. Schumpeter also laid the foundation for his highly influential ideas about the 'creative destruction' characteristic of radical and rapid economic change (Schumpeter, 1934)

Entrepreneurs have become the driving wheel of a country's economic development, as stated by Schumpeter in his book "The Theory of Economic Development." Economic development is an innovative process by innovators (entrepreneurs/entrepreneurs). The number of entrepreneurs in Indonesia is still low, not even reaching 4%. If a country is to be called a developed country, the number of entrepreneurs must be at least 5% of the total population (Prayoga & Fadjar, 2021).

According to the Ministry of Cooperatives and SMEs, the proportion of new entrepreneurs in

Indonesia is approximately 3.47% of Indonesia's total population, or about 270 million people. The number of entrepreneurs in Indonesia in 2020 increased by around 70.72% of the total productive age population compared to the people of non-productive ages, which accounted for only 29.28% of the total population (Kementerian Koperasi dan UKM, 2021). The percentage results were based on the number of productive and non-productive resident entrepreneurs between 2017 and 2019 (Statistik, 2019), which was processed in 2021.

Business performance refers to how an organization's or company's measure of success aligns with the established vision, mission, and strategic plans. Working means that employees can produce work results that meet the performance standards set by their organization and perform well (Katmas et al., 2022). In addition, contextual factors include the impact of work culture, management, human resources, organization, social environment, provision of facilities and infrastructure, and organizational rules (Nursam, 2017).

Based on the analysis of the prior general phenomena, it was discovered that there was a unique phenomenon in SME actors. Based on the preliminary survey that has been carried out, SMEs are a form of economic development in an area. However, many MSEs do not keep financial transactions, demonstrating that implementing Islamic business ethics in taking Responsibility for one's work is relatively modest when carried out by MSE actors (Arif Rahmat, 2017).

Islamic business ethics, part of entrepreneurial competence, is the main factor in determining whether someone managing a business will perform well. This ability is seen from sources of Knowledge such as having the ability to digest information, techniques, and facts, not only a source of Knowledge that someone must possess but also the existence of skills or expertise such as skills in completing tasks properly and correctly. It is essential to achieve more complex behaviors and talents that must be possessed by a person so that he can potentially (Utami & Mulyaningsih, 2018). Based on the explanation, the author investigates MSEs further because there are three aspect variables: entrepreneurial competence, Sharia business ethics, and the performance of micro and small business actors. If a standard of business ethics in a company is upheld in one's company, it is

legitimate to remark that this person has successfully built a business.

The legitimacy theory is a company management system focused on standing with society, the government, individuals, and community groups. This also follows (Saputra, 2020b), who explains that it typically pertains to complying with the standards that apply to the corporate environment in which they operate (Tampubolon, 2020). The theoretical basis used in this study is the social contract. The theory of legitimacy is based on the social contract of the relationship between companies, the relationship between business actors, and the formation of a relationship with the community in which the company runs and can utilize economic resources (Saputra, 2020a). The legitimacy theory in this study is discussed and explained with the relationship between entrepreneurial competence and Islamic business ethics variables on the performance variables of MSE actors.

The legitimacy theory discusses the relationship between the influence of entrepreneurial Ability and Islamic business ethics on the performance of MSE actors in buying and selling using the resources obtained in food production and the community's desire to purchase these products.

#### a. Entrepreneurial Competence Theory

Entrepreneurial competence comes from the general concept of entrepreneurship (Entrepreneurship). Richard Castillon first put forward the term entrepreneurship in 1755. The term entrepreneurship began to be known abroad in the 16th century, while it became known in Indonesia at the end of the 20th century. Entrepreneurship education started in the 1950s and was carried out in Europe, the United States, Canada, and other countries. Since the 1970s, many universities have taught what entrepreneurship or small business management is. In the 1980s, nearly 500 schools in the United States offered entrepreneurship education. Entrepreneurship learning in Indonesia is still limited to the level of education in schools or colleges. Entrepreneurship education can teach how developments and challenges exist in entrepreneurship, such as the economic crisis, and can increase understanding of entrepreneurship through formal education and training at all levels of society so that entrepreneurship is growing (Cantillon, 2017)

Entrepreneurship describes a person's belief in changing the world through ideas and innovation. This belief is then accompanied by taking risks and realizing ideas and innovations through the organization founded by Richard Cantillon, starting from building, maintaining, and developing them to have a tangible impact on the world. Creativity is an effort to foster innovation to produce something new, not only to make an innovation but to have added value in building entrepreneurship, one of which is to provide benefits, create jobs, and have value benefits for others. Entrepreneurial competence is one of the innovations in entrepreneurship (Bordo & Murphy, 1989)

The first basic theory that supports this research is the theory of entrepreneurial competence. Competence is an individual's ability to carry out the demanded and required tasks. Competence is also defined as an individual's abilities, talents, behavior (attitudes), personality traits, and Knowledge obtained directly and from experience. Entrepreneurial competence refers to the interrelationships between people's Knowledge, attitudes, and skills (Pasaribu & Damanik, 2017).

b. Islamic Business Ethics Theory

The second theory is the theory of Islamic business ethics, which asserts that business ethics encompass a variety of concepts, including those linked to protocols, rules, and norms in running a business. Islam encourages always pursuing Allah SWT's pleasure in conducting business. In addition, the business tries to instill a feeling of Responsibility, seek the pleasure of Allah SWT, and maintain social relations with the community. Business embodies both short-term and long-term business. Meanwhile, the standard operating procedure in running a business corporation serves as a guide and order, set as expectations in running a business (Fajrillah et.al, 2020).

There are 4 principles in Islamic business ethics:

1) Unity (Tawhid)

The concept of unity adheres to several ideas, namely, the relationship between religions and the attachment between the economic and social in creating unity. To generate business activities carried out by employers, several things need to be considered, including not

discriminating against workers, having good relationships between buyers and other work partners, and not taking actions outside the norm in running a business, such as hoarding wealth or being greedy (Bakhri et al., 2018).

2) Balance (Justice/Equilibrium)

In this concept of balance, Islamic teachings create characteristics that are owned by every human being, such as having fair and balanced attitudes and behavior in human and individual relationships, human and community relations, and human relations with the environment (Rice, 1999). Around. Balance in society can create social welfare in the development of human potential. At the same time, Islam also teaches us to avoid crimes, abnormality, and indifference to the rights of others (Amalia, 2014).

3) Free Will (Ikhtiyar / Free Will)

Complete freedom that every individual has to carry out business activities. The world of the human economy is free to implement the existing rules in Islam, and humans are free to do business except for prohibited things. The economy in Islam is prohibited from dealing with usury and injustice. Still, the freedom possessed by humans is not absolute but is a freedom that has the value of justice and a sense of Responsibility (Siti Amelia et al., 2022).

4) Responsibility

The concept of accountability is that humans must dare to be responsible for what they choose and take Responsibility for their choices before humans and God someday (Ermansyah, 2022). There is a sense of Responsibility for the freedom that business people have obtained for all activities that have been carried out, whether it is accountability when business people make transactions, sell goods, produce goods, buy and sell and enter into agreements (Bakhri et al., 2018).

**2. RESEARCH METHODOLOGY**

This study employs quantitative descriptive research methods. The survey was carried out between July and August 2022, and the investigation was conducted during evening opening hours at Pasar Cidu Kota Makassar. The population used is all SME

actors, selected using a sampling technique called saturated sampling. The people of the research consisted of 40 respondents.

The data analysis method used in this study was multiple regression analysis using SPSS Statistics 26. To detect the normality of data and the presence or absence of multicollinearity and heteroscedasticity in the study, the conventional assumption must pass the test before assessing the hypothesis using a multiple linear regression test. The causal hypothesis test used R<sup>2</sup>, partial test, and simultaneous test.

Hypothesis is a temporary assumption requiring evidence of the correctness of the problem statement presented as a question sentence in research (Sukron, 2019). Based on the theoretical review above and previous research studies on the earlier points, the hypothesis in this study is as follows:

**a. The Effect of Entrepreneurial Competence on MSE Performance**

Entrepreneurial competence explains that entrepreneurial competence is the attitude and skills possessed by an individual so that it creates relationships with each other that are needed by entrepreneurs who will be trained and developed so that they can produce the best performance in managing their business so that it is in line with what is the target market (Mawu et al., 2016). This is in line with the research conducted by Sulistianingsih (2020) regarding the effect of entrepreneurial competence and entrepreneurial orientation on business performance (a study of Lembang vegetable center business actors). The research results stated the variables of entrepreneurial competence and orientation on business performance in Palembang vegetable center business actors. Based on the results of previous research, the hypothesis developed in this study is:

**H1: Entrepreneurial competence is suspected to significantly affect actors' performance in small micro enterprises (MSEs) in Makassar City.**

**b. The Effect of Islamic Business Ethics on MSE Performance**

Islamic business ethics explains that the behavior and attitudes of an individual are based on Sharia, which is referred to as Sharia boundaries. In line with the research conducted by (Katmas et al., 2022) in his study on the influence of Islamic business ethics on the performance of

Micro, Small, and Medium Enterprises with the results of research conducted by previous studies above, the hypothesis will be developed in this study are:

**H2: Islamic business ethics is suspected to significantly affect the performance of small micro enterprises (MSEs) in Makassar City.**

**c. The Effect of Entrepreneurial Competence and Islamic Business Ethics on MSE Business Performance.**

Explaining the effect of entrepreneurial competence has a very positive contribution to the performance of MSEs. The existence of entrepreneurial competence will sharpen the abilities possessed by a person to produce an excellent performance for the success of the business being run (Ziana Asyifa, Muhammad Rakib, 2015). In line with that, research explains that Islamic business ethics also positively influence the performance of MSEs. This influence is seen in monotheism, Responsibility, honesty, and balance (Katmas et al., 2022). In line with the research conducted by previous researchers, the researcher proposes the H3 hypothesis as follows:

**H3: It is suspected that entrepreneurial competence and Islamic business ethics significantly influence the performance of small micro enterprises (MSEs) in Makassar City.**

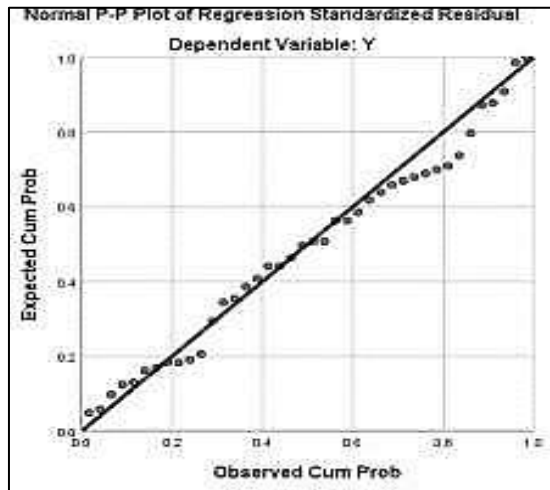
**3. RESULT AND DISCUSSION**

Data analysis was conducted using Microsoft Excel and SPSS Statistics 26 to make obtaining results that explain the variables in this study easier.

**3.1. Classic Assumption Test**

**3.1.1. Normality Test**

The normality test aims to test whether, in the regression model, the independent variables or both have a normal distribution or not. The data is generally distributed using the P-Plot Regression Standardized Residual and histogram with a sig level of  $> 0.05$  (Ghozali, 2018). The P-Plot Regression Standardized Residual and histogram can be seen in the following graphic :

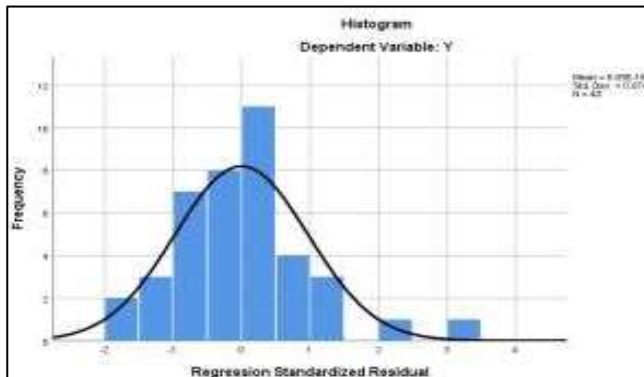


Graphic.1

**P-Plot Regression Standardized Residual**

Source: Primary data by SPSS, 2022

The above image shows that in the regular graph, the points spread diagonally, and the scatterplot is along the diagonal. This plot shows that the regression method is plausible due to the normality assumption.



Graphic.2

**P-Plot Regression Standardized Residual**

Source: Primary data by SPSS, 2022

Based on the picture above, it can be concluded that the assumption of the normality test is met or normal because the histogram image above is not skewed left to the right and appears normal.

**3.1.2. Kolmogrov-Smirnov Test**

Tabel.1: Kolmogrov-Smirnov Test

		Unstandardize d Residual
N		40
Normal Parameters <sup>a,b</sup>	Mean	0.0000000
	Srd.Deviation	1,65682984
Most Extreme Differences	Absolute	0,111
	Positive	0,111
	Negative	-0,044
Test Statistic		0,111
Asymp. Sig. (2-tailed)		0.200

- Test distribution is Normal.
- It is calculated from data.
- Lilliefors Significance Correction.
- This is a lower bound of the true significance.

Source: Primary data by SPSS, 2022

Table 1.3 shows the significant value of Asymp. Sig (two-sided) is 0.200, with  $> 0.05$ . Thus, the data obtained are typically distributed based on the test results.

**3.1.3. Multicollinearity Test**

The multicollinearity test aims to test whether the correlation between the independent variables or the independent variables determines the regression model. The multicollinearity test in this study uses the performance basis of MSE actors. Suppose the Variance Inflation Factor (VIF) value is not more than 10 and the Tolerance value is not less than 0.10. In that case, the model can be limited to multicollinearity (Ghozali, 2018).

Table.2  
Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Entrepreneurship Competence	0,440	2,273
Islamic Business Ethics	0,440	2,273

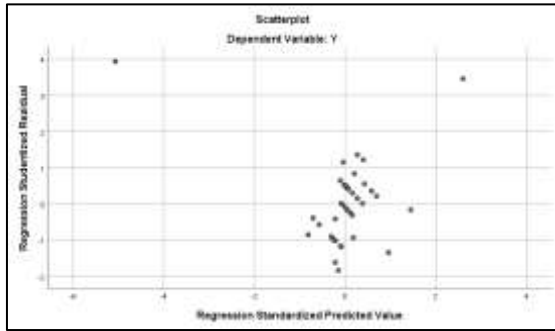
Source: Primary data by SPSS, 2022

Table 2 shows the results of the multicollinearity test. It can be seen that the entrepreneurial competence value of VIF is  $2.273 < 10$ , and tolerance is  $0.440 > 0.1$ . In Islamic business ethics, the value of VIF is  $2.273 < 10$ , and patience is  $0.440 > 0.1$ . these results explain the absence of an independent variable or multicollinearity, as seen from the results for VIF and a tolerance of 0.1 for the independent Variable.

**3.1.4. Heteroscedasticity Test**

The heteroscedasticity test is used to determine whether there is an inequality of variance from the residuals in the regression model and conditions that must be met in the regression model without symptoms of heteroscedasticity (Ghozali, 2018). The detection of heteroscedasticity is tested starting with the scatterplot based on analysis. There is no heteroscedasticity if there is no clear pattern, such as the dots spreading above and below the number 0 on

the Y axis. Below is a heteroscedasticity test using a scatterplot graph.



**Graphic.3**

Scatterplot graph Result (Heteroscedasticity Test)

Source: Primary data by SPSS, 2022

The scatterplot shows that the plot does not form a clear pattern and spreads randomly above and below

the number 0 on the Y-axis. There is no heteroscedasticity, which means that the regression model is suitable for predicting entrepreneurial competency and Islamic business ethics on the performance of MSE actors. The scatterplot shown above explains that there are no symptoms of heteroscedasticity because points do not form lines or patterns or, to put it in another way, spread randomly.

### 3.2. Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the pattern of relationship between the independent variables (entrepreneurship competence and Islamic business ethics) and the dependent Variable (the performance of MSE actors) (Sugiyono, 2017). Multiple linear regression analysis can be seen in the following table:

**Table 2: Multiple Linear Regression Test**

Modal		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	5,094	2,593		1,964	0,0
	Entrepreneurship Competence	0,540	0,099	0,663	5,463	0,000
	Islamic Business Ethics	0,268	0,037	0,037	7,768	0,000

Source: Primary data processed with SPSS, 2022

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

$$Y = 5,094 + 0,540X_1 + 0,286X_2 + \varepsilon$$

Description:

- The constant of 5.094 means that when the entrepreneurial competence and Islamic business ethics are 0 (zero), the performance of MSE actors is 5.094.
- The coefficient of entrepreneurial competence is 0.540. It means that there is an increase in entrepreneurial competence by one unit. Thus, the performance of MSE actors will increase by 0.540 with a fixed value.
- The coefficient of entrepreneurial competence is 0.286, meaning there is an increase in Islamic business ethics by one unit, so the performance of MSE actors will increase by 0.286 with a fixed value.

### 3.3. Hypothesis Testing

Testing the hypothesis in this study uses 2 tests, namely a partial test and a simultaneous test. A partial test is used to determine the effect of the independent Variable on the dependent Variable. In comparison, the simultaneous test is used to test the ability to influence randomly simultaneously between the independent variables and the dependent Variable (Ghozali, 2018).

#### 3.3.1. T-test (Partial Test)

A partial test is used to determine the partial effect of the independent Variable on the dependent Variable. This test compares the probability value or p-value (sig-t) with a significant level of 0.05. If the p-value is less than 0.05, H1 is accepted, and vice versa. If the p-value is more significant than 0.05, then H1 is rejected (Ghozali, 2018). H1 is an alternative research hypothesis, which states that there is a relationship, influence, and difference between two or more variables.

**Table 3: T-test (Partial Test)**

Modal		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	5,094	2,593		1,964	0,057
	Entrepreneurship Competence	0,540	0,099	0,663	5,463	0,000
	Islamic Business Ethics	0,268	0,037	0,037	7,768	0,000

Source: Primary data processed with SPSS, 2022

Table 1.6 indicates that the partial test results have a positive effect with the value of entrepreneurial competence of  $5.463 > 1.687$ . For Islamic business ethics, the result is  $7.768 > 1.687$  with a significant level value of  $0.000 < 0.05$ . Thus, the variables of entrepreneurial competence and Islamic business ethics have a positive effect on the performance of MSEs

### 3.3.2. F-test (Simultaneous Test)

The simultaneous or F test is a statistical test used to assess whether the regression test carried out has a significant effect. If the f count is more excellent than the f table, then the regression test is substantial (Ghozali, 2018).

**Table 4: F-test (Simultaneous Test)**

	Model	Sum of Square	df	Mean Square	F	Sig.
	1 Regression	180.042	2	90.021	31.112	0.000
	Residual	107.058	37	2.893		
	Total	287.100	39			
a	Dependent Variable: performance of MSE					
b	Predictors: Islamic Business Ethics, Entrepreneurship Competence					

Source: Primary data processed with SPSS, 2022

Table 4 reveals that  $f_{\text{count}} 31.112 > f_{\text{table}} 3.25$ , with a probability of  $0.000 < 0.05$  with the resulting positive value. These indicate that the variables of entrepreneurial competence and Islamic business ethics have a favorable and significant effect on the performance of MSE actors based on the simultaneous test. Therefore, H3 is accepted.

### 3.4. Determinant Coefficient Test ( $R^2$ )

The determinant coefficient test ( $R^2$ ) measures how far the model can explain variations in the dependent Variable (Rukajat, 2018). In this study, the coefficient of determination uses the adjusted  $R^2$  value.

**Table 5: Determinant Coefficient Test ( $R^2$ )**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.792	.627	.607	1.701

a. Predictors: (constant) Islamic Business Ethics, Entrepreneurship Competence

b. Dependent Variable: performance of MSE

Source: Primary data processed with SPSS, 2022

The  $R^2$  test shows a value of 0.607, which means the influence of the performance of MSE actors in Pasar Cidu Kota Makassar. Independent variables influenced 60.7%, while other variables influenced 39.3%. The study's results indicate an influence of entrepreneurial competence on the performance of MSEs in Pasar Cidu Kota Makassar. The results of hypothesis testing can be validated and approved. The previous discussion explained that the leading theory used in this study is the theory of legitimacy.

Based on the survey results, Islamic business ethics impact the performance of MSEs in Pasar Cidu Makassar. The results of hypothesis testing in this study also prove or accept the proposed hypothesis. To sum up, the research results show that Islamic business ethics in terms of Responsibility, monotheism, balance (fairness), and honesty significantly influence the performance of SME actors.

Furthermore, the survey results also show that entrepreneurial competence and Islamic business ethics significantly affect the performance of MSEs in the Cidu Market. This study confirms the findings made by (Rifantama & Suryaningrum, 2022) and (Ziana Asyifa, Muhammad Rakib, 2015). The results of this study reveal that entrepreneurial competence and Islamic business ethics are pivotal to the business performance of MSEs.

This study conducted observations of this Variable for the influence of entrepreneurial competence and Islamic business ethics on the performance of MSE actors in Cidu Market, Makassar City. The discussion of research results is presented as follows:

### 3.4.1. The Effect of Entrepreneurial Competence on the Performance of MSEs in Makassar City.

Based on the results of testing the hypothesis in the partial test section (t-test), entrepreneurial competence influences the performance of MSE actors in Cidu Market, Makassar City. The results of testing the proposed hypothesis can be proven and accepted. In the previous discussion, it has been

explained that the leading theory in this study uses the legitimacy theory.

One of the arguments put forward by Tampubolon (Tampubolon, 2020) regarding legitimacy theory says that companies continue to work hard to ensure that they operate within the norms that exist in the corporate environment that they use so that the outside world perceives their activities. One of the variables of this research is entrepreneurial competence. As for the analysis above, it generally shows that when business actors are competent, they can improve the performance of MSE actors.

Entrepreneurial competence is the belief that a person has in running a business and being able to face risks. Entrepreneurial competence is also one of the abilities possessed by a person to be able to connect the Knowledge, attitudes, and skills of each individual and the relationship between them (Mawu et al., 2016). There is a relationship between the attitudes and abilities of an entrepreneur that needs to be developed by taking into account important aspects of entrepreneurial competence. The following are essential aspects that need attention, namely:

- a. Entrepreneurial competence is related to all individual characteristics related to performance in specific jobs.

Based on observations on the essential aspects of entrepreneurship in the Cidu Market, the number of workers for each business actor generally consists of 2 people. There are as many as 2 employees who can carry out their duties efficiently and effectively, run their business, and overcome problems.

- b. Observable and measurable competence is seen in individual behavior.

Based on observations on the essential aspects of entrepreneurship in the Cidu Market. In general, the turnover of business actors in the Cidu Market has increased to Rp. 400,000 – Rp. 800,000 per day. The increased turnover in business actors in the Cidu Market, such as food traders, dominated the increase compared to beverage traders because most consumers in Pasar Cidu are likely to buy food rather than drinks.

- c. an ability to contribute to the achievement of goals and objectives

Based on observations on essential aspects of entrepreneurship in the Cidu Market. In general, the achievement of targets for each business actor can be achieved. Achieving marks

for each business actor can achieve more than the desired daily target.

- d. Capability becomes a developed organizational resource.

Based on observations on essential aspects of entrepreneurship in the Cidu Market. In general, the Knowledge possessed by each worker can help manage the business well. The greater the task at work, the greater the sense of Responsibility received. The ability to solve problems that occur in work can be resolved together.

This research is supported by Rifantama's study (Rifantama & Suryaningrum, 2022), which stated that the better the entrepreneurial competence each individual possesses in running a business, the more business performance will increase. The study results show that entrepreneurial competence significantly affects the business performance of MSEs. This existence of the abilities and skills an individual possesses so that they can make the right decisions is more relevant to improving the performance of small businesses.

The conclusion on entrepreneurial competence includes skills, Knowledge, and competence in seeing every opportunity. This ability can improve the performance of small businesses if decisions are made and their skills and Knowledge are improved.

#### **3.4.2. The Effect of Islamic Business Ethics on the Performance of MSEs in Makassar City.**

Based on the results of testing the hypothesis with the partial test (t-test), it can be seen that Islamic business ethics influence the performance of MSEs in Cidu Market, Makassar City. The results of testing the hypothesis in this study prove or accept the proposed hypothesis. The research results above generally show that Islamic business ethics, when viewed from the perspectives of Responsibility, monotheism, balance (fairness), and honesty, significantly influence the performance of business actors.

#### **4. CONCLUSION**

The following conclusions can be drawn based on the analysis and discussion regarding the entrepreneurial competence and Islamic business ethics on the performance of Micro, Small, and Medium Enterprises (MSMEs) practitioners:

- a. The partial hypothesis testing results indicate that the entrepreneurial competence variable has a positive and significant effect on the performance of MSMEs practitioners.



- b. The results of hypothesis testing also show that the Islamic business ethics variable has a positive and significant effect on the performance of MSMEs practitioners. Lastly, the s
- c. The hypothesis testing results reveal that entrepreneurial competence and Islamic business ethics variables positively and significantly influence the performance of MSMEs practitioners.

The entrepreneurial competence variable has a favorable reputation among business practitioners as it contributes to the knowledge required to run a business successfully and significantly impacts the performance of MSMEs practitioners. The implications of this study are as follows. Firstly, the entrepreneurial competence variable influences the performance of MSME practitioners, encompassing skills, knowledge, attitudes, motivations, beliefs and values, personality traits, and intellectual abilities. Secondly, Islamic business ethics variables affect MSME practitioners' performance, including a sense of responsibility, tauhid (monotheism), balance (justice), and honesty.

Therefore, this research highlights the importance of entrepreneurial competence and Islamic business ethics in enhancing the performance of MSMEs practitioners. Entrepreneurial competence encompasses various aspects of skills, knowledge, attitudes, motivations, beliefs and values, personality traits, and intellectual abilities, collectively improving MSME practitioners' performance. Similarly, Islamic business ethics, comprising a sense of responsibility, tauhid (monotheism), balance (justice), and honesty, play a crucial role in shaping behaviors and actions that support good performance in the business context. By adopting Islamic business ethics, MSME practitioners can build a positive reputation, gain customer trust, and create a fair and sustainable business environment.

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