

Determinants of Micro, Small and Medium Enterprise (MSMEs) Performance: Evidence from Aceh Province, Indonesia

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Citations: Ananda, A., Srinita, S., & Ernawati, E. (2025). Determinants of Micro, Small and Medium Enterprise (MSME) Performance: Evidence from Aceh Province, Indonesia. *International Journal of Finance, Economics and Business*, 4(1), 23-38.

Received: 6 December 2024

Revised: 25 February 2025

Accepted: 8 March 2025

Published: 31 March 2025

Abstract: This study analyzes the effect of business capital, product quality, and human resource (HR) competence on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Aceh Province, Indonesia. MSMEs play a strategic role in regional economic development but face persistent challenges, including limited capital, suboptimal product quality, and varying levels of HR competence. A quantitative approach was employed, utilizing a survey method where questionnaires were distributed to 357 culinary sector MSMEs across 23 districts/cities in Aceh. The collected data were analyzed using multiple linear regression with SPSS-20. The results indicate that business capital and product quality have a significant positive effect on MSME performance, while HR competence was found to have an insignificant effect. However, collectively, all three variables significantly affect MSME performance. These findings underscore the critical importance of facilitating access to capital and driving improvements in product quality to enhance MSME performance. Meanwhile, the negligible influence of HR competence suggests a need for further investigation into other factors, such as work experience or the quality of technical training. This study provides practical implications for MSME actors and policymakers, recommending a focused strategy on strengthening financial access and product innovation, alongside developing more targeted HR development programs to improve the competitiveness of MSMEs in Aceh Province, Indonesia.

Keywords: Business Capital; Product Quality; Human Resource Competence; MSMEs Performance; Aceh context.



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1. Introduction

In the current era of globalized trade, the role of the private sector has expanded significantly across many developing countries. Among the most impactful developments is the rise of Micro, Small, and Medium Enterprises (MSMEs), which have emerged as a cornerstone of economic development and employment generation (Richardson et al., 2004). MSMEs represent a vital pillar of regional economic resilience (Kumar Sahoo et al., 2025; Sindhwani et al., 2023). These enterprises are typically small-scale, independently operated, and often managed by families or community groups. Their grassroots nature

allows them to contribute meaningfully to local economies, particularly in areas where large-scale industries are limited. In Indonesia, MSMEs hold a strategic position in national economic development. They not only contribute to economic growth but also play a critical role in reducing unemployment (Farida & Aryanto, 2019). According to data from the Ministry of Cooperatives and SMEs, as of 2021, Indonesia had approximately 64.2 million MSME units.

This figure includes around 63.9 million micro enterprises, 193.9 thousand small enterprises, 44.7 thousand medium enterprises, and 5.5 thousand large enterprises. The economic impact of MSMEs is substantial. In 2022, MSMEs contributed 61.9% to Indonesia's Gross Domestic Product (GDP) and accounted for 97% of total employment in the business sector. Additionally, they attracted 60.4% of total national investment, underscoring their importance in the broader economic landscape. This trend is also evident in Aceh Province. According to data from Statistics Indonesia (BPS) in 2023, the highest concentration of MSMEs was found in Banda Aceh City, with 9,591 registered units. In contrast, Gayo Lues Regency recorded the lowest number, with only 996 MSMEs. This distribution reflects both the economic potential and the regional disparities within the province. The following Figure illustrates the distribution of MSMEs across Aceh, highlighting areas of concentration and potential for targeted development initiatives.

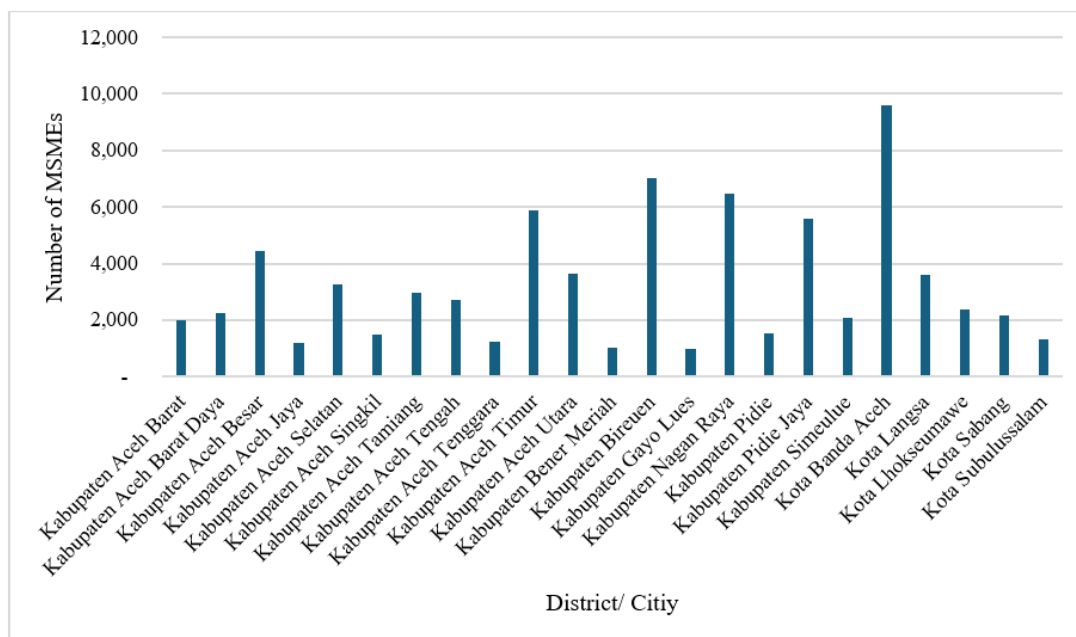


Figure 1. Distribution of MSMEs in Aceh Province in 2023

Figure 1 describes the development of Micro, Small, and Medium Enterprises (MSMEs) in Aceh Province has demonstrated a consistent upward trajectory. As of 2023, data from the Aceh Office of Cooperatives and MSMEs recorded a total of 74,810 MSMEs operating across the region. These enterprises span a diverse range of sectors, including trade, agriculture, mining, industry, fisheries, transportation, and livestock, reflecting the multifaceted nature of Aceh's economic landscape. Despite this growth, MSMEs in Aceh continue to face enduring structural challenges. According to a study conducted by Statistics Indonesia (BPS), access to capital remains the most critical constraint, limiting the ability of MSMEs to scale and innovate. In addition, intensifying market competition and persistent marketing barriers further hinder their operational effectiveness and long-term sustainability. These issues highlight the urgent need for targeted policy interventions and support mechanisms to strengthen MSME resilience.

MSMEs hold a strategic position in Aceh's economic framework, comparable to the role of the broader private sector. Their contributions extend beyond economic output, significantly enhancing the standard of living within local communities. This underscores their dual importance in both national and regional development agendas. However, improving MSME performance remains a complex endeavor, requiring multifaceted strategies and sustained commitment. The dynamic nature of Indonesia's MSME ecosystem necessitates adaptability and innovation among business owners. As competition intensifies, MSMEs are

compelled to differentiate themselves through novel business models and improved performance metrics (Wahyudiati, 2018).

In Aceh, MSMEs have made notable contributions to the Gross Regional Domestic Product (GRDP) by producing goods and services tailored to local needs. Their role in bolstering non-oil and gas exports, enhancing foreign exchange earnings, reducing reliance on imported goods, and increasing household income has collectively strengthened domestic purchasing power (Nurrahman, 2017). Given their pivotal role, continuous empowerment and development initiatives are essential to maximize the economic contributions of MSMEs. Addressing existing challenges through strategic capacity-building, financial inclusion, and market access will be critical to ensuring their sustained impact on Aceh's economic growth. Thus, this study seeks to analyze the effect of business capital, product quality, and human resource competence on the performance of Micro, Small, and Medium Enterprises in Aceh Province, Indonesia.

2. Literature Review

2.1. Underlying Theory - Resources-Based View (RBV)

The Resource-Based View (RBV) theory, originally proposed by Wernerfelt (1984) provides a foundational framework for understanding how firms achieve and sustain competitive advantage. At its core, RBV asserts that a firm's internal resources and capabilities are the primary drivers of its performance and long-term success. These resources, when effectively managed and aligned with the firm's strategic objectives, serve as the basis for developing a sustainable competitive edge. A central premise of RBV is that not all firms within the same industry perform equally, and this disparity is largely attributed to differences in internal resource configurations. Barney (1991) further advanced this perspective by emphasizing that a firm's success is determined more by its internal strengths and weaknesses than by external environmental conditions. He introduced the VRIN framework, which posits that resources must be Valuable, Rare, Inimitable, and Non-substitutable to generate and sustain superior performance. These firm-specific capabilities not only underpin competitive advantage but also inform strategic decision-making processes. Thus, RBV shifts the focus of strategic management from external market positioning to the cultivation and deployment of unique internal assets that are difficult for competitors to replicate.

2.2. Performance of Micro, Small, and Medium Enterprises (MSMEs)

According to Wibowo (2013), performance refers to the process of how work is carried out to achieve outcomes. However, the results of the work itself also reflect performance (Sonnentag & Frese, 2002). Company performance represents a comprehensive overview of the organization's condition over a specific period of time, serving as an outcome or achievement influenced by the company's operational activities in utilizing its available resources (Al-Dhaafri et al., 2013; McGivern & Tvorik, 1997; Zairi, 2012). As stated by Adiba et al. (2021), performance is a general term used to describe part or all of the actions or activities of an organization during a certain period, based on reference points such as past or projected costs, with a focus on efficiency, managerial accountability, or similar considerations. Performance is the result of work accomplished. Adiba et al. (2021) also added that performance is the level of achievement in carrying out specific tasks to realize an organization's goals, mission, and vision. It also refers to the degree of success in achieving corporate objectives.

On the basis of these explanations, performance can be understood as the accomplishment of specific tasks directed at achieving organizational goals, measured against set standards. The purpose of evaluating company performance is to determine the effectiveness of its operations. The concept of performance refers to the extent to which a program, activity, or policy implementation achieves the goals, objectives, vision, and mission of an organization, as outlined in its strategic plans. Performance can only be identified and measured if individuals or groups within the organization have predetermined success criteria or benchmarks. Without such goals and measurement targets, the performance of an individual or organization cannot be effectively assessed (Moehariono, 2014).

Performance measurement involves the company's ability to meet customer standards while considering factors such as low production and maintenance costs, improved product quality, reduced inventory in progress, lower material handling costs, and on-time delivery (Handriyono & Nugroho, 2014). Given the significant role of MSMEs, it is crucial to enhance their performance further. MSMEs can sustain and compete effectively only if they are managed with sound business practices. The performance of an MSME is the cumulative result of continuous efforts made by management, representing the outcome of numerous decisions made by individuals working toward shared business objectives, regardless of whether the enterprise is small or medium in scale (Fitriati et al., 2020).

Business performance reflects the achievements gained in executing assigned tasks, based on competence, experience, commitment, and time investment. The higher an organization's level of performance, the more successful it is considered in implementing its strategic plans. Performance also indicates the extent to which an organization can increase its profits over a given period. This study focuses on the operational performance of MSMEs, measured through several indicators such as sales growth, profit increase, and customer base expansion. Thus, performance is a depiction of an organization's ability to produce outputs aligned with its predetermined goals, vision, and mission (Ekpe et al., 2015). The performance indicator for MSMEs used in this study is profitability, particularly the net profit achieved.

2.3. Business Capital

Capital refers to the funds used as the principal or core for conducting business activities, such as trading, lending, or investing. According to Kasmir (2019), capital is something essential for financing a company's operations, beginning from its establishment to its ongoing activities. Businesses that require a longer operational timeframe also tend to need relatively larger amounts of capital. Therefore, calculating the capital requirements is a crucial step before launching a business. Business capital is one of the fundamental components of entrepreneurship, alongside other critical aspects such as human resources (skilled labor), technology, economic conditions, and organizational or legal structure. Business capital can be understood as the funds necessary to keep a business running. It can be categorized into several types: initial capital for launching a business, capital for expanding business operations, and working capital used for daily operational needs (Juliasti, 2009).

Riyanto (2010) states that capital is a business factor that must be available before any operational activities can take place. Business capital is indispensable for running business operations, and therefore, a certain amount of funds is required as the financial foundation of the enterprise. The sources of business capital may come from personal funds, government assistance, or financial institutions—both banks and non-bank financial institutions. The amount of capital available significantly influences the growth and income-generating potential of the business. Capital plays a critical role in the establishment of a business, and the amount required typically depends on the scale of the enterprise being established.

Business capital can also be described as the summary of a company's balance sheet, which includes both tangible and intangible capital. Tangible capital refers to active capital assets that are physically present and can be seen directly. Examples of tangible capital include raw materials, facilities, machinery, warehouses, and other infrastructure. On the other hand, intangible capital, also referred to as passive capital, comprises non-physical elements that cannot be observed directly. Despite their intangible nature, these components are crucial for the sustainability of the enterprise, such as employee skills, intellectual property rights, and legal permits (Riyanto, 2010).

2.4. Product Quality

In the context of increasingly competitive global markets, product quality has become a critical factor for companies to prioritize. Product quality can be viewed from two perspectives: that of the consumer and that of the company itself. From the consumer's standpoint, individuals have the freedom to choose products based on their desired quality levels. From the producer's perspective, quality control is essential and must be integrated into the production process to enhance customer satisfaction and retention, expand market reach, and ultimately determine company performance (Taufiq et al., 2020). Quality refers to the attributes embedded within a product that give it value in relation to its intended function and alignment with the target consumer's needs. When a product meets consumer expectations, it is more likely to be purchased, resulting in increased sales and a reduction in customer complaints. Therefore, product quality plays a vital role in determining a company's performance (Hartini, 2012).

Haryono & Marniyati (2018) identify three indicators to measure product quality: alignment with consumer preferences, market acceptance, and quality of design. According to Kotler (2009), quality encompasses the characteristics of a product that enable it to satisfy stated or implied customer needs. A product, in this context, includes anything offered to the market to attract attention, acquisition, use, or consumption, and that satisfies a particular desire or need. Gutierrez-Gutierrez et al. (2018), Kenyon & Sen (2015) and Sethi (2000) describe product quality as a dynamic condition related to products, human resources, processes, tasks, and the environment that together meet or exceed consumer expectations. In line with this, Kotler & Keller (2007) define product quality as the totality of a product's features and characteristics that allow it to fulfill expressed or latent customer needs. They argue that product quality is

a key source of differentiation, enabling companies to build brand loyalty and achieve a competitive advantage over other suppliers.

Rukaiyah (2020) emphasizes that product quality is a strategic element that allows a company to define the performance standards needed to exceed customer expectations. It also reflects a company's understanding of how to sell its products in a way that competitors cannot replicate. For this reason, companies often focus on benchmarking their product quality against that of competitors to maintain a competitive edge. Importantly, a product that appears attractive may not necessarily be of high quality if it fails to meet the customer's actual needs and preferences (Rukaiyah, 2020). Andre (2022) adds that product quality is essential in setting performance benchmarks and ensuring that the company's offerings exceed customer desires. Thus, product quality is not only a matter of aesthetics or branding, but also of delivering functional value that aligns with and surpasses consumer expectations.

2.5. Human Resource Competence

Human beings inherently possess extraordinary potential throughout their lives. According to convergence theory, both heredity and environment play crucial roles in the development of an individual. A foundational moment for the modern theory of human capital occurred in 1960 when Theodore Schultz delivered his seminal speech titled "*Investment in Human Capital*" before the American Economic Association. The central message of this speech was straightforward: the acquisition of knowledge and skills through education is not merely a form of consumption but also a form of investment. From an economic perspective, human competence is viewed as a stock of skills and productive knowledge inherent in individuals within a society. In line with contemporary human capital theory, economists conceptualize education and training as key investments in human resources. These investments are seen as essential drivers for individual and organizational productivity.

In the context of enhancing the performance of Micro, Small, and Medium Enterprises (MSMEs), human resource competence plays a vital role. The sustainability and success of MSMEs are influenced by various factors, including the educational background of owners and employees, the business experience of entrepreneurs, and the managerial and marketing competencies possessed by individuals involved in the enterprise. A business equipped with adequate human capital competencies will likely experience improvements in operational performance. Moreover, if such competencies are maintained and developed over the long term, they can serve as a strategic investment for the advancement of MSMEs (Junaidi et al., 2025; Mohammed Shebeen et al., 2024).

Competence is defined as the ability to carry out a job or task based on acquired skills and knowledge, supported by the appropriate work attitudes required for the task. In this sense, competence reflects the professional capability in a specific field and is considered a key factor in achieving excellence (Wibowo, 2013). Human resource competence encompasses knowledge, skills, abilities, and personality traits that directly affect business performance. It represents the productive capacity of human resources, including a range of skills such as literacy, numeracy, cognitive, and analytical abilities, used to create economic value (Rapih, 2015).

According to Eraut (1998), a competent individual is characterized by the possession of knowledge and personal abilities that are manifested through labor competence, which enables the creation of economic value (Han, 2008; Kurz & Bartram, 2002). Similarly, Khalique et al. (2013) emphasize that human capital is regarded as the lifeblood of an organization and is a critical resource for fostering innovation and organizational development. Pasae et al. (2021) define human resource competence as the integration of knowledge, skills, abilities, and personal characteristics that directly influence an individual's job performance. Unlike physical investments, investments in human resources tend to appreciate over time, offering greater returns in the future. For organizations, long-term sustainable revenue is more attainable when the added value generated is largely attributed to the competence of its human resources.

2.6. Hypothesis Development and Research Framework

The relationship between business capital and MSME Performance in operating a business, one of the essential supporting factors, is capital. Starting a business can be likened to building a house, where capital serves as the foundation. The stronger the foundation, the sturdier the house, and similarly, the presence of capital becomes the initial pillar of any business venture. Several types of capital are required to run a business, including determination, experience, courage, knowledge, networking, and financial capital. However, most people are hindered in starting a business due to difficulties in obtaining financial capital (Bates, 2010; Imamovic-Tokalic, 2017). Business capital is indispensable for conducting business activities,

as it provides the financial basis for the enterprise. Capital may originate from personal funds, government assistance, or financial institutions, both banking and non-banking. Capital must be available before any business activity begins, and the amount of capital available will significantly influence business development and income generation.

Capital includes both monetary and non-monetary resources (Riyanto, 2010). Previous studies have shown that business capital significantly influences the performance of MSMEs (Mustafa et al., 2023; Oswari et al., 2023). **The Relationship between Product Quality and MSME Performance.** Product quality is a crucial factor in determining consumer purchasing decisions and directly impacts the performance of a business. Product quality or perceived value refers to the level of consumer perception regarding a product's appearance and attributes. Higher perceived quality often leads to increased sales and better company performance. Therefore, an organization must set quality standards early and consistently maintain them over time (Kotler et al., 2015). Product quality also reflects how a company differentiates its offerings from competitors, which is why firms aim to focus on quality and benchmark it against competitors' products. Nevertheless, even the most attractive product design does not guarantee superior quality if it does not align with customer needs and expectations (Rukaiyah, 2020).

In a competitive market, superior product quality plays a vital role in enhancing a firm's competitive advantage. Products with outstanding quality will become customer favorites and thus influence the company's market position (Taufiq et al., 2020). Previous research has demonstrated that product quality significantly affects MSME performance (Oswari et al., 2023; Rasyid R et al., 2023; Sari et al., 2022). **The Relationship between Human Resource Competence and MSME Performance**

Human resources (HR) is a fundamental component in the success of any business. Sophisticated and modern facilities alone are not enough to guarantee success without being complemented by the competence of the individuals utilizing them. HR development, particularly within MSMEs, remains underdeveloped. Consequently, HR limitations become a critical issue affecting MSME performance (Genta et al., 2019). To optimize MSME performance, human resource competence plays a pivotal role. The continuity of the business is largely determined by the educational level of the owners and employees, the experience of MSME actors, as well as their managerial and marketing competencies.

MSMEs with adequate human capital can positively impact performance improvement. Furthermore, if such competencies are preserved and enhanced over time, they become a long-term investment contributing to business success (Rapih, 2015). HR is especially crucial for MSME performance since many such businesses develop traditionally and are often inherited from previous generations. The limited education, knowledge, and skill levels of MSME actors directly influence the management and operations of their businesses. Human resources need to be enhanced by developing competencies that improve productivity and integrate technology. This is particularly relevant as many MSME operators still rely on traditional methods and have limited technological adoption and marketing capabilities. These findings align with previous studies indicating that HR competence significantly influences MSME performance (Fatimah et al., 2021; Junaidi et al., 2025; Mohammed Shebeen et al., 2024). A schematic representation of the conceptual framework outlining the relationships between research variables can be seen in Figure 2.

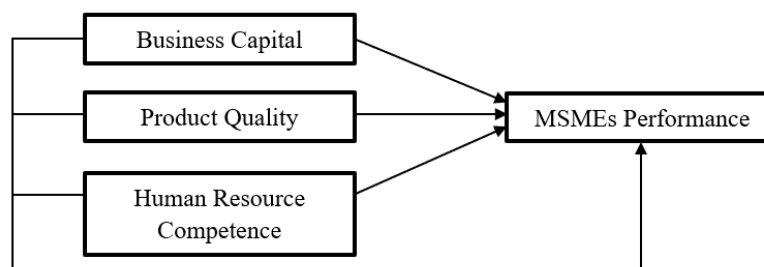


Figure 2. Research Framework

2.7. Hypotheses

On the basis of the research framework described previously, the hypotheses of this study are formulated as follows:

Ha1: Business capital has a positive and significant effect on the performance of MSMEs in Aceh Province, Indonesia.

Ha2: Product quality has a positive and significant effect on the performance of MSMEs in Aceh Province, Indonesia.

Ha3: Human resource competence has a positive and significant effect on the performance of MSMEs in Aceh Province, Indonesia.

3. Materials and Methods

This study adopted a quantitative research approach to examine the influence of business capital, product quality, and human resource (HR) competence on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Aceh Province. The quantitative method was chosen because it facilitates objective analysis through the application of statistical techniques to data collected directly from respondents. The data utilized in this study comprised both primary and secondary sources. Primary data were gathered through the distribution of structured questionnaires to MSME actors operating in the culinary sector across all 23 regencies and cities within Aceh Province. Secondary data were obtained from official documents, including reports from the Department of Cooperatives and MSMEs, publications by the Central Bureau of Statistics (BPS), and other relevant academic literature that supported the context and framework of the research.

The population consisted of all registered MSME actors in Aceh Province in 2023, totaling 74,810 businesses. The sample size was determined using the Slovin formula with a 10% margin of error, which suggested a minimum of 100 respondents. Ultimately, 357 valid responses were collected and analyzed. To ensure adequate representation from each regency and city, a proportionate stratified random sampling technique was employed. Regarding the research variables, the dependent variable was MSME performance, operationalized as the net profit earned. The independent variables included:

- Business capital, measured by the amount of initial capital owned.
- Product quality, assessed through indicators such as product uniqueness, form, packaging, and pricing.
- Human resource competence is evaluated based on the formal and informal educational background of the business owners.

The data were analyzed using multiple linear regression analysis with the aid of SPSS software version 20. Before regression analysis, the data were tested for validity and reliability. Classical assumption tests—including normality, multicollinearity, and heteroscedasticity were also conducted to ensure the suitability of the regression model. The regression model used in this study is:

$$\text{MSMEs} = \alpha + \beta_1 X_{1(\text{BC})} + \beta_2 X_{2(\text{PQ})} + \beta_3 X_{3(\text{HRC})} + \varepsilon \quad (1)$$

Where: Y = MSME performance, X1 = business capital, X2 = product quality, X3 = HR competence, α = Constant, β_1 , β_2 , β_3 = regression coefficients and ε = error term.

4. Results

4.1. Unit of Analysis and Research Location

The unit of analysis in this study comprises all MSME (Micro, Small, and Medium Enterprises) actors registered with the Department of Cooperatives and MSMEs of Aceh Province (districts/cities) in the year 2023, totaling 74,810 enterprises. The research sample consists of 100 MSME actors, determined using the Proportionate Stratified Random Sampling Formula (Ferdinand, 2014). The distribution of questionnaires was conducted both directly and indirectly. Direct distribution involved face-to-face engagement with respondents, while indirect methods included the use of Google Forms and various social media platforms such as WhatsApp, Facebook, Instagram, and Telegram. The data collection process was carried out over a period of three months, from December 2024 to March 2025. As a result of this data collection, a total of 357 completed responses were received through both direct and indirect channels. The fact that the number of respondents exceeded the initially determined sample size is considered advantageous, as it allows for a more comprehensive analysis. A larger sample size enhances the accuracy of estimates regarding population characteristics and strengthens the reliability of the research findings.

4.2. Respondent Characteristics

The characteristics of the respondents include age, gender, length of business operation, business location, and capital ownership. These characteristics were gathered from the questionnaires and are presented in Table 1.

Table 1. Result of Respondent Demography Profile

Demography	Category	Frequency	Percentage
Gender	Male	80	22,4
	Female	277	77,6
Age	25 years and below	203	56,9
	26 – 30 years	88	24,6
	30 – 35 years	25	7,0
	35 – 40 years	28	7,8
	40 years and above	13	3,6
	> 10 years	11	3,1
	1-3 years	213	59,7
Business Duration	4-6 years	115	32,2
	7-9 years	18	5,0
Place	Kabupaten Aceh Barat	11	3,1
	Kabupaten Aceh Barat Daya	8	2,2
	Kabupaten Aceh Besar	20	5,6
	Kabupaten Aceh Jaya	5	1,4
	Kabupaten Aceh Selatan	13	3,6
	Kabupaten Aceh Singkil	3	,8
	Kabupaten Aceh Tamiang	11	3,1
	Kabupaten Aceh Tengah	15	4,2
	Kabupaten Aceh Tenggara	7	2,0
	Kabupaten Aceh Timur	27	7,6
	Kabupaten Aceh Utara	20	5,6
	Kabupaten Bener Meriah	5	1,4
	Kabupaten Bireuen	37	10,4
	Kabupaten Gayo Lues	5	1,4
	Kabupaten Nagan Raya	33	9,2
	Kabupaten Pidie	5	1,4
	Kabupaten Pidie Jaya	28	7,8
	Kabupaten Simeulue	1	0,3
	Kota Banda Aceh	51	14,3
	Kota Langsa	18	5,0
	Kota Lhokseumawe	12	3,4
	Kota Sabang	12	3,4
	Kota Simeulue	9	2,5
	Kota Subulussalam	1	0,3
	Bank loans	31	8,7
	Non-bank loans	10	2,8
	Other individuals capital	49	13,7
	Self-funded	267	74,8

Table 1 presents the results of the demographic profile of the respondents. The table offers valuable insights into the characteristics of MSME actors across 23 districts and cities in Aceh Province. In terms of gender distribution, the majority of respondents are female, accounting for 277 individuals (77.6%), while male respondents represent 80 individuals (22.4%). This indicates that women play a dominant role in the MSME sector in Aceh, particularly in the culinary industry. Regarding age, the largest proportion of

respondents is 25 years old or younger, comprising 203 individuals (56.9%). This is followed by those aged 26–30 years (24.6%), 35–40 years (7.8%), 30–35 years (7.0%), and 40 years or older (3.6%). These figures reflect a youthful entrepreneurial demographic, suggesting that MSME development in Aceh is largely driven by younger generations.

In terms of business longevity, most MSME actors have been operating for 1–3 years, making up 213 respondents (59.7%), followed by those with 4–6 years of experience (32.2%), 7–9 years (5.0%), and more than 10 years (3.1%). This implies that the majority of businesses are in their early stages, highlighting a growing interest in entrepreneurship among the population. The geographic distribution of respondents reveals that MSMEs are spread across all regencies and cities in the province. The highest number of responses came from Kota Banda Aceh (51 respondents or 14.3%), followed by Kabupaten Bireuen (10.4%), Kabupaten Nagan Raya (9.2%), Kabupaten Pidie Jaya (7.8%), and Kabupaten Aceh Timur (7.6%). In contrast, Kabupaten Simeulue and Kota Subulussalam had the lowest number of responses, with only one respondent each (0.3%), indicating possible disparities in MSME density or participation in the survey across different regions.

With regard to sources of business capital, the majority of MSMEs are self-funded, with 267 respondents (74.8%) relying on personal capital. Other sources of funding include capital from other individuals (13.7%), bank loans (8.7%), and non-bank institutions (2.8%). This shows that personal financing remains the primary means of business funding among MSME actors in Aceh, while access to external financial resources is still relatively limited. Overall, the data illustrate a dynamic MSME landscape in Aceh, characterized by strong female and youth participation, early-stage business development, and a predominance of self-financing. This suggests potential areas for policy intervention and support.

4.3. Descriptive Statistics Analysis

Descriptive statistical analysis serves to enrich the discussion by providing insights into respondents' perceptions of each indicator within the studied variables. Through this analysis, researchers can better understand how participants responded to specific items in the questionnaire. The descriptive statistics for each research variable indicator are presented in Table 2.

Table 2. Result of Descriptive Statistics

Variable(s)	Mean	Min	Max
Sales/Revenue	16,468,627.45	400	700,000,000
Cost of Goods Sold (COGS)	5,173,949.58	1,000,000	250,000,000
Operating Expenses	3,416,292.13	1,000,000	70,000,000
Net Profit	10,710,924.37	500	370,000,000
Business Capital	7,227,394.96	280	100,000,000
Product Uniqueness	1.76	1	2
Product Form	1.85	1	2
Product Packaging	1.9	1	2
Product Price per Unit	22,932.77	1	150
Formal Education	3.74	1	6
Informal Education	1.9	1	2

Table 2 indicates that the descriptive statistics of the research variables reveal important insights into the characteristics of MSMEs in Aceh Province. On average, the monthly sales or revenue of the respondents amounted to IDR 16,468,627.45, with a minimum of IDR 400 and a maximum reaching up to IDR 700,000,000, indicating a wide disparity in business performance levels. The cost of goods sold (COGS) averaged IDR 5,173,949.58, ranging from IDR 1,000,000 to IDR 250,000,000, while operational expenses averaged IDR 3,416,292.13, with values between IDR 1,000,000 and IDR 70,000,000. In terms of profitability, the net profit of the businesses showed an average of IDR 10,710,924.37, with the lowest profit being just IDR 500 and the highest recorded at IDR 370,000,000. This indicates that although some MSMEs are highly profitable, others are still struggling. The business capital available to these MSMEs averaged IDR 7,227,394.96, with a minimum of IDR 280 and a maximum of IDR 100,000,000, further illustrating variation in financial capacity across respondents.

As for qualitative indicators, the product uniqueness scored an average of 1.76 on a scale from 1 to 2, indicating that most products possess a certain level of distinctive features. The product form and packaging were rated similarly, averaging 1.85 and 1.90, respectively, suggesting that attention to design and presentation is common among MSMEs. The product price per unit averaged IDR 22,932.77, ranging from as low as IDR 1 to as high as IDR 150, reflecting significant diversity in product types and markets served. Regarding human capital, the formal education level of business owners averaged 3.74 on a scale of 1 to 6, indicating a relatively high level of academic qualification. The informal education level, including training and workshops, averaged 1.90 on a scale of 1 to 2, suggesting that most entrepreneurs have also pursued informal learning to enhance their competencies.

4.4. Validity and Reliability

The validity test was conducted using the Pearson Product-Moment correlation coefficient. At a 5% significance level and a sample size of $N = 357$ (approximated to 400), the critical value is 0.098. If the correlation coefficient for an item exceeds this critical value, the item is considered statistically significant and valid. Conversely, if the correlation coefficient is below the critical threshold, the item is deemed invalid. The complete results of the questionnaire data validity test are presented in Table 3.

Table 3. Result of the Validity Test

Variable(s)	r-stat	Decision
Sales/Revenue	0.994	Valid
Cost of Goods Sold (COGS)	0.968	Valid
Operating Expenses	0.905	Valid
Net Profit	0.979	Valid
Business Capital	0.135	Valid
Product Uniqueness	0.122	Valid
Product Form	0.265	Valid
Product Packaging	0.205	Valid
Product Price per Unit	0.213	Valid
Formal Education	0.959	Valid
Informal Education	0.322	Valid

Table 3 shows that the correlation coefficients obtained for each indicator item, namely sales/revenue, cost of goods sold (COGS), overhead costs, net profit, business capital, product uniqueness, product form, product packaging, unit price, formal education, and informal education are all above the critical value of the product-moment correlation coefficient (correlation coefficient > 0.098). This indicates that the questionnaire used in this study is valid. The critical value was derived from the Pearson correlation coefficient table, considering the degrees of freedom ($df = n - 2$) and a significance level of 0.05, resulting in a critical value of 0.098. The reliability test was conducted by calculating the Cronbach's alpha coefficient for each research variable. The results of the reliability analysis are presented in Table 4.

Table 4. Results of the Reliability Test

Variable(s)	Alpha Cronbach	Decision
MSME Performance (Y)	0.667	Reliable
Business Capital (X_1)	0.638	Reliable
Product Quality (X_2)	0.663	Reliable
Human Resource Competence (X_3)	0.644	Reliable

Table 4 indicates that the number of items represents the total indicators for each research variable. The results reported that all instruments used in this study are reliable, as evidenced by Cronbach's Alpha values exceeding the threshold of 0.50. Therefore, it can be concluded that the questionnaire employed as a data collection tool is statistically reliable and appropriate for measuring the constructs in this research.

4.5. Hypothesis Testing

Hypothesis testing was conducted to examine and analyze the proposed research hypotheses using a multiple linear regression model. The results of the regression analysis are presented in Table 5.

Table 5. Result of Hypothesis Testing

	Unstandardized Coefficients (β)	t-stat	Sig
(Constant)	4,875,579.87		
Business Capital (X_1)	1.456	14.508	0.000
Product Quality (X_2)	18.086	2.373	0.009
Human Resource Competence (X_3)	2.027	1.218	0.224
F		77.201	
Sig.		0.000	
R		0.629	
R ²		0.396	

Table 5 shows the result of hypothesis testing. The multiple linear regression analysis reveals that the joint influence of business capital, product quality, and human resource competence on MSME performance is statistically significant. The F-value obtained is 77.201, which is greater than the F-table value of 2.64, with a significance level of 0.000. This indicates that these three independent variables collectively have a meaningful impact on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Aceh Province, thereby supporting the fourth hypothesis (Ha4). Furthermore, the correlation coefficient (R) is 0.629, suggesting a moderately strong positive relationship between the independent variables and MSME performance. This means that 62.9% of the variation in MSME performance can be explained by the combined influence of business capital, product quality, and human resource competence. However, the coefficient of determination (R²) is 0.396, indicating that these variables account for only 39.6% of the variance in performance. This implies that other factors not included in the model may also significantly influence MSME outcomes. Therefore, it is recommended to consider additional variables such as consumer trust, financial literacy, locus of control, accounting system usage, technological sophistication, and other relevant factors in future research.

In terms of the regression coefficients, the constant value is Rp 4,875,579.87, which represents the baseline performance of MSMEs when all independent variables are held constant. The regression coefficient for business capital (β_1) is 1.456, indicating that for every Rp1 million increase in business capital, MSME performance is expected to rise by Rp1.456 million, assuming other variables remain unchanged. The coefficient for product quality (β_2) is 18.086, meaning that a Rp1 million increase in product quality investment is associated with an Rp18.086 million increase in performance, under the same assumption. Lastly, the coefficient for human resource competence (β_3) is 2.027, suggesting that a one-unit increase in HR competence leads to a 2.027-unit increase in MSME performance, provided other variables are constant. These findings highlight the varying degrees of influence each factor has on MSME performance, with product quality showing the most substantial impact.

5. Discussion

5.1. The Effect of Business Capital on MSME Performance

This study found that business capital significantly influences the performance of Micro, Small, and Medium Enterprises (MSMEs). In this context, business capital refers to funding sourced from banks, non-bank institutions, third parties, and personal or self-owned capital. Wahyudiati (2018) emphasizes that financial aspects, particularly business capital, are critical in enhancing MSME performance. The findings reveal that the greater the capital invested in business operations, the more substantial the improvement in MSME performance across districts and cities in Aceh. Insufficient capital can hinder operational activities and potentially lead to business losses. Conversely, adequate capital supports business growth and enhances performance (Lakuma et al., 2019). Capital constraints also limit MSMEs' ability to penetrate markets and expand networks. Therefore, stakeholders must facilitate access to capital for MSME owners (Srnita & Saputra, 2023).

Self-owned capital is considered safer and more beneficial than capital obtained from external sources such as banks or non-bank institutions. This is because self-financing does not incur interest or administrative fees, thus reducing the financial burden on the business. Additionally, self-owned capital is independent of external parties, as it originates from the owner's contributions. It also avoids complex and time-consuming requirements, making it easier for entrepreneurs to operate and improve business performance (Riyanto, 2010). Previous studies by Hendrawan et al. (2023) and Lubis & Irawati (2022) confirm that business capital has a significant positive impact on MSME performance.

5.2. The Effect of Product Quality on MSME Performance

The result demonstrates that product quality significantly affects MSME performance. High-quality products enhance customer satisfaction, drive sales, increase profitability, strengthen market positioning, and contribute to sustainable performance improvements among MSMEs in Aceh. Survey data further reveal that MSME products in Aceh typically feature distinctive flavors, unique designs, attractive packaging, and affordable pricing. These attributes reflect the entrepreneurs' commitment to maintaining high product quality, which shapes strong customer perceptions. When products meet quality expectations, MSMEs gain broader market opportunities across diverse consumer segments (Andrianata et al., 2024; Aziz, 2019). Previous research supports the notion that product quality influences MSME performance (Anderson & Hidayah, 2023; Rizaldi et al., 2021; Taufiq et al., 2020). Continuous innovation in aspects such as taste, design, packaging, and pricing is essential for enhancing MSME performance.

5.3. The Effect of Human Resource Competence on MSME Performance

Contrary to expectations, statistical findings indicate that human resource (HR) competence does not significantly affect MSME performance. Specifically, the educational background of MSME owners in Aceh does not correlate with business performance. This suggests that high-level competencies, such as technological proficiency, innovation, business management, and external collaboration, are not deemed essential for competing in the global market. Instead, MSMEs rely on practical experience and basic skills tailored to their operational needs (Kristanto et al., 2021). Survey results corroborate this, showing that most MSME owners in Aceh have a high school education level. Several studies, including those by Frima & Surya (2018) and Hasanah et al. (2020), also found that educational attainment does not significantly influence MSME performance. This may be due to MSMEs prioritizing practical skills over formal education or relying more on experience and networks than academic knowledge. Bismala (2016) argues that MSMEs do not require highly qualified HR to achieve effective performance, as their operations are typically focused and aligned with specific business needs. Similarly, Kristiningsih & Trimarjono (2018) found that HR competence does not significantly impact business performance development.

6. Conclusions

This study concludes that business capital has a significant influence on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Aceh Province. The greater the capital owned and utilized by entrepreneurs, the better the performance of MSMEs, as reflected in increased profits and business growth. Additionally, product quality is also proven to significantly affect MSME performance. High-quality products enhance customer satisfaction, drive sales, and strengthen the market position of MSMEs, ultimately contributing to sustainable business performance. In contrast, human resource (HR) competence does not show a statistically significant impact on MSME performance. This suggests that formal and informal education among MSME actors is not yet a primary determinant of business success. Instead, practical experience and hands-on skills appear to play a more critical role in supporting MSME operations. Nevertheless, when considered simultaneously, business capital, product quality, and HR competence collectively exert a significant influence on MSME performance in Aceh. This highlights the importance of synergy among these factors in fostering the growth and sustainability of MSMEs in the region.

The findings of this study carry important implications both academically and practically. From an academic perspective, this research contributes to the development of theory and enriches the literature on MSME performance, particularly in the context of Aceh Province. By integrating three key variables, business capital, product quality, and human resource competence, this study expands the body of knowledge in development economics and small business management. It also serves as a valuable reference for future research exploring the determinants of MSME success in other regions. Practically, the study offers critical insights for MSME practitioners in managing their businesses more effectively. Adequate and

well-managed capital is shown to be a key driver in enhancing performance, scaling operations, and increasing market competitiveness.

Furthermore, maintaining and continuously improving product quality, in terms of taste, design, packaging, and pricing, emerges as a core strategy for retaining customer loyalty and expanding market share. Although HR competence was not statistically significant, training and skill development remain essential to help MSME actors adapt to market and technological changes. On the policy side, government support is crucial in creating a conducive business ecosystem through targeted training programs, easier access to financing, and support for business promotion and legal compliance. With strong collaboration between entrepreneurs and policymakers, MSMEs in Aceh are expected to grow more robustly and sustainably.

Author Contributions: Conceptualization, A.A., S.S. and E.E.; methodology, A.A.; software, A.A.; validation, S.S. and E.E.; formal analysis, A.A. and S.S.; investigation, A.A.; resources, A.A.; data curation, S.S. and E.E.; writing—original draft preparation, A.A. and S.S.; writing—review and editing, A.A., S.S. and E.E.; visualization, A.A.; supervision, S.S. and E.E.; project administration, S.S.; funding acquisition, S.S. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: The study was conducted in accordance with the ethical principles for research involving human participants, as outlined in the Declaration of Helsinki. The study design and methodology adhered to the highest ethical standards and complied with all applicable institutional, national, and international guidelines.

Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.

Data Availability Statement: Data are available from the corresponding author upon reasonable request.

Acknowledgments: The authors would like to thank Universitas Syiah Kuala, Banda Aceh, Indonesia, for supporting this research and publication. We also thank the reviewers for their constructive comments and suggestions.

Conflicts of Interest: The authors declare no conflict of interest.

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