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Sharia Marketing, Entrepreneurial Orientation, Product Innovation, Entrepreneurial Competency and Performance: The Case of Batik MSMEs Solo, Indonesia

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Abstract. This study aims to analyze the effect of sharia marketing, entrepreneurial orientation, product innovation, and entrepreneurial competence on the performance of Micro, Small, and Medium Enterprises (MSMEs) of Batik (the traditional fabric of Indonesia) in Solo, Indonesia. It involved 86 Batik MSMEs owners in Laweyan Solo, Indonesia. This study also employed a statistical analysis technique using multiple linear regression. The findings of this study indicate that Sharia marketing, entrepreneurial orientation, product innovation, and entrepreneurial competence have a positive impact on the performance of Batik MSMEs in Solo, Indonesia. MSMEs performance will significantly increase if good Sharia marketing exists. Moreover, creative entrepreneurial orientation, quality product innovation, and smart entrepreneurial competencies are also demanded to improve the performance of Batik MSMEs.

Keywords: Sharia marketing, entrepreneurial orientation, product innovation, entrepreneurial competencies, MSMEs performance

1 Introduction

Micro, Small, and Medium Enterprises (MSMEs) have become a top priority for Indonesia's national economic development agenda (Setyanto, Samudro, et al., 2015; Nizar, 2018). MSMEs have become the pillars of the national economy and the backbone of the economic system in Indonesia. In addition, MSMEs can be a driving force for the regional economy and make a major contribution to improving the national economy. It can be seen from the important roles of MSMEs in solving several national economic problems, including reducing the unemployment rate, creating jobs, reducing poverty, and improving people's welfare (Setyanto, Samudro, et al., 2015; Sumarwati & Rachman, 2019).

During the economic crisis in Indonesia, MSMEs were able to survive the crisis. MSMEs could survive because it has flexibility, innovation, and efficiency characteristics in dealing with a dynamic business environment. However, MSMEs tend to be characterized by the outdated application of traditional technology, limited technical skills, and the lack of information about current markets and technologies, making MSMEs very vulnerable to trading competition (Dewanti et al., 2020).

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1 The performance of Indonesian MSMEs is still below other ASEAN countries, including Singapore, Malaysia, and Thailand. Based on the implementation of the ASEAN Economic Community (AEC) cooperation at the end of 2016 and trade agreements between 1 other countries such as the ASEAN Free Trade Area (AFTA), MSMEs are demanded to improve their competitiveness and performance quality. Performance is a measurement of the company success, and 1 is influenced by various factors. Dewanti et al. (2020) suggest that MSME performance is influenced by external factors, such as markets, government policies, and socio-cultural aspects, as well as internal factors, such as human resources, finance, technology, and marketing.

In developing the MSMEs business, it is necessary to consider several aspects that support its successful performance, including its marketing strategy. MSMEs marketing strategies are constantly changing following the development of business and technology trends. It means that MSMEs stakeholders must design effective marketing strategies to increase business competitiveness and survive in market competition.

The world's Muslim population is predicted to increase by 35% in 2030 to a total of 2.2 billion people, which is equivalent to 26.4% of the world's population. This number shows great potential for developing Halal products and other Sharia-based products (Basrowi & Ronaldo, 2019). This huge market potential should be attractive to MSMEs actors because of their products' high purchasing power and the different characteristics of consumers. Therefore, the demand for Halal and quality products is inevitable, thus, MSMEs actors have to prepare marketing strategies that are focused on attracting this segment by using Sharia marketing (Rahmawaty & Rokhman, 2018).

Currently, Sharia marketing remains 2 trending topic that is excitingly discussed among academicians and business practitioners. Business and marketing practices have shifted and underwent a transformation from the intellectual (rational), emotional, and spiritual level at the end. At this spiritual level, consumers will consider the suitability of products and services they receive to the spiritual values they believe (Kartajaya & Sula, 2006).

Sharia marketing is a business process that applies Islamic values (Kalimah & Fadilah, 2017). According to Kartajaya and Sula (2006), Sharia marketing is a business strategy delivering the process of creating, offering, and changing values from one initiator to its stakeholders, which is in accordance with the contract and principles of *muamalah* in Islam during the whole process. Hence, Sharia marketing also aims to build strong bonds with consumers (Basrowi & Ronaldo, 2019).

Several previous studies have emphasized the significance of Sharia marketing in relation to customer satisfaction and loyalty (Setiawan et al., 2020; Rahmawaty & Rokhman, 2018). Setiawan et al. (2020) and Hikmah and Maulida (2020) emphasize the significance of Sharia marketing on customer trust. On the other hand, Chan et al (2017) analyzed the implementation of Sharia marketing at the Noor Sharia Hotel in Bandung differently. His qualitative research results show that the Sharia hotel has implemented the Sharia marketing elements well, including product, price, place, promotion, process, people, physical evidence, promise, and patience to realize Islamic values. Therefore, this study examines a successful model of MSMEs performance on batik MSMEs in Solo, Central Java, by predicting the significance of Sharia marketing on MSMEs performance regarding the great potential in developing Halal products for MSMEs.

In addition, another important concept that needs to be considered in improving the performance of MSMEs is entrepreneurial orientation. Entrepreneurial orientation is the business owners' tendency to accept processes, practices, and business strategy decision-making, which can be seen through preferences for innovativeness, risk taking, proactiveness, aggressive competitiveness, and autonomy (Dewanti et al., 2020). Then, MSMEs can be innovative by practicing entrepreneurial orientation to create attractive and unique products compared to competing products (Asas & Gazali, 2020).

Product innovation is also one of the predicted factors that affect the performance of MSMEs. Innovation is the ability to solve problems and opportunities that increase business profits (Rahmawati et al., 2016). Innovation means taking a unique initiative and transforming it into a valuable item (Lestari et al., 2019). Innovation is used as an activity related to the idea discovery process, technology improvement, manufacturing, and product marketing (Jayaningrum & Sanawiri, 2018). Thus, product innovation is the process of creating a product that did not exist yet into existence. In other words, product innovation is the process of creating a product that never existed, but in the context of giving birth to a wider product (Nisa & Ziyad, 2019). Therefore, product innovation is an important aspect needed to succeed in business.

Entrepreneurial competence is the fourth factor that is predicted to affect the MSMEs performance. Entrepreneurial competence is the ability possessed by an entrepreneur in creating entrepreneurial activities, which include having creative and innovative abilities, creating something different, and developing new business ideas (Hidayat & Citra, 2019). Therefore, entrepreneurial competence is indispensable in meeting new challenges arising from significant changes in regulation, consumer demand, and technological advances (AS et al., 2018).

Previous studies on the MSMEs performance have been conducted by researchers. Some variables that affect the MSMEs performance includes entrepreneurial orientation, product innovation, and entrepreneurial competence. Theoretically, the relationship between these variables has been supported by previous research, but some empirical studies show that the relationship between variables is inconsistent. Dewanti et al. (2020) stated that entrepreneurial orientation has a significant influence on the performance of leather craft's MSMEs in Yogyakarta. This study uses the Structural Equation Modeling (SEM) analysis technique with the WarpPLS approach from a number of 120 leather craft leather craft's MSMEs. Moreover, (Kevin & Puspitowati, 2020) also supported the study above that entrepreneurial orientation has a significant effect on the performance of culinary's MSMEs in Grogol and Mangga Besar, West Jakarta. However, Huda et al., (2020) argued that entrepreneurial orientation has no significant effect on the performance of MSMEs in Banjarmasin.

The study of Jannah et al. (2019) proves that product innovation has a significant effect on the performance of Tuban Batik's MSMEs. Product innovation also increases interest in buying Almira Handmade Malang products (Hidayati et al., 2020). In contrast, Huda et al., (2020) study shows different results that product innovation does not have a significant effect on the performance of MSMEs in Banjarmasin. In line with the research results above, Febriansyah and Muhajirin (2020) stated that product innovation had no significant effect on the business performance of the Tenun Motif Renda's MSMEs in Bima, Indonesia.

Ariyani and Fauzan (2020) study proves that entrepreneurial competence positively affects the performance of MSMEs assisted by the Department of Trade and MSMEs in Cirebon, Indonesia. This research result was also supported by Pranowo et al. (2020) explaining that the success of the footwear industry business in Indonesia is influenced by entrepreneurial competence. On the contrary, Aulia's (2020) study shows that entrepreneurial competence did not affect the business performance of coffee shops' MSMEs during the COVID-19 pandemic in Medan, Indonesia.

Based on the previous research, it can be identified that there is still a research gap regarding the factors that possibly improve the MSMEs performance. In addition, no current research integrates Sharia marketing in the relationship model of entrepreneurial orientation, product innovation, and entrepreneurial competence to improve MSMEs performance.

Solo in Central Java is one of Indonesia's well-known Batiks' MSMEs center. Batik has become an icon for the city of Solo and one of the leading commodities. It has even become the mainstay of export products. The center of Batik entrepreneur's village in Solo is the

Laweyan village. Initially, Laweyan Batik was dominated by traditional Batik designs, but new motif designs were developed lately, including modern and abstract motifs. The trend shifted after the emergence of Laweyan batik villages and demands from market to display unique and distinctive works to attract tourists (Setyanto, et al. 2015).

Therefore, this study focused on examining the effect of Sharia marketing, entrepreneurial orientation, product innovation, and entrepreneurial competence on the Batik MSMEs performance in Solo, Indonesia. The results of this study are expected to contribute improving the performance of Solo Batik's MSMEs in order to face the free trade system in the ASEAN region.

2 Literature Review

2.1 Sharia Marketing and MSMEs Performance

Sharia marketing is based on the intent and purpose of human creation (Alom & Haque, 2011). Marketing is not only about buying-selling and promotion-profit, but also worshipping Allah the Almighty (Salch & Said, 2019). Kartajaya and Sula (2006) define Sharia marketing as a business strategy that directs the process of creating, offering and changing value in accordance with Islamic *muamalah* principles.

According to Alom & Haque (2011), there are five keywords in understanding Sharia marketing, namely: strategy (hikmah), need, halal (tayyib), mutual consent, and welfare (falah). Based on the five keywords above, Sharia marketing can be defined as a process and strategy (hikmah) in meeting needs by using Halal products and services (tayyib) in accordance with mutual consent to achieve prosperity (falah) in this world and the hereafter. In line with the abovementioned definition, Basrowi and Ronaldo (2019) stated that Sharia marketing is "an effort to satisfy customer needs through the creation of Halal products or services via advertising media to realize material and spiritual well-being, in this world and the hereafter."

Essentially, marketing is a form of *muamalah* that is justified and allowed in Islam, as long as the transaction process does not conflict with Sharia values. Islamic law provides broad opportunities for all forms of development and new forms of *muamalah* transactions in accordance with the development of the human needs (Rahmawaty & Rokhman, 2018). Thus, it can be concluded that the entire process, including the creation, the supply, and the value change process in Sharia marketing should not conflict with the contract and the principles of *muamalah* in Islam.

Kartajaya and Sula (2006) have formulated Sharia marketing with four indicators, namely: (1) theistic (rabbaniyah); (2) ethical (akhlaqiyah); (3) realistic (waqi'iyah); and (4) humanistic (insaniyah).

The findings of previous studies show the significance of Sharia marketing on customer satisfaction and loyalty (Setiawan et al., 2020; Rahmawaty & Rokhman, 2018). This finding is also supported by Setiawan et al. (2020) and Hikmah and Maulida (2020) studies proving the significance of Sharia marketing on customer trust. Meanwhile, Chan et al. (2017) analyzed the implementation of Sharia marketing at the Sharia Noor Hotel in Bandung using a qualitative approach. It shows that the Sharia hotel has implemented the Sharia marketing elements well in realizing Islamic values. In the context of this study, Sharia marketing is predicted to improve the performance of Solo Batik MSMEs, thus, the hypothesis can be proposed as follows:

H₁: Sharia marketing has a positive and significant impact on the MSMEs performance.

2.2 Entrepreneurship Orientation and MSMEs Performance

The performance of MSMEs is inseparable from the entrepreneurial aspect as well as the mastery of technology and innovation. Entrepreneurship at the MSMEs level is demonstrated

through an entrepreneurial orientation, where MSMEs build their identity and culture on the principles of innovation, as the risks takers, and as being proactive in creating opportunities and responding to change (Dewanti et al., 2020). Developing entrepreneurial orientation, technological capabilities, and innovation could potentially push MSMEs performance to a higher level.

Kurnia Fitriati et al. (2020) suggested several indicators of entrepreneurial orientation, including: (1) innovation is the tendency of organizational management to renew the business; (2) dare to take risks; (3) proactive is an activity to solve problems in innovating a product by adding value; (4) aggressive competitiveness is an aggressive response to actions taken by competitors; and (5) autonomy is an action that is influenced by individuals or teams to create a vision.

The findings of Dewanti et al. (2020) study show that entrepreneurial orientation has a significant influence on the performance of leather craft MSMEs in Yogyakarta. Thus, the greater the level of entrepreneurial orientation, the greater the level of MSMEs performance. Previous studies also support the idea that there is a relationship between entrepreneurial orientation and MSMEs performance. It can be seen from the findings of Kevin and Puspitowati (2020) study which found that entrepreneurial orientation had a significant effect on the performance of culinary MSMEs in Grogol and Mangga Besar, West Jakarta. Thus, there is a logical relationship between entrepreneurial orientation and MSMEs performance. Based on the description above, the hypothesis of this research can be formulated as follows: H₂: Entrepreneurship orientation has a positive and significant impact on the MSMEs performance.

2.3 Product Innovation and MSME Performance

Product innovation is one of the key factors for the success of MSMEs performance. In today's digital era, MSMEs must be able to face global challenges, such as increasing product and service innovation, and developing human and technological resources. This action needs to be done to increase the selling points of MSMEs, especially in order to compete with foreign products that are increasingly flooding industrial and manufacturing centers in Indonesia (Setyanto, et al. 2015).

Furthermore, product innovation is the process of creating an entirely new product or improving the quality of an existing product. If product innovation is successfully discovered, it can increase sales and market share, attracting new consumers and maintaining former consumers' loyalty (Dutta, 2017). Thus, MSMEs can meet customer expectations to continue to grow and meet market demands, affecting the improvement of MSMEs performance.

Product innovation is needed in the business world. Developing products by creating unique and useful innovations is one of the efforts of MSMEs in burgeoning their business. Product innovation acts as differentiation from competing products, attracting customers to buy the product in the end (Hidayati et al., 2020). According to Hidayati et al., (2020) there are three product innovation indicators: product quality, product features, and product design.

Previous studies have shown the relationship between product innovation and MSMEs performance. The study of Jannah et al. (2019) proves that product innovation has a significant effect on the performance of Tuban Batik MSMEs. Product innovation can also increase interest in buying Almira Handmade Malang products (Hidayati et al., 2020). Based on the previous empirical studies, the hypotheses can be proposed as follow:

H₃: Product innovation has a positive and significant impact on the MSMEs performance.

2.4 Entrepreneurship Competence and MSME Performance

Competence is an advantage that is carried out to improve business based on skills, knowledge, and support from others (Trihudyatmanto, 2019). Entrepreneurship is the ability to process a creative idea, create new stuff, and open an opportunity to avoid challenges (Ariyani and Fauzan, 2020).

Entrepreneurial competence combines knowledge, attitudes, and skills that are intertwined with each other. MSMEs actors need to acquire this competence in order to be able to produce good performance for MSMEs (Murtadhlo & Hanan, 2018). Meanwhile, Pranowo et al. (2020) suggested that entrepreneurial competence is also related to managerial competence. MSMEs actors must develop their entrepreneurial competencies in order to increase the competitiveness of MSMEs. Pranowo et al. (2020) and Salaudeen and Kofarsauri (2020) revealed that the dimensions of entrepreneurial competence are strategic, opportunity, relationship, conceptual, organizing, and commitment competencies.

Furthermore, performance is all systems related to activities and results obtained by an MSMEs owner (Adijati Utaminingsih, 2016). MSMEs performance is a success that has been obtained, both in quality and quantity from the targeted level (Zuliyati et al., 2017). Also, MSMEs performance can be measured through several indicators, namely workforce growth, profit growth, market share growth, and sales growth (Ratnawati, 2020).

Previous studies have shown the relationship between entrepreneurial competence and the performance of MSMEs. The findings of Ariyani and Fauzan (2020) study prove that entrepreneurial competence has a significant effect on the performance of MSMEs assisted by the Ministry of Trade and MSMEs in Cirebon. In line with the research results above, Pranowo et al. (2020) also stated that the success of the footwear industry business in Indonesia is influenced by entrepreneurial competence. Based on the previous empirical studies, the hypotheses can be proposed as follow:

H₄: Entrepreneurship competence has a positive and significant effect on the MSMEs performance.

3 Research Method

3.1 Sample and Data Collection

The population in this study were all owners/entrepreneurs of Batik MSMEs in Batik Laweyan village, Solo. Based on data obtained from Forum Batik Laweyan Solo (2021), it is known that the number of Batik MSMEs owners/entrepreneurs in Laweyan village is 110 MSMEs. The determining number of samples in this study used the Slovin formula, which involved 86 MSME owners/entrepreneurs. The research's sampling technique is simple random sampling, while its data analysis technique applied multiple linear regression tests.

3.2 Variable Measurements

Five variables were used in this study, namely Sharia marketing, entrepreneurial orientation, product innovation, entrepreneurial competency, and MSMEs performance. The Sharia marketing variables were measured according to Kartajaya and Sula (2006), and Rahmawaty and Rokhman (2018) studies, including theistic (rabbaniyah), ethical (akhlaqiyah), realistic (waq'iyah), and humanistic (insaniyah). Entrepreneurial orientation is measured using indicators, which consist of innovativeness, risk-taking, proactiveness, aggressive competitiveness, and autonomous (Dewanti et al., 2020).

Product innovations based on Hidayati et al. (2020) include product quality, product features and product design. Entrepreneurial competence is measured using indicators of strategic competencies, opportunity competencies, relationship competencies, conceptual competencies, organizing competencies, and commitment competencies (Pranowo et al., 2020). According to Ratnawati (2020), MSME performance includes workforce growth, profit growth, market share growth and sales growth. Data were collected using a questionnaire and each item was measured using a 5-point Likert scale, ranging from strongly disagree (1) to strongly agree (5).

Table 1. Questionnaire Items and References

No	Variables	Items	References
1	Sharia Marketing	4	Kartajaya & Sula (2006) (Rahmawaty & Rokhman, 2018)
2	Entrepreneurial Orientation	5	Dewanti et al. (2020)
3	Product Innovation	5	(Hidayati et al., 2020)
4	Entrepreneurial Competency	8	(Pranowo et al., 2020)
5	MSMEs Performance	8	(Ratnawati, 2020)

3.3 Validity and Reliability

Validity and reliability tests were firstly conducted before using the instrument to collect data. The results of the instrument validity test showed that all instruments of the variables tested had Cronbach's Alpha > 0.70. The level of variable reliability was seen from the statistical results of Cronbach's Alpha. If a variable has a value of more than 0.70, it is considered to be reliable. Each research variable produces the following reliability values: The Cronbach's Alpha coefficient for the Sharia marketing variable consists of 4 statement items of 0.840. Entrepreneurial orientation consists of five items with an alpha coefficient of 0.895. Product innovation consists of 5 items with an alpha coefficient of 0.903. Entrepreneurial competency with a total of 8 items with an alpha coefficient of 0.911. The last, MSMEs performance consists of 8 items with an alpha coefficient of 0.814.

Table 2. Reliability Test

Variable	Cronbach Alpha	Result
Sharia Marketing	0.840	Reliable
Entrepreneurial Orientation	0.895	Reliable
Product Innovation	0.903	Reliable
Entrepreneurial Competency	0.911	Reliable
MSMEs Performance	0.814	Reliable

4

4 Results and Discussion

4.1 Respondents' Characteristics

Respondents in this study were 86 Batik MSMEs owners/entrepreneurs in Solo, Central Java. The respondent's characteristics include gender and age of MSMEs owners, length of business, and the number of employees, as presented in table 3.

Table 3. Respondent's Characteristics

Characteristics	Total	Percentage
Gender		
▪ Male	60	69.8
▪ Female	26	30.2
Total	86	100
Age		
▪ 30 - 39 years old	18	21
▪ 40 - 49 years old	28	32.5
▪ 50 - 59 years old	30	35
▪ 60 - 69 years old	10	11.5
Total	86	100

Length of Business		
▪ 1 - 10 years	11	12.8
▪ 11 - 20 years	37	43
▪ 21 - 30 years	23	26.8
▪ 31 - 40 years	15	17.4
Total	86	100
Number of Employees		
▪ 1 - 5	51	59.3
▪ 6 - 10	21	24.4
▪ 11 - 15	14	16.3
Total	86	100

4.2 Multiple Linear Regression Test

In relation to the problem, purpose, model character, and typology of the size of the variables included in this research model, a statistical test tool, namely multiple linear regression, was implemented to test the effect of the independent variable on the dependent variable.

4.3 Coefficient of Determination

In order to find out how much the independent variable explains the dependent variable, it can be determined by the coefficient of determination (R²).

Table 4. Coefficient of Determination Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.633 ^a	.401	.371	3.567

a. Predictors: (Constant), Entrepreneurial Competency, Entrepreneurial Orientation, Sharia Marketing, Product Innovation

Table 4 explains that the calculation results of the regression showed the coefficient of determination (R²) is 0.401 and the value of Adjusted R² is 0.371, it means that the independent variables (Sharia marketing, entrepreneurial orientation, product innovation, entrepreneurial competency) are able to explain the dependent variable (MSMEs performance) of 37%.

4.4 Simultaneous Test (F-Test)

The calculation results of multiple regression show the calculated F value of 13,532 with a significance level of p value of 0.000. By using an alpha of 0.005, the alternative hypothesis (H1) which states that there is a simultaneous influence between independent variables (Sharia marketing, entrepreneurial orientation, product innovation, entrepreneurial competency) on the dependent variable (MSMEs performance) cannot be rejected because the p value of 0.000 is far below alpha. 0.05 (p value of 0.000 < alpha 0.05).

Table 5. ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	688.665	4	172.166	13.532	.000 ^a
Residual	1030.556	81	12.723		
Total	1719.221	85			

4.5 Partial Test (t-test)

After the simultaneous test was done, then a partial test is carried out. It was the influence testing between each independent variables on the dependent variable. The details of the partial test (t-test) are described in the following table.

Table 6. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.101	4.671		.664	.509
	SM	.493	.191	.225	2.586	.011
	EO	.376	.095	.349	3.975	.000
	PI	.307	.100	.271	3.076	.003
	EC	.244	.088	.242	2.785	.007

4.6 The Influence of Sharia Marketing on MSMEs Performance

The results of this study indicate that Sharia marketing has a significant positive effect on the performance of MSMEs. Empirical testing using multiple linear regression test proves that Sharia marketing has a significant positive effect on the performance of batik MSMEs in Solo. This is indicated by the t-statistics of 2.586 and the p-value of 0.011, using an alpha level of 0.05, where the t-statistics value is $2.586 >$ the t-table value of 1.96 and the p-value of <0.05 . Meanwhile, a positive relationship is indicated by a beta value or a positive slope of 0.493 which means that the higher the Sharia marketing, the higher the performance of MSMEs. Thus, the first hypothesis is proven statistically.

Sharia marketing is a brand-new marketing strategy innovation that is implemented by entrepreneurs/MSMEs owners in developing their business, considering that the majority of Indonesian people are Muslims. The implementation of Sharia marketing in the digital era is expected to build strong bonds with consumers (Basrowi & Ronaldo, 2019), considering that Sharia marketing implements religious values in its marketing activities, prioritizes ethical values (moral and ethical) in all aspects of its business activities, and becomes flexible and humanistic (Kartajaya & Sula, 2006). In addition, sharia marketing plays an important role in meeting consumer demands for Halal products, regarding the huge market potential in the development of Halal products and other Sharia products. Therefore, the performance of MSMEs needs to be supported by Sharia marketing as a current marketing strategy that prioritizes religious values.

4.7 The Effect of Entrepreneurship Orientation on MSMEs Performance

The calculation results of multiple linear regression showed empirical evidence that entrepreneurial orientation affects the performance of MSMEs as indicated by the t-statistics value of 3.975 and the p-value of 0.000, using an alpha level of 0.05, the t-statistics value of $3.975 >$ the t-table value of 1.96 and p values < 0.05 . Then, the relationship direction is indicated by a positive sign in beta which has a value of 0.376 which means that there is a positive relationship between entrepreneurial orientation and MSME performance. Thus, the second hypothesis is proven statistically.

Entrepreneurial orientation is one of the important aspects in improving the MSMEs performance. Entrepreneurial orientation, which includes preference for innovativeness, risk taking, proactiveness, aggressive competitiveness, and autonomy, is essential in improving MSMEs' high and low performance. The higher entrepreneurial orientation that is possessed by MSMEs entrepreneurs/owners will encourage the high performance of MSMEs. On the other hand, the MSME performance will decrease if the entrepreneurial orientation of the MSME entrepreneurs/owners is low.

The findings of this study support some previous research that shows that entrepreneurial orientation plays an important role in improving the performance of leather craft MSMEs in Yogyakarta. This entrepreneurial orientation includes a preference for innovativeness, risk-taking, proactiveness, aggressive competitiveness, and autonomous (Dewanti et al., 2020). Kevin and Puspitowati (2020) study also supports research findings that entrepreneurial orientation has a significant effect on the performance of culinary MSMEs in Grogol and

Mangga Besar, West Jakarta. Thus, the greater the level of entrepreneurial orientation of the MSME entrepreneurs/owners, the greater the MSME performance level will lead to a higher level.

4.8 The Effect of Product Innovation on MSME Performance

The results of empirical testing with multiple linear regression indicate that product innovation has a significant positive effect on the performance of MSMEs. This is indicated by the t-statistics value of 3.076 and the p-value of 0.003, where by using an alpha of 0.05, the t-statistics value is $3.076 > t\text{-table value of } 1.96$ and the p-value is $0.003 < 0.05$. Then, the relationship direction is indicated by a positive sign in beta which has a value of 0.307, which means that there is a positive relationship between product innovation and MSMEs performance. Thus, the third hypothesis is proven statistically.

Product innovation is the MSMEs' success indicator in facing the competition of digital era. In the current digital era, MSMEs must be able to face global challenges and competition with foreign products. Therefore, MSMEs are required to be able to create unique and useful innovations as differentiation from competing products (Hidayati et al., 2020).

The study results are in accordance with previous research, which proved that product innovation had a significant effect on the performance of Tuban Batik MSMEs Jannah et al. (2019). Also, product innovation could increase interest in buying Almira Handmade Malang products (Hidayati et al., 2020). Thus, the better the entrepreneurs/owners of Batik MSMEs in discovering product innovations as indicated by product design packing, product motifs, quality control, quality standards, and quality development, the better the performance of Batik MSMEs. On the other hand, the performance of Batik MSMEs will also decrease if Batik MSMEs are unable to explore product innovation.

4.9 The Effect of Entrepreneurial Competence on MSME Performance

The results of empirical testing with multiple linear regression indicate that entrepreneurial competence has a significant effect on the MSMEs performance. This is indicated by the t-statistics value of 2.785 and the p-value of 0.007, where by using an alpha of 0.05, the t-statistics value is $2.785 > t\text{-table value of } 1.96$, and the p-value is $0.007 < 0.05$. Then, the relationship direction is indicated by a positive sign in beta with a value of 0.244, which means that there is a positive relationship between entrepreneurial competence and MSME performance. Thus, the fourth hypothesis is statistically proven.

Entrepreneurial competence is urgently needed to meet new challenges arising from significant changes in regulation, consumer demand and technological advances (AS et al., 2018). For this reason, MSMEs' entrepreneurs/owners must develop their entrepreneurial competencies through various training and mentoring programs in order to be able to create new creative and innovative ideas.

4 This study's findings align with previous research by Ariyani and Fauzan (2020), which stated that entrepreneurial competence has a significant effect on the performance of MSMEs assisted by the Ministry of Trade and MSMEs in Cirebon. It is also supported by the study of Pranowo et al. (2020) that the success of the footwear industry business in Indonesia is influenced by entrepreneurial competence. Thus, it can be concluded that the entrepreneurs/owners of Batik MSMEs who have high entrepreneurial competence will be able to improve the performance of their Batik MSMEs. On the other hand, the performance of Batik MSMEs will decrease if the Batik MSMEs' entrepreneurs/owners have low entrepreneurial competence.

Based on the results of the abovementioned hypothesis testing, it can be concluded that the four hypotheses proposed in this study are accepted. The complete results of the research hypothesis testing can be seen in the following table:

Table 7. Hypothesis Conclusion

Hypothesis	Test Result
H ₁ : Sharia marketing has a positive and significant effect on the MSMEs performance.	Accepted
H ₂ : Entrepreneurship orientation has a positive and significant impact on the MSMEs performance.	Accepted
H ₃ : Product innovation has a positive and significant impact on the MSMEs performance.	Accepted
H ₄ : Entrepreneurship competence has a positive and significant effect on the MSMEs performance.	Accepted

5 Conclusion

Based on the testing results of the research hypotheses, the following conclusions can be drawn: first, Sharia marketing has a positive and significant effect on the MSMEs performance; second, entrepreneurial orientation has a positive and significant effect on the MSMEs performance; third, product innovation affects the MSMEs performance; and fourth, entrepreneurial competence has a positive and significant effect on the performance of Batik MSMEs in Solo, Central Java.

The findings of this study imply that Sharia marketing is necessary, which prioritizes religious, honest, flexible, and humanistic values, creative entrepreneurial orientation, quality product innovation, and entrepreneurial competence that can create superior products in order to encourage the high performance of MSMEs.

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