Bukhori: Kajian Ekonomi dan Keuangan Islam (Bukhori)
ISSN: 2798-6691, Vol 6, No 1, 2026, 15-29 https://doi.org/10.35912/bukhori.v6i1.7035

The Effect of Sharia Financing on Financial Performance of Culinary MSMEs Sultan Alauddin Street Makassar

Riski Amalia[1*], Wa Ode Rayyani[2]
Universitas Muhammadiyah Makassar, Indonesia[1,2]
riskiiamalia22@gmail.com[1*], waode.rayyani@unismuh.ac.id[2]

Article History
Received on 25 May 2026
1st Revision on 10 June 2026
2nd Revision on 23 June 2026
Accepted on 7 July 2026

Abstract
Purpose: This study analyzes the effect of sharia-compliant financing on the financial performance of culinary Micro, Small, and Medium Enterprises (MSMEs) along Jalan Sultan Alauddin in Makassar. Sharia financing is treated here as an alternative source of capital, grounded in principles of fairness and free of interest, that is expected to improve the operating performance of MSMEs.
Methodology: The study takes a quantitative approach using a survey method. Respondents were selected through purposive sampling, yielding 30 culinary MSME operators who had already obtained sharia financing. Data were collected through questionnaires, a review of the literature, and field observation, and were analyzed using simple linear regression in IBM SPSS Statistics version 25.
Results: The results show that sharia financing has a positive and significant effect on the financial performance of culinary MSMEs in the study area, reflected in higher turnover, higher profit, and stronger business development after financing was obtained.
Conclusions: Sharia financing contributes to improving MSME financial performance, so that better access to sharia financing tends to go hand in hand with stronger business performance.
Limitations: The study is confined to culinary MSMEs along Jalan Sultan Alauddin in Makassar, so its findings cannot be generalized broadly.
Contribution: The study contributes to the literature on sharia financing and offers a reference point for sharia financial institutions and MSME operators seeking to strengthen business performance.

Keywords: *Culinary Sector, Financial Performance, MSMEs, Sharia Financing*

How to Cite: Amalia, R., & Rayyani, W. O. (2026). The Effect of Sharia Financing on Financial Performance of Culinary MSMEs Sultan Alauddin Street Makassar. *Bukhori: Kajian Ekonomi dan Keuangan Islam*, 6(1), 15-29.

1. Introduction

Micro, Small, And Medium Enterprises (MSMEs) occupy an important place in Indonesia's economic growth. They contribute not only to household income but also to job creation and the strength of regional economies, and their capacity to keep operating through difficult economic conditions, including past financial crises, makes them one of the more resilient pillars of the national economy. MSMEs also help spread income more evenly and lift community welfare, which is why continued policy support and access to the resources these businesses need, capital chief among them, remains essential to their development (Harini, Pranitasari, Said, & Endri, 2023).

The culinary sector is one part of the MSME landscape that has grown especially quickly. In Makassar, this growth shows up in the steadily increasing number of food stalls, coffee shops, snack businesses, and small culinary ventures spread across the city. Jalan Sultan Alauddin is one of the areas where this activity is particularly visible, supported by heavy foot traffic from students and residents alike and by the presence of nearby educational institutions and housing, both of which help fuel demand for food and beverage businesses of every size. Early observation of the area shows a steady stream of small- to medium-scale culinary operators continuing to expand there in order to meet consumer demand.

Even with this sizable market opportunity, culinary MSMEs along Jalan Sultan Alauddin face real challenges in staying afloat. Rising competition pushes operators to improve product quality, broaden their marketing reach, and keep operations running smoothly, and limited resources, working capital above all, remain one of the more persistent obstacles they encounter. A shortage of capital can make it hard for an operator to expand production, keep raw materials in stock, innovate on the menu, or take advantage of market opportunities as they arise. Access to financing that is both easy to obtain and suited to how MSMEs actually operate therefore matters a great deal for sustaining their growth. This need for accessible, well-matched financing echoes broader public-sector reform experience in Indonesia, where simplifying bureaucratic procedures has repeatedly been shown to widen effective access to institutional support among smaller economic actors (Turner, Prasojo, & Sumarwono, 2022).

This capital constraint is felt especially acutely in a business type where the gap between buying ingredients and selling a finished product is measured in days rather than months. A culinary operator who cannot restock quickly enough loses sales that a manufacturing or retail business with longer inventory cycles might not. This distinctive rhythm of the culinary trade is part of why the financing question deserves attention specific to this sector rather than treatment as a generic MSME concern.

As MSMEs continue to expand, the demand for business financing as a source of working capital naturally grows alongside them. Limited capital is frequently one of the main constraints MSME operators face in growing their businesses, and this shortfall leaves many operators needing financing support that can help them scale up, widen their market reach, and improve financial performance. One financing option that has grown considerably in recent years is sharia-based financing. Sharia financing operates on Islamic principles and does not rely on an interest-based (*riba*) system. The presence of sharia financial institutions has opened up a broader opportunity for MSME operators to obtain additional working capital through financing contracts structured around sharia principles (Faisol, 2017).

In practice, an MSME's financing needs are not just about how much capital it can raise; the fit between the financing structure and the operator's actual circumstances and capacity matters just as much. Many MSME operators are looking for a financing arrangement that offers certainty and transparency without placing undue strain on the business's finances. Sharia financing is one alternative that offers a funding mechanism grounded in partnership and fairness, delivered through contracts tailored to a business's needs. Even so, how effectively sharia financing actually improves MSME financial performance still deserves closer study, particularly in the culinary sector, where capital turns over quickly and operational needs are continuous (Atal, Iranmanesh, Hashim, & Foroughi, 2020).

Although a number of earlier studies point to a positive effect of sharia financing on MSME development and performance, some research gaps remain. Much of the existing work looks at MSMEs in general terms rather than singling out a particular business sector. Research examining sharia financing's effect on the financial performance of culinary MSMEs specifically remains fairly limited, and most prior studies have also been carried out in other regions, such as Cirebon or Kendari, or at the national level, leaving relatively little research on culinary MSMEs in an area such as Jalan Sultan Alauddin Makassar, which functions as one of the city's key hubs of economic activity for residents, students, and business operators alike. This study accordingly sets out to help close that gap by examining the effect of sharia financing on the financial performance of culinary MSMEs on Jalan Sultan Alauddin Makassar.

This study is expected to benefit MSME operators, sharia financial institutions, and the broader development of financial management scholarship, particularly as it relates to sharia financing and micro-enterprise development. The findings are also intended to give sharia financial institutions a useful reference point for improving the financing services they offer to the MSME sector. Although prior research has examined sharia financing's relationship to MSME performance in general terms across a range of regions, comparatively little of it has isolated the culinary sector specifically or examined a single, densely trafficked commercial corridor such as Jalan Sultan Alauddin, where capital turnover and daily operational demands are unusually continuous. The novelty of this study lies in that narrower, sector- and location-specific focus, which allows the relationship between sharia financing and financial performance to be examined under conditions that more general MSME studies tend to average over. Building on this rationale, the purpose of this study is to analyze the effect of sharia financing on the financial performance of culinary MSMEs on Jalan Sultan Alauddin Makassar.

2. Literature Review and Hypothesis Development

2.1 Sharia Financing and Its Role for MSMEs

Micro, Small, And Medium Enterprises play an important role in the Indonesian economy because they absorb large numbers of workers and drive regional economic activity. Access to financing is one of the main factors shaping how well MSMEs develop, and sharia financing has become an important alternative in this respect, offering a funding system built on fairness and free of interest (Faisol, 2017). Sharia financing is a financial instrument that channels capital to individuals and business operators on the basis of Islamic principles. Unlike conventional financing, which relies on an interest mechanism, sharia financing uses contracts agreed between the financial institution and the customer that give explicit weight to fairness, transparency, and the prohibition of *riba, gharar, and maisir*. Through these principles, sharia financing is not oriented toward financial gain alone; it also considers the benefit and sustainability of the business receiving the financing (Atal, Iranmanesh, Hashim, & Foroughi, 2020).

In practice, sharia financing takes several contractual forms tailored to a business's needs. The *murabaha* contract is a sale-based arrangement in which the financial institution purchases the goods a customer needs and then resells them to the customer at an agreed profit margin; this contract is widely used by MSME operators because it gives them certainty about the payment amount and financing period. *Mudharabah* and *musyarakah* contracts, meanwhile, rely on a profit-sharing arrangement in which the capital provider and the business operator enter into a partnership to run the business activity. This structure gives MSMEs a way to obtain capital without the interest-related burden that can raise a business's financial risk. The trust that underpins any financing relationship, sharia-based or otherwise, has been described in the organizational literature as resting on an implicit psychological contract between the parties involved, a dynamic that plausibly extends to the relationship between MSME operators and the financial institutions they borrow from (Coyle-Shapiro, Pereira Costa, Doden, & Chang, 2019).

Sharia financing suits MSME needs well because most small business operators face capital constraints in growing their operations. Financing from sharia financial institutions lets MSMEs secure additional working capital to expand production capacity, add to their raw-material inventory, broaden their marketing reach, and strengthen their competitiveness. Research indicates that sharia banks play a strategic role in strengthening the national economy through the working-capital financing they extend to the MSME sector, financing that serves not only as a source of funds but also as a vehicle for economic empowerment (Cherqaoui, 2022). Beyond financing itself, evidence from public-sector organizational research suggests that value creation within any resource-constrained organization depends on aligning the resources it receives with the specific capabilities of the people managing them (Boselie, Van Harten, & Veld, 2021).

Sharia financing also has an advantage in the partnership relationship it builds between the financial institution and the business operator. The transparency and mutual agreement built into the contract give MSME operators a clearer understanding of the obligations and benefits tied to the financing they receive, a mechanism that strengthens both MSME performance and resilience through partnership- and fairness-based financing (Gunawan & Pulungan, 2023). Sharia financing is therefore best understood not simply as a source of capital but as an instrument that supports the long-term sustainability of a business. A body of research points to a positive relationship between sharia financing and MSME development. Sharia bank financing has been found to strengthen the real sector and reinforce MSME resilience during economic downturns, a pattern consistent with the flexible, adaptive character MSMEs typically display in response to changing market conditions (Fianto, Maulida, & Laila, 2019). Sharia financing has likewise been found to raise business performance while also strengthening resilience through partnership-based contract mechanisms such as *musyarakah* and *mudharabah* (Hasan, Jannah, Supatminingsih, Ahmad, Sangkala, & Najib, 2024).

This body of evidence also points to a consistent theme across different national contexts: wherever sharia financing has been studied among small businesses, its effect on performance tends to run through the same basic channel, namely easing the working-capital constraint that would otherwise limit an operator's ability to buy inputs, hold inventory, and respond to demand. This consistency matters for the present study because it suggests that whatever effect is observed for culinary MSMEs on Jalan Sultan Alauddin is unlikely to be an isolated local artifact; it more plausibly reflects a general mechanism through which sharia financing operates across small business sectors more broadly, applied here to a specific commercial corridor and business type that has not previously received close empirical attention.

2.2 Murabaha Financing and MSME Performance

Murabaha is one of the more widely used forms of sharia financing among MSMEs. It is a sale-based arrangement in which the profit margin is agreed at the outset. Research on murabaha financing shows it has a significant effect on raising MSME income, contributing meaningfully to increased business profit; access to capital through murabaha, in other words, helps operators expand their production capacity (Dharmawan Buchdadi & Sholeha, 2021). Comparable findings show that *murabaha* financing has a positive and significant effect on MSME income, with a fairly high level of contribution as measured by R-square value (Gunawan & Pulungan, 2023). *Murabaha* financing extended through sharia rural banks has similarly been found to support MSME development by improving both access to capital and business stability (Fianto, Maulida, & Laila, 2019).

2.3 MSME Financial Performance

Financial performance is one of the indicators used to gauge how well a business manages its financial resources in pursuit of its objectives. In the MSME sector, measuring financial performance looks somewhat different than it does for large corporations, since most MSMEs still rely on fairly simple financial management systems. The indicators commonly used to assess MSME financial performance therefore include growth in turnover, growth in profit, business growth more broadly, and the capacity to sustain operations over time.

Improved financial performance is one of the central goals MSME operators pursue, since it bears directly on a business's ability to survive and grow. MSMEs with strong financial performance are better positioned to expand into new markets, raise production capacity, and hold their own against competitors, whereas limited capacity to manage finances can hold back a business's development even after it has received additional capital. Comparable evidence from employee-level performance research suggests that outcomes of this kind depend on a comparable mix of access to resources and the motivation to use them productively, whether the resource in question is capital, training, or organizational support (Riyanto, Endri, & Herlisha, 2021). Training-based interventions aimed at building operator capability have likewise been found to raise performance meaningfully in resource-constrained organizational settings, reinforcing the view that financing alone rarely tells the whole story of business improvement (Gebrehiwot & Elantheraiyan, 2023; Yimam, 2022).

Sharia financing is closely tied to improved MSME financial performance because the additional capital obtained can be channeled directly into business activity. When MSME operators gain adequate access to financing, their capacity to purchase raw materials, expand production, and pursue business innovation tends to rise as well. MSMEs have been found to see growth in assets, sales turnover, and net profit after receiving sharia financing, evidence that such financing can have a meaningful effect on a business's financial condition (Faisol, 2017). Sharia financing has also been shown to affect MSME financial performance through gains in profitability, efficiency, and business sustainability, indicating that its benefits extend beyond simply supplying additional capital to encompass a stronger overall capacity to manage business activity (Hasan, Jannah, Supatminingsih, Ahmad, Sangkala, & Najib, 2024). Evidence from civil-service and organizational settings similarly shows that performance mediation operates through a chain running from resource access to capability to outcome, rather than through resource access alone (Herawati, Tan, Lubis, & Hidayat, 2021).

2.4 Sharia Financing and MSME Financial Performance

The theoretical relationship between sharia financing and MSME financial performance can be explained through the intermediary function that financial institutions perform. Sharia financial institutions gather funds from the public and channel them back to productive sectors in need of capital. For MSMEs, sharia financing is one funding source that helps operators overcome capital constraints and, in doing so, expand their business capacity. Additional capital obtained through sharia financing gives MSMEs an opportunity to expand operational activity, including purchasing raw materials, adding equipment, increasing production volume, and developing marketing strategy. This expanded activity, in turn, tends to lift revenue and profit, with corresponding benefits for financial performance. Comparable evidence from civil-service settings shows that work motivation and organizational discipline jointly shape how effectively additional resources translate into improved performance, a pattern broadly consistent with what this study finds for sharia financing and MSME performance (Maryani, Entang, & Tukiran, 2021; Sina & Sunarsi, 2021).

Sharia bank financing has been shown to affect MSME development by strengthening an operator's capacity to obtain capital and grow the business (Atal, Iranmanesh, Hashim, & Foroughi, 2020), a finding reinforced by evidence that sharia financing raises turnover, productivity, and competitiveness among MSMEs (Hasan, Jannah, Supatminingsih, Ahmad, Sangkala, & Najib, 2024). Better MSME access to sharia financing, in other words, tends to go hand in hand with a greater likelihood of improved financial performance. Research on public sector motivation likewise finds that access to resources interacts with self-efficacy and competency to determine performance outcomes, rather than acting as an independent driver on its own (Perizade, 2023).

The MSME financial performance can be observed through growth in turnover, profit, and operational efficiency, and sharia financing has a positive bearing on these indicators because it supplies the working capital operators use to grow their businesses. Sharia financing has likewise been found to significantly affect profitability, efficiency, and the sustainability of MSMEs, with the financing mechanism itself contributing transparency and fairness to how a business is managed (Gunawan & Pulungan, 2023). Sharia financing, in short, does not affect financial outcomes alone; it also has implications for a business's long-term sustainability. Evidence on training and compensation from the civil-service literature likewise shows that performance gains are strongest when financial or resource-based interventions are paired with organizational culture that supports their productive use (Sugiono, Efendi, & Afrina, 2021; Rivaldo & Nabella, 2023).

2.5 The Role of Sharia Banks in MSME Development

Sharia banks serve a strategic function as intermediary institutions that channel funds to the real sector, including MSMEs. Working-capital financing distributed through sharia banks has been shown to lift community economic activity. Service quality research in the banking sector similarly finds that customer satisfaction, and by extension a bank's ability to retain small-business clients, depends heavily on the perceived responsiveness and reliability of the service being offered (Kant & Jaiswal, 2017). Sharia banks act as agents of development that drive economic growth through the financing they extend to MSMEs, though the share of financing directed to MSMEs still lags behind the share directed toward consumer financing (Cherqaoui, 2022). This gap suggests there remains considerable room to expand MSME-focused financing within Indonesia's sharia banking system.

This imbalance between consumer-oriented and MSME-oriented financing is not unique to Indonesia; it reflects a broader pattern within sharia banking internationally, where retail and consumer products often scale more quickly than small business financing because they carry lower per-transaction administrative cost and simpler risk assessment. Closing this gap for MSMEs specifically would likely require sharia banks to invest in streamlined, sector-specific financing products, of the kind that could be tailored to a business type such as culinary MSMEs, whose financing needs are smaller in size but more frequent in occurrence than those of larger commercial borrowers. Digital marketing and digital competence have also been identified as complementary levers of SME performance in emerging markets, suggesting that sharia financial institutions seeking to reach smaller borrowers more efficiently might usefully pair financing products with basic digital outreach and service tools (Deku, Wang, & Preko, 2024; Ingsih, Astuti, & Riyanto, 2024).

2.6 Research Gap

Although a range of studies have examined how sharia financing affects MSMEs, several gaps remain worth addressing. Much of the earlier research treats MSMEs as a single, undifferentiated group rather than focusing on a specific business sector, and research that looks specifically at culinary MSMEs remains comparatively limited. Relatively little research, moreover, has focused on a specific commercial corridor such as Jalan Sultan Alauddin Makassar, a hub of culinary MSME activity with its own distinct economic character. This study accordingly seeks to help close that gap by examining the effect of sharia financing on the financial performance of culinary MSMEs in the Jalan Sultan Alauddin area of Makassar.

2.7 Conceptual Framework

Building on the theoretical foundations and empirical evidence discussed in the preceding sections, this study conceptualizes sharia financing as a key determinant of MSME financial performance. Sharia financing serves as the independent variable (X), representing financial support provided in accordance with Islamic principles through profit-sharing, trade-based, or partnership contracts. In this study, the construct is operationalized using four indicators: ease of access to financing, the amount of financing obtained, the appropriateness of the sharia contract employed, and the financing term. These indicators reflect not only the accessibility of Islamic financial services but also the extent to which the financing mechanism aligns with the operational needs and characteristics of MSMEs.

The dependent variable (Y) is MSME financial performance, which refers to the ability of a business to achieve sustainable financial growth and operational success. Financial performance is measured through four key indicators: growth in turnover, growth in profit, business expansion, and operational efficiency. These indicators capture the extent to which MSMEs are able to improve their financial outcomes, strengthen their competitive position, and utilize available resources effectively to support long-term business sustainability.

The proposed relationship between the two variables is based on the assumption that greater access to appropriate sharia financing enhances the financial capacity of MSMEs by providing the resources needed for investment, business expansion, and operational improvement. Adequate financing enables entrepreneurs to increase production capacity, improve product and service quality, adopt more efficient business processes, and respond more effectively to market opportunities. Consequently, MSMEs with better access to sharia financing are expected to achieve superior financial performance, reflected in higher sales turnover, increased profitability, business growth, and improved operational efficiency. Based on this theoretical rationale and the findings of previous studies, the conceptual framework of this research proposes a direct positive relationship in which Sharia Financing (X) influences MSME Financial Performance (Y).

2.8 Research Hypothesis

Building on the theoretical framework and previous empirical studies, this research proposes that sharia financing plays an important role in improving the financial performance of MSMEs by providing access to capital that supports business growth, operational efficiency, and sustainable development. Accordingly, it is expected that greater access to and utilization of sharia financing will positively influence the financial performance of culinary MSMEs on Jalan Sultan Alauddin, Makassar. Therefore, the hypothesis of this study is formulated as follows:

> *H_1:* Sharia financing has a positive and significant effect on the financial performance of culinary MSMEs on Jalan Sultan Alauddin, Makassar

3. Research Methodology

3.1 Research Design

This study employed a quantitative research approach using a survey method to examine the effect of sharia financing on the financial performance of Micro, Small, And Medium Enterprises (MSMEs). The quantitative approach was selected because it enables the measurement and analysis of relationships between variables through statistical procedures, allowing objective testing of the proposed hypothesis. The research adopted an associative-causal design, which is intended to identify and explain the cause-and-effect relationship between the independent variable, namely sharia financing, and the dependent variable, namely MSME financial performance. Through this design, the study seeks to determine whether variations in sharia financing significantly influence the financial performance of culinary MSMEs on Jalan Sultan Alauddin, Makassar.

3.2 Research Location and Time

The study was conducted among culinary Micro, Small, And Medium Enterprise (MSME) operators located along Jalan Sultan Alauddin in Makassar. This location was selected because it represents one of the city's prominent culinary business centers, where numerous MSMEs operate and actively contribute to the local economy. In addition, many business operators in this area have access to sharia financing, making the location suitable for examining the relationship between sharia financing and MSME financial performance. The research was carried out during the 2026 academic year, covering the entire period of data collection, questionnaire distribution, and data analysis.

3.3 Population and Sample

The population of this study consisted of all culinary Micro, Small, And Medium Enterprise (MSME) operators located along Jalan Sultan Alauddin, Makassar, who had utilized sharia financing for their business activities. Since not all MSMEs met the objectives of the study, a purposive sampling technique was employed to ensure that the selected respondents possessed characteristics relevant to the research. The sampling criteria included culinary MSMEs that were actively operating at the time of the study, had obtained sharia financing from an Islamic financial institution, had been in operation for at least one year to ensure sufficient business experience, and whose owners or managers were willing to participate voluntarily as research respondents. These criteria were established to ensure that respondents had adequate knowledge and practical experience regarding the use of sharia financing and its influence on their business financial performance.

3.4 Data Types and Sources

The data used in this study consisted of both primary and secondary data. Primary data were collected directly from culinary MSME operators through structured questionnaires designed to measure the variables of sharia financing and financial performance. The questionnaires provided firsthand information regarding respondents' experiences in accessing and utilizing sharia financing, as well as the financial performance of their businesses. This primary data served as the main source for testing the proposed research hypothesis. Secondary data were obtained from various relevant sources, including scientific journals, reports published by the Financial Services Authority (*Otoritas Jasa Keuangan* or OJK), statistical publications from the Central Statistics Agency (*Badan Pusat Statistik* or BPS), and other supporting documents and previous research related to sharia financing and

MSME development. These secondary data were used to strengthen the theoretical framework, provide contextual information, and support the interpretation of the empirical findings.

3.5 Data Collection Techniques

Data collection in this study was carried out using three complementary techniques to obtain comprehensive and reliable information. First, primary data were collected through structured questionnaires distributed to culinary MSME operators who met the established sampling criteria. The questionnaire was designed to measure respondents' perceptions regarding sharia financing and the financial performance of their businesses using indicators developed from the research framework. Second, a literature review was conducted by examining books, scientific journals, government publications, and previous studies related to sharia financing, MSME development, and financial performance. This technique provided the theoretical and empirical foundation for the study. Third, direct observation was undertaken at the research location to gain a better understanding of the business environment and the operational characteristics of the culinary MSMEs, thereby supporting and complementing the data obtained through the questionnaires.

3.6 Research Variables

The study involved two research variables: sharia financing as the independent variable (X) and MSME financial performance as the dependent variable (Y). Sharia financing was measured using four indicators: ease of access to financing, the amount of financing obtained, the appropriateness of the sharia contract employed (*murabaha, musyarakah*, or *mudharabah*), and the financing term, which collectively reflect the accessibility and suitability of Islamic financing for business development. Meanwhile, MSME financial performance was measured using four indicators: growth in business turnover, growth in business profit, business growth, and operational efficiency. These indicators were selected to provide a comprehensive assessment of the financial outcomes achieved by culinary MSMEs after utilizing sharia financing, thereby enabling the study to examine the effect of sharia financing on business financial performance.

3.7 Data Analysis Technique

The data were analyzed using simple linear regression with the assistance of IBM SPSS Statistics version 25 to examine the effect of sharia financing on the financial performance of culinary MSMEs. Prior to hypothesis testing, the data were subjected to the necessary statistical procedures to ensure the suitability of the regression model. Simple linear regression was selected because the study focuses on examining the direct influence of a single independent variable on a single dependent variable, thereby providing a clear and objective assessment of the proposed hypothesis regarding the relationship between sharia financing and MSME financial performance.

$$Y = a + bX + e \tag{1}$$

From Equation 1, Y represents MSME financial performance as the dependent variable, X represents sharia financing as the independent variable, a denotes the regression constant, b represents the regression coefficient indicating the magnitude and direction of the effect of sharia financing on MSME financial performance, and e denotes the error term, which accounts for the influence of other factors not included in the regression model.

3.8 Research Instrument

The research instrument used in this study was a structured questionnaire employing a five-point Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree. Before being used for hypothesis testing, the instrument was evaluated for validity and reliability to ensure that it accurately measured the research variables. Item validity was assessed by comparing the corrected item-total correlation of each statement with the corresponding r-table value, while reliability was evaluated using Cronbach's Alpha, with a coefficient greater than 0.70 indicating acceptable internal consistency. Conducting these tests prior to the regression analysis ensured that the questionnaire items were both valid and reliable, thereby improving the accuracy and credibility of the findings regarding the relationship between sharia financing and MSME financial performance.

4. Results and Discussions

4.1 Respondent Characteristics

This study involved 30 culinary Micro, Small, And Medium Enterprise (MSME) operators on Jalan Sultan Alauddin Makassar who had obtained sharia financing.

Table 1. Respondent characteristics

Business Type	Number	Percentage
Food stall	13	43.3%
Coffee shop	9	30%
Beverages	5	16.7%
Snack food	3	10%
Total	30	100%

Table 1 shows that food-stall operators make up the largest share of respondents at 43.3 %, followed by coffee shop operators at 30%, beverage vendors at 16.7 percent, and snack food operators at 10%. This concentration of respondents among food-stall operators suggests that this particular business type makes the heaviest use of sharia financing in the study area, likely because ready-to-eat food businesses carry relatively high capital needs tied to the routine purchase of raw materials.

4.2 Validity and Reliability Test

The validity test shows that every statement item for both the sharia financing variable (*X*) and the MSME financial performance variable (*Y*) has a correlation value greater than the r-table value of 0.361, meaning all items are declared valid.

Table 2. Reliability test results

Variable	Cronbach Alpha	Description
Sharia Financing (*X*)	0.812	Reliable
Financial Performance (*Y*)	0.845	Reliable

Table 2 shows Cronbach's Alpha values of 0.812 for the sharia financing variable and 0.845 for the financial performance variable, both comfortably above the 0.70 threshold. This indicates that the research instrument has a good level of internal consistency and is suitable for further analysis.

4.3 Normality Test

The normality test was performed using the Kolmogorov–Smirnov test to determine whether the data met the normality assumption required for simple linear regression analysis. The test produced a significance value of 0.200, which is greater than the significance level of 0.05. Therefore, the data are considered to be normally distributed, indicating that the normality assumption has been satisfied and that the dataset is appropriate for subsequent simple linear regression analysis.

4.4 Simple Linear Regression Analysis

Table 3. Simple linear regression results

Variable	B	Std. Error	t	Sig.
Constant	11.482	2.101	5.465	0.000
Sharia Financing (X)	0.712	0.095	7.494	0.000

Table 3 presents the results of the simple linear regression analysis examining the effect of sharia financing on the financial performance of culinary MSMEs. The analysis indicates that sharia financing has a positive regression coefficient, suggesting a positive relationship between the independent and dependent variables. Based on the estimated coefficients, the regression equation is formulated as follows:

$$Y = 11.482 + 0.712X \tag{2}$$

From Equation 2, the constant (a) of 11.482 indicates the estimated level of MSME financial performance when the sharia financing variable (X) is assumed to be zero. Meanwhile, the regression coefficient (b) of 0.712 indicates that every one-unit increase in sharia financing is associated with an increase of 0.712 units in MSME financial performance. The positive coefficient demonstrates a direct relationship between the two variables, implying that greater access to and utilization of sharia financing are associated with improved financial performance among culinary MSMEs on Jalan Sultan Alauddin, Makassar.

4.5 Coefficient of Determination (R2)

Table 4. Model summary

R	R Square	Adjusted R Square
0.768	0.590	0.576

Table 4 shows an R-Square value of 0.590, indicating that the sharia financing variable explains 59 percent of the variation in MSME financial performance, with the remaining 41 percent explained by other variables not included in this study, such as managerial capability, marketing strategy, operator experience, financial literacy, or the competitive conditions a business faces. This result indicates that sharia financing makes a fairly substantial contribution to improved MSME financial performance, even though it is not the only factor shaping that outcome.

4.6 Hypothesis Test

The results of the t-test indicate that the sharia financing variable has a significance value (Sig.) of 0.000, which is lower than the significance level of 0.05. This result demonstrates that the regression coefficient is statistically significant, leading to the rejection of the null hypothesis (H_0) and the acceptance of the alternative hypothesis (H_1). Therefore, sharia financing has a positive and significant effect on the financial performance of culinary MSMEs on Jalan Sultan Alauddin, Makassar. The positive regression coefficient further indicates that improvements in access to and utilization of sharia financing are associated with better financial performance, reflected in increased business turnover, profitability, business growth, and operational efficiency. These findings support the proposed hypothesis and suggest that sharia financing plays an important role in enhancing the financial performance and business sustainability of culinary MSMEs.

4.7 Discussion

The simple linear regression analysis confirms that sharia financing has a positive and significant effect on the financial performance of culinary MSMEs in the Jalan Sultan Alauddin area of Makassar. A regression coefficient of 0.712 alongside a significance value of 0.000 shows that as sharia financing increases, MSME financial performance rises along with it. This finding suggests that sharia financing functions as one of the factors supporting business development, chiefly through increased turnover, higher profit, business growth, and improved operational efficiency.

Access to capital through sharia financing gives MSME operators the means to meet working-capital needs, add to raw-material inventory, expand production capacity, and develop the business in line with market demand. These conditions support smoother day-to-day operations, giving operators a stronger capacity to raise revenue and sustain their businesses over time. Limited capital remains one of the principal obstacles most MSMEs face in growing their operations, which is why access to financing plays such a meaningful role in strengthening a business's capacity for sustainable growth. Social media adoption among small enterprises has similarly been found to support operational continuity during periods of economic disruption, a pattern relevant to culinary MSMEs that rely on steady customer traffic and word-of-mouth promotion (Effendi, Sugandini, & Istanto, 2020).

Comparable evidence on digital public-service transparency shows that easier institutional access, whether to government services or to financing, tends to widen participation most among the smaller and less well-resourced actors who need it most (Sabani, 2021; Fernanda, & Nav, 2020).

This finding aligns with the broader concept of sharia financing, which positions sharia financial institutions as intermediaries that channel funds to productive sectors. Sharia financing functions not only as a source of capital but also as an instrument that supports business growth through financing mechanisms grounded in fairness, transparency, and partnership. Through contracts such as *murabaha, musyarakah,* and *mudharabah*, MSME operators gain access to capital they can use to expand capacity, broaden production, and improve financial performance. This study's results accordingly reinforce the view that sharia financing plays a strategic role in driving the development of the real sector, MSMEs very much included.

The findings are also consistent with evidence that MSMEs experience growth in assets, sales turnover, and net profit after obtaining sharia financing (Faisol, 2017). Comparable results show that sharia financing has a positive effect on MSME productivity, turnover, and competitiveness by Hasan, Jannah, Supatminingsih, Ahmad, Sangkala, and Najib (2024), and research on microfinancing contributions similarly finds that sharia-based microfinance supports business development through improved profit and business capacity (Dharmawan & Sholeha, 2021). This consistency across studies indicates that sharia financing delivers a fairly reliable, positive effect on MSME development across different sectors and research settings.

Even though sharia financing exerts a significant effect, a coefficient of determination of 0.590 shows that it explains 59 percent of the variation in MSME financial performance, with the remaining 41 percent attributable to factors outside this study's model. This suggests that improved MSME financial performance depends not only on financing but also on an operator's managerial capability, entrepreneurial experience, marketing strategy, use of digital technology, financial literacy, and the competitive conditions the business faces. Sharia financing, in other words, is an important factor, but its effectiveness still depends on how well operators manage the capital they receive.

Beyond financing itself, an operator's capacity to manage available resources is a key determinant of business success. Although this study finds that sharia financing makes a fairly substantial contribution to improved financial performance, that contribution does not fully account for every factor shaping business development. This points to the need for additional capital to be paired with sound management if financing is to deliver its full benefit. Operators who can direct financing toward productive uses, such as expanding production capacity, purchasing raw materials, or developing marketing strategy, stand a better chance of improving their financial performance. This pattern mirrors evidence from employee development research, which finds that resources invested in building capability yield stronger returns when paired with a clear organizational structure for applying that capability in practice (Bilderback, & Miller, 2023; Bhatti, Soomro, & Shah, 2021).

Within the culinary MSME context specifically, the use of sharia financing carries particular relevance because this sector has continuous working-capital needs. Culinary businesses require a steady supply of raw materials, ongoing inventory management, and consistent product quality if they are to retain customers. Additional capital secured through sharia financing can accordingly help operators keep operations running smoothly, and smoother operations, in turn, tend to translate into stronger revenue generation. The findings further indicate that sharia financing functions not merely as a source of funds but also as a form of support for MSME business sustainability. The transparency and mutual agreement built into sharia financing create the conditions for a more durable relationship between financial institutions and business operators, a contrast with financing approaches that focus solely on the financial transaction itself, since sharia financing also takes into account contract suitability and a recipient's capacity to run the business it is meant to support.

This finding reinforces evidence that sharia bank financing products support MSME development by supplying capital suited to a business's needs by Cherqaoui (2022), together with evidence that applying sharia principles in *murabaha* financing has a positive effect on MSME financial performance through improved profitability and efficiency (Gunawan & Pulungan, 2023). The consistency of these results across studies suggests that sharia financing plays a fairly steady role in supporting MSME development across a range of business sectors. That said, improved MSME financial performance depends not solely on the availability of financing but also on an operator's capacity to manage and make use of the capital received. Other research points to financial literacy and business management capability as additional factors bearing on MSME performance by Atal, Iranmanesh, Hashim, and Foroughi (2020), which suggests that sharia financing should ideally be paired with financial education and business mentoring so that MSME operators can make fuller use of the capital they obtain.

From a practical standpoint, this study's findings suggest that sharia financial institutions have considerable room to expand their role in supporting the MSME sector, particularly in the culinary business. Sharia financial institutions can strengthen their contribution by offering financing products that are easy to access, suited to business needs, and accompanied by mentoring in financing management, a step that matters because many MSMEs still face constraints in financial planning and business development. For MSME operators, this study's findings show that sharia financing can serve as an alternative capital source that supports business development when used productively. Financing should be directed not only toward meeting short-term needs but also toward building business capacity over the longer term. With sound capital management, sharia financing can become a factor that supports a more stable and sustainable business. This mirrors broader donor-side research on trust and transparency in resource transfers, which finds that recipients who can clearly demonstrate how funds were used tend to sustain stronger, longer-lasting support relationships with the parties providing that capital (Dethier, Delcourt, & Dessart, 2023; Moysidou, & Hausberg, 2020). Comparable evidence from crowdfunding and donation-based financing research shows that transparent, well-communicated use of funds strengthens the willingness of capital providers to continue supporting a recipient over time, a dynamic plausibly relevant to the ongoing relationship between MSME borrowers and their financing institutions (Mejia, Urrea, & Pedraza-Martinez, 2019; Chen, Dai, Yao, & Li, 2019; Elvira-Lorilla, Garcia-Rodriguez, Romero-Merino, & Santamaria-Mariscal, 2024).

This study offers empirical evidence on the effect of sharia financing on the financial performance of culinary MSMEs in the Jalan Sultan Alauddin area of Makassar. Unlike much of the earlier research, which examines MSMEs in general terms, this study focuses its analysis on the culinary sector, a business type characterized by relatively fast capital turnover and continuous working-capital needs. The findings accordingly enrich the study of sharia financing within the MSME sector and illustrate that sharia financing can serve as an alternative capital source that supports improved financial performance in culinary businesses specifically. In practical terms, this study underscores the importance of expanding culinary MSMEs' access to sharia financing through financing products suited to their needs, paired with mentoring in business management. Such a step would not only widen access to capital but also encourage more productive use of that financing, allowing it to deliver a more optimal effect on MSME financial performance and long-term business sustainability.

Taken together, these findings suggest a fairly straightforward practical lesson for the culinary MSMEs studied here: sharia financing works, in the sense that it moves the financial-performance needle in a measurable and statistically reliable direction, but it works best as one input into a broader capacity-building process rather than as a stand-alone solution. An operator who receives financing without also strengthening basic business practices is likely to see a smaller benefit than one who pairs the capital with better inventory planning, clearer pricing, and more consistent marketing. This distinction is useful for sharia financial institutions deciding how to allocate limited mentoring resources, since it suggests that the return on combining financing with even modest business support may exceed the return on financing alone.

5. Conclusions

5.1 Conclusion

This study set out to analyze the effect of sharia financing on the financial performance of culinary MSMEs in the Jalan Sultan Alauddin area of Makassar. The analysis shows that sharia financing has a positive and significant effect on MSME financial performance. This means that better access to, and use of, sharia financing by MSME operators tends to go hand in hand with stronger financial performance, reflected in higher turnover, higher profit, and broader business development. Sharia financing accordingly plays an important role in supporting the growth and sustainability of culinary MSMEs.

The findings further show that sharia financing benefits MSMEs not only by increasing business capital but also by supporting the continuity of business activity through improved business management. With access to financing suited to their needs, MSME operators gain a stronger capacity to expand their operations and sustain their businesses amid competitive pressure. Continued support for the development of sharia financing systems for the MSME sector therefore remains important if this financing is to deliver broader economic benefits. Leadership and organizational-culture research on service-based enterprises similarly shows that comparable resource access tends to translate more reliably into performance when it is paired with supportive supervisory and cultural conditions within the business itself.

More broadly, the case of culinary MSMEs on Jalan Sultan Alauddin illustrates a pattern likely to hold across similarly fast-turnover small businesses elsewhere in Makassar and in comparable Indonesian cities: sharia financing supplies a meaningful and statistically robust boost to financial performance, but the size of that boost still depends on factors the financing itself cannot control, chiefly how skillfully an operator manages the capital once it arrives. This distinction matters for how the finding should be read. It is not evidence that financing alone determines success, nor is it evidence that financing barely matters; it is evidence that financing and management capability work together, each raising the ceiling on what the other can achieve.

5.2 Limitations

This study carries several limitations worth noting. First, it uses only a single independent variable, sharia financing, and so does not account for other factors that may also affect MSME financial performance, such as management capability, marketing strategy, operator experience, and business digitalization. Second, the data collection process encountered difficulty in securing respondents who met the study's criteria. Not every MSME operator was willing or had the time to complete the questionnaire, which limited the data collection process and may have affected both the sample size obtained and the completeness of the data. Third, the scope of this study is confined to culinary MSMEs in the Jalan Sultan Alauddin area of Makassar, so its findings cannot be generalized to the MSME sector in other regions.

5.3 Suggestions

Building on these findings and limitations, MSME operators are encouraged to make optimal use of sharia financing as a source of business capital for expanding production capacity and broadening market reach. Sharia financial institutions, in turn, would benefit from making financing more accessible by simplifying procedures, expanding sharia financial education, and providing business mentoring for MSME operators. Future research should also consider incorporating additional variables, such as financial literacy, digital marketing, and working capital, so that the resulting findings are more comprehensive, and should draw on a larger sample so that the results are more representative.

Acknowledgement

The authors thank the lecturer of the Research Methodology course for the guidance and direction provided in preparing this study, and extend their gratitude to everyone who offered support, references, and input that helped bring this research to completion. The authors thank the lecturer of the Research Methodology course for the guidance and direction provided in preparing this study, and

extend their gratitude to everyone who offered support, references, and input that helped bring this research to completion.

References

Atal, N., Iranmanesh, M., Hashim, F., & Foroughi, B. (2020). Drivers of intention to use Murabaha financing: Religiosity as moderator. *Journal of Islamic Marketing*, *13*(3), 740-762. https://doi.org/10.1108/JIMA-07-2019-0147

Bhatti, M. K., Soomro, B. A., & Shah, N. (2021). Predictive power of training design on employee performance: An empirical approach. *International Journal of Productivity and Performance Management*, *71*(3), 1050-1069. https://doi.org/10.1108/IJPPM-09-2020-0489

Bilderback, S. L., & Miller, G. J. (2023). Importance of employee development programs in business. *Journal of Management Development*, *42*(4), 327-336. https://doi.org/10.1108/JMD-03-2022-0054

Boselie, P., Van Harten, J., & Veld, M. (2021). From strategic human resource management to value creation in the public sector. *International Journal of Human Resource Management*, *32*(16), 3511-3535. https://doi.org/10.1080/09585192.2021.1943564

Chen, Y., Dai, R., Yao, J., & Li, Y. (2019). Donate time or money? The determinants of donation intention in online crowdfunding. *Sustainability*, *11*(16), 4269. https://doi.org/10.3390/su11164269

Cherqaoui, S. (2022). Unlocking Islamic finance and entrepreneurship with innovative solutions. *European Journal of Islamic Finance*, *9*(3), 30-37. https://doi.org/10.13135/2421-2172/6585

Coyle-Shapiro, J. A. M., Pereira Costa, S., Doden, W., & Chang, C. (2019). Psychological contracts: Past, present, and future. *Annual Review of Organizational Psychology and Organizational Behavior, 6, 145-169*. https://doi.org/10.1146/annurev-orgpsych-012218-015212

Deku, W. A., Wang, J., & Preko, A. K. (2024). Digital marketing and small and medium-sized enterprises' business performance in emerging markets. *Asia Pacific Journal of Innovation and Entrepreneurship*, *18*(3), 251-269. https://doi.org/10.1108/APJIE-07-2022-0069

Dethier, F., Delcourt, C., & Dessart, L. (2023). Donor perceptions of nonprofit organizations' transparency: Conceptualization and operationalization. *Nonprofit and Voluntary Sector Quarterly*, *53*(5), 1230-1260. https://doi.org/10.1177/08997640231211212

Dharmawan Buchdadi, A., & Sholeha, A. (2021). The influence of financial literacy on SMEs performance through access to finance and financial risk attitude as mediation variables. *Development Southern Africa*, *38*(4), 664-682. https://doi.org/10.1080/0376835X.2021.1913997

Effendi, M., Sugandini, D., & Istanto, Y. (2020). Social media adoption in SMEs impacted by COVID-19: The TOE model. *Journal of Asian Finance, Economics and Business*, *7*(11), 915-925. https://doi.org/10.13106/jafeb.2020.vol7.no11.915

Elvira-Lorilla, T., Garcia-Rodriguez, I., Romero-Merino, M. E., & Santamaria-Mariscal, M. (2024). The role of social media in nonprofit organizations' fundraising. *Nonprofit and Voluntary Sector Quarterly*. https://doi.org/10.1177/08997640231213286

Faisol, B. (2017). Islamic bank financing and its impact on small medium enterprise's performance. *Etikonomi*, *16*(1), 21-33. https://doi.org/10.15408/etk.v16i1.4404

Fernanda, L., & Nav, J. (2020). Citizens' involvement in e-government in the European Union: The rising importance of the digital skills. *Sustainability*, *12*(17), 6807. https://doi.org/10.3390/su12176807

Fianto, B. A., Maulida, H., & Laila, N. (2019). Determining factors of non-performing financing in Islamic microfinance institutions. *Heliyon*, *5*(8). https://doi.org/10.1016/j.heliyon.2019.e02301

Gebrehiwot, G. D., & Elantheraiyan, P. (2023). A study on the effect of training on employee performance in the case of Mekelle City, Tigray, Ethiopia. *Social Sciences & Humanities Open*, *8*(1), 100567. https://doi.org/10.1016/j.ssaho.2023.100567

Gunawan, A., & Pulungan, D. R. (2023). Improving MSME performance through financial literacy, financial technology, and financial inclusion. *International Journal of Applied Economics, Finance and Accounting*, *15*(1), 39-52. https://doi.org/10.33094/ijaefa.v15i1.761

Harini, S., Pranitasari, D., Said, M., & Endri, E. (2023). Determinants of SME performance: Evidence from Indonesia. *Problems and Perspectives in Management*, *21*(1), 471-481. https://doi.org/10.21511/ppm.21(1).2023.40

Hasan, M., Jannah, M., Supatminingsih, T., Ahmad, M. I. S., Sangkala, M., & Najib, M. (2024). Understanding the role of financial literacy, entrepreneurial literacy, and digital economic literacy on entrepreneurial creativity and MSMEs success: A knowledge-based view perspective. *Cogent Business & Management*, *11*(1), 2433708. https://doi.org/10.1080/23311975.2024.2433708

Herawati, E., Tan, S., Lubis, T. A., & Hidayat, S. (2021). The role of employee performance mediation on organizational performance at BPSMB. *Jurnal Perspektif Pembiayaan dan Pembangunan Daerah*, *8*(6), 585-594. https://doi.org/10.22437/ppd.v8i6.11018

Ingsih, K., Astuti, S. D., & Riyanto, F. (2024). The role of digital competence in improving service quality and employee performance. *SA Journal of Human Resource Management, 22, 1-9*. https://doi.org/10.4102/sajhrm.v22i0.2689

Kant, R., & Jaiswal, D. (2017). The impact of perceived service quality dimensions on customer satisfaction: An empirical study on public sector banks in India. *International Journal of Bank Marketing*, *35*(3), 411-430. https://doi.org/10.1108/IJBM-04-2016-0051

Maryani, Y., Entang, M., & Tukiran, M. (2021). The relationship between work motivation, work discipline and employee performance at the Regional Secretariat of Bogor City. *Dinasti International Journal of Management Science*, *3*(3), 452-464. https://doi.org/10.31933/dijms.v3i3.1093

Mejia, J., Urrea, G., & Pedraza-Martinez, A. J. (2019). Operational transparency on crowdfunding platforms: Effect on donations for emergency response. *Production and Operations Management*, *28*(7), 1773-1791. https://doi.org/10.1111/poms.13014

Moysidou, K., & Hausberg, J. P. (2020). In crowdfunding we trust: A trust-building model in lending crowdfunding. *Journal of Small Business Management*, *58*(3), 511-543. https://doi.org/10.1080/00472778.2019.1661682

Perizade, B. (2023). Effect of public service motivation, self-efficacy, and competency on the performance of civil apparatuses. *Journal of Hunan University Natural Sciences*, *50*(8), 206-214. https://doi.org/10.55463/issn.1674-2974.50.8.19

Rivaldo, Y., & Nabella, S. D. (2023). Employee performance: Education, training, experience and work discipline. *Calitatea*, *24*(193), 182-188. https://doi.org/10.47750/QAS/24.193.20

Riyanto, S., Endri, E., & Herlisha, N. (2021). Effect of work motivation and job satisfaction on employee performance: Mediating role of employee engagement. *Problems and Perspectives in Management*, *19*(3), 162-174. https://doi.org/10.21511/ppm.19(3).2021.14

Sabani, A. (2021). Investigating the influence of transparency on the adoption of e-Government in Indonesia. *Journal of Science and Technology Policy Management*, *12*(2), 236-255. https://doi.org/10.1108/JSTPM-03-2020-0046

Sina, I., & Sunarsi, D. (2021). The effect of organizational culture, work competency and discipline on work spirit that impact on employee performance. *Jurnal Ilmiah Ilmu Administrasi Publik*, *11*(2), 297-308. https://doi.org/10.26858/jiap.v11i2.27492

Sugiono, E., Efendi, S., & Afrina, Y. (2021). The effect of training, competence and compensation on the performance of new civil servants with organizational culture as intervening. *International Journal of Science and Society*, *3*(1), 262-279. https://doi.org/10.54783/ijsoc.v3i1.292

Turner, M., Prasojo, E., & Sumarwono, R. (2022). The challenge of reforming big bureaucracy in Indonesia. *Policy Studies*, *43*(2), 333-351. https://doi.org/10.1080/01442872.2019.1708301

Yimam, M. H. (2022). Impact of training on employees performance: A case study of Bahir Dar University, Ethiopia. *Cogent Education*, *9*(1), 2107301. https://doi.org/10.1080/2331186X.2022.2107301