

Islamic Entrepreneurship: The Moderating Role of Eudaimonic Well-Being in MSMEs Resilience Capacity During Covid-19 Pandemic

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Abstract

All countries in the world have been affected tremendously by the Covid-19 pandemic. As a developing country, Indonesia has also experienced dramatic changes in the political and economic environment in response to the global crisis from the corona virus. It is apparent that the pandemic lockdown caused many businesses to struggle. This paper aims to examine the influence of Islamic entrepreneurship and Eudaimonic well-being to MSMEs resilience capacity during the COVID-19. The research is done with a quantitative study with 100 MSMEs in Lampung Province, Indonesia. The main data in this study is gathered through questionnaires which then analysed by using Partial Least Square (PLS analysis). This paper found the R^2 value for Islamic entrepreneurship is 62.5% (high), Meanwhile, the R^2 for Eudaimonic Well-being is 60% (high) indicating MSMEs Resilience Capacity can be moderately explained by Eudaimonic Well-being.

Abstrak

Semua negara di dunia telah sangat terpengaruh oleh pandemi Covid-19. Sebagai negara berkembang, Indonesia juga mengalami perubahan dramatis dalam lingkungan politik dan ekonomi dalam merespon krisis global dari virus corona. Jelas bahwa penguncian pandemi menyebabkan banyak bisnis berjuang. Tulisan ini bertujuan untuk mengkaji pengaruh kewirausahaan Islam dan Eudaimonic Well-being terhadap kapasitas ketahanan UMKM selama COVID-19. Penelitian dilakukan dengan studi kuantitatif dengan 100 UMKM di Provinsi Lampung, Indonesia. Data utama dalam penelitian ini dikumpulkan melalui kuesioner yang kemudian dianalisis dengan menggunakan Partial Least Square (PLS analysis). Tulisan ini menemukan nilai R^2 untuk kewirausahaan Islam adalah 62,5% (tinggi), Sementara itu, R^2 untuk Eudaimonic Well-being adalah 60% (tinggi) yang menunjukkan Kapasitas Ketahanan UMKM dapat dijelaskan secara moderat dengan Eudaimonic Well-being.

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1. Introduction

In late 2019, the world was alarmed by the discovery of the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that subsequently responded by the WHO (World Health Organization) stating it as a global pandemic in March 2020 (Zhu et al., 2020). While virologists have been aware of the possibility of a pandemic caused by a new virus, the infection control procedures such as social distancing used to decelerate the spread of COVID-19 lead to immense pressures on considerable parts of a nation's economy (Glass et al., 2006). All countries in the world have been affected tremendously by the Covid-19 pandemic. As a developing country, Indonesia has also experienced dramatic changes in the political and economic environment in response to the global crisis from the corona virus (Kuckertz et al., 2020). It is apparent that the pandemic lockdown caused many businesses to struggle. Suffering twice the impact with regard to job losses as big business, the small enterprises, particularly, has been hit the hardest. A survey of 571 enterprises conducted by the International Labour Organization (ILO) in April 2020 found that two out of three companies have currently stopped operations temporally or permanently (Gur et al., 2020). Three per cent of the surveyed enterprises closed their businesses permanently, with small firms bearing the greater burden of the crisis than larger ones. Revenues plunged and 90 per cent of companies reported cash flow problems. About 63 per cent of surveyed firms have already discarded labors and more companies intend to do so (Remko, 2020).

MSMEs are a key contributor to economic activity in Indonesia, hence the problems encountered by MSMEs in Indonesia due to the COVID-19 pandemic require special attention. Around 98.68% of nearly 64 million MSMEs in Indonesia are self-employed micro businesses that are susceptible to internal and external economic shocks. While small companies comprise only 1.2%, and medium-sized firms constitute even less. Despite the significant role of MSMEs in Indonesia, there is still no clear strategy to mitigate the impact and to speed up the recovery after the pandemic. Nonetheless, MSMEs and their workers need assistance to survive the pandemic (Aguinis et al., 2020). (Hayward et al., 2010) describe resilience as a positive adjustment to hardship, can be a crucial element for entrepreneurial success. Entrepreneurs must be bold and innovative in making new opportunities in facing adversities such as this pandemic. Resilience is the skill to overcome adversity. It means "the capacity to maintain or regain, psychological well-being in the face of challenges, underlining that the ability to develop, develop and function effectively despite difficult circumstances or events" (Inshan Meahjohn, 2020). Islamic work ethic is a personality mindset that grants formation to the belief that working is not only to elevate oneself but also as a form of good deeds. Thus, working based on the principle of faith, not only shows like a Muslim but makes him a trusted and trustworthy figure. The doctrine in Islam is associate to the ultimate goal of human life (Ayob & Saiyed, 2020). Significant links have been documented between religiousness and spirituality and a wide array of psychological outcomes including aspects of mental well-being. The ability to increase sales by playing a role in supporting the capacity for resilience to face the crisis due to Covid 19 (Ezeh et al., 2020). This study also tries to describe the factors that influence the resilience capacity of Muslim entrepreneurs and how to model the resilience capacity of Muslim entrepreneurs in facing crises.

Regardless of their "well-being" status, all nations agree that entrepreneurship plays a critical role in economic development and, as a result, in the larger subject of "development." According to Hay, entrepreneurship is "the key to unlocking future economic potential" and a source of long-term economic production. Despite this widespread positive view of entrepreneurship, the "definition," "idea," "method," and "ultimate objective" of "entrepreneurship," "economic development," and "development" remain country-specific challenges (Ishaq & Abbass, 2020). They are framed, explained, and pushed in various ways, and so pursued from various angles, depending on each country's interpretation of the development phenomena. Muslim entrepreneurs are defined as those who run their businesses in accordance with Islamic principles and beliefs. They can be described as someone who values Allah's blessings above all else, rather than focusing solely on the financial gain. The core framework of Islamic business is built on taqwa (faith) and Allah SWT worship

(Games et al., 2021). Other factors, such as the halal idea, efficiency, noble values, honesty, welfare, knowledge, and concern for the society and the environment, supplement Islamic entrepreneurship within this framework. The foundation of today's established Islamic business is the concept of tauhid in Islam, which comprises of belief (al- Ilman), knowledge (al-Ilm), and pious action and efforts (al-Amal) (Abdullah, 2020).

The origins of the idea of resilience may be found in material physics. "The resistance of materials subjected to a powerful shock and a structure's capacity to absorb the kinetic energy of its surroundings without breaking," according to this frame of reference (Aldianto et al., 2021). With the first studies by Emmy Werner in the 1950s and her publications in 1971, the notion of resilience was "invested" by the field of psychology. Since then, there has been a flurry of research in the field of social sciences connected to the issue of resilience, reflecting the lack of agreement on the definition of the word that exists to this day (Hamed & Mehdiabadi, 2020). Entrepreneurial resilience's ability to impact business execution is well documented. Effective business professionals define clear company goals and make the right decisions in a risky environment. Resilient entrepreneurs, according to London (1993), are ready to work hard to achieve their goals, respond to changes to take advantage of new conditions, and learn from their failures. To summarize, resilience is made up of two parts: the ability to withstand stress and the ability to recover from adversity and react constructively (Salisu et al., 2020).

Eudaimonia research is based on Aristotle's contrast between pleasure and the good life, with the good life defined by Aristotle as living to one's full capacity in line with virtue or excellence. There is less consensus among current scholars on what defines eudaimonia than there is on what makes hedonia (Tikkanen, 2020). To yet, no one theory or methodological approach to investigating eudaimonia has been agreed upon. Existing eudaimonia models vary a lot, but they all have two things in common: a component of personal meaning and progress, and the intentional omission of an emotion component. Psychological well-being, which equals to good functioning, is one of the most prominent conceptions of eudaimonia. Eudaimonia is viewed as a wide sort of happiness rather than a specific adaptive quality in this hypothesis (Sherman & Axelrad, 2021). The components of psychological well-being are derived from the historically rich humanistic-existential psychology literatures, particularly Jahoda's (1958) focus on mental health's positive aspects. Relationships between well-being and personality traits, mental and physical health, healthy aging, familial and professional experiences, and neurological processes have all been studied using the psychological well-being model (Parada et al., 2020).

2. Method

This study analyses the data quantitatively by conducting hypothesis testing, measuring data, and decision making of the hypothesis to draw the conclusions. The population of the research is the Muslim entrepreneurs thus the exact number of this population is unknown (Sugiyono, 2017). The data are primary data and collected by both offline and online methods. A list of questionnaires will be distributed both offline and online method. The sampling technique applied in this research is purposive sample method. The criteria are: Muslim entrepreneurs whose business activities fit to the category of MSME. The respondents are expected from Bandar Lampung or other cities in Lampung Province (Purwanto, 2019).

This research using Structural Equation Model (SEM) as instrument analysis through the Partial Least Square (PLS) use smartPLS 3 to analyze the influence between exogen and endogen variables (Hendriyadi, 2019). The conceptual modeling in SEM PLS based on the previous study and rational, since it must be developed and construct estimation. The data used in PLS SEM does not have to meet the requirements of data normality assumption, thus PLS SEM becomes an alternative procedure other than SEM based covariance, because in reality we often find that the data we will by not normally distributed (Hamid, 2019). The purpose of this study is to determine the effect of Islamic Entrepreneurship and MSMEs Resilience Capacity as there is psychological variable that is Eudaimonic Well-being. The research framework can be seen as follows:

3. Result and Discussion

The sample of this research is coming 100 out of 104 samples completed the questionnaire. Gender wise, 35% of the respondents are male while female 65%. Table 2 below depicts the summary of respondents' characteristics.

Table 1. Descriptive statistics of sample characteristics (n = 100)

Characteristics	Categories	N	%
Gender	Male	35	35
	Female	65	65
Age	18 - 25 years old (Gen Z)	33	33
	26 - 40 years old (Millenial/Gen Y)	38	38
	41 - 55 years old (Gen X)	24	24
	> 55 years old (Baby boomers)	5	5
Marital Statues	Single	22	22
	Married	78	78
Education	Elementary School	5	5
	Junior High	9	9
	High School	51	51
	Diploma	3	3
	Bachelor	26	26
Business sector	Trading/retail	50	50
	Service	6	6
	Creative industry	15	15
	Food & Culinary	25	25
	Others	4	4
Monthly Income From Business	< Rp 1.000.000, -	50	50
	Rp 1.000.000, - s/d Rp 3.999.999, -	12	12
	Rp 4.000.000, - s/d Rp 6.999.999, -	50	50
	Rp 7.000.000, - s/d Rp 9.999.999, -	19	19
	Rp > Rp 10.000.000	5	5

According to the age group both Gen X and Z are dominating the sample making 38% and 33% of the whole sample. The majority of the business owner is already married (78%) while the rest are still single. Looking through the education background, around half of the samples are high school graduate. On the other hand, elementary school, diploma and post-graduate are the least common with the percentage of less than 10%. Most of the sample taken is in the trading or retail industry (50%), which then followed with the Food and beverages industry with 25% respondents. The average revenue of the respondents' range between Rp 1.000.000, - s/d Rp 3.999.999, - while only 12 of them make less than a million profit per month.

Hypothesis testing in PLS is also known as inner model testing. This test includes a test of the significance of direct and indirect effects as well as measuring the magnitude of the effect of exogenous variables on endogenous variables. To determine the effect of knowledge-oriented leadership on innovation performance through knowledge management capabilities as a mediating variable, a direct and indirect influence test is needed. The effect test was carried out using the t-statistical test in the partial least squared (PLS) analysis model using the SmartPLS 3.0 software. With the bootstrapping technique, the R Square value and the significance test value were obtained as Table 3 below:

Table 2. Discriminant Validity and Collinearity Statistics (VIF)

Variables	IP	KMC	KOL
IE	0,759		
EW	0,838	0,715	
MRC	0,993	0,821	0,811
Collinearity Statistics (VIF)			
IE			
EW	3,060		
MRC	3,060	1,00	

Table 3. R² Results

Variable	R Square	Adjusted R Square
Islamic Entrepreneurship	0.386	0.625
Eudaimonic Well-being	0.579	0.604
MSMEs Resilience Capacity	0.461	0.443

Entrepreneurship and company have a special place in Islam as a religion. Entrepreneurship and business in Islam are usually based on the following principles: entrepreneurship and business are an integral part of this religion; success is measured not only by the end result but also by the way in which it is achieved; Islam encourages people to get into business; business activities are part of worship or 'good deeds'; The guiding principles of entrepreneurship and business are based strictly on the Koran and Hadith and ethics and social responsibility are based on the example of Muhammad SAW Successful entrepreneurs believe in their abilities and skills, and based on this, they firmly believe that they will succeed in their business initiatives and activities. Allah S.W.T promises that such people will be under His protection - "Allah is the protector of those who believes: from the depths of darkness He leads them out into the light" (Qur'an, 2: 257). Eudaimonic well-being is a resource associated with success of business owners in a positive manner. From this, a conclusion would be that business owners should focus on developing aspects related to eudaimonic well-being- such as personal growth, autonomy and motivational work to succeed even better in the businesses – both personally and financially. Similar findings regarding eudaimonic well-being have been explored in previous studies. In a study from Spain, eudaimonic well-being contributed to improvement of work-performance and the results suggested that the focus should be on developing meaningfulness at work in the daily work-related activities to develop better work-performance (Cobaleda Cordero et al., 2020). These results are similar to the suggestions made from the results in this thesis, where eudaimonic well-being was associated with personal success and financial success. In addition, the results by (Marshall et al., 2020) that denoted eudaimonic well-being as a contributing factor for business owners' success, are also in line with the results presented in this thesis. The conclusion is that eudaimonic well-being is associated with success, even during the pandemic.

4. Conclusion

From the results of the discussion, it can be concluded that resilience capacity and Islamic entrepreneurship motivate entrepreneurs to play a role in the development process. Therefore, the concept of ta'awun-based social capital has added a new dimension to the dialogue on developing successful entrepreneurship from an Islamic perspective. spiritual and digital marketing are the factors that cause Muslim retail entrepreneurs to have the ability to survive in a crisis.

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