



## ***Empowering Muslim Women-Owned Small and Medium-Scale Enterprises through Women's Cooperative***

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**Abstract:** This study aims to examine the influence of empowerment, business assistance, and entrepreneurial knowledge on business growth and household welfare in Muslim women-owned Small and Medium Enterprises. The method used was partial least squares structural equation modeling with a sample of 254 Muslim women-owned SMEs who are members of the women's cooperative. The study findings indicated that empowerment and entrepreneurial knowledge play crucial roles as mechanisms for the business growth of Muslim women entrepreneurs and household welfare. Furthermore, the findings also suggested that business assistance has no significant effect on the business growth of women Muslim entrepreneurs. Overall, the practical implications of these findings underscore the need for the development of more holistic empowerment programs that not only focus on business growth but also consider household welfare. The novel proposition includes, *first*, positioning the women's entrepreneurial knowledge as a crucial additional proxy. *Second*, proxies of business empowerment and assistance implemented by women's cooperatives, to the authors' knowledge, have not been extensively explored in the context of Muslim women as SME entrepreneurs. *Third*, this study uses business performance as an antecedent to improve household welfare as the ultimate objective.

## **Introduction**

In Indonesia, the cultural and social system perceives women primarily as caregivers and household workers. They are viewed as responsible for unpaid domestic work, which can hinder their participation in the economy and career development. This impacts the family's financial well-being and can impede economic growth due to underexplored potential productivity of women (Alonso et al., 2019). Additionally, in the public sector, women are often perceived as unfit due to being considered weak, emotional, and irrational, while men are seen as productive breadwinners responsible for the family (Korpi, 2000; Korpi et al., 2013). Women are often seen as economically dependent on men and subordinate within the family hierarchy, with decisions and activities subject to the husband's approval. This can lead to arbitrary behavior and serious issues such as violence, double burdens, and stereotypes (Alonso et al., 2019; Kowalewska, 2023; Zhang et al., 2021).

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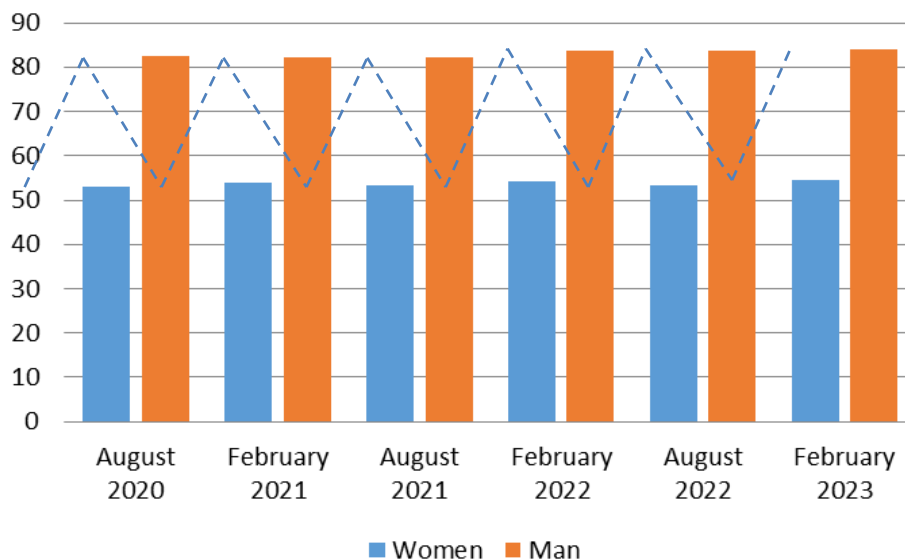
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Crucial issues related to gender discrimination often arise in almost all developing countries, impacting the empowerment of communities, societies, and even nations (Zhang et al., 2021). The prevalence of marginalized groups can significantly affect the overall progress of a nation, as it burdens its development (Fernandez, 2023; Gagnon et al., 2020). In Indonesia, the equalization of women's rights to participate in the economic sector remains lower compared to men. As illustrated in Figure 1, the female labor force participation rate is lower compared to males, with male participation experiencing continuous increases while females exhibit unstable development (Central Statistics Agency, 2023).

Moreover, the limitation of low education attainment hinders women from occupying strategic positions, leaving them predominantly in the informal sector. Consequently, this appears as a form of gender discrimination in wage compensation, where women receive lesser compensation compared to men for similar job roles (Sendratari, 2018). Disaggregation of data by gender reveals that, cumulatively, the average wages for men are higher than those for women. The highest wage disparity is observed at the university education level, where male university graduates receive an average wage 1.54 times higher than that received by female workers with the same educational background (Central Statistics Agency, 2023). Therefore, intensive, sincere, and continuous efforts are needed to establish gender equality through empowerment programs for women, which currently remain insufficient.



**Figure 1.** The Development of Labor Force Participation Rates by Gender from 2020 to 2023

Source: Central Statistics Agency (2023)

One axis igniting gender equality lies within Micro, Small, and Medium Enterprises (MSMEs) as a strategic effort to empower the Muslim-women community's economy. In terms of achievement, MSMEs contribute 61% of Indonesia's Gross Domestic Product (GDP), equivalent to Rp9,580 trillion (Ramadhan, 2021; Yusfiarto et al., 2022). MSMEs are established based on individual ownership or business entities operating productively and meeting criteria such as business scale, turnover, and a relatively small or even limited number of employees, typically within the micro to medium scale. When examined in detail, there are 65.5 million MSMEs, accounting for 99% of all business units. Moreover, MSMEs' contribution to employment can reach up to 97% of the total workforce required by the industry (Rizki, 2022; Yusfiarto & Pambekti, 2019).

However, the empowerment of women businesses is often hindered by difficulties in accessing credit from banking institutions. Relying solely on personal savings may not be sufficient to meet the capital needs of businesses. Thus, access to funding from larger financial institutions becomes a primary obstacle (Kuzilwa, 2005; Utama et al., 2023). Formal financial services providers, such as banks, often face challenges in effectively serving the needs of poor communities and small-scale microenterprises. This is primarily due to the inherent characteristics of these entities, which often include lower levels of education, weaker business governance structures, limited financial reporting capabilities, and operations within uncertain market environments. This increases the high risk for financial institutions

to provide capital access to such community groups (Isukul & Tantua, 2021; Kuzilwa, 2005; Samer et al., 2015). Therefore, cooperatives, as part of micro-finance institutions, have great potential as a driving force for Muslim women's economic empowerment.

Cooperatives, as one of the pillars of the national economy, can provide products that align with the realities of Indonesia's societal conditions, including the provision of access to credit for women (Rahmkad et al., 2020). This is manifested through the emergence of women's cooperatives as microfinance institutions actively empowering and involving women in various endeavors, such as participating in household industries or MSMEs, to achieve the members' goals. Cooperatives create opportunities for women's self-empowerment and are not significantly impeded by patriarchal ideologies favoring men, as within cooperatives, all members have equal rights and obligations (Bharti, 2021; Telaumbanua & Harefa, 2023). According to Suseno & Nataliningsih (2023), women's cooperatives are organizations structurally composed of women with programs aimed at promoting the welfare of their members. Empowerment programs established by women's cooperatives can refer to; empowerment, strengthening, protection, support, and preservation.

Based on the aforementioned prevalence, this study focuses on exploring the role of women's cooperatives in empowering female Muslim entrepreneurs. Subsequently, proxies of business empowerment and business assistance are used as the key determinants of improving the performance of female Muslim businesses. The established mechanisms ultimately contribute to the enhancement of family welfare. The novel proposition advanced by the authors includes; first, positioning the construct of women's entrepreneurial knowledge as a crucial additional proxy. This is because several studies revealed that entrepreneurial knowledge plays a crucial role as the key antecedent to improving the performance of SMEs (Gomezelj & Antončič, 2008; Hamdani & Fatimah, 2024; Utama et al., 2023). Second, proxies of business empowerment and assistance implemented by women's cooperatives, to the authors' knowledge, have not been extensively explored in the context of Muslim women as SME entrepreneurs. Lastly, this study uses business performance as an antecedent to improve household welfare as the goal.

## Literature Review and Hypothesis Development

### *Theoretical Lens*

Conger & Kanungo (1988) introduced the concept of psychological empowerment, which refers to individuals' perceptions of empowerment. This concept has since been widely accepted as the theory of psychological empowerment with multidimensional measurement instruments. The idea encompasses motivational constructs reflected in four cognitive dimensions: meaning, competence, self-determination, and impact (Menon, 1999; Srivastava & Singh, 2008). Additionally, Randolph (1995) introduced a macro perspective on empowerment stemming from the concept of team-based empowerment, known as the empowerment climate. Empowerment involves collective efforts by individuals to assert control over their destiny through enhancing competence (internal capacity) and exerting influence on the environment (external responsiveness). This process transforms individuals into proactive agents who act in line with their values and interests (Miller & Campbell, 2006; Strzelecka et al., 2017).

Overall, individuals are empowered by actively addressing personal or community challenges and striving to modify elements within the social system contributing to those challenges (Rappapon, 1984; Rappaport, 1981). Therefore, empowerment does not have a singular definition, and its understanding often depends on specific situations or issues. This diversity underscores the significance of rehabilitating sectors, communities, and individuals disenfranchised by emphasizing the significance of community-driven decision-making, local autonomy, and social learning (Redclift & Friedmann, 1994). Two fundamental perspectives regarding empowerment regarding empowerment have evolved over time. In the initial phase, the primary conception of empowerment was closely related to the distribution of power and authority through structural and organizational systems, regulations, and practices, enabling individuals at various levels to make decisions and take actions contributing to organizational goals (Foster et al., 1998; Joseph, 2020; Zimmerman, 2000).

### **Women Cooperative**

Cooperatives encompass various fundamental definitions, serving as highly important financial institutions to drive community economic growth. The origins of cooperatives stem from three distinct institutional and developmental pathways. Firstly, cooperatives are propelled by social and political organizations. Secondly, cooperatives evolve through governmental initiatives, and thirdly, cooperatives emerge from the impetus of individual or collective initiatives (Hamdani, 2020; Joshi, 2022; Suseno & Nataliningsih, 2023). Furthermore, cooperatives are institutions founded on the principle of kinship with the primary goal of advancing the welfare of society at large and the prosperity of their members (Kaswan, 2014; Sitepu & Hasyim, 2018). The establishment of cooperatives has had a positive impact on the global economy, including Indonesia. Particularly, during the economic crises that befell Indonesia, cooperatives remained resilient as business entities, maintaining their significance in supporting community livelihoods amidst the monetary upheavals affecting the country (Hamdani, 2020; Sitepu & Hasyim, 2018).

In its development, particularly in developing countries, cooperatives established by women communities have emerged. Women's cooperatives refer to economic institutions established and managed by women with the primary aim of empowering them economically, socially, and culturally (Jenifer Lodiaga, 2020). Through services such as entrepreneurship training, access to business capital, business networking, and technical assistance, women's cooperatives contribute to increasing women's participation in economic activities and reducing gender gaps in access to economic resources. In addition to providing economic benefits, women's cooperatives also strengthen solidarity and collective women's empowerment through support, knowledge exchange, and social network development (Jenifer Lodiaga, 2020; Joshi, 2022; Mursyidin et al., 2023; Suseno & Nataliningsih, 2023). More specifically, in the patriarchal context, cooperative membership may contribute to increasing women's self-confidence and self-determination and their ability to make valuable choices in their life domains (Jenifer Lodiaga, 2020).

### **Women Cooperative Empowerment**

Empowerment through microfinance encompasses training and education in business management, finance, marketing, and other skills necessary for effective business management. This enhances women's knowledge and skills, enabling them to manage their businesses more efficiently, support business growth, and gain greater access to resources such as capital, technology, and markets (Bambang et al., 2023; Geoffrey & Emenike, 2018; Her-Loke Koh et al., 2021). Also, as a part of microfinance, Sharia cooperative empowerment programs provide training and resources to women to develop their businesses, increase their capacity and confidence in managing businesses, and empower them to make business decisions (Abebe & Kegne, 2023; Habib, 2021; Her-Loke Koh et al., 2021). According to empowerment theory, women's contributions through cooperatives will enhance each individual's control over resources and decisions in their business (Mursyidin et al., 2023; Suseno & Nataliningsih, 2023).

Furthermore, Women's cooperative empowerment has a significant impact on household welfare through three approaches. First, economic empowerment provides women with opportunities to engage in family economic activities with greater access to economic resources such as capital and markets, thereby increasing overall family income (Raja, 2023). Second, social empowerment through cooperatives expands social networks and access to information, enhancing women's confidence and involvement in the community, as well as enriching their knowledge and skills (Anisykurlillah & Latifah, 2014). Third, political empowerment provides women with greater access to representation and participation in decision-making, enabling them to influence public policies that affect household and community welfare (Fahrudin, 2012). Thus, the following hypotheses can be formulated:

H<sub>1</sub>: Women's cooperative empowerment has a significant effect on the performance of Muslim women-owned SMEs

H<sub>2</sub>: Women's cooperative empowerment has a significant effect on household welfare.

### ***Women's Cooperative Assistance Program***

The women's cooperative assistance program constitutes a short-term, intensive initiative aimed at accelerating business development by providing aid, guidance, and technical support to cooperatives managed by women. Its primary objective is to enhance the capacity and sustainability of women's cooperatives, enabling their members to contribute maximally to the economic and social empowerment of women (Gemina & Pitaloka, 2020). Business assistance supports the adoption of technology, process innovation, or new resource management approaches to enhance productivity and efficiency. It also facilitates collaboration, partnerships, and business growth by expanding networks, providing access to new opportunities, and garnering greater support (Aini & Oktafani, 2020). In this context, empowerment theory and social innovation serve as crucial foundations, providing knowledge, entrepreneurial skills, and innovative solutions to effectively support women's business growth (Aini & Oktafani, 2020; Mursyidin et al., 2023).

From another perspective, women's cooperative business assistance provides support in business management, enhancing members' skills in financial management, marketing, and business operations. This enables members to increase income, create economic opportunities, and strengthen control over household economic resources. Through the fostered networks, business assistance enables the exchange of information and experiences among members, enhancing confidence, autonomy, and employment opportunities for women (Aini & Oktafani, 2020; Fitri A., 2021; Laily & Syam, 2021). Within the framework of empowerment theory, it is explained that business assistance will enhance the knowledge and skills of women's cooperative members in managing their businesses. This includes managerial understanding for business success. Furthermore, women's cooperative business assistance plays a significant role in enhancing household welfare through the strengthening of women's economic and social capacities (Aini & Oktafani, 2020; Habib, 2021). Therefore, the following hypotheses can be formulated:

H<sub>3</sub>: Women's cooperative assistance has a significant effect on Muslim women-owned SMEs

H<sub>4</sub>: Women's cooperative assistance has a significant effect on household welfare

### ***Entrepreneurial Knowledge***

Entrepreneurial knowledge plays a crucial role in the growth of women-owned businesses by enabling them to develop innovative business ideas tailored to market needs (Utama et al., 2023). With a good understanding of market trends and business management skills, women can effectively plan and manage their businesses, enhance operational efficiency, and identify and exploit business opportunities (Aini & Oktafani, 2020). Moreover, entrepreneurial knowledge helps women identify, evaluate, and manage risks, as well as create innovative solutions to social problems through innovative approaches. Thus, entrepreneurial knowledge can assist women in planning and implementing social innovations in their businesses, creating added value for society (Khan et al., 2021; Omerzel & Gulev, 2011; Sofia, 2017). This is consistent with previous findings indicating that higher levels of entrepreneurial knowledge can enhance business performance (Oystein, 2005; Utama et al., 2023).

Furthermore, entrepreneurial knowledge within women's cooperatives significantly impacts their members by enhancing their ability to identify and exploit new business opportunities. With a strong understanding of business concepts such as business planning, financial management, and marketing, cooperative members can effectively manage their businesses, increase productivity, and create additional employment opportunities (Marfuah, 2021; Moelrine & Syarif, 2022). Additionally, entrepreneurial knowledge drives the adoption of new technologies and innovations in business operations, thereby improving production efficiency and enhancing business competitiveness. Through the lens of social innovation theory, entrepreneurial knowledge within women's cooperatives has great potential to enhance household welfare by creating employment opportunities, improving business efficiency, and creating added value through innovation (Moridu et al., 2023). Therefore, the following hypotheses can be formulated:

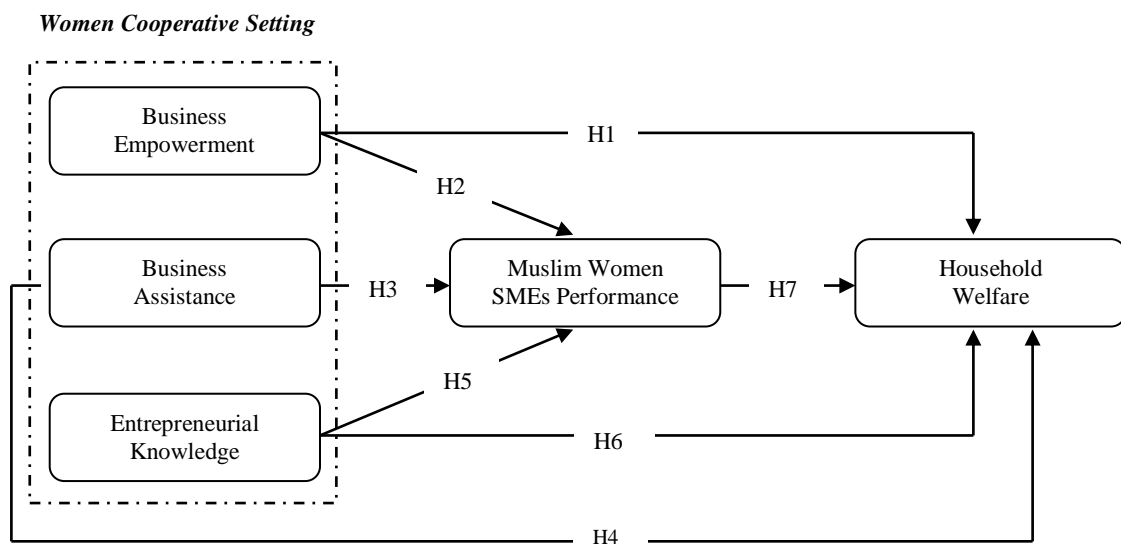
H<sub>5</sub>: Entrepreneurial Knowledge has a significant effect on Muslim women-owned SMEs

H<sub>6</sub>: Entrepreneurial Knowledge has a significant effect on household welfare

### Women-owned SMEs Performance

Business performance can lead to an increase in household income, enabling them to meet basic needs such as food, clothing, housing, as well as education and healthcare. Additionally, it often creates opportunities for job creation, thereby benefiting not only the immediate family but also the broader community (Ibrahim, 2022). The additional income can be utilized to improve access to education and healthcare services, consequently enhancing the family's overall well-being. Furthermore, businesses focusing on social innovation can contribute positively to local economic growth and address persistent social issues such as poverty and inequality. Also, business growth, particularly those incorporating social innovation, positively correlates with increased household income, access to education and healthcare services, and overall well-being, while also contributing to local economic development and the alleviation of social issues (Nursini, 2020; Simbolon & Afdawaiza, 2023; Widiastuti et al., 2021). Lastly, the findings of Pambekti et al. (2022) indicate that household well-being serves as a significant proxy for entrepreneurship, particularly in the context of Muslim women. Therefore, the following hypothesis can be formulated:

H<sub>7</sub>: Women-owned SMEs have a significant effect on household welfare



**Figure 1.** Conceptual Model

### Research Methods

#### Sample Size and Data Collection

The theoretical model proposed was validated using data collected through a quantitative approach via offline self-administered questionnaires (face-to-face meetings and seminars). Furthermore, data were gathered by leveraging the existing database of women's cooperatives in Indonesia. From the perspective of relevance, women's cooperatives were selected for this study due to their strong association with women's empowerment in Indonesia, thus aligning with the study's objectives. Moreover, this study applied a purposive sampling approach. This method was deemed suitable because the sample selection was based on specific criteria such as women-owned SMEs, active membership in women's cooperatives, and active involvement in utilizing the facilities and activities of women's cooperatives. Samples that did not meet the predetermined criteria were excluded from the final dataset to ensure relevance to the study's objectives (Etikan, 2016).

Overall, the total sample size in this study was 252 respondents with demographic spectrum specifications based on business age, business type, length of membership in the women's cooperative, intensity of utilization of women's cooperative services, and education level. The majority of respondents' characteristics fell within the following spectrum: the business age ranged from 7 to 10 years, they were engaged in retail businesses (convenience stores), they were small business owners,

and they had been members of the cooperative and utilized its services for over 10 years. Regarding sample adequacy, the minimum sample was estimated using G-Power software. The output indicated a minimum sample size of 132 respondents with four predictors and a significance level of 0.05 to achieve a statistical power of 80%. Thus, the sample size of 252 obtained was sufficient for this study (Saibil et al., 2023).

### **Data Analysis and Measurement**

This study employs the Partial Least Squares Structural Equation Modeling (PLS-SEM) framework and adheres to the comprehensive guidelines outlined by (Hair et al., 2019). The utilization of PLS-SEM is justified by the complexity of the conceptual model, where composite constructs are concurrently analyzed with moderating constructs to ascertain direct effects as predictors (Hair et al., 2021). Furthermore, constructs in this study were assessed using a Likert scale (5-point scale), ranging from strongly disagree (1) to strongly agree (5). The implementation of the Likert scale questionnaire was chosen due to its proven effectiveness in previous similar studies, such as those focusing on SMEs in internet marketing (Yusfiarto & Pambekti, 2019), green SMEs (Hamdani et al., 2024), intention to grow SMEs (Utama et al., 2023), women-owned SMEs (Gupta & Mirchandani, 2018), and Muslim women entrepreneurs (Ummah, 2021).

Regarding measurement items, this study employed measurement items adapted from previous studies, subsequently modified to align with the specific context and objectives of the study. The constructs of business empowerment and business assistance are measured using four items, adapted from (Simbolon & Afdawaiza, 2023; Widiastuti et al., 2021). Meanwhile, the entrepreneurial knowledge construct is measured using ten items adapted from the study conducted by (Utama et al., 2023). Furthermore, the business performance construct is measured using four items adapted from the study conducted by (Yusfiarto et al., 2022). Lastly, the household welfare construct is measured using five items adapted from the study conducted by (Pambekti et al., 2022). Overall, adaptation was carried out to represent the characteristics of women's businesses and the specific context of women's cooperatives to ensure the relevance and validity of this study.

## **Analysis and Discussion**

### **Measurement Model**

The measurement model analysis encompassed item reliability (factor loadings), internal consistency (Cronbach's alpha and composite reliability), convergent validity (average variance extracted), and discriminant validity (heterotrait-monotrait ratio). The first examination involved Cronbach's alpha ( $\alpha$ ) and composite reliability (CR) values, as presented in Tables 1 and 2. The obtained values indicate that  $\alpha$  ranged from 0.920 to 0.944, while CR ranged from 0.944 to 0.953. These outcomes affirm the reliability of internal consistency for the constructs ( $\alpha$  and CR > 0.70), in accordance with the recommendation by Hair et al. (2019). Subsequently, convergent validity was assessed through outer loadings and average variance extracted (AVE) values. Meanwhile, discriminant validity was evaluated using the Heterotrait-Monotrait ratio (HTMT) following the guidelines provided by Hair et al. (2019). The results revealed that the overall outer loading values exceeded 0.70, and the AVE values ranged from 0.664 to 0.835 (> 0.50), as indicated. Moreover, Table 3 presents that all HTMT outputs are below 0.85 and/or 0.90, consistent with (Henseler et al., 2015) recommendation. Thus, all reflective constructs demonstrate satisfactory discriminant validity (Hair et al., 2021).

**Table 1.** Measurement Model Outcomes

Constructs	$\alpha$	rho_A	CR	AVE
Assistance	0.928	0.933	0.949	0.823
Household Welfare	0.926	0.928	0.944	0.773
Empowerment	0.934	0.938	0.953	0.835
Entrepreneurial Knowledge	0.944	0.944	0.952	0.664
Muslim-Women SMEs Performance	0.920	0.922	0.944	0.809

**Table 2.** Outer Loadings Outcomes

Constructs	Code	Indicators	Outer	
			Loading	Weight
Empowerment	X1.1	Variation of programs	0.932	0.284
	X1.2	Program quality	0.938	0.291
	X1.3	Intensity of involvement	0.879	0.246
	X1.4	Monitoring and Evaluation	0.906	0.272
Assistance	X2.1	Variation of programs	0.894	0.265
	X2.2	Intensity of involvement	0.853	0.254
	X2.3	Perceived satisfaction	0.942	0.290
	X2.4	Perceived benefits	0.938	0.291
Entrepreneurial Knowledge	X3.1	Creativity	0.794	0.125
	X3.2	Problem-solving	0.807	0.126
	X3.3	Leadership	0.766	0.110
	X3.4	Managerial	0.779	0.120
	X3.5	Networking	0.832	0.124
	X3.6	Customer Relations	0.826	0.115
	X3.7	Marketing	0.843	0.122
	X3.8	Finance and Accounting	0.859	0.131
	X3.9	Quality Assurance	0.817	0.127
	X3.10	Product Development	0.819	0.127
Muslim-Women SMEs Performance	Y1.1	Market Share	0.886	0.273
	Y1.2	Profitability	0.942	0.283
	Y1.3	Asset	0.937	0.286
	Y1.4	Goals	0.828	0.271
Household Welfare	Y2.1	Living Conditions	0.859	0.216
	Y2.2	Primary Needs	0.897	0.232
	Y2.3	Financial Stability	0.858	0.213
	Y2.4	Tax Compliance	0.897	0.238
	Y2.5	Zakat Compliance	0.883	0.239

**Table 3.** HTMT Outcomes

Constructs	1	2	3	4	5
Assistance	1				
Household Welfare	0.693	1			
Empowerment	0.817	0.775	1		
Entrepreneurial Knowledge	0.769	0.887	0.847	1	
Muslim-Women SMEs Performance	0.557	0.804	0.651	0.737	1

**Structural model (inner model)**

The standardized root mean square residual (SRMR) was utilized to assess model fit. The SRMR outputs (saturated model = 0.058 and estimated model = 0.057) align with the threshold  $< 0.080$  (Benitez et al., 2020; Henseler et al., 2015), indicating the expected results. Additionally, the variance inflation factor (VIF) outputs ranging from 1.924 to 3.621 are below the threshold of 5 (Hair et al., 2019; Sarstedt et al., 2017), indicating the absence of multicollinearity symptoms. In hypothesis testing, significance was evaluated using the bootstrap 5,000 approach (resampling) with bias-corrected confidence intervals and a two-tailed significance level (\*  $p$ : 0.10, \*\*  $p$ : 0.05, \*\*\*  $p$ : 0.01).

Upon assessment of the structural model, three hypotheses were rejected, while the others were supported (refer to Table 5 and Figure 3). As anticipated, entrepreneurial knowledge had a significant and positive effect on Muslim women-owned SMEs ( $\beta = 0.569$ ,  $p < 0.05$ ) and household welfare ( $\beta = 0.512$ ,  $p < 0.05$ ). Similarly, women's cooperative empowerment has a significant and positive effect on the performance of Muslim women-owned SMEs ( $\beta = 0.168$ ,  $p < 0.05$ ). Furthermore, the performance of Muslim women-owned SMEs was empirically proven to enhance household welfare ( $\beta = 0.311$ ,  $p < 0.05$ ). Focusing on the rejected hypotheses, the analysis results indicate that business assistance



provided by women's cooperatives lacks sufficient evidence to enhance the mechanism of Muslim women's business performance ( $\beta = -0.022, p > 0.05$ ) and ultimately improve their household welfare ( $\beta = 0.046, p > 0.05$ ). Additionally, business empowerment initiatives by women's cooperatives also do not significantly contribute to enhancing the welfare of Muslim women's households ( $\beta = 0.093, p > 0.05$ ).

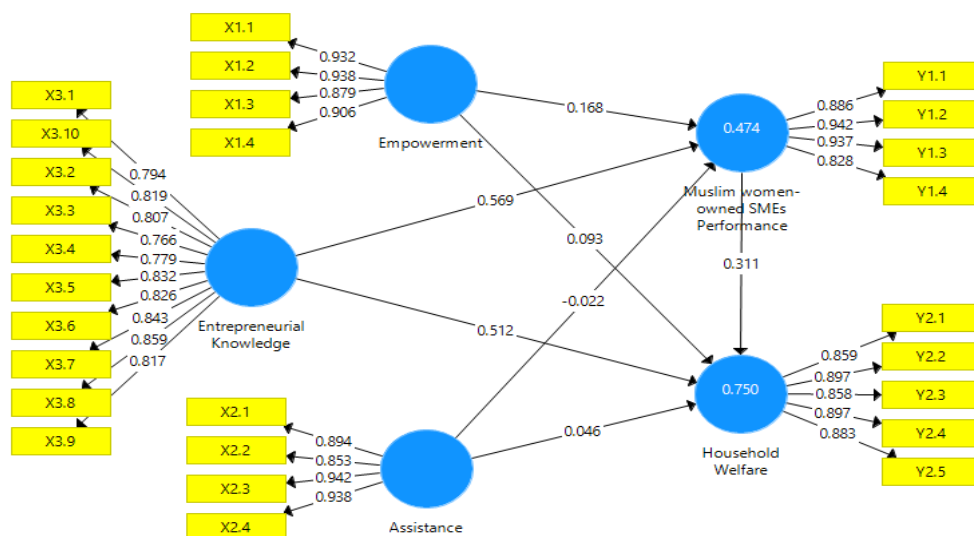
Lastly, the analysis of the coefficient of determination ( $R^2$ ) for the household welfare construct reveals satisfactory values ( $R^2 = 0.754, R^2 \text{ adjusted} = 0.750$ ). This suggests that 75 percent of the variation in household welfare is accounted for by business performance, empowerment, assistance, and entrepreneurial knowledge. Additionally, Cohen's  $f^2$  is employed to assess the influence between variables in the model, indicating the change in  $R^2$  when one of the exogenous constructs is removed from the model (Hair et al., 2021). The results indicate an overall  $f^2$  output ranging from 0.011 to 0.347. Furthermore, predictive relevance analysis utilizes Stone-Geisser's  $Q^2$ . The  $Q^2$  value for the switching intention variable is 0.575, exceeding the minimum threshold value of 0. This indicates that the observed values have been appropriately reconstructed, thus affirming the predictive relevance of the model (Hair et al., 2021). Table 6 provides a detailed explanation of this section.

**Table 4.** Multicollinearity Outcomes

Jalur SEM-PLS	VIF	Criteria	Multicollinearity
Assistance → Household Welfare	2.581	< 5	No
Assistance → Muslim-Women SMEs Performance	2.580	< 5	No
Empowerment → Household Welfare	3.470	< 5	No
Empowerment → Muslim-Women SMEs Performance	3.416	< 5	No
Entrepreneurial Knowledge → Household Welfare	3.628	< 5	No
Entrepreneurial Knowledge → Muslim-Women SMEs Performance	3.005	< 5	No
Muslim-Women SMEs Performance → Household Welfare	1.924	< 5	No

**Table 5.** HTMT Outcomes

SEM-PLS Path	$\beta$	$t$ -values	$p$ -values	Hypothesis
Assistance → Household Welfare	0.046	0.939	0.348	Rejected
Assistance → Muslim-Women SMEs Performance	-0.022	0.289	0.773	Rejected
Empowerment → Household Welfare	0.093	1.666	0.010	Rejected
Empowerment → Muslim-Women SMEs Performance	0.168	1.893	0.057	Supported
Entrepreneurial Knowledge → Household Welfare	0.512	9.055	0.000	Supported
Entrepreneurial Knowledge → Muslim-Women SMEs Performance	0.569	7.049	0.000	Supported
Muslim-Women SMEs Performance → Household Welfare	0.311	6.427	0.000	Supported



**Figure 3.** Full Model Outcome**Table 6.** Structural Model Outcomes

Constructs	SSO	SSE	Q <sup>2</sup>	R <sup>2</sup>	R <sup>2</sup> Adjusted
Household Welfare	1320	561.428	0.575	0.754	0.75
Muslim-Women SMEs Performance	1056	651.448	0.383	0.480	0.474
Assistance	1056	1056			
Empowerment	1056	1056			
Entrepreneurial Knowledge	2640	2640			

### Discussion

This section discusses the data analysis of the research findings, focusing on testing the hypotheses proposed in the study by examining the causal relationships between exogenous and endogenous variables. Theory, concepts, as well as previous supporting and conflicting studies are used as the basis for the discussion in the study. The findings indicate that empowerment has a positive effect on business growth. This result is consistent with the study by [Geoffrey & Emenike \(2018\)](#), concluding that factors such as loan facilities, availability of savings accounts, and managerial skills development play a significant role in influencing SMEs' growth. Similarly, studies have demonstrated a positive and significant correlation between saving habits, ease of access to credit, training for skills development, and entrepreneurial empowerment efforts among women ([Abebe & Kegne, 2023](#); [Bambang et al., 2023](#)). Therefore, entrepreneurship empowerment by women's cooperatives is crucial for business growth, income enhancement, and innovation adoption among Muslim women entrepreneurs, particularly in the SME sector.

Furthermore, the research findings indicate that the empowerment variable has no positive effect on household welfare. This contradicts previous findings stating that microfinance empowerment has an effect on socio-economic welfare among households. These findings underscore the significance of the role of microfinance services in improving household socio-economic conditions ([Geoffrey & Emenike, 2018](#); [Her-Loke Koh et al., 2021](#); [Solarin et al., 2022](#)). Several factors may explain why empowerment does not always have a positive effect on the household welfare of women's cooperative members. A significant factor is the potential imbalance between the implementation of empowerment programs and the welfare needs of women. This is because the success of empowerment depends on granting individuals or groups the control and power to manage their own lives. However, when the empowerment process is not comprehensive or fails to account for the complex social, cultural, and economic contexts, its impact may be limited and less effective.

Focusing on the antecedents of business assistance, the findings of this study indicate that business assistance programs conducted by women's cooperatives have a limited impact on the business performance of Muslim women-owned SMEs and their household welfare. This emphasizes that business assistance constitutes a crucial effort aimed at providing aid or support to business practitioners, particularly those in the early or developing stages. However, it is not uncommon for business assistance in women's cooperatives to have an insignificant effect on the growth of these businesses. This may be due to several factors. First, business assistance is often not tailored to the needs and unique characteristics of each business. For example, approaches that succeed for one enterprise may not necessarily be effective for another. Second, the provision of business assistance may be inconsistent or lack continuity, hindering its ability to generate sustained improvements in business growth and women's welfare. In general, the findings of this study differ from previous studies stating that programs provided by microfinance institutions can boost the progress of SMEs ([Anisykurlillah & Latifah, 2014](#); [Geoffrey & Emenike, 2018](#); [Her-Loke Koh et al., 2021](#)).

The following findings indicate that entrepreneurial knowledge has a significant and positive effect on the business growth and household welfare of Muslim women. This finding aligns with the study by [Gomezelj & Antončič \(2008\)](#), suggesting that in entrepreneurship practice, the knowledge dimensions of business practitioners have beneficial impacts on company performance. Businesses whose entrepreneurs develop their knowledge and skills are more likely to achieve higher growth and profitability compared to organizations lacking these characteristics. Therefore, it is crucial for Muslim

women business practitioners to analyze their organizational environment. Furthermore, this in-depth understanding enables them to distinguish themselves from their competitors and serve as a means to effectively organize poorly structured business contexts. Entrepreneurs with greater knowledge exhibit reduced uncertainty regarding their effectiveness and can learn and respond to market changes more swiftly (Khan et al., 2021; Oystein, 2005; Uit Beijerse, 2000; Utama et al., 2023).

Lastly, the business performance of Muslim women-owned SMEs has a significant effect on household welfare through various channels. Business growth generates new employment opportunities, which in turn increases household income and enables improved access to education and healthcare services. With increased income, families can meet their basic needs, including food, clothing, and decent housing. Additionally, business growth can expand consumer choices, providing families with access to higher quality and more affordable goods and services. All of these factors contribute to the overall improvement of household welfare. Furthermore, economic empowerment through business growth can enhance the family's status and social position in society. Through involvement in productive economic activities, families can achieve higher status and gain recognition from other members of society (Nursini, 2020; Pambekti et al., 2022; Simbolon & Afdawaiza, 2023; Widiastuti et al., 2021).

## Conclusion

In summary, the research findings present a nuanced understanding of the dynamics influencing business growth and household welfare among Muslim women SME entrepreneurs. Empowerment initiatives within women's cooperatives emerge as pivotal drivers of business growth, income enhancement, and innovation adoption within the SME sector. However, while empowerment has a positive effect on business growth, its effect on household welfare may vary, suggesting the need for comprehensive and contextually relevant empowerment programs. Despite efforts to provide business assistance, particularly by women's cooperatives, the findings suggest a limited impact on the business performance of Muslim women-owned SMEs and their household welfare, highlighting the necessity for tailored and consistent assistance programs.

Furthermore, entrepreneurial knowledge emerges as a significant factor positively influencing both business growth and household welfare, underscoring the significance of continuous learning and skill development for entrepreneurs. Additionally, the business performance of Muslim women-owned SMEs significantly contributes to household welfare through various channels, including job creation and increased income, emphasizing the role of economic empowerment in enhancing socio-economic well-being. In conclusion, effective empowerment initiatives, tailored assistance programs, continuous investment in entrepreneurial knowledge, and sustained business performance are crucial for fostering sustainable economic development and improving overall household welfare within the community.

## Implications

Based on the conclusions of this study, several implications can be inferred as follows: *First*, the findings emphasize the significance of the relationship between empowerment, business assistance, entrepreneurial knowledge, and business growth as well as household welfare. This underscores the complexity of the relationship between empowerment and household welfare, particularly in implementing empowerment programs that consider social, cultural, and economic aspects. *Second*, the finding that business assistance has an insignificant effect on business growth or family welfare emphasizes the need for a more holistic approach in designing business assistance programs. Additionally, entrepreneurial knowledge has a significant and positive effect on business growth and household welfare, indicating the significance of increasing entrepreneurial knowledge as a strategy to enhance business success and welfare. *Third*, these findings provide valuable insights for policymakers, business practitioners, and researchers to develop more effective strategies in supporting business growth and household welfare, particularly among Muslim women SMEs and women's cooperative members.

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