

BINARY LOGISTIC MODEL APPROACH TO THE DECISION OF MSME ACTORS IN CHOOSING SYARIAH BANKING FINANCING

Amalia¹, Abd. Rahim¹, Sri Astuty¹, Diah Retno Dwi Hastuti¹, Regina¹

^{1a}Universitas Negeri Makassar, Makassar, Indonesia, e-mail: amaliayy17@gmail.com

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ABSTRACT

The development of the Syariah banking industry in Indonesia has experienced significant growth, marked by the increasing network of Syariah banking offices that expand the accessibility of financial services for the community, including MSME players. BTPN Syariah, as one of the Syariah financial institutions that focuses on empowering MSMEs, has channeled Syariah financing with an increasing trend during the period 2020 to 2024. This study aims to analyze the factors that influence MSME decisions in choosing Syariah banking financing in Somba Opu District. This research includes quantitative research with a survey approach. The sample in this study was taken by accidental sampling technique. The total sample was 98 respondents. Data collection used in the study using a questionnaire. The analysis method used is Binary Logistic. The results showed that the level of education has a significant negative effect and the length of business has a significant positive effect on the decision of MSMEs to choose Syariah financing, while the level of income has no significant effect.

Key words: Syariah banking; MSME financing; Bank choice decision; Binary Logictics

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INTRODUCTION

One of the primary metrics used to evaluate a nation's welfare is economic growth. Micro, Small, and Medium-Sized Enterprises (MSMEs) represent one of the sectors that take an active role in efforts to encourage inclusive and sustainable economic growth. MSMEs have an important role in the economy, particularly in terms of lowering poverty, boosting competitiveness, and creating jobs. Based on data from the Ministry of Cooperatives and SMEs (2023), there were 66 million MSMEs in Indonesia, and they constituted about 61% of the country's GDP. In South Sulawesi, the development of MSMEs continues to increase, with Gowa Regency as one of the economic centers with 4,152 business units in Somba Opu District (BPS Kabupaten Gowa, 2021).

Although the contribution of MSMEs to the economy is quite large, many MSME players still face obstacles in accessing formal financing (Suwarsi *et al.*, 2022). Up to 29.2 million MSMEs in Indonesia struggle to get funding or grow their companies, and according to a similar survey, 74% of MSMEs in Indonesia lack access to financing (Sandi, 2023; Hasibuan & Marliyah, 2024). Lack of collateral, restricted access to banking information, and ignorance of financing patterns appropriate for business requirements are some of the obstacles. Banks act as intermediary institutions that provide capital through productive financing, both in the form of conventional banks and Syariah banks (Bank Indonesia, 2024). The potential growth of MSMEs is strongly influenced by the role of banks in providing financing facilities and increasing access to financial services (Ratnawati, 2020).

The development of the Syariah banking industry in Indonesia has experienced significant growth in recent years. One indicator that reflects this development is the increasing number of banking office networks. The existence of a wider office network indicates an increase

in the accessibility of Syariah financial services for the community, including MSME players. Over the past five years, Indonesia has seen an increase in the number of Syariah banking office networks, based upon data from the Financial Services Authority (OJK). Table 1 below shows the development of the number of Syariah banking offices from 2022 to 2024. Table 1. Development of Syariah banking Office Network in 2022-2024

Type of Bank	Year		
	2022	2023	2024
Number of Banks	13	13	14
Sharia	2.007	1.967	2.008
Commercial Bank			
Syariah Business Unit	438	426	384
Sharia People's Finance Bank	668	693	678

Source: Financial Services Authority, 2024

The table above shows the increasing trend in the number of Syariah banking office networks in the last five years. This increase shows significant growth, with market share reaching 7.38% by March 2024 and total assets reaching Rp900 trillion (Otoritas jasa keuangan, 2024). This shows an increase in public interest in sharia-based financial services.

In South Sulawesi, Syariah banking has shown superior performance compared to conventional banks. As of August 2024, the distribution of financing by Syariah banks reached Rp13.26 trillion, growing 17.22% compared to the previous year (OJK South Sulawesi and West Sulawesi, 2024). One of the Syariah financial institutions that contribute to providing access to financing for MSMEs is the National Pension Savings Bank (BTPN) Syariah. BTPN Syariah has the Tepat Pembiayaan Syariah program which is aimed at supporting productive underprivileged businesses. BTPN Syariah MMS Somba Opu is one of the operational areas of BTPN Syariah with a significant growth rate of financing customers. Based on data obtained from the Branch Manager of MMS Somba Opu, the number of

financing customers in the MMS Somba Opu area has increased until 2024, reaching 2,498 customers, more than the previous year. This increasing trend reflects the high interest and needs of MSME players for sharia-based financing. Access to finance, both from internal and external sources, is a key factor in starting and growing a business (Mohamad *et al.*, 2015), in their study also found that the affordability and availability of financial resources affect MSMEs' decisions to obtain funding, including from formal financial institutions such as banks.

The authors, Kotler and Keller (Firmansyah, 2018), contend that the decision-making process is at the heart of psychological aspects that are essential to comprehending the way customers behave when making decisions concerning what to buy. The consumer behavior theory (Kotler, 2002) basically describes the way consumers distribute income among various types of goods and services with the aim of achieving an optimal level of welfare (Yusnita, M., 2020). In making financing decisions, MSME actors consider various factors (Sutarjo & Karsono, 2024). Internal factors include needs, motivation, perceptions, and personal characteristics such as lifestyle and personality. External factors include income, education, and length of business (Pasolong, 2023). Income is one of the indicators that determine the readiness of business actors to access financing.

Previous research related to this topic has been carried out a lot, in research by Lubis (2022) found that income level affects the decision to use Islamic financing, contrary to the findings of Saparuddin (2021) who found the results that income has no effect on the decision of traders to do financing at Islamic banks. In addition, the variable level of education also plays an important role in the decision-making process, because it affects the mindset of individuals in choosing financial services that suit their needs (Musdalifah, 2020), while Novia Ari Panghayo & Musdholifah

(2018) the outcomes of their research indicate that choosing Islamic financial services is unaffected by educational attainment. The business length factor can also contribute to financing decisions, although there are differences in findings in several studies regarding its influence (Bustami *et al.*, 2022).

Given this context, the study's goal is to pinpoint the variables that affect MSME players' choices of Syariah banking financing. It is anticipated that by comprehending these aspects, this study will help MSMEs access more finance and encourage the growth of a sustainable sharia-based economy.

MATERIALS AND METHODS

Decision making

Making decisions is a process of evaluation that selects one option from a range of possibilities to attempt to identify the optimal one for resolving an issue (Pasolong, 2023). Experts have various views on the meaning of decision making. George R. Terry defines decision making as the process of choosing one of two or more alternative behaviors. Meanwhile, according to Sondang P. Siagian, decision making is an action taken immediately in determining certain steps. James A. F. Stoner added that decision making involves a series of processes used to select the most appropriate action to solve the problem at hand (Hayati, 2019).

There are five main stages that consumers go through in the process of making decisions to purchase products or services (Firmansyah, 2018).

a) Identification of Problems or Needs

The decision-making process begins when consumers realize a need or problem that must be met. This need can arise due to internal or external pressure. The mismatch between actual conditions and expected conditions triggers consumers to start meeting their needs.

b) Information search

After the need is identified, consumers are encouraged to gather further information.

This activity can be done actively or passively, and involves internal and external sources of information. An example of active information search is visiting a store to compare prices and product quality, while passive search can be reading advertisements in the media without the specific purpose of acquiring a particular product.

c) Assessment of alternatives

At this stage, consumers evaluate the various alternatives available based on the information that has been collected. This assessment involves considering various factors, such as price, quality, benefits, and brand, to determine the best option that meets the needs.

d) Purchase decision

After considering various alternatives, consumers decide whether to make a purchase or not. This decision involves various aspects, including the product chosen, the time of purchase, the location of purchase, and how to pay.

e) Post-purchase behavior

The final stage of this process is consumer behavior after purchase. Consumers will evaluate the level of satisfaction felt, which can be full satisfaction, dissatisfaction, or neutral feelings. Dissatisfaction may arise if the product or service does not meet expectations, such as a price that is considered too high or the quality of the product or service is not satisfactory.

Syariah Financing

Definition of financing according to Hamdan *et al.* (2021) In Islamic banking, financing is essentially an agreement between banks and consumers who require funds to support specific activities. In conventional banking, this is referred to as credit. This agreement regarding the distribution of financing by banks to customers can be distinguished based on the type of contract used. Financing contracts can include sale and purchase contracts, investment contracts, lease contracts, and various other types of contracts. Nasution (2018) The process of financing slated expenditures, whether

done separately or in collaboration with others, is referred to as financing. In particular, financing is the money that financial organizations, such Islamic banks, give to their consumers.

Micro, Small, and Medium Enterprises (MSMEs)

The cornerstone of micro, small, and medium-sized enterprises (MSMEs) is an autonomous, profitable business activity that is conducted by individuals or corporate organizations across a range of economic sectors. Senior economist Prof. Ina Primiana argues that MSMEs are small-scale business activities that support the growth and economy of Indonesia. In contrast, M. Kwartono Adi provides a more specific definition, namely MSMEs as business entities with annual profits not exceeding 200 million rupiah. An enterprise is classified as an MSME under Law No. 20/2008 if it satisfies the requirements for micro, small, or medium-sized enterprises (Farisi *et al.*, 2022).

Income

According to economic theory, income is the maximum amount that a person can spend in a period of time assuming that conditions remain unchanged at the end of the period at constant prices. This statement emphasizes the quantitative amount of expenditure for consumption in one period of time (Syahidin & Adnan, 2021). Income can also be defined as the amount of gain received during a certain period, so it can be concluded that income is the amount of reward obtained by individuals in an uncertain period of time in return for the effort or production factors that have been given (Alkumairoh & Warsitasari, 2022).

Level of education

Etymologically, the term education comes from the Greek *paedagogy*, which literally refers to the practice of a child going to and from school accompanied by a servant. The servant is referred to as *paedagogos*. Meanwhile, in Roman, education is known as *education*, which refers to the process of moral formation

and the development of intellectual abilities (Tirtarahardja, 2005). Education is a developmental process that has certain goals. Naturally, the main goal of this process is the achievement of maturity and maturity in individual personalities. Consequently, it may be said that the decision-making process and level of education are related (Jalaluddin & Abdullah, 2011).

According to Tsalitsa & Rachmansyah (2016), The decision-making process is influenced by an individual's educational attainment. The greater level of education, the more comprehensive the knowledge and comprehension acquired. This allows individuals to conduct a more in-depth analysis and consider various aspects before making a decision. One of them is the decision to choose a financial product or service. Sardiana asserts that the use of Islamic financial services is significantly influenced by one's degree of knowledge (Panghayo & Musdholifah, 2018). This indicates that a person's likelihood of using these services increases with their level of knowledge about the Islamic financial system. Thus, the level of education is one of the factors considered to influence the decision of business actors in choosing Islamic banking financing.

Length of business

Length of business refers to the period of time an entrepreneur or business actor runs and develops his business field (Priyandika, 2015). The longer an entrepreneur operates in his business field, the greater the impact on increasing productivity (professional competence and expertise), which in turn will increase his business income (Marfuah & Hartiyah, 2019).

The length of business theoretically has a positive influence on the income of business actors, as stated by Moenir A.S (2008) which states that the length of business of a trader or businessman in carrying out his work is closely related to increasing experience, maturity, and skills in the work he carries out.

Research Method

This study uses a quantitative technique and a type of survey research (field research) to investigate the factors that influence MSME decisions to use finance from Syariah banks. Respondents' primary data was directly collected using structured questionnaires. The study's population consisted of 4,152 MSME businesses in Gowa Regency's Somba Opu District. A sample of 98 respondents, comprising 55 MSME players who used Syariah funding and 43 MSME players who did not, was obtained at BTPN Syariah MMS Somba Opu utilizing accidental sampling with a 10% error rate and the Slovin algorithm. The data analysis method makes use of software known as SPSS version 25.

The data analysis technique used is binary logistic regression. The logit model is a regression technique that aims to evaluate the dependent variable with a binary or dichotomous scale, where the probability of occurrence must range between 0 and 1. In this study, the response variable consists of two choices (binary logistic regression) or is binomial, namely "using Islamic bank financing" which is denoted by $y = 0$ and "not using Islamic bank financing" which is denoted by $y = 1$.

The binary logistic regression equation model can be stated in the following mathematical form:

$$g(x) = \ln \left(\frac{\pi(x_i)}{1-\pi(x_i)} \right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

First, the Goodness of Fit test was used to evaluate the Model Fit test. With $df = g - 2$, where g is the number of groups, the Hosmer-Lemeshow statistic adheres to the Chi-square distribution (Hosmer & Lemeshow 2000). Testing the suitability of the model is done by comparing the calculated Chi-square value with the Chi-square Table value at the free degree level ($df = g - 2$). If the value of $X^2 > X^2 (g - 2)$, then H_0 is rejected and H_1 is accepted. With the following formula:

$$X^2 = \sum_{i=1}^g \frac{(O_i - N_i \pi_i)^2}{N_i \pi_i (1 - \pi_i)}$$

Testing the importance of the parameters simultaneously (Likelihood Ratio Test) comes next once the model fits the data. The Likelihood Ratio test can be used to examine how the independent variable affects the dependent variable overall in a model. With degrees of freedom p , the G^2 statistic follows the Chi-square distribution; hence, if the p -value is less than α (5%) or $G^2 > X^2(\alpha, p)$, then H_0 is rejected and H_1 is accepted. This suggests that the independent factors work together to affect the dependent variable. The statistics used to test this hypothesis are formulated as follows:

$$G = -2 \ln \left(\frac{L_0}{L_1} \right)$$

Moreover, the parameters' Partial Significance Test. The Wald Test is used to conduct the parameter significance test. When the degree of freedom (df) is 1, the W square value is in accordance with the Chi-square distribution. H_1 is accepted and H_0 is rejected if the wald test result is more than Chi square or the significance value (p -value) is less than 5%. The wald test statistics are as follows:

$$W = \frac{\beta}{SE(\beta_i)}$$

Odds ratio is a statistical indicator used to measure the level of risk or tendency of a category to experience a "success" event compared to other categories. The calculation of the odds ratio value can be done using the equation, which is mathematically expressed as follows:

$$\Psi = \frac{\pi_{xi}}{1 - (\pi_{xi})}$$

RESULT AND DISCUSSION

This research uses data obtained through interviews and questionnaires distributed to 98 respondents online and offline. Respondents in Somba Opu Sub-district involved have diverse characteristics, such as gender, length of business, level of income, education, and decision to choose Syariah banks. This research aims to provide a comprehensive understanding of the topic under study.

The data that has been collected is presented in Table below.

Table 2. Characteristics of Respondents

Characteristics of Respondents		Percentage (%)
Gender	Male	11.2%
	Female	88.8%
	Total	100%
Type of Business	Commerce	55.1%
	Service	18.4%
	Creative industry	9.2%
	Agriculture and farming	6.1%
	Manufacture or production	11.2%
	Total	100%
Level of income (IDR/bln)	> 2 million	27.6%
	2 million – 5 million	43.9%
	< 5 million	28.6%
	Total	100%
Level of Education (year)	Not completed elementary school	1.0%
	Elementary school	14.3%
	Junior high school	26.5%
	Senior high school	50%
	College	8.2%
	Total	100%
Length of business (year)	> 1 year	0
	1 – 3 year	28.6%
	4 – 6 year	37.8%
	Lainnya	33.7%
	Total	100%

The first characteristic of respondents of MSME actors in Somba Opu Sub-district is based on gender. Based on the research results, the number of female business actors was 87 respondents, while 11 male respondents. Second based on level of income. Based on the research results, the majority of respondents (43.9%) have level of incomes in the range of IDR2 million to IDR5 million per month. This result shows that most MSMEs in Somba Opu sub-district are in the range of IDR2 million to IDR5 million per month. Third, based on level of education. The data shows that the majority of respondents have a senior high school level of education, as many as 49 people (50%). From these results, it can be concluded that the majority of MSME actors in this study have a middle to lower level of education. Fourth, based on length of business, this finding shows that the majority of MSMEs sampled in the study have been operating for more than three years, with the largest group being in the 4-6 years range (37.8%).

The results of the logistic regression analysis used on the factors influencing MSME actors' decisions to choose Syariah banking financing will be explained in the following table. This analysis aims to understand the extent to which the

independent variables, namely level of income, level of education and length of business, are influential and significant in determining MSME preferences for Syariah financing.

Table 3. Binary Logistic Regression Results

Variabel	B	S.E.	Wald	df	Sig.	ExpB
Income	-.271	.352	.594	1	.441	.763
Education	-.244	.090	7.255	1	.007	.784
Length of business	.187	.078	5.708	1	.017	1.206
Constant	2.028	1.047	3.752	1	.053	7.596
Chi-square	3.720				.881	
Omnibus test of model	16.898				.001	
-2 Log likelihood	117.486					
Nagelkerke R Square	.212					

Source: Primary data processed, 2025

Based on the regression coefficient values in the table above, the binary logistic regression model is obtained as follows:

$$\ln\left(\frac{P}{1-P}\right) = 2.028 - 0.271PDN - 0.244PDK + 0.187LMU$$

The significance value used is α (5%). Based on Table 3 above in the significance column, the value that is smaller than α (5%) is the level of education factor with a value of 0.007, and the length of business with a value of 0.017. So, it can be concluded that with a confidence level of 95% the variables level of education and length of business have a significant effect on the decision of MSME actors to choose Syariah banking financing. Meanwhile, the level of income factor with a value of 0.441 is more than the significance value of α (5%). So, it can be concluded that the level of income variable has no effect on the decisions of MSME actors in choosing Syariah banking financing.

Tests of the parameters' overall role in the model are conducted immediately. The Hosmer and Lemeshow test evaluate the model's goodness of fit and is used to determine its suitability. Based on the test results obtained in Table 3 above, the Chi-square Table value is 15.507 with a significance level of (5%) and free degree (df) = 8. The calculation results show a Chi-square value of 3.720, which is smaller than

the Chi-square Table value (3.720 < 15.507). Thus, the null hypothesis is accepted, so the logistic regression model used has good goodness of fit. This means that there is no significant difference between the value predicted by the model and the actual value, so the model can be used for further analysis.

Simultaneous testing is done with the G test to test the effect of the independent variable on the dependent variable as a whole. The test results in Table 3 show that the Chi-square value is 16.898 with a significance of 0.001. Since the significance value is smaller than (5%), the null hypothesis is rejected. This shows that there is at least one independent variable in the model that contributes significantly to the decision of MSME players to choose Syariah banking financing at BTPN Syariah MMS Somba Opu.

Additionally, a partial test was performed to determine the number of independent variables that significantly influenced MSME actors' decisions to use financing from Syariah banks. The Wald Test was used to perform the partial parameter significance test. To determine if the regression coefficient has a partial impact on the dependent variable, the Wald test is utilized.

With a degree of freedom (df) of 1 and a significance level of α (5%), Table 3's chi-square value comes out to be 3.841. The following conclusions are drawn from the Wald statistical test results.

- The Wald test value for the level of income variable is smaller than the chi-square value of the Table, namely (0.594 < 3.841) or the value of Sig. (0.441 > 0.05), then the null hypothesis is accepted. Thus, MSME players' decision to select Syariah banking financing at BTPN Syariah is not significantly influenced by the degree of income variable.
- The Wald test value for the level of education variable is higher than the chi-square table value, namely (7.255 >

3.841) or the Sig value. (0.007 <0.05), consequently, the null hypothesis is rejected, indicating that MSME players' decision to select Syariah banking financing at BTPN Syariah MMS Somba Opu is significantly influenced by the degree of education.

c) The Wald test value for the length of business variable is higher than the chi-square table value, namely (5.708 > 3.841) or the Sig value. (0.017 <0.05), consequently, the null hypothesis is disproved. Therefore, it can be said that MSME actors' decision to select Syariah banking financing at BTPN Syariah MMS Somba Opu is significantly influenced by the duration of business variable.

Nagelkerke's R Square is used in logistic regression's coefficient of determination analysis to assess how well the independent variables in the model can account for the variability of the dependent variable. The determination test results are displayed in Table 3, where the model's ability to predict MSME decisions is demonstrated by the -2 Log Likelihood value = 117.486. The model can account for roughly 21.2% of the variation in MSME decisions to accept Syariah funding, with other factors outside the model accounting for the other 78.8%, according to the Nagelkerke R Square value of 0.212.

In binary logistic regression models, the odds ratio is utilized to make interpretation easier. According to the partial parameter significance test results, the degree of education and length of business are the predictor factors that have been shown to significantly affect the response variable. The resulting odds ratio is displayed in Table 3 and is as follows:

a) It is known that the level of income with an $\text{Exp}(\beta)$ value of 0.763 indicates that an increase in income tends to reduce the probability of individuals in taking Syariah financing.

b) The $\text{Exp}(\beta)$ value for level of education of 0.784 indicates that every one increase in level of education will reduce the individual's probability of taking Syariah financing by 21.6% (1 - 0.784).

c) The $\text{Exp}(\beta)$ value for length of business of 1.206 indicates that every additional one year in length of business will increase the chance of taking Syariah financing by 20.6%.

The Effect of Level of income on the Decision of MSME actors to choose Syariah banking financing

The first hypothesis states that level of income has a positive and significant influence on the decision of MSME actors to choose Syariah financing. The results of logistic regression analysis show that level of income does not have a significant influence on MSMEs' decision to choose Syariah banking financing. It can be interpreted that MSMEs with higher income may have better financial capacity and rely less on external financing. Conversely, MSMEs with lower incomes tend to seek additional sources of funding to sustain their business. The higher the income, the less likely the business needs additional external financing, including sharia-based financing. Therefore, level of income is not a significant factor in determining the decision to take Syariah financing in this study.

The results of this study are consistent with those of a study by Saparuddin (2021) that concluded traders' decisions to finance at Syariah banks are unaffected by their income. In research by Mafruroh (2022) and Panghayo & Musdholifah (2018) also found the same results, where the income variable was not significant to the decision to do financing.

The results of this study indicate that level of income is not a factor considered by business actors in Somba Opu District in accessing financing at Syariah banks. Thus, business actors with higher incomes have a low probability of using Syariah financing services.

The effect of level of education on the decision of MSME actors to choose Syariah banking financing

According to the second hypothesis, MSME actors' decisions to select Islamic financing are positively and significantly influenced by their educational attainment. According to the partial test (Wald test) results, MSME actors' decisions to use Islamic banking financing are significantly and negatively impacted by their educational attainment. This suggests that a person's inclination toward different funding sources, outside of Islamic financing, increases with their degree of knowledge.

MSME actors with higher education levels tend to have wider access to sources of financing (Prasetio, 2023), both from internal sources such as personal capital, as well as external sources such as conventional loans or investors. In line with Ramadani (2024), higher education actually reduces MSMEs' dependence on Islamic financing because they have better financial literacy to choose instruments that suit their business needs.

According to Tsalitsa & Rachmansyah (2016), The decision-making process is influenced by an individual's educational background. A greater level of education will improve economic welfare because it broadens one's perspective and understanding while making decisions (Rahim *et al.*, 2018). Based on the questionnaire that the researchers distributed, most respondents answered that they used Islamic banking financing services at BTPN Syariah MMS Somba Opu because they had support for micro businesses.

This result is consistent with Musdalifah (2020) research, which indicated that the education variable has a partial impact on the decision to choose a bank. It contradicts, however, the findings of Panghayo & Musdholifah (2018) study, which indicated that the choice of Islamic financial services is unaffected by the variable of education level. This negligible

impact may result from the fact that not all Muslims opt to use Islamic banking services.

The effect of length of business on the decision of MSME actors to choose Syariah banking financing

According to the third hypothesis, the length of operation has a favorable and significant impact on MSME actors' decisions to adopt Islamic financing. The length of business variable was also shown to have a substantial beneficial influence on MSME actors' decisions to choose Islamic banking funding, according to the regression analysis results.

This finding shows that the longer a business operates, the more likely MSME players are to use Syariah financing. This can be caused by several factors, such as the increasing need for working capital along with business growth (Soebiantoro & Haryanti, 2024), higher trust in the Syariah banking system, and a stronger relationship between MSMEs and Syariah financial institutions. The length of a business reflects its level of experience and ability to adapt to market dynamics. The longer a business operates, the higher the understanding and skills of business actors in managing their business (Abadi & Purwanti, 2014). The understanding and competence gained from this experience contribute to improving business performance and sustainability.

According to (Moenir, 2008), which states that the length of time a trader or businessman has been doing his job is closely related to the increase in experience, maturity, and skills in the work he carries out. In addition, MSMEs that have been operating longer tend to have a clearer financial track record, making it easier to gain access to financing from financial institutions. This is also supported by bank policies that tend to be more willing to provide financing to businesses that have had longer experience in running their businesses.

This finding contradicts the findings of research by Hasan Anwar (2013) and

Bustami et al. (2022), which found that the variable length of business had no effect on the decision to take bank credit for MSME actors. Contextual factors, such as variations in respondent characteristics, business environments, and banking policies implemented in each region and research period, can cause the discrepancy in research results. In addition, in several other studies, such as those conducted by (Taria & Husen, 2022), it was found that length of business contributes to financing accessibility, because the longer a business operates, the higher its chances of gaining trust from financial institutions, where longer business experience allows MSMEs to have a better financial track record (Hakim & Sasongko, 2024), making it easier to meet the credit requirements set by banks. The differences in the results of this study can also be attributed to other factors, such as the level of financial literacy of MSME actors, understanding of Syariah financing mechanisms, and individual preferences in choosing funding sources.

CONCLUSION AND IMPLICATION

This study identifies the factors that influence MSMEs' decisions to choose Syariah banking financing in Somba Opu Sub-district. The analysis's findings indicate that MSME players' decisions to use Syariah financing are significantly influenced by their period of operation and degree of education, but not by their income level. This finding indicates that an understanding of Syariah financial services and longer business experience can increase the likelihood of MSME players to choose Syariah financing.

To provide a more thorough understanding of the dynamics of MSME financing in the Syariah banking sector, it is suggested that future research broaden the scope and include additional variables that may affect MSME decisions when selecting Syariah financing, such as information accessibility, religious factors, and Syariah financial product innovation.

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