

THE INFLUENCE OF PRODUCT INNOVATION, BUSINESS EXPERIENCE, AND RISK-TAKING PROPENSITY ON THE BUSINESS PERFORMANCE OF CULINARY MSMEs IN LHOKSEUMAWE CITY

Sara Moulida¹, Miftahul Jannah², Munandar³, Agustinawati⁴

Study Program of Entrepreneurship, Faculty of Economics and Business

Universitas Malikussaleh,¹²³⁴

E-mail: Sara.220450037@mhs.unimal.ac.id¹, miftahul@unimal.ac.id², munandar@unimal.ac.id³

agustinawati@unimal.ac.id⁴

Corresponding Author: miftahul@unimal.ac.id

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Abstract

This study aims to analyze the influence of product innovation, business experience, and risk-taking propensity on the performance of culinary MSMEs in Lhokseumawe City. A quantitative approach was employed, utilizing a population of 1,650 MSMEs and a sample of 95 MSME owners selected through purposive sampling. Data were analyzed using multiple linear regression with the aid of SPSS. The results indicate that product innovation does not have a significant effect on business performance, whereas business experience and risk-taking propensity have a positive and significant impact. Collectively, the three variables explain 40.1% of the variation in business performance, while the remaining 59.9% is influenced by factors outside the model. These findings demonstrate that experience and risk-taking propensity are crucial factors in enhancing the performance of culinary MSMEs in Lhokseumawe City.

Keywords: *Product Innovation, Business Experience, Risk-Taking Propensity, Business Performance*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute a strategic sector for driving economic growth, creating jobs, and increasing public income. One thriving sub-sector is the culinary MSME sector, owing to its broad market reach and ability to adapt to changing consumer needs and technological advancements (Pane, 2025; Purnomo, 2026). In Aceh Province, the culinary sector represents a promising MSME sub-sector for supporting the regional economy.

Lhokseumawe City possesses significant potential for the development of culinary MSMEs. Data from the Lhokseumawe City Industry and Trade Office (2025) indicates the presence of 1,650 culinary MSME units distributed across four districts: Banda Sakti (728 units), Muara Satu (215 units), Muara Dua (415 units), and Blang Mangat (259 units). However, this large number of enterprises has not yet translated into optimal business performance, as evidenced by limitations in revenue growth, business sustainability, and competitiveness. This situation demonstrates that a high number of business operators does not guarantee strong business performance.

MSME performance is influenced by various internal factors, including product innovation, business experience, and risk-taking propensity. Product innovation is essential for meeting consumer needs and maintaining business competitiveness (Aulia & Puspitowati, 2024). Business experience shapes the knowledge and skills required to manage business operations, thereby supporting performance improvement (Ananda et al., 2023). Meanwhile, risk-taking propensity encourages business operators to face uncertainty and make strategic decisions in running their businesses (Stephen & Handoyo, 2026).

Based on the phenomena described above, the author is interested in conducting further research titled: “*The Influence of Product Innovation, Business Experience, and Risk-Taking Propensity on the Business Performance of Culinary MSMEs in Lhokseumawe City.*” This study aims to determine the impact of product innovation, business experience, and risk-taking propensity on the business performance of culinary MSMEs in Lhokseumawe City. The

findings are expected to provide a theoretical contribution to the development of MSME management knowledge, as well as practical recommendations for business owners and local government regarding the enhancement of performance and competitiveness among culinary MSMEs.

LITERATURE REVIEW

a. Product Innovation

According to Gibson (1994), performance indicates the level of success in executing tasks and the ability to achieve established goals. Good performance is evidenced by the effectiveness and efficiency of business efforts in attaining expected results. Meanwhile, Hidayat et al. (2024) explain that business performance is an indicator of the extent to which a business succeeds in achieving its goals, observable through sales levels, profits, and market competitiveness. Based on these expert views, the author concludes that business performance represents the degree of success a business achieves in meeting its established goals, reflected in sales growth, the ability to maintain market share, and increased profitability. According to Kurniawan & Nuringsih (2022), business performance indicators include: (1) sales growth, (2) the ability to maintain market share, and (3) increased profitability.

b. Business Experience

According to Putri (2024), product innovation is the result of various interconnected processes aimed at introducing product updates to influence consumer purchasing decisions. Meanwhile, Ajy & Purnama (2023) state that product innovation represents a company's effort to introduce updates—such as changes to design, features, quality, or functionality—to meet consumer needs and enhance market competitiveness. Based on these expert views, the author concludes that product innovation is the ability of business operators to create, update, or develop products through ideas and creativity in order to satisfy consumer needs and boost business competitiveness. According to Putri & Mugiono (2022), indicators of product innovation include: (1) line extension, which involves producing a diverse range of goods or services to make it easier for consumers to obtain desired products; (2) new products, referring to goods or services that are new to the company but already available on the market; and (3) truly new products, referring to goods or services that are new to both the company and the market.

c. Willingness to Take Risks

According to Suryana (2020), business experience is a crucial aspect of entrepreneurship, as it enhances a business owner's ability to identify opportunities, manage risks, and make sound decisions in the course of running a business. Meanwhile, Wardani (2025) states that business experience constitutes a learning process acquired by business owners during their operations, serving as a foundation for making decisions regarding business activities. Based on these expert views, the author concludes that business experience is a learning process gained through direct involvement in business activities, thereby shaping the knowledge, skills, and capabilities required to make decisions and resolve various business challenges. According to Giovany (2025), the indicators of business experience include: (1) duration of business involvement, (2) involvement in operational activities, (3) decision-making ability, and (4) ability to resolve business problems.

d. Business Performance

According to Deliabilda (2020), risk-taking courage is an individual's ability to make business decisions—despite the possibility of failure—with the aim of achieving better outcomes. Meanwhile, Setiawan (2023) states that risk-taking courage refers to a business actor's readiness to face the uncertain results of business decisions made consciously and in a calculated manner. Based on these expert opinions, the author concludes that risk-taking courage is a business actor's attitude and ability to confront uncertainty and the potential for failure by carefully considering the consequences while remaining willing to make decisions to seize business development opportunities. According to Ginting (2023), the indicators of risk-taking courage include: (1) courage in decision-making, (2) risk tolerance, and (3) opportunity orientation.

A. Previous Research

The following are the previous studies used in this research:

Table 1. Summary of Previous Research

No	Title/ Name/ Year/	Variable		Results
		Independen	Dependen	
1	The Relationship Between Product Influx and MSME Competitiveness in the Culinary Sector of Tangerang City. Irma (2025)	X1 = Product innovation	Y = Competitiveness of MSMEs	Based on the analysis results, it is found that product innovation has a positive and significant impact on the competitiveness of MSMEs; this increased competitiveness
2	The Influence of Entrepreneurial Environment, Risk-Taking, and Creativity (A Case Study of MSMEs at the Bratang Culinary Center, Surabaya). Muniroh et al. (2025)	X1 = Entrepreneurial environment X2 = Risk-taking X3 = Creativity	Y = Performance	The research results indicate that risk-taking has a positive and significant impact, as the willingness of business owners to make decisions and face risks enhances business competitiveness. Meanwhile, creativity has a significant yet negative effect on MSME performance; this suggests that creativity not aligned with market needs and preferences can actually reduce business effectiveness. Simultaneously, all three variables significantly influence MSME performance, with the entrepreneurial environment and risk-taking emerging as the most dominant factors in boosting business performance.
3	Optimizing the Performance of Culinary MSMEs: Social Media, Product Innovation, and Family Support. Aulia et al. (2025)	X1 = Social Media X2 = Product Innovation X3 = Family Support	Y = Business Performance	The research results indicate that social media has a positive and significant impact on business performance; thus, the more optimally social media is utilized, the more the business performance of MSMEs improves. Family support also has a positive and significant effect, demonstrating that both emotional and instrumental support from family can boost the morale and success of business owners. Meanwhile, product innovation has a positive but insignificant effect, meaning it has not yet been able to deliver a tangible improvement in business

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				performance for the subjects studied. The study also concludes that the combination of social media, product innovation, and family support explains 47.4% of the variation in business performance, while the remainder is influenced by factors outside the research model.
4	The Influence of Entrepreneurial Knowledge, Risk-Taking Propensity, Entrepreneurial Motivation, and Innovation on the Success of Culinary MSMEs. Putri et al. (2025)	X1 = Entrepreneurial knowledge X2 = Willingness to take risks X3 = Entrepreneurial motivation X4 = Innovation	Y = Success of culinary MSMEs	The research results indicate that all independent variables—namely entrepreneurial knowledge, risk-taking propensity, entrepreneurial motivation, and innovation—have a positive and significant effect on business success. This study concludes that higher levels of entrepreneurial knowledge, risk-taking propensity, entrepreneurial motivation, and innovation capability correspond to a higher level of business success for culinary MSMEs.
5	The Influence of Innovation and Risk-Taking on MSME Performance. Kurniawan & Pratama (2022)	X1 = Innovation X2 = Risk-taking	Y = MSME Performance	Research findings indicate that risk-taking has a significant impact on the performance of MSMEs. Business owners who are willing to take risks tend to be more innovative in developing products and business strategies. This leads to improved business performance in terms of sales, competitiveness, and long-term business sustainability.

Source: Compiled by the author, 2026.

B. Conceptual Framework (BLM)

The conceptual framework of this study draws upon the work of Notoatmodjo (2020), systematically outlining the relationships between variables to guide the research. The model examines the influence of three independent variables product innovation (X1), business experience (X2), and risk-taking propensity (X3) on business performance (Y) (the dependent variable) among culinary MSMEs in Lhokseumawe City. These three independent variables are hypothesized to play a significant role in enhancing the competitiveness, operational efficiency, and business sustainability of local culinary MSMEs.

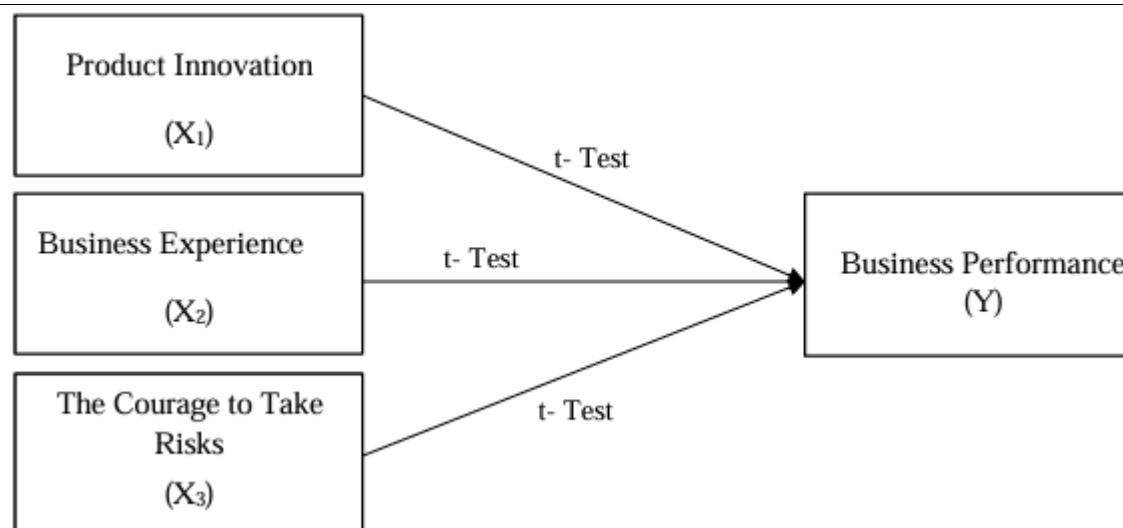


Figure 1. Conceptual Framework

C. Hypotheses

Based on the problem formulation, research objectives, and conceptual framework previously outlined, the hypotheses for this study are formulated as follows:

- H1 : Product innovation has a positive effect on the business performance of culinary MSMEs in Lhokseumawe City.
- H2: Business experience has a positive effect on the business performance of culinary enterprises in Lhokseumawe City.
- H3 : Risk-taking propensity has a positive effect on the business performance of culinary MSMEs in Lhokseumawe City.

METHOD

This study employs a quantitative approach using primary data sources. Data were obtained directly from respondents through the distribution of questionnaires. Data collection was conducted using a Likert scale, ranging from a score of 1 (strongly disagree) to 5 (strongly agree). Research variables were measured using an interval scale to analyze the level of respondent perception regarding each statement presented.

Table 2. Likert Scale

No	Category	Symbol	Score
1	Strongly Disagree	SD	1
2	Disagree	D	2
3	Neutral	N	3
4	Agree	A	4
5	Strongly Agree	SA	5

Source: Sugiyono (2021)

A. Research Object and Location

This study examines the influence of product innovation, business experience, and risk-taking propensity on the business performance of culinary MSMEs (Micro, Small, and Medium Enterprises) in Lhokseumawe City, Aceh Province. The choice of location is based on the rapid development of culinary MSMEs in the area, which is relevant to the research variables. The object of the study focuses on active culinary MSMEs, with respondents consisting of business owners or managers who are directly involved in operational activities and thus possess an in-depth understanding of their business conditions.

B. Population and Sample

According to Sugiyono (2021), a population is a generalization area consisting of objects or subjects with specific quantities and characteristics to be studied. The population in this study comprises all owners or managers of culinary MSMEs in Lhokseumawe City, totaling 1,650 business units distributed across the districts of Banda

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Sakti (728 units), Muara Dua (412 units), Blang Mangat (259 units), and Muara Satu (215 units). Furthermore, a sample represents a subset of the population's total number and characteristics (Handayani, 2020). Sampling was conducted using a non-probability sampling method specifically purposive sampling based on certain criteria: the business operates in the food and beverage sector, has been actively operating for at least two years, and is located in Lhokseumawe City. The sample size was determined using Slovin's formula with a margin of error (e) of 10%, resulting in a sample size of 95 respondents.

C. Operational Definition of Variables

This study involves two interrelated types of variables: independent variables (X) product innovation, business experience, and risk-taking propensity and the dependent variable (Y), namely the business performance of culinary MSMEs in Lhokseumawe City.

Table 3. Operational Definition of Variables

No	variable	Definition	Variable indicator	Measurement scale
1	Product Innovation (X1)	Product innovation refers to a company's efforts to introduce updates to its products through changes in design, features, quality, or functionality to meet consumer needs and enhance market competitiveness.	1. Presence of product innovation. 2. Emphasis on new product development. 3. New ideas. 4. Generating new products to compete effectively. 5. Product improvements to meet customer needs. Puspitowati (2024)	Likert (1-5)
2	Business Experience (X2)	Business experience refers to the capabilities and knowledge acquired by MSME owners through the direct process of running a business, which influence entrepreneurial decision-making.	1. Duration of business involvement. 2. Operational involvement. 3. Decision-making ability. 4. Ability to resolve business problems. Giovanly (2025)	Likert (1-5)
3	Risk-Taking Propensity (X3)	Risk-taking propensity refers to a business owner's ability to face uncertainty and potential losses when making business decisions.	1. Courage to make decisions. 2. Tolerance for risk. 3. Opportunity orientation. Ginting (2023)	Likert (1-5)
4	Business Performance (Y)	Business performance is a representation or reflection of the level of success and achievements attained through the implementation of various programs, activities, and policies that were previously designed and established.	1. The company experiences sales growth. 2. The company is able to maintain market share. 3. Profitability increases. Kurniawan & Nuringsih (2022)	Likert (1-5)

Source: Compiled by the author, 2026.

D. Research Instrument Testing

The research instrument used was the SPSS 26 application.

a. Validity Test

The validity test was conducted to determine the accuracy of each statement item in measuring the research variables. Testing Validity testing was conducted to ensure that the questionnaire accurately measured the research variables. The decision-making process for the validity test followed the criteria established by Ghazali (2020), comparing the calculated r-value (r-count) with the critical r-value (r-table) at a significance level of 0.05. A statement item was deemed valid if the calculated r-value exceeded the critical r-value (for $df = 93$) and the significance value was less than 0.05. Conversely, if the calculated r-value was lower than the critical r-value, the item was considered invalid. Data processing was performed using SPSS software.

Table 4. Validity Test Results

Variable	No Item	Calculated r-value	Table r-value	Information
Product Innovation (X1)	1	0.775	0.2017	Valid
	2	0.861	0.2017	Valid
	3	0.718	0.2017	Valid
	4	0.801	0.2017	Valid
Business Experience (X2)	1	0.804	0.2017	Valid
	2	0.885	0.2017	Valid
	3	0.848	0.2017	Valid
Risk-Taking Propensity (X3)	1	0.820	0.2017	Valid
	2	0.741	0.2017	Valid
	3	0.639	0.2017	Valid
Business Performance (Y)	1	0.850	0.2017	Valid
	2	0.890	0.2017	Valid
	3	0.856	0.2017	Valid

Source: Compiled by the author, 2026.

b. Reliability Test

Reliability testing aims to assess the consistency of an instrument in repeatedly measuring the same object. Based on Ghazali (2020), reliability evaluation is conducted on all variable statement items, with decision criteria based on Cronbach's Alpha values. A variable is considered reliable if the Cronbach's Alpha value exceeds 0.60; conversely, if the value is below 0.60, the instrument is deemed unreliable. The analysis was performed using IBM SPSS software version 26.

Table 5. Reliability Test Results

Variable	Calculated Cronbach's Alpha Value	Information
Product Innovation (X1)	0.797	Reliable
Business Experience (X2)	0.799	Reliable
Risk-Taking Propensity (X3)	0.787	Reliable
Business Performance (Y)	0.832	Reliable

Source: Compiled by the author, 2026.

E. Classical Assumption Test

a. Normality Test

Normality testing aims to ensure that the residuals in the regression model are normally distributed, utilizing both the statistical One-Sample Kolmogorov-Smirnov Test and graphical approaches (histograms and normal probability plots). According to Ghazali (2020), data are considered normally distributed if the significance value exceeds 0.05.

**Table 6. Normality Test
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		95
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.19818540
Most Extreme Differences	Absolute	.129
	Positive	.062
	Negative	-.129

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Initial analysis using SPSS version 26 yielded an Asymp. Sig. (2-tailed) value of 0.000, indicating that the normality assumption was not initially met. However, further evaluation using the Monte Carlo Sig. (2-tailed) test resulted in a significance value of 0.077 (> 0.05). Consequently, the residuals are deemed normally distributed, making the regression model suitable for subsequent analysis. The results of the testing, shown via a histogram and a normal probability plot, can be seen in the following figure:

Figure 2. Normality Probability Plot

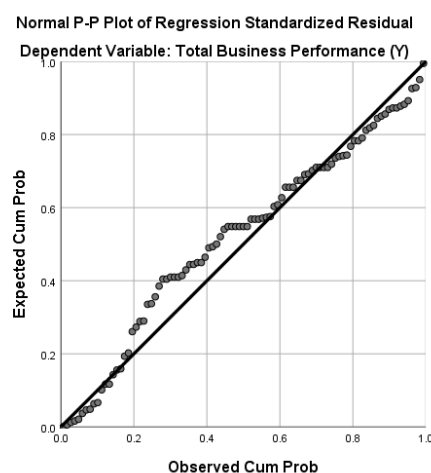
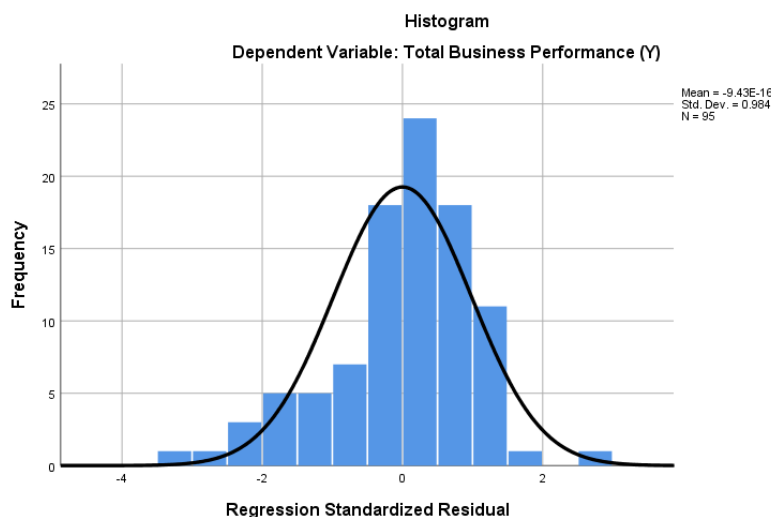


Figure 2 shows that the data points are scattered close to the diagonal line, indicating that the regression model is normally distributed.

Figure 3. Histogram



A visual evaluation of normality was conducted by examining the histogram. According to Ghazali (2020), residual data are considered normally distributed if the histogram curve is bell-shaped. Data analysis using SPSS version 26 revealed a symmetrical bell-shaped pattern in the histogram; thus, it is concluded that the data in this regression model satisfy the assumption of normal distribution.

b. Multicollinearity Test

A multicollinearity test was conducted to determine the presence or absence of high correlation among independent variables in the regression model. The test involved examining the Tolerance and Variance Inflation Factor (VIF) values. A regression model is considered free from multicollinearity if the Tolerance value is greater than 0.10 and the VIF value is less than 10 (Suliyanto, 2011). The test results indicate that all independent variables have Tolerance values > 0.10 and VIF values < 10 ; therefore, the regression model is deemed free from multicollinearity.

Table 7. Multicollinearity Test Results

		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.981	1.485		1.334	.186		
	Total Product Innovation (X1)	.062	.062	.093	.996	.322	.741	1.349
	Total Business Experience (X2)	.497	.101	.455	4.919	.000	.753	1.327
	Willingness to Take Risks (X3)	.279	.105	.242	2.663	.009	.782	1.279

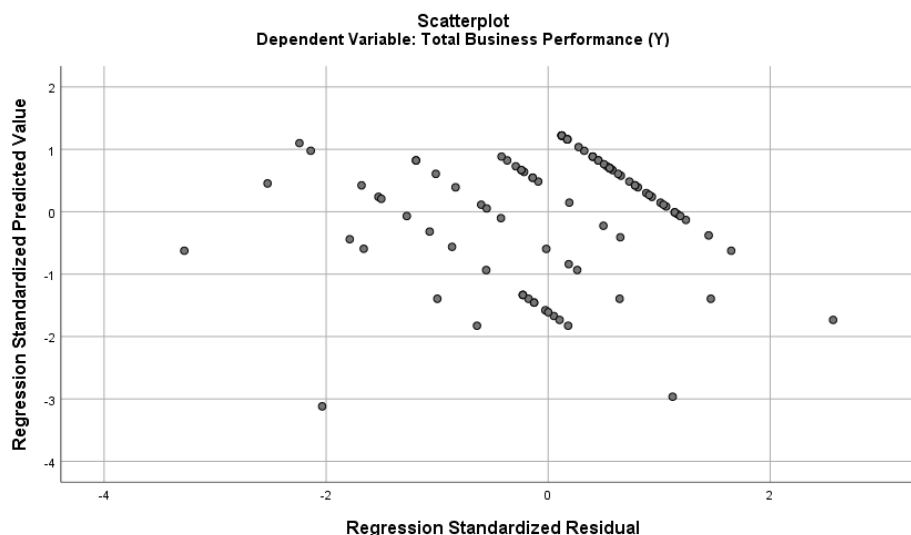
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a. Dependent Variable: Total Business Performance (Y)

a. Heteroskedasticity Test

A heteroscedasticity test was conducted to determine whether there is inequality in residual variances across observations within the regression model. The testing followed Ghazali's (2020) criteria, utilizing scatterplot analysis and the Glejser test with a significance level of 0.05. The graphical results revealed a pattern of data points scattered randomly above and below the zero mark on the Y-axis, without forming any distinct, regular pattern. This indicates that the regression model is free from heteroscedasticity issues, rendering it suitable for use in the study.

Figure 4. Heteroskedasticity Test Results



F. Data Analysis Methods

a. Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the influence of Product Innovation (X1), Business Experience (X2), and Risk-Taking Propensity (X3) on Business Performance (Y) among culinary MSMEs in Lhokseumawe City. Data processing was conducted using SPSS, with the regression analysis results as follows:

Table 8. Multiple Linear Regression Results

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.981	1.485		1.334	.186
	Total Product Innovation (X1)	.062	.062	.093	.996	.322
	Total Business Experience (X2)	.497	.101	.455	4.919	.000
	Willingness to Take Risks (X3)	.279	.105	.242	2.663	.009

a. Dependent Variable: Total Business Performance (Y)

Source: Compiled by the author, 2026.

$$Y = 1.981 + 0.062X_1 + 0.497X_2 + 0.279X_3 + e$$

Based on the multiple linear regression results, the constant of 1.981 indicates that if Product Innovation, Business Experience, and Risk-Taking Propensity are held constant, Business Performance equals 1.981. The Product Innovation variable has a positive coefficient of 0.062, with a calculated t-value of 0.996 and a significance value of 0.322 (> 0.05); thus, it does not significantly affect Business Performance. The Business Experience variable has a positive coefficient of 0.497, with a calculated t-value of 4.919 and a significance value of 0.000 (< 0.05); thus, it has a positive and significant effect on Business Performance. The Risk-Taking Propensity variable has a positive coefficient of 0.279, with a calculated t-value of 2.663 and a significance value of 0.009 (< 0.05); thus, it has a positive and significant effect on Business Performance.

b. Partial Test (t-test)

The partial regression test is used to determine the individual effect of each independent variable on the dependent variable. According to Ghazali (2020), an independent variable is considered to have a partial effect if the Sig. value is < 0.05 and the calculated t-value exceeds the t-table value. Based on a sample size of 95 and three independent variables, the t-table value was determined using $df = n - k - 1 = 95 - 3 - 1 = 91$ at $\alpha = 0.05/2$, resulting in a t-table value of 1.986.

Table 9. t-test

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.981	1.485		1.334	.186
	Total Product Innovation (X1)	.062	.062	.093	.996	.322
	Total Business Experience (X2)	.497	.101	.455	4.919	.000
	Willingness to Take Risks (X3)	.279	.105	.242	2.663	.009

a. Dependent Variable: Total Business Performance (Y)

Source: Compiled by the author, 2026.

Based on the partial regression test results, Product Innovation has a calculated t-value of 0.996 (< 1.986) and a Sig. value of 0.322 (> 0.05); thus, H1 is rejected. This means that Product Innovation does not have a significant effect on Business Performance. Business Experience has a calculated t-value of 4.919 (> 1.986) and a Sig. value of 0.000 (< 0.05); thus, H2 is accepted. This means that Business Experience has a positive and significant effect on Business Performance. Risk-Taking Propensity has a calculated t-value of 2.663 (> 1.986) and a Sig. value of 0.009 (< 0.05); thus, H3 is accepted. This means that Risk-Taking Propensity has a positive and significant effect on Business Performance.

c. Coefficient of Determination Test

Based on Table 4.17, the coefficient of determination (R^2) value is 0.401. This indicates that Product Innovation, Business Experience, and Risk-Taking Propensity collectively explain 40.1% of the variation in Business Performance. Meanwhile, the remaining 59.9% is explained by variables outside the scope of this study.

Table 10. Determination Coefficient Test
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.633 ^a	.401	.381	1.224

a. Predictors: (Constant), TotalX3, TotalX2, TotalX1

Source: Compiled by the author, 2026.

DISCUSSION

1. The Influence of Product Innovation on the Business Performance of Culinary MSMEs in Lhokseumawe City

The research results indicate that Product Innovation (X1) does not have a significant effect on the business performance of culinary MSMEs in Lhokseumawe City, with a calculated t-value of 0.996 (less than the critical value of 1.986) and a significance level of 0.322 (greater than 0.05); consequently, H1 is rejected. Although business owners have engaged in product variation, development, and creation, these innovations have not yet yielded a meaningful impact on business performance. This situation is likely attributable to the fact that most business owners still rely on products already familiar to consumers, meaning the innovations implemented lack strong differentiation. These findings align with research by Aulia et al. (2024) and Noerchoidah et al. (2022), which demonstrated that product innovation does not significantly affect the business performance of MSMEs.

2. The Influence of Business Experience on the Business Performance of Culinary MSMEs in Lhokseumawe City

The research results indicate that Business Experience (X2) has a positive and significant effect on the business performance of culinary MSMEs in Lhokseumawe City, with a calculated t-value of 4.919 (> 1.986) and a significance level of 0.000 (< 0.05); thus, H2 is accepted. The greater the experience possessed by business owners, the better the resulting business performance. Experience helps business owners understand market conditions, manage operations, make decisions, solve problems, adapt to changes, and capitalize on business opportunities. Consequently, the experience gained while running the business serves as a crucial asset for continuously enhancing business capabilities and performance.

3. The Influence of Risk-Taking Propensity on the Business Performance of Culinary MSMEs in Lhokseumawe City

The research results indicate that risk-taking propensity (X3) has a positive and significant effect on the business performance of culinary MSMEs in Lhokseumawe City, with a calculated t-value of 2.663 (> 1.986) and a significance level of 0.009 (< 0.05); thus, H3 is accepted. Business owners who are willing to make calculated decisions and seize opportunities tend to achieve better business performance. A willingness to take risks better prepares business owners to face market changes and competition; consequently, the greater the courage to make strategic decisions, the greater the business's potential to grow and achieve optimal performance. Based on the research findings, Business Experience (X2) is the most dominant variable influencing Business Performance (Y), as it exhibits the highest calculated t-value 4.919) and a regression coefficient of 0.497 compared to the other variables.

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