Optimizing The Performance of Msme Actors Through Creativity

Kiki Farida Ferine

Abstract

This study aims to analyze the influence of competence and innovation on the performance of micro-enterprise actors, with creativity as an intervening variable, in Kelambir Lima Kebun Village, Hamparan Perak District, Deli Serdang Regency. The research applies a quantitative approach with a causal associative design. The population consists of 83 active micro, small, and medium enterprise (MSME) actors in the village, all of whom were selected as the sample using a saturated sampling technique, so the entire population was studied. Primary data were collected through a five-point Likert scale questionnaire, while secondary data were obtained from official village documents, reports from the Office of Cooperatives and MSMEs, and relevant literature. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) to test both direct and indirect relationships among the variables.The results show that (1) competence has a positive and significant effect on MSME performance, (2) innovation has a positive and significant effect on performance, (3) competence positively and significantly affects creativity, (4) innovation positively and significantly affects creativity, and (5) creativity positively and significantly affects performance. Moreover, creativity partially mediates the influence of competence and innovation on MSME performance. These findings highlight the importance of enhancing competence and innovation as key factors in improving performance, with creativity serving as an additional driver that strengthens the success of micro-enterprise development.

Keywords: Competence, Innovation, Creativity, Performance, MSME.

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Introduction

The existence of MSMEs is a pillar of the economy, especially during times of global uncertainty and economic slowdown. However, the dynamics of business competition and changing consumer consumption patterns require MSMEs to not only rely on basic skills but also to continuously improve their competencies, innovate, and foster creativity to maintain good performance. Competence is one of the fundamental factors influencing the success of MSMEs. Competence encompasses not only technical skills in production or service, but also managerial skills, business planning, financial management, marketing, and understanding consumer needs. MSMEs with high competence will be able to manage resources efficiently, formulate business strategies, and effectively face market challenges. Without adequate competence, entrepreneurs will struggle to develop their businesses, even if they have potential products.

Innovation is also a key factor in increasing the competitiveness of MSMEs. Innovation encompasses the creation of new products or services, improvements to production processes, technological development, and the use of digital media for marketing. Through continuous innovation, MSMEs can adapt their products to changing consumer tastes and penetrate broader markets. Innovation is not just about new ideas, but also the ability to implement them, thus generating added value for the business. However, the success of competency and innovation will not be optimal without creativity. Creativity acts as a connecting variable, bridging capabilities (competence) and new ideas (innovation) with business performance. Creativity enables MSMEs to find unique ways to solve problems, capitalize on market opportunities, create attractive product designs, and develop marketing strategies that differentiate them from competitors. An interesting phenomenon can be found in Kelambir Lima Kebun, Hamparan Perak District, Deli Serdang Regency, which has significant local economic potential. The majority of residents rely on micro-enterprises such as home-cooked culinary delights, handicrafts, agriculture, and trade services. Despite the large number of MSMEs, various challenges remain, preventing the performance of most micro-enterprises in this village from being optimal. Based on initial observations and data from village officials, several entrepreneurs face competency limitations, such as inadequate managerial skills, inadequate financial record keeping, and a lack of long-term business plans. In terms of innovation, many MSMEs continue to sell the same products year after year without updating their designs, flavors, or packaging, making them less attractive to consumers.Marketing creativity is also still low, as evidenced by the minimal use of social media and e-commerce platforms to expand markets, with most businesses relying solely on word-of-mouth promotion. Competition with more innovative businesses from other regions and changing consumer preferences increasingly require MSMEs to adapt, but not all are able to respond quickly. This situation indicates a gap between the village's potential and the actual performance of MSMEs. However, with better competencies, continuous innovation, and high creativity, micro-enterprises in Kelambir Lima Kebun have a significant opportunity to grow and contribute more significantly to the local economy. Therefore, the study entitled "The Effect of Competence and Innovation on the Performance of MSMEs with Creativity as an Intervening Variable in Micro-Enterprises in Kelambir Lima Kebun " is highly relevant.

Problem Formulation

1. Does competence have a positive and significant effect on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun?

2. Does innovation have a positive and significant effect on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun?
3. Does competence have a positive and significant effect on the creativity of MSMEs in micro-enterprises in Kelambir Lima Kebun?
4. Does innovation have a positive and significant effect on the creativity of MSMEs in micro-enterprises in Kelambir Lima Kebun?
5. Does creativity have a positive and significant effect on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun?
6. Does creativity mediate (act as an intervening variable) the effect of competence on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun?
7. Does creativity mediate (act as an intervening variable) the effect of innovation on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun?

Research Objectives

1. To test and analyze the influence of competence on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun.
2. To test and analyze the influence of innovation on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun.
3. To test and analyze the influence of competence on the creativity of MSMEs in micro-enterprises in Kelambir Lima Kebun.
4. To test and analyze the influence of innovation on the creativity of MSMEs in micro-enterprises in Kelambir Lima Kebun
5. To test and analyze the influence of creativity on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun.
6. To test and analyze creativity as an intervening variable in the relationship between competence and performance of MSMEs in micro-enterprises in Kelambir Lima Kebun
7. To test and analyze creativity as an intervening variable in the relationship between innovation and performance of MSMEs in micro-enterprises in Kelambir Lima Kebun.

Literature Review

2.1 MSME Performance

According to Robbins & Judge (2017), performance is the results achieved by an individual or group in carrying out their duties in accordance with their assigned responsibilities. Mangkunegara (2020): Performance is the quality and quantity of work achieved by an employee or business actor in accordance with their responsibilities to achieve organizational goals.

2.2 MSME Performance Indicators

According to Mangkunegara (2020), the indicators are as follows:

1. Quality of Results, namely the quality of the products or services produced.
2. Quantity of Results, namely the amount of production or sales volume achieved.
3. Punctuality, namely the ability to meet production schedules and targets.
4. Work Effectiveness, namely the efficient use of resources.
5. Responsibility, namely the level of compliance and reliability in carrying out tasks.

2.3 Competence

According to Wibowo (2016): Competence is an individual's ability, encompassing observable knowledge, skills, and attitudes, necessary to perform work effectively. According to Sedarmayanti (2017): Competence is a person's basic characteristics, including knowledge, skills, and behaviors, that are directly related to performance and can be developed through education and training.

2.4 Competency Indicators

According to Wibowo (2016), the indicators are as follows:

1. Knowledge, namely understanding of work, products, and market needs.
2. Skills, namely technical and managerial abilities in carrying out tasks.
3. Attitude/Behavior, namely work ethic, responsibility, and discipline.
4. Motivation, namely the internal drive to achieve work performance.
5. Self-Concept, namely beliefs and values that influence how one works.

2.5 Innovation

According to Tidd & Bessant (2018), innovation is the process of transforming opportunities into new ideas that can be exploited and implemented to create economic and social value. According to Huda et al. (2019), innovation is the ability of a company or business actor to introduce new, better products, processes, or methods than previously available ones to increase competitive advantage.

2.6 Innovation Indicators

According to Tidd & Bessant (2018), the indicators are as follows:

1. Product Innovation, namely the creation or development of new products/variants.
2. Process Innovation, namely improvements to production or service methods.
3. Marketing Innovation, namely the implementation of new promotional/sales methods.
4. Organizational Innovation, namely changes in management patterns, structure, or collaboration.
5. Technology Utilization, namely the use of information technology or business digitization.

2.7 Creativity

According to Amabile & Pratt (2016), creativity is the ability to generate new and useful ideas that can be applied to solve problems or create new opportunities. Runco & Jaeger (2019): Creativity is a cognitive process that produces original and contextually appropriate ideas that can be implemented in various fields, including business.

2.8 Creativity Indicators

According to Amabile & Pratt (2016), the indicators are as follows:

1. Originality of Ideas, namely the ability to generate new and unique ideas.
2. Flexibility of Thinking, namely the ability to adapt and combine various concepts.
3. Problem-Solving Ability, namely creating innovative solutions to existing challenges.
4. Experimentation, namely the willingness to try new approaches or methods.
5. Implementation of Ideas, namely the ability to translate ideas into tangible products or services.

2.9 Conceptual Framework

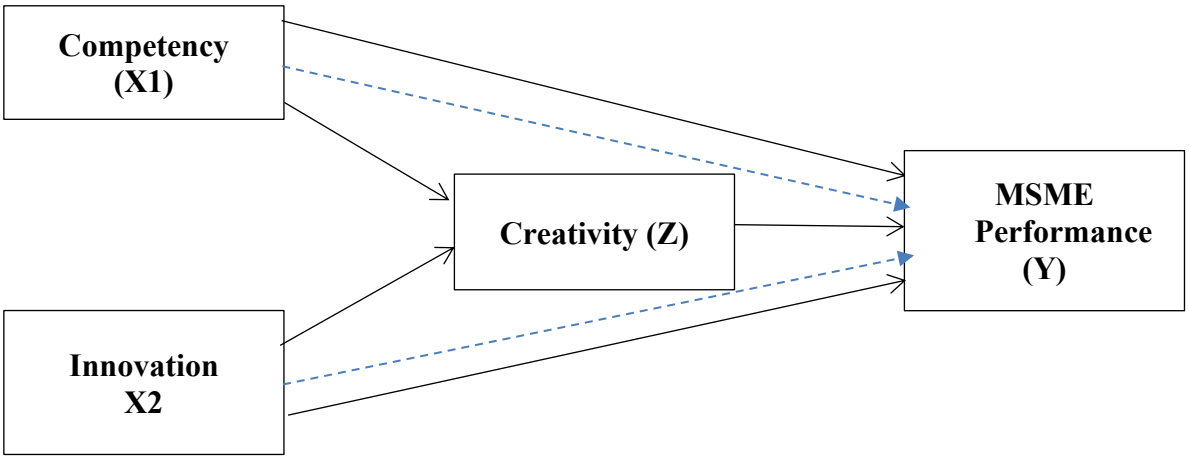

Figure 1. Conceptual Framework

2.10 Hypothesis

H1: Competence has a positive and significant effect on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun .

H2: Innovation has a positive and significant effect on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun .

H3: Competence has a positive and significant effect on the creativity of MSMEs in micro-enterprises in Kelambir Lima Kebun .

H4: Innovation has a positive and significant effect on the creativity of MSMEs in micro-enterprises in Kelambir Lima Kebun .

H5: Creativity has a positive and significant effect on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun .

H6: Creativity mediates the effect of competence on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun .

H7: Creativity mediates the effect of innovation on the performance of MSMEs in micro-enterprises in Kelambir Lima Kebun .

Methode

3.1 Research Type and Approach

According to Sugiyono (2018), quantitative research with a causal associative design is appropriate for analyzing the influence between variables in a measurable manner.

This research employed a quantitative approach with a causal associative research type. This quantitative approach was chosen because it emphasizes measuring numerical data and statistical hypothesis testing. Meanwhile, causal associative research aims to determine the causal relationship between the independent variables (competence and innovation) and the dependent variable (MSME performance) through the intervening variable (creativity).

3.2 Research Location and Timeline

The research was conducted on micro-enterprises operating in Kelambir Lima Kebun, Hamparan Perak District, Deli Serdang Regency, North Sumatra. This location was chosen because the village has a large and diverse number of MSMEs, making it suitable for examining the influence of competence and innovation on performance. The research was planned to last three months, from preparation and data collection to analysis and report preparation.

3.3 Population and Sample

The population in this study was all Micro, Small, and Medium Enterprises (MSMEs) actively operating in Kelambir Lima Kebun Village, Hamparan Perak District, Deli Serdang Regency. Based on data obtained from village officials, the number of MSMEs meeting the research criteria was 83. According to Sugiyono (2018), saturated sampling is a sampling technique where all members of the population are used as samples. Because the population is relatively small, with fewer than 100 respondents, the entire population is used as a sample. Therefore, all 83 MSMEs in Kelambir Lima Kebun were selected as respondents for the study. This method was chosen to ensure that the data obtained accurately represented the entire population, ensuring a good level of generalizability for all MSMEs in the village.

3.4 Data Collection Techniques

According to Sugiyono (2018), data collection techniques are the most important step in research, as the goal of research is to obtain data. Without understanding data collection techniques, researchers will not obtain data that meets established data standards. This study used a questionnaire as the data collection technique with a five-point Likert scale. This scale was used to measure respondents' level of agreement with each statement related to the variables of competency, innovation, creativity, and performance of MSMEs.

3.5 Operational Variable Definition

An operational definition is a guideline for measuring a variable so that it can be observed and studied in real-world contexts. This definition specifically describes the characteristics, dimensions, and indicators of a variable so that it can be measured using research instruments.

Table 1. Operational Variable

Variable	Definition	Indicator
MSME Performance (Y)	According to Mangkunegara (2020), performance is the quality and quantity of work results achieved by an individual in accordance with their assigned responsibilities. .	1. Quality of business results 2. Quantity of production/sales 3. Timeliness of target achievement 4. Ability to retain customers 5. Increased business revenue Mangkunegara (2020),
Competence (X1)	According to Wibowo (2016), competence is an individual's ability, encompassing observable knowledge, skills, and attitudes, necessary to perform work effectively.	1Job knowledge 2. Technical skills 3. Professional attitude 4. Problem-solving skills 5. Communication skills Wibowo (2016)
Innovation (X2)	According to Tidd & Bessant (2018), innovation is the process of transforming opportunities into new ideas that can be exploited and implemented to create economic and social value	1. Creation of new products/services 2. Improvement of production/service processes 3. Utilization of new technologies 4. Application of creative ideas in business Tidd & Bessant (2018)
Creativity (Z)	According to Amabile & Pratt (2016), creativity is the ability to	1. The ability to generate original ideas

	generate new and useful ideas that can be applied to solve problems or create new opportunities.	2. The ability to combine ideas into new concepts 3. The courage to take risks with ideas 4. Flexibility in thinking Amabile & Pratt (2016)

Results and Discussion

4.1 Data Analysis Techniques

4.1.1 Measurement Model Evaluation (Outer Model)

The measurement model is used to assess the relationship between latent variables (e.g., competence, innovation, creativity, and MSME performance) and their measurement indicators. According to Hair et al. (2019), the purpose of outer model evaluation is to ensure that the construct has been measured accurately and validly. The steps include:

a) Convergent Validity: Testing the extent to which indicators of a construct have a high correlation with each other. This is checked through the loading factor value (>0.7) and Average Variance Extracted (AVE) (>0.5).
b) Discriminant Validity: Ensures that a construct is empirically distinct from other constructs. Tested using cross-loading and the Fornell-Larcker criterion, where the square root of the AVE must be greater than the correlation between constructs.
c) Construct Reliability: Measures the internal consistency of indicators using Composite Reliability (>0.7) and Cronbach's Alpha (>0.7). Values that meet the criteria indicate that the indicator consistently measures the intended construct

4.1.2 Structural Model Evaluation (Inner Model)

The structural model assesses the strength and significance of the relationships between latent constructs. This stage aims to test the research hypothesis and assess the model's predictive ability. The main steps are:

a) R-Square (R^2): Indicates the extent of variability in the dependent variable that can be explained by the independent variables. An R^2 of 0.67 is considered strong, 0.33 moderate, and 0.19 weak (Hair et al., 2019).
b) Path Coefficient: Assesses the magnitude and direction of the influence between latent variables.
c) Significance Test (Bootstrapping): Conducted to test the hypothesis using the t-statistic and p-value. The relationship is considered significant if the t-statistic is > 1.96 or the p-value is < 0.05.
d) Predictive Relevance (Q^2): Measures how well the model can predict the observed data. A $Q^2 > 0$ indicates good predictive power.

4.2 Outer Model Analysis

Outer Model Analysis is the testing stage of the measurement model in the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method. The goal is to ensure that the indicators (measured/manifest variables) are truly valid and reliable in representing the latent construct.

a. Convergent Validity

Convergent validity is part of the outer model analysis in PLS-SEM, which aims to ensure that all indicators used truly measure the same latent construct. If convergent validity is met, it means that the indicators within a single latent variable are highly correlated and consistently represent the concept being measured. While the research is still in the development stage, it is permissible to use indicators with individual correlation values higher than 0.7. Indicator values of 0.5 and 0.6 are still considered appropriate. External loading data indicate that these indications are not substantial

with loadings below 0.60. The research structural model is shown in the following figure:

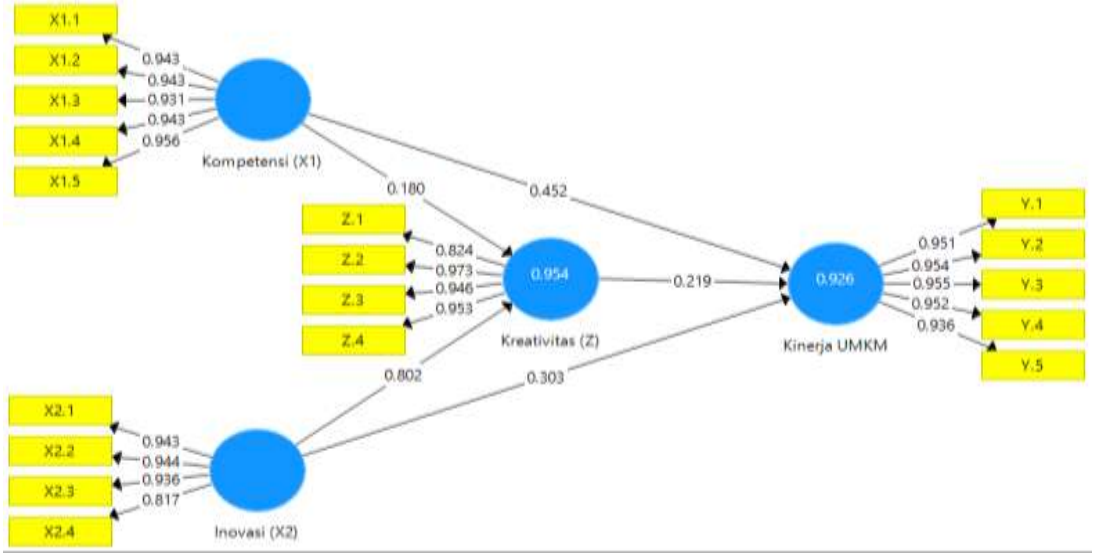

Figure 2. Outer Model

In the results of the outer model, there are equations in the research. These equations are divided into 2 substructures, including the following:

Sub structure 1

Z = b1X1 + b2X2 + e

Z = 0.180 + 0.802 + 0.954

Sub structure 2

Y = b3X1 + b4X2 + b5Z + e

Y = 0.452 + 0.303 + 0.219 + 0.926

Table 2. Outer Loadings

	Inovation (X2)	MSME Performance (Y)	Competence (X1)	Creativity (Z)
X1.1			0,943	
X1.2			0,943	
X1.3			0,931	
X1.4			0,943	
X1.5			0,956	
X2.1	0,943			
X2.2	0,944			
X2.3	0,936			
X2.4	0,817			
Y.1		0,951		
Y.2		0,954		
Y.3		0,955		
Y.4		0,952		
Y.5		0,936		
Z.1				0,824
Z.2				0,973
Z.3				0,946
Z.4				0,953

Source: Smart PLS 3.3.3.

The results of the outer model analysis show that all indicators in the Competence (X1), Innovation (X2), MSME Performance (Y), and Creativity (Z) variables have outer loading values between 0.817 and 0.973, all above the minimum limit of 0.70. This means that each indicator is valid and able to reflect its construct well. Thus, the four variables have met convergent validity and the measurement model is declared suitable for proceeding to the inner model analysis.

b. Discriminant Validity

Discriminant validity is part of the outer model analysis in PLS-SEM, used to ensure that each latent construct is truly distinct from the other constructs. If discriminant validity is met, it means that the indicator of a variable only measures that variable and does not overlap with other variables. The results of the cross-loading discriminant validity test are presented in the following table.

Table 3. Discriminant Validity

	Inovation (X2)	MSME Performance (Y)	Competence (X1)	Creativity (Z)
X1.1	0,900	0,889	0,943	0,887
X1.2	0,887	0,884	0,943	0,888
X1.3	0,898	0,880	0,931	0,897
X1.4	0,921	0,914	0,943	0,906
X1.5	0,931	0,923	0,956	0,911
X2.1	0,943	0,912	0,939	0,918
X2.2	0,944	0,940	0,926	0,915
X2.3	0,936	0,902	0,906	0,918
X2.4	0,817	0,694	0,720	0,800
Y.1	0,924	0,951	0,934	0,926
Y.2	0,952	0,954	0,927	0,945
Y.3	0,871	0,955	0,880	0,869
Y.4	0,878	0,952	0,890	0,865
Y.5	0,888	0,936	0,886	0,876
Z.1	0,797	0,694	0,729	0,824
Z.2	0,955	0,917	0,928	0,973
Z.3	0,925	0,934	0,913	0,946
Z.4	0,926	0,930	0,936	0,953

Source: Smart PLS 3.3.3.

The results of the discriminant validity test using the cross loading method show that each indicator has the highest loading value on its respective construct compared to other constructs. Competence (X1): all indicators (X1.1–X1.5) have the highest loading on X1 (0.931–0.956) compared to other variables. Innovation (X2): indicators X2.1–X2.4 are also the highest on X2 (0.817–0.944) although the lowest X2.4 (0.817) still meets the criteria. MSME Performance (Y): indicators Y.1–Y.5 show the highest loading on Y (0.936–0.955). Creativity (Z): all indicators Z.1–Z.4 have the highest loading on Z (0.824–0.973). Thus, each construct is able to differentiate itself from other constructs, meets the discriminant validity criteria, and the measurement model is declared good.

c. Composite Reliability

To determine reliability for subsequent testing, an indicator block evaluates the dependency of the composite construct. A construct is considered reliable if the composite reliability value is greater than 0.60. The variable construct values from the indicator block measuring the construct can be used to calculate reliability using Cronbach's alpha in addition to testing the composite reliability value. An item is considered credible if its Cronbach's alpha value is greater than 0.7. The following table displays the construct loading values for the research variables obtained using the Smart PLS program:

Table 4. ***Construct Reliability and Validity***

	Cronbach's Alpha	Reliabilitas Komposit	Rata-rata Varians Diekstrak (AVE)
Inovation (X2)	**0,931**	**0,952**	**0,831**
MSME Performance (Y)	**0,973**	**0,979**	**0,902**
Competence (X1)	**0,969**	**0,976**	**0,890**
Creativity (Z)	**0,943**	**0,960**	**0,857**

Source: Smart PLS 3.3.3.

The four research variables, namely Innovation (X2), MSME Performance (Y), Competence (X1), and Creativity (Z), were proven to have excellent reliability and validity. The Innovation variable recorded a Cronbach's Alpha of 0.931, Composite Reliability of 0.952, and AVE of 0.831. The MSME Performance variable obtained a Cronbach's Alpha of 0.973, Composite Reliability of 0.979, and AVE of 0.902. The Competence variable showed a Cronbach's Alpha of 0.969, Composite Reliability of 0.976, and AVE of 0.890. Meanwhile, the Creativity variable had a Cronbach's Alpha of 0.943, Composite Reliability of 0.960, and AVE of 0.857. All Cronbach's Alpha and Composite Reliability values were well above the minimum standard of 0.70, indicating excellent internal consistency. Furthermore, the Average Variance Extracted (AVE) value exceeding 0.50 confirms that the indicators adequately reflect their latent variables. Thus, all constructs are deemed reliable and valid, allowing them to be used in the subsequent inner model analysis phase.

4.3 Inner Model Analysis

The structural model, also known as the inner model, is assessed to ensure its accuracy and reliability. Several indicators, such as the following, can be used to visualize the stages of structural model evaluation analysis:

1. Coefficient of Determination (R2)

Based on data processing using SmartPLS 3.0, the R-Square value is as follows:

Table 5.Hasil R Square

	R Square	Adjusted R Square
MSME Performance (Y)	0,926	0,923
Creativity (Z)	0,954	0,953

Source: Smart PLS 3.3.3.

MSME Performance (Y) has an R Square value of 0.926 and an Adjusted R Square of 0.923. This means that 92.6% of the variation in MSME Performance can be explained by the independent variables in the model, while the remaining 7.4% is influenced by other factors outside the model. The almost identical Adjusted R Square value (0.923) confirms that the model is very good and there is no significant decrease after adjusting the number of predictors. Creativity (Z) shows an R Square of 0.954 and an Adjusted R Square of 0.953, which means that 95.4% of the variation in Creativity is explained by the variables that influence it in the model, with only 4.6% influenced by other factors. The very small difference with the Adjusted R Square indicates a very strong and stable model. Overall, both R Square values are in the very high category, so it can be concluded that the research model has very good explanatory power for the MSME Performance and Creativity variables.

4.3.1 Goodness of Fit (GoF) Assessment

The goodness of fit of the model can be seen from the NFI (Non-Fitness Fit) score of ≥ 0.697. Based on data cleaning completed using SmartPLS 3, the Model Fit values were as follows:

Table 6.Model Fit

	Model Saturated	Model Estimasi
SRMR	0,046	0,046
d_ULS	0,366	0,366
d_G	1,091	1,091
Chi-Square	409,960	409,960
NFI	0,854	0,854

Source: Smart PLS 3.3.3.

The Goodness of Fit test results showed an SRMR value of 0.046 (<0.08), indicating a very good model fit. The d_ULS value of 0.366 and d_G of 1.091 are considered low, while the Chi-Square value of 409.960 is still reasonable. The NFI index of 0.854 is also above the minimum standard of 0.80. Overall, the structural model is deemed appropriate and fits the data.

4.3.2 Hypothesis Testing

After assessing the inner model, the next step is to examine the proposed relationships between the latent constructs in this study. This research hypothesis testing technique uses T-statistics and P-values. The hypothesis is considered accepted if the T-statistic is greater than 1.96 and the P-value is less than 0.05. The following are the results of the direct influence path coefficients:

Table 7 *Path Coefficients* (Pengaruh Langsung)

	Sampel Asli (O)	T Statistik (| O/STDEV |)	P Values	Hasil
Inovation (X2) -> MSME Performance (Y)	0,303	2,026	0,022	Diterima
Inovation (X2) -> Creativity (Z)	0,802	8,382	0,000	Diterima
Competence (X1) -> MSME Performance (Y)	0,452	3,948	0,000	Diterima
Competence (X1) -> Creativity (Z)	0,180	1,866	0,031	Diterima
Creativity (Z)-> MSME Performance (Y)	0,219	1,479	0,070	Ditolak

Source: Smart PLS 3.3.3.

The explanation of the hypotheses in the table above is as follows:

1. The path coefficient of 0.303 with a p-value of 0.022 (<0.05) indicates that innovation has a positive and significant effect on MSME performance. This means that the greater

the MSME's ability to create and implement new ideas or products, the better the business performance, both in terms of productivity, service quality, and market competitiveness.

2. The coefficient of 0.802 with p-value of 0.000 indicates a very strong and significant effect. This demonstrates that increased innovation, such as the development of new products or processes, significantly encourages the growth of MSME creativity in finding solutions, generating fresh ideas, and enriching the variety of products or services.
3. A coefficient of 0.452 with p = 0.000 indicates a positive and significant influence. This means that competence—including the knowledge, skills, and professional attitudes of owners or employees—plays a significant role in improving MSME performance, for example through managerial skills, resource management, and customer service.
4. A coefficient of 0.180 with p = 0.031 indicates a positive but relatively weak influence. This finding indicates that competence still helps foster creativity, for example through technical understanding and problem-solving skills, but its strength is not as strong as the influence of innovation.
5. A coefficient of 0.219 with p = 0.070 (> 0.05) indicates an insignificant effect. In other words, although creativity is important for generating new ideas, in this research model, creativity is not proven to directly improve MSME performance. Creativity likely plays a more supportive role, requiring other factors, such as innovation implementation, to have a significant impact on performance.

Table 8 .*Path Coefficients* (Pengaruh Tidak Langsung)

	Sampel Asli (O)	T Statistik (| O/STDEV |)	P Values
Inovation (X2) -> Creativity (Z) -> MSME Performance (Y)	0,176	1,471	**0,071**
Competence (X1) -> Creativity (Z) -> MSME Performance (Y)	0,040	1,007	**0,157**

Source: Smart PLS 3.3.3.

1. The indirect effect coefficient of 0.176 with p = 0.071 (> 0.05) indicates insignificance. This means that creativity is unable to mediate the relationship between innovation and MSME performance. Innovation improves MSME performance more through its direct influence, rather than through creativity.
2. The coefficient of 0.040 with p = 0.157 (> 0.05) also indicates insignificance. This means that creativity does not mediate the relationship between competency and MSME performance. Performance improvements occur more directly from competency.

Conclusion

1. Innovation on MSME Performance, with a path coefficient of 0.303 and a p-value of 0.022 (<0.05), indicates that innovation has a positive and significant effect on MSME performance. This means that the greater the MSME's ability to create and implement new ideas or products, the better the business performance, both in terms of productivity, service quality, and market competitiveness.
2. Innovation on Creativity, with a coefficient of 0.802 and p-value of 0.000, indicates a very strong and significant effect. This demonstrates that increased innovation, such as the development of new products or processes, significantly encourages the growth of MSME creativity in finding solutions, generating fresh ideas, and enriching product or service variety.

3. Competence on Performance, with a coefficient of 0.452 and p = 0.000, indicates a positive and significant influence. This means that competence—including the knowledge, skills, and professional attitudes of owners or employees—plays a significant role in improving MSME performance, for example through managerial skills, resource management, and customer service.
4. Competence on Creativity, with a coefficient of 0.180 and p = 0.031, indicates a positive but relatively weak influence. This finding indicates that competence still helps foster creativity, for example through technical understanding and problem-solving skills, but its strength is not as strong as the influence of innovation.
5. Creativity on MSME Performance with a coefficient of 0.219 with p = 0.070 (> 0.05) indicates an insignificant effect. In other words, although creativity is important for generating new ideas, in this research model, creativity is not proven to directly improve MSME performance. Creativity likely plays a more supporting role, requiring other factors, such as innovation implementation, to have a significant impact on performance.
6. Innovation through Creativity on MSME Performance with an indirect effect coefficient of 0.176 with p = 0.071 (> 0.05) indicates an insignificant effect. This means that creativity is unable to mediate the relationship between innovation and MSME performance. Innovation improves MSME performance more through its direct influence, rather than through creativity.
7. Competence through Creativity on MSME Performance, with a coefficient of 0.040 with p = 0.157 (> 0.05), also shows no significance. This means that creativity does not mediate the relationship between competence and MSME performance. Performance improvements occur more directly from competence.

Recommendations

1. The results of this study confirm the role of creativity as an intervening variable. These findings can serve as a basis for developing theories on MSME performance, particularly regarding the relationship between human capital (competence) and innovation capability.
2. To broaden generalizability, similar research can be conducted in other rural areas or different MSME sectors (e.g., culinary, crafts, or services).
3. Competency Enhancement: Attend training in business management, finance, digital marketing, and product development to strengthen personal and business skills.
4. Sharpen Creativity: Conduct market trend research, experiment with new product designs, and utilize social media for creative promotions.
5. Encourage Innovation: Not only create new products, but also improve production processes, packaging, and customer service.
6. Hold regular training programs that focus on creativity and innovation, such as business coaching or business idea competitions.
7. Provide access to microfinance and marketing facilities, including MSME exhibitions, to encourage entrepreneurs to try new breakthroughs.

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