
THE PERFORMANCE ANALYSIS OF MICRO, SMALL AND MEDIUM ENTERPRISES: THE ROLE OF SELF-EFFICACY, ENTREPRENEURIAL MINDSET AND INNOVATION

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ABSTRACT

The role of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia's economy is crucial due to their prevalence in various sectors. Despite their relatively low productivity, MSMEs exhibit resilience during crises. As a result, a large portion of the population relies on MSMEs as their primary source of income. Consequently, fostering self-efficacy, entrepreneurial mindset, and innovation in business processes becomes imperative. This study aims to explore the impact of self-efficacy and entrepreneurial mindset on the performance of MSMEs in Parepare City, with innovation serving as a mediating factor. Employing a quantitative approach, the research involves 140 respondents who are active participants in MSMEs within Parepare City. Utilizing SmartPLS for data analysis, the study investigates the relationship between self-efficacy and entrepreneurial mindset variables and their influence on MSME performance, considering innovation as a mediator. The findings indicate that self-efficacy and entrepreneurial mindset have a positive and significant impact on MSME performance. Additionally, innovation also plays a vital role in enhancing MSME performance. Furthermore, innovation acts as a mediator, effectively channeling the influence of self-efficacy and entrepreneurial mindset on MSME performance.

Keywords: Self Efficacy, Entrepreneurial Mindset, Innovation, MSME Performance

INTRODUCTION

In 1997 and 1998 the economy of Indonesia and several other countries experienced a downturn, with businesses operating on a large scale unable to sustain themselves in the face of a severe monetary crisis. At that time, many businesses failed because they were unable to continue producing goods due to rising raw material prices and increased import taxes. This was due to the increase in the rupiah exchange rate against the dollar, in addition to the banking sector in general also experiencing a downturn, resulting in problems in terms of capitalizing large-scale businesses. In contrast to MSMEs at that time tended to survive, even increasing (Putra, 2016).

Micro, Small and Medium Enterprises (MSMEs) have high resilience so that they can survive the economic and monetary crisis. MSMEs are more resilient to crises despite their low productivity.

This is because the organizational structure of MSMEs and their workforce are more flexible and able to adjust to market changes. Due to their flexible nature, the majority of the population uses MSMEs as their main source of livelihood. With the increase in MSMEs, more labor is absorbed and the unemployment rate is reduced. The increasing number of MSMEs is also inseparable from the role of the government in providing policies that can facilitate MSMEs in developing the performance of existing MSMEs. In a business, an entrepreneur has an important role. One of the things that entrepreneurs need is self-efficacy and entrepreneurial mindset as well as innovation. (Asandimitra and Kautsar, 2019).

According to Bandura, self efficacy is people's beliefs about their ability to produce a level of performance and master situations that affect their lives, then self efficacy will determine how people feel, think, motivate and behave (Kistyanto et al., 2020). Many Micro, Small and Medium Enterprises (MSMEs) fail because they pay little attention to how business

performance can run stably. Some entrepreneurs only focus on profits and costs incurred in the short term. In addition, another problem is human resources, entrepreneurs lack good managerial skills in managing their businesses and employees. (Ismanto and Irawan, 2018).

An entrepreneurial mindset encompasses the inclination towards innovation and eagerness to seize opportunities by taking appropriate actions. One way to gauge entrepreneurial mindset is through entrepreneurial self-efficacy. Entrepreneurs need to possess the ability to identify existing opportunities and actively engage in pursuing them (Kuratko et al., 2014 and Kuratko et al., 2021).

Apart from entrepreneurial mindset, the performance of MSMEs is also influenced by innovation. Manual (2005) defines innovation as the implementation of new or significantly modified products (goods and services), processes, marketing methods, or organizational practices within a business or in its external relationships. For innovation to occur, there must be the introduction of at least one new product, process, marketing strategy, or organizational approach.

Entrepreneurship entails being creative, innovative, attentive to opportunities, open to input, and receptive to positive changes that contribute to business growth and value. Businesses must provide value and be useful, as they face intense competition and diverse consumer demands.

Based on the preceding explanation, the researcher is conducting a study titled "The Effect of Self Efficacy and Entrepreneurial Mindset on MSME Performance in Parepare City with Innovation as a Mediating Variable." The study aims to address the following research questions: (1) Does self-efficacy significantly and positively impact the performance of MSMEs in Parepare City? (2) Does entrepreneurial mindset significantly and positively influence the performance of MSMEs in Parepare City? (3) Does innovation have a significant and positive effect on the performance of MSMEs in Parepare City? (4) Does self-efficacy have a significant and positive effect on innovation? (5) Does entrepreneurial mindset significantly and positively impact innovation? (6) Does innovation mediate the influence of self-efficacy on the performance of MSMEs in Parepare City? (7) Does innovation mediate the influence of entrepreneurial mindset on the performance of MSMEs in Parepare City?

LITERATURE REVIEW

Subjectivist theory of entrepreneurship

The development of subjectivist theory of entrepreneurship is a theory used to look at the subjective nature of entrepreneurial discovery and creativity, and establish a link between entrepreneurial creativity and entrepreneurial intuition and knowledge. Subjectivist theory of entrepreneurship brings together elements of individual creativity, discovery, surprise and learning. It deals constructively with individual creativity and the stochastic nature of the creation process.

Subjectivist entrepreneurship theory is a theory that focuses on the reciprocal relationship between the entrepreneur's subjective vision, firm-specific experience and knowledge, and perceived economic opportunities. We see high potential for new theoretical insights stemming from the intellectual connections between strategic management and entrepreneurship research. (Kor et al., 2007).

Theory of Creative Destruction

The entrepreneurship theory of creative destruction sees entrepreneurs as the main innovators, as well as entrepreneurship as the main driver of the economy capable of creating economic growth with a storm of creative destruction (Schumpeter, 1947). Schumpeter's idea of Creative Destruction was born out of the ideas he put forward in his two most famous works, Theory of Economic Development (TED) and Capitalism, Socialism and Democracy (CSD). Schumpeter argued that entrepreneurs generate innovations by creating new combinations considering factors of production, such as

technology and engineering. Entrepreneurs innovate by introducing new products, opening new markets and new organizational forms.

Self Efficacy

According to Bandura (1997), Self Efficacy is an individual's self- confidence in doing something by taking into account his ability to achieve results in certain situations and conditions. A person's self-confidence can be seen depending on how his attitude is in facing difficult tasks and how to take and face these difficulties. Self-confidence consists of self-adaptation, quality and cognition, self-confidence and action in conditions that have pressure. Self-efficacy develops regularly. As abilities and experiences increase, self-efficacy will develop further. The development of self-efficacy begins from birth to adulthood, the things that are passed can make self-efficacy change. A person's self-efficacy can be formed and influenced by the surrounding environment.

Entrepreneurial Mindset

According to McGraith and Mac Millan (2000) Entrepreneurial Mindset is a mindset owned by an entrepreneur, which has characters including oriented to new things, simple thinking, action oriented, able to read and take opportunities. With an entrepreneurial mindset, entrepreneurs will be encouraged continuously to make innovations to create opportunities that can benefit them. (Lailatul Azizah, 2018). Based on the explanation of the definition above, it can be concluded that an entrepreneurial mindset is an entrepreneur who has strong beliefs about life that can be improved and has the willingness to continue learning to understand new things that are developing and able to support existing businesses.

Innovation

According to Peter Ducker (2005), innovation is an effort to create purposeful and focused change in an economic and social potential. The definition of innovation is emphasized by West and Farr (1990), innovation is the introduction and intentional application of new ideas, processes, products and procedures designed to benefit individuals, groups, organizations and society at large. The reason why innovation is needed in an organization is because of changes both within the organization and outside the organization. According to Keeh, et.al (2007) the importance of innovating is done because there are several reasons such as Technology changes very quickly, The effect of environmental changes on product life cycles is getting shorter, Consumers today are smarter and demand fulfillment of needs and Innovation can produce faster growth, increase market segments, and create a better corporate position.

MSME Performance

One area that contributes significantly to spurring Indonesia's economic growth is MSMEs. This is because as MSMEs rapidly develop, employment opportunities for the community will also increase. That way it is not only the business owner who benefits but the surrounding community also benefits when the business is started. MSME performance is the result or evaluation of the company's work achieved by a person or group with the division of activities in the form of duties and roles in a certain period with the standards of the company (Moeheriono, 2014: 95).

METHODS

The research approach used by researchers is quantitative method. The quantitative approach is research whose results present numbers or percentages in a research object (Sugiyono, 2009: 7). The approach used is a causal associative approach. The causal associative approach is an approach that aims to analyze the relationship between one variable and another or how a variable affects other research.

In this study using primary data sources, namely research data sources obtained by researchers directly. The type of data used is primary data, primary data is data obtained from the first source either individual or individual such as the results of interviews or filling out questionnaires commonly conducted by researchers. In this study, the primary data are

MSE actors in Parepare City. The data taken is data related to variables such as: self efficacy, entrepreneurial mindset and innovation. To obtain this data, researchers asked MSME actors to fill out a questionnaire that had been provided by the researcher. The questionnaire is designed using a Likert scale.

Population is a collection of all possible people, objects, and other measures that are the object of attention or a collection of all objects of research. The population in this study were actors of Small and Medium Enterprises (MSMEs) in the culinary sector in the Parepare City Region. The number of samples was determined using the hair et al formula. This formula is used because the population is unknown. Using this formula is dependent on the number of indicators multiplied by 5 to 10. This study uses 14 indicators in the form of statement points in the questionnaire, therefore the number of samples taken is at least $14 \times 10 = 140$. But it does not rule out the possibility of additional samples for research perfection. In this study using data collection techniques with the method of distributing questionnaires.

RESULTS

Data analysis results

**Data Quality Testing Through Outer Model Assessment
Convergent validity.**

The first stage in assessing the outer model can be started by looking at the results of Convergent Validity through the standardized loading factor or outer loading value. There are two criteria for assessing the outer model that meets the validation requirements, namely the correlation can be said to be valid if the value is > 0.7 and the value is < 0.5 . An individual reflective measure is said to be high if it correlates more than 0.70 with the construct to be measured. However, for research in the early stages of developing a measurement scale, a loading value of 0.50 to 0.60 is considered sufficient (Ghozali, 2011).

Table 1. Outer Loading (Measurement Model)

Indicator	Self Efficacy	Entrepreneurial Mindset	Innovation	MSME Performance
X1.1	0.736			
X1.2	0.702			
X1.3	0.718			
X1.4	0.720			
X1.5	0.720			
X1.6	0.713			
X1.7	0.710			
X1.8	0.710			
X1.9	0.701			
X2.1		0.715		
X2.2		0.702		
X2.3		0.748		
X2.4		0.722		
X2.5		0.751		
X2.6		0.704		
Z1.1			0.760	
Z1.2			0.738	
Z1.3			0.737	

Indicator	Self Efficacy	Entrepreneurial Mindset	Innovation	MSME Performance
Z1.4			0.790	
Z1.5			0.757	
Z1.6			0.719	
Y1.1				0.703
Y1.2				0.708
Y1.3				0.757
Y1.4				0.753
Y1.5				0.748
Y1.6				0.752
Y1.7				0.797
Y1.8				0.774

Source: processed data, 2023

Based on the presented table, it is evident that all loading factors have values exceeding 0.50, indicating the validity of the constructs for all variables. Additionally, the convergent validity is established by assessing the Average Variance Extracted (AVE). A construct is considered to have high convergent validity if its AVE value exceeds 0.5. The outcomes of the AVE test are provided in the following table.

Table 2. AVE (Average Variance Extracted)

Variables	Average Variance Extracted (AVE)
Entrepreneurial Mindset	0.524
Innovation	0.563
MSME Performance	0.562
Self Efficacy	0.511

Source: processed data, 2023

Looking at the AVE value in the table above, all variables are > 0.50 so it can be said that each indicator that has been measured can reflect their respective variables validly. The combination of the outer loading and AVE (Average Variance Extracted) assessments explains that this research is convergently valid and meets the requirements to proceed to the discriminant validity stage.

Discriminant Validity

In seeing whether the research model has good discriminant validity, 2 (two) stages are needed to be carried out, namely, Cross Loading and Fornier Larcker Criterion results. Measuring the cross loading value where the cross loading results must be able to show that the indicators of each construct must have a higher value than the indicators in other constructs. The results of the cross loading test. Based on the table 3, it can be seen that the cross loading value of each item on its construct is greater than the cross loading value with other constructs. So it can be concluded that there is no problem with discriminant validity. All indicators have a greater correlation coefficient with each construct than with other columns.

The next stage is fornerr larcker criterion, in getting good Discriminant Validity from a study, the root of the AVE on the construct must be higher than the construct correlation with other latent variables. The results of the fornerr larcker criterion test obtained in the results of table 4.

Table 3. Cross Loading

Indicator	Self Efficacy	Entrepreneurial Mindset	MSME Performance	Innovation
X1.1	0.736	0.559	0.542	0.495
X1.2	0.702	0.539	0.427	0.504
X1.3	0.718	0.461	0.452	0.349
X1.4	0.720	0.482	0.305	0.386
X1.5	0.720	0.517	0.421	0.436
X1.6	0.713	0.414	0.346	0.437
X1.7	0.710	0.429	0.359	0.367
X1.8	0.710	0.478	0.386	0.358
X1.9	0.701	0.490	0.425	0.431
X2.1	0.464	0.715	0.438	0.475
X2.2	0.488	0.702	0.437	0.416
X2.3	0.484	0.748	0.448	0.494
X2.4	0.559	0.722	0.485	0.468
X2.5	0.499	0.751	0.577	0.573
X2.6	0.484	0.704	0.427	0.452
Y1.1	0.525	0.457	0.703	0.486
Y1.2	0.512	0.484	0.708	0.511
Y1.3	0.393	0.495	0.757	0.467
Y1.4	0.399	0.440	0.753	0.578
Y1.5	0.385	0.466	0.748	0.441
Y1.6	0.407	0.516	0.752	0.531
Y1.7	0.437	0.544	0.797	0.572
Y1.8	0.415	0.507	0.774	0.639
Z1.1	0.492	0.536	0.572	0.760
Z1.2	0.383	0.391	0.477	0.738
Z1.3	0.392	0.545	0.545	0.737
Z1.4	0.491	0.556	0.598	0.790
Z1.5	0.463	0.474	0.488	0.757
Z1.6	0.435	0.480	0.498	0.719

Source: processed data, 2023

Table 4. Fornerr Larcker Criterion

Variables	Entrepreneurial Mindset	Innovation	MSME Performance	Self Efficacy
Entrepreneurial mindset	0.724			
Innovation	0.668	0.751		
MSME Performance	0.653	0.710	0.749	

Source: processed data, 2023

Examining the data presented in the table above, it is apparent that each variable exhibits a higher value in explaining its own construct compared to other variables within the same column. Specifically, when comparing the variables in the same column, Entrepreneurial Mindset has a value of 0.724, surpassing self-efficacy, innovation, and MSME performance. Similarly, self-efficacy has a value of 0.714, which is higher than Entrepreneurial Mindset, innovation, and MSME performance. Furthermore, innovation, with a value of 0.751, exceeds self-efficacy, Entrepreneurial Mindset, and MSME performance. Consequently, the tested data in this study fulfill the requirements and provide evidence of Discriminant Validity for the constructs in the model, enabling the progression to the next stage.

Composite Reliability

The construct validity test stage is carried out by looking at the composite reliability value. Composite reliability is an indicator used to measure the reliability value of a variable. According to Hair et.al (2014), the composite reliability value must be above > 0.70, although the value of 0.60 is still acceptable.

Table 5. Cronbach Alpha and Composite Reliability

Variables	Cronbach's Alpha	Composite Reliability
<i>Entrepreneurial mindset</i>	0.819	0.868
Innovation	0.845	0.886
MSME Performance	0.888	0.911
<i>Self efficacy</i>	0.881	0.904

Source: processed data, 2023

Based on the provided data, it can be inferred that all constructs exhibit high reliability. The values of Cronbach's alpha and composite reliability exceed 0.70, indicating strong internal consistency for all variables in this study.

In summary, the data presented earlier demonstrates that this study possesses favorable convergent validity, discriminant validity, and internal composite reliability. The table below provides a concise overview of the validity and reliability measures:

Table 6. Summary of Measurement Models Results

Variable	Indicator	Loading Factor	Composite Reliability	Ave	Discriminant Validity
Self Efficacy	X1.1	0.736	0.868	0.524	Valid
	X1.2	0.702			
	X1.3	0.718			
	X1.4	0.720			
	X1.5	0.720			
	X1.6	0.713			
	X1.7	0.710			
	X1.8	0.710			
	X1.9	0.701			
	X2.1	0.715			
	X2.2	0.702			
	X2.3	0.748			
	X2.4	0.722			

Variable	Indicator	Loading Factor	Composite Reliability	Ave	Discriminant Validity
Entrepreneurial Mindset	X2.5	0.751	0.886	0.563	Valid
	X2.6	0.704			
Innovation	Z1.1	0.760	0.911	0.562	Valid
	Z1.2	0.738			
	Z1.3	0.737			
	Z1.4	0.790			
	Z1.5	0.757			
	Z1.6	0.719			
MSME Performance	Y1.1	0.703	0.904	0.511	Valid
	Y1.2	0.708			
	Y1.3	0.757			
	Y1.4	0.753			
	Y1.5	0.748			
	Y1.6	0.752			
	Y1.7	0.797			

Source: processed data, 2023

Inner Model Analysis (Structure Model Testing)

Inner model is a structural model, based on the path coefficient value, seeing how much influence between latent variables with bootstrapping calculations (Solihin, 2019: 68). Structural model testing is carried out to see the relationship between constructs, significant value and R square for the dependent construct T test and significance of the structural path parameter coefficient, starting with looking at the R square of each dependent latent variable. The following table shows the results of the R square estimation using SmartPLS:

Table 7. R square table

	R Square	R Square Adjusted
Innovation	0.480	0.473
MSME Performance	0.570	0.561

Source: processed data, 2023

According to Chin (1998), the R square value is grouped into 3 (three) parts, namely 0.67 (strong), 0.33 (moderate) and 0.19 (weak). Based on the table above, it can be seen that the R square value of Innovation is 0.480 or 48%, this shows that 48% of innovation is influenced by self efficacy and entrepreneurial mindset while 52% is influenced by other variables outside the study. The performance of MSMEs shows a value of 0.570 or 57%, this indicates that 57% is influenced by self efficacy and entrepreneurial mindset while the other 43% is influenced by other variables.

Hypothesis Test

In hypothesis testing, it is seen from the statistical value and probability value. According to Ghozali (2018), hypothesis testing with a statistical value for alpha 10% statistical value is used, namely 1.65. Then the criteria for acceptance / rejection of the hypothesis is if the t-statistic > 1.65 means Ha is accepted and H0 is rejected. Rejection with probability, Ha is accepted if the p value is <0.05. The following is the estimation output table for testing the structural model in this study:

Table 8. Hypothesis Test Results

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Significance Levels (P<10%)
<i>Entrepreneurial Mindset -> Innovation</i>	0.493	5.387	0.000	S
<i>Entrepreneurial Mindset -> MSME Performance</i>	0.256	2.011	0.022	S
<i>Innovation -> MSME Performance</i>	0.462	4.290	0.000	S
<i>Self Efficacy -> Innovation</i>	0.255	2.271	0.012	S
<i>Self Efficacy -> MSME Performance</i>	0.175	1.671	0.048	S
<i>Entrepreneurial Mindset -> Innovation -> MSME</i>				S
<i>Self Efficacy -> Innovation -> MSME Performance</i>	0.118	2.310	0.011	S

Source: processed data, 2023

Notes:

NS = Not Significant

S = Significant (significant: $P < 0.05$)

DISCUSSION

The Influence of Self Efficacy to MSME Performance

Based on the results of the analysis and various tests conducted, it is evident that self-efficacy significantly impacts the performance of MSMEs. The statistical analysis reveals a significant path coefficient between these two variables. These findings are consistent with a study conducted by Hakim (2020), which also demonstrates a positive and significant influence of self-efficacy on MSME performance. The possession of self-efficacy by individuals emerges as a crucial determinant of their business success.

This suggests that the belief and confidence of MSME entrepreneurs in their ability to effectively manage their businesses play a central role in their success. Self-efficacy encompasses elements such as expectation efficacy and outcome ethics. Entrepreneurs who have confidence in their capabilities are more likely to achieve success in their business ventures. They demonstrate greater ease and confidence in overcoming various business challenges and exhibit proactive initiatives throughout their journey.

The Influence of Entrepreneurial Mindset to MSME Performance

The research findings regarding the impact of entrepreneurial mindset on the performance of MSMEs in Parepare City demonstrate a positive influence. For entrepreneurs, having an entrepreneurial mindset serves as the initial capital and foundation for success in entrepreneurship. Entrepreneurship entails more than just selling goods; it involves strategies for enhancing the value of products.

The research conducted by Almalik (2019) supports these findings, indicating a significant positive effect of entrepreneurial mindset on the performance of MSMEs. Entrepreneurs who adopt a mindset focused on the future are able to sustain and grow their businesses by constantly seeking opportunities and creating new products. This approach generates interest from buyers and contributes to improved performance.

The Influence of Innovation to MSME performance

The food and beverage industry is experiencing rapid growth and attracting the interest of investors. However, in order to thrive, MSME players in this sector need to identify the factors that influence their performance. The sustainability of small and medium enterprises (SMEs) serves as a foundation for showcasing the performance of these businesses, which relies on the integrated utilization of SME resources (Parmitasari and Rusnawati, 2023). Innovation is recognized as a crucial factor in enhancing performance and remaining competitive in the global business landscape (Puryantini et al., 2017).

Innovation can take various forms, including the introduction of new products or services, implementation of new process technologies, adoption of new organizational and administrative systems, or development of new business plans. Research conducted by Taufiq (2020) supports the significance of innovation in driving the performance of MSMEs. The findings indicate that as MSME actors continue to innovate, their performance improves accordingly. Conversely, when innovation is limited, the performance of MSMEs tends to be lower.

The influence of Self Efficacy to Innovation.

Based on the results of the research conducted, it was found that self efficacy has an effect on innovation. The path coefficient value found between the two variables is statistically significant.

The results of this study are in line with research conducted by Noerchoidah (2022) that self-efficacy has a significant positive effect on innovation. Self-efficacy arising from the competence, knowledge, skills and capabilities possessed by business actors is important in carrying out innovative behavior through generating creative ideas.

Nowadays, the ability of entrepreneurs to continuously innovate products, services and work processes is important. Widyasari (2021) states that businesses have greater demands to continue to innovate in order to survive and compete in meeting market needs. Physical and cognitive work activities become a combination in achieving innovation development goals, so the willingness and ability of individuals to innovate is needed to ensure the flow of innovation in the business is maintained.

The Influence of Entrepreneurial Mindset to Innovation

Based on the results of the research that has been done, it is found that entrepreneurial mindset affects innovation. The results of this study are in line with research conducted by Priatin (2017), stating that entrepreneurial mindset has a positive effect on innovation. MSME actors must be able to think creatively and apply creativity to solve problems and take advantage of opportunities in the surrounding environment. In addition, MSME actors must also innovate so that businesses can survive.

The results of research conducted by Affandi (2020) showed that entrepreneurial mindset affects innovation. Creative and innovative is one of the keys to the success of a business in winning market competition. One of the things to do before innovating is to observe consumers and the market to find out consumer interests and make it easier to innovate.

Innovation mediates the effect of Self Efficacy on MSME Performance

Based on the results of the research conducted, it was found that self efficacy affects the performance of MSMEs mediated by innovation. Self-efficacy owned by entrepreneurs can encourage one's performance in various fields. So when you want to build a business, self-efficacy is needed so that your ability to run a business can run as desired. Entrepreneurs who have high self-efficacy will show explorative behavior, be able to make decisions, be confident and creative.

These results are in accordance with Prihatsanti's research (2017), which states that self-efficacy in an entrepreneur can encourage confidence in expressing his ideas. High self-

efficacy will predict high innovative behavior that allows the achievement of business success. Self-efficacy encourages the emergence of solutions from individuals to overcome problems that arise in entrepreneurship. With self-efficacy, entrepreneurs can influence behavior and mindset so that they are able to come up with new ideas to make innovations and provide opportunities for the business being run.

Innovation mediates the effect of Entrepreneurial Mindset on MSME Performance

Based on the results of the research conducted, it was found that entrepreneurial mindset affects the performance of MSMEs mediated by innovation. These results indicate that the higher the entrepreneurial mindset is applied in creating innovation, the performance of MSMEs will also increase. The results of research conducted by Widagda (2022) also states that innovation is able to mediate entrepreneurial mindset on MSME performance. Entrepreneurs who are able to think creatively and innovate by observing consumer interests. Companies that are able to meet consumer needs will excel compared to their competitors. This can help companies improve their business. Entrepreneurs must take risks when an opportunity arises. This is to attract consumer attention amid sharp competition. In addition, this can affect the ability and increase the ability to innovate which can be a competitive advantage and can improve the performance of MSMEs.

CONCLUSION

Based on the outcomes of the data analysis, the first hypothesis confirms that self-efficacy has a positive and significant impact on the performance of MSMEs. Similarly, the second hypothesis is supported, demonstrating that entrepreneurial mindset significantly influences MSME performance. The third hypothesis validates that innovation has a significant positive effect on MSME performance. Moreover, the fourth hypothesis indicates that self-efficacy positively and significantly influences innovation. The fifth hypothesis confirms that entrepreneurial mindset has a significant positive effect on innovation. Moving on to the sixth hypothesis, it is proven that innovation serves as a mediator between self-efficacy and MSME performance. Lastly, the seventh hypothesis is supported, indicating that innovation mediates the impact of entrepreneurial mindset on MSME performance.

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