

Research Paper

The Impact of Innovation and Government Intervention on the Performance of Micro, Small and Medium Enterprises

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ARTICLE INFO	ABSTRACT
<p>Keywords Government Intervention; Innovation; Small and Medium Enterprises (MSMEs)</p> <p>Article history Received: 30 September 2023 Revised: 14 November 2023 Accepted: 21 November 2023 Available online: 26 November 2023</p> <p>To cite in APA style Miar. (2024). The impact of innovation and government intervention on the performance of small and medium enterprises. <i>Shirkah: Journal of Economics and Business</i>, 9(2), 154-168.</p>	<p>During the COVID-19 pandemic, Micro, Small and Medium Enterprises (MSMEs) experienced a decline in performance due to low product demand. Therefore, various efforts need to be undertaken to enhance MSMEs' performance in Indonesia. Addressing this issue, this research aims to examine the influence of innovation and government intervention in improving the performance of SMEs in Indonesia. The study employs a quantitative approach with a population of MSME actors in Central Kalimantan, a province of Indonesia. Through proportional random sampling, 356 SME operators were identified as respondents for this study. Data were collected using a survey method and analyzed using simple and multiple linear regression. The results indicate that innovation and government intervention have a positive and significant impact on improving MSMEs' performance both partially and simultaneously. Therefore, this research implies that the more MSMEs engage in innovation and with government involvement in efforts to support MSME development, the greater the opportunity to enhance MSME performance in Indonesia.</p> <p>This is an open access article under CC-BY-NC 4.0 license.</p>



Introduction

The development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia has been a primary focus in advancing the economy, reducing poverty, and improving societal well-being (Subagyo et al., 2020). MSMEs play a strategic role not only in creating

jobs and driving the local economy but also as a source of inspiration for innovation and creativity (Hendayani et al., 2022). Drawing on the current issue about MSMEs in Indonesia, the present research explores the extent of MSME performance in the Central Kalimantan, a province in Indonesia, focusing on the potential and challenges faced by MSMEs in the region. MSMEs have proven themselves to be a vital sector in the Indonesian economy. The significant contribution of MSMEs to economic growth is underscored by Ministry of Cooperatives and MSMEs data, recording approximately 64.2 million MSMEs in Indonesia in 2020. This number reflects the substantial potential of this sector. Furthermore, MSMEs contribute around 61.1% to the national Gross Domestic Product (GDP), emphasizing their crucial role in overall economic growth. Beyond the economic growth, MSMEs also play a vital role in reducing poverty by providing employment opportunities for low-income individuals, thus helping to lower unemployment rates and poverty levels in Indonesia (Timotius, 2023).

Additionally, MSMEs contribute to income distribution by providing opportunities for economic self-sufficiency. Operating at the local level, MSMEs often source raw materials and services from other local economic sectors, creating a significant multiplier effect, stimulating these sectors, and overall boosting the local economy (Lawhaishy & Othman, 2022). Moreover, MSMEs contribute to regional income through tax payments and fees to local governments. Despite resource limitations, MSME entrepreneurs are often driven to find innovative solutions to challenges they face. Furthermore, MSMEs play a role in developing unique and creative products reflecting local culture and richness. This factor adds value and provides a strong competitive advantage for MSMEs. However, the development of MSMEs in Indonesia is not without challenges, one of which is limited access to financing. Many MSMEs face difficulties in obtaining adequate financing for business development. MSMEs also encounter constraints in terms of limited knowledge and managerial skills, as well as restricted access to markets. Government support through training programs, mentoring, and easier access to financing is crucial (Md Husin & Haron, 2020).

Central Kalimantan Province has significant potential for the development of MSMEs. Its status as a governmental and educational center creates opportunities for MSME entrepreneurs to collaborate with the public sector and leverage high-quality human resources. Moreover, the tourism and local craft sectors in Central Kalimantan Province promise significant potential for development and increasing community income. Its central location on the island of Kalimantan also provides good access to regional and national markets. To strengthen MSMEs in Central Kalimantan, government support is crucial, involving the provision of adequate financing, training, and supporting infrastructure. Collaboration between local governments and various stakeholders will be a key factor in creating a conducive environment for the development of MSMEs in Central Kalimantan Province (Nasrida et al., 2023).

The economic growth in Central Kalimantan in the first and second semesters of 2023 appears to face challenges. According to Bank Indonesia's Central Kalimantan Representative Office, the economic growth in Central Kalimantan in the first quarter of 2023 was recorded at 3.22% (year on year/yoy). This represents a slowdown compared to the fourth quarter of 2022, which grew by 5.70% (yoy). The slowdown continued in the second quarter of 2023, with growth reaching 2.96% (yoy) (Bank Indonesia, 2023). Regionally, economic growth in Central Kalimantan is even lower compared to the

national growth of 5.03% (yoy) and Kalimantan's growth of 5.79%. This situation is an improvement from the previous year, where in the third quarter of 2022, economic growth in Central Kalimantan skyrocketed to 6.74% (yoy), outperforming other Kalimantan provinces like 8.48% (yoy) for Central Kalimantan, 5.59% (yoy) for South Kalimantan, 5.28% (yoy) for East Kalimantan, and 5.39% (yoy) for North Kalimantan (Wardana, 2023). This has implications for sectors like MSMEs in Central Kalimantan (Bank Indonesia, 2023).

Quoting Antara Kalteng on July 21, 2023, the Central Kalimantan government stated a positive trend in the growth of new entrepreneurs, especially in the micro, small, and medium enterprises (MSMEs) sector. This is evident in the rapid growth of MSMEs in 2021 and 2022. While 2021 witnessed a growth rate of 17.46%, the growth in 2022 surged to an impressive 69.88%. In 2021, there were 11,191 MSMEs, consisting of 309 large and medium enterprises, 3,363 small enterprises, and 71,606 micro-enterprises. In 2022, the number increased significantly to 121,458 MSMEs, including 309 large and medium enterprises, 3,363 small enterprises, and 121,149 micro-enterprises (Amanda, 2023). The growth of entrepreneurship in the MSME sector continues in 2023 through various programs and activities aimed at not only promoting growth but also improving the quality of MSMEs for upward mobility. In 2022, around 36,202 MSMEs in Central Kalimantan accessed People's Business Credit (KUR). Positive trends are also observed in new entrepreneurs in the small and medium industry (IKM) sector in Central Kalimantan, contributing to the government's efforts to boost regional economic growth and enhance public welfare (Hidayat, 2023).

The success of a business is measured by its business performance. According to Arindita & Sampurno (2015), performance is the end result of a company's activities, accumulating the final results of all activities and work processes of the company. Business performance can be measured through four indicators: productivity, target market, revenue growth, and profitability (Satwika & Dewi, 2018). The high or low performance of a business is determined by the entrepreneur's success in identifying business opportunities, offering products or services, and generating sales and profits (Supriyati et al., 2022). The performance of a business is the result of the alignment between the roles and tasks of a business in achieving its goals within a specific period. It can determine whether the business is running well, in accordance with its goals, or not. Business performance is influenced by various factors in determining the success or failure of a business. Mutegi et al. (2015) state that to determine business performance, MSME owners must understand the financial literacy needed by their businesses to maximize profits, anticipate losses, and minimize costs. If this can be achieved, the company's goals will be fulfilled through optimal business performance.

Other studies indicate that besides market orientation, business performance is also determined by product innovation. According to Kotler & Keller (2016), product innovation is a combination of various processes that mutually influence each other. Mulyaniida & Mudiantono (2015) define innovation as a new process created by a company to develop products, create new products, or renew production and distribution processes, enabling them to compete for new market segments. Research by Putri et al. (2016) found that product innovation includes the creation of attractive designs, the addition of new products, quality control, standard quality, and product quality development. The analysis shows that product innovation has a positive and significant

effect on MSME performance. [Satwika & Dewi \(2018\)](#) state in their research that innovation has a positive and significant effect on business performance. Innovation is crucial for organizational success, and product innovation has a positive and significant effect on business performance ([Jannah et al., 2019](#)).

[Putri et al. \(2018\)](#) found in their research that product innovation has a positive and significant effect on business performance, indicating that the more and better MSMEs innovate, the better their business performance will be. In a similar direction, [Jannah et al. \(2019\)](#) state that product innovation has a positive and significant effect on the performance of batik MSMEs in Tuban. [Padademang et al. \(2017\)](#) found that business innovation can directly improve business performance. In their research, [Wicaksono & Subarjo \(2018\)](#) found that product innovation has a positive and significant effect on MSME performance. [Ciptaningrum's \(2019\)](#) research found that product innovation has a positive and significant effect on company performance.

The government has played a strategic role in empowering MSMEs through Law No. 20 of 2008 concerning MSMEs. The importance of MSME empowerment programs related to non-economic factors can influence MSME performance. Government-led MSME empowerment programs will enhance MSME competitiveness and also affect business performance ([Hadiyati & Mulyono, 2017](#)). Companies with high performance will adapt to the complexity of the external environment by using external environmental variables as effective controls ([Indris & Primiana, 2015](#)). Government policy variables, in general, according to respondents' perceptions, fall into the category of supporting and improving MSME performance ([Munizu, 2010](#)). Research by [Munizu \(2010\)](#), [Purwaningsih and Kusuma \(2015\)](#) stated that government policies have a positive and significant effect on MSME performance.

This research further reviews the development and performance of MSMEs in the Central Kalimantan Province, as well as the government policies undertaken to support MSMEs. Subsequently, this research will focus on the potential and challenges faced by MSMEs in the Central Kalimantan Province, presenting solutions and steps that can be taken to enhance MSME development in the province. It is expected that this article will provide a comprehensive overview of MSME performance in Central Kalimantan Province that is both interesting and unique.

Previous studies on the connection between innovation and MSMEs' performance still yielded inconsistent results. Research conducted by [Antari & Widagda \(2019\)](#), [Hasna \(2021\)](#), [Hendriyanto \(2015\)](#), [Joko et al. \(2022\)](#), [Rachmasari & Suprapti \(2022\)](#), [Ranatiwi & Mulyana \(2018\)](#), [Thohary et al. \(2022\)](#), and [Latifah et al. \(2020\)](#) explains that innovation can significantly influence the improvement of MSME performance. However, this is not consistent with the research conducted by [Permana \(2018\)](#) and [William et al. \(2023\)](#), which elaborates that innovation does not impact the improvement of MSME performance. Moreover, according to research findings by [Iqnatia et al. \(2021\)](#), [Pramaishella & Cahyono \(2018\)](#), [Pramestiningrum & Iramani \(2020\)](#), [Rahmah et al. \(2020\)](#), [Ruchiyat et al. \(2023\)](#), and [Zaelani et al. \(2022\)](#), the government's role can significantly enhance MSME performance. However, this contradicts research findings by [Pramaishella & Cahyono \(2018\)](#) and [Samira et al. \(2023\)](#), which explain that the government's role does not impact the improvement of MSME performance.

Several gaps still exist in previous relevant studies, as there is inconsistency among researchers. Therefore, this research delves deeper into MSME performance through

innovation and the government intervention. Many studies, especially those focusing on the government's role in improving MSME performance, often use qualitative methods. Differently, this research employs a quantitative approach (Aufa et al., 2023; Islami et al., 2021; Salam & Prathama, 2022). Moreover, some researchers only discuss product innovation in relation to MSME performance, whereas this research covers multiple scopes of innovation (Elwisam & Lestari, 2019; Kalil & Aenurohman, 2020). Thus, this research focuses on enhancing MSME performance quantitatively, aiming to analyze innovation and government support in improving MSME performance in Central Kalimantan province. Moreover, this research can contribute as a reference for both the government and stakeholders in efforts to improve MSME performance in other provinces in Indonesia.

This research involves variables related to the performance of MSMEs, innovation, and the government intervention. MSME performance is the result or evaluation of the work of a company achieved by an individual or group with the division of activities in the form of tasks and roles in a specific period with standards set by the company. Meanwhile, innovation in this research is one of the business trendsetters that inspires people, even competitors. In addition, the government intervention in this research is the government's role in helping to empower MSMEs for the welfare of the community. Hence, this research proposes the following hypotheses:

H1: Innovation has a positive and significant influence on the performance of MSMEs in Central Kalimantan Province.

H2: The government intervention has a positive and significant influence on the performance of MSMEs in Central Kalimantan Province.

H3: Innovation and the government intervention have a positive and significant influence on the performance of MSMEs in Central Kalimantan Province.

Method

To reach the objective, this research employed quantitative approach to examine the connection of innovation and government intervention to performance of MSMEs in Indonesia. A survey design using questionnaire was adopted. The population of this study was all MSMEs actors in Central Kalimantan province, amounted to 121,458 MSMEs, spreading in 6 regions/municipalities, i.e., Lamandau, Murung Raya, Pulang Pisau, Seruyen, Sukamara, and Palangkaraya. Since the participant population in this study was drawn from a heterogeneous group, the sampling technique used in this research was proportional random sampling. The sample size calculation used tables established by Isaac and Michel (Sugiyono, 2015) to determine the sample size at error rates of 1%, 5%, and 10%. Regarding the identification of the population size (N) = 121,458, a sample of 356 respondents was obtained for this research with a 5% error rate.

The questionnaire used in this research was developed based on the indicators of variables in this study, i.e., performance of MSMEs, Innovation, and Government Intervention, as presented in Table 1. The questionnaire was distributed to the respondents in the forms of electronic using Google Forms by the assistance of several digital media platforms such as social media and emails. The data in this research were analyzed using multiple linear regression with the assistance of SPSS 26 software, consisting of three stages, namely: Instrument Test (Validity Test and Reliability Test), and finally, hypothesis testing (T-Test, F-Test, and Coefficient of Determination Test).

Table 1. Variable Indicators

No.	variable	Indicator
1.	The performance of MSMEs is the result or evaluation of the company's work achieved by an individual or group with the division of activities in the form of tasks and roles in a specific period with standards set by the company.	<ol style="list-style-type: none"> 1. Profit 2. Marketing region 3. Human resources 4. Capital
2.	Innovation is one of the business trendsetters that inspires people, even competitors.	<ol style="list-style-type: none"> 1. Advantages of a new product 2. Easily recognizable product 3. Product accepted by consumers 4. Development of new products 2. Commitment to introducing more products than competitors.
3.	The government intervention is the government's effort to help empower MSMEs for the welfare of the community.	<ol style="list-style-type: none"> 1. Tax Tolerance 2. Easing Loan Interest 3. Business Development 4. Accelerating Licensing 5. Market Access Expansion

Results

Respondents' Profile

Based on the results of the descriptive statistics of respondent characteristics in [Table 2](#) for 356 respondent samples, with the parameter of Gender, it was found that the distribution of female respondents was 214 or 60.11%, and male respondents were 142 or 39.89%. Regarding the Age, the results showed that respondents in the age range of >40–50 years were 125 or 35.11%, the range of >30–40 years was 97 or 27.25%, >50 years was 78 or 21.91%, and the age range of 20–30 years was 56 or 15.73%. Moreover, concerning to the respondent's highest education level, those who completed junior high school and equivalent were 97 or 27.25%, those who completed elementary school and equivalent were 95 or 26.69%, and those who completed their last education level in high school, vocational high school, Islamic high school, and package C were 85 or 23.88%. Those who did not complete elementary school were 54 or 15.17%, and those with a last education level of Diploma/Bachelor's/Postgraduate were 25 or 7.02%. In addition, in terms of MSME work experience or the operational period of MSMEs, the majority of MSMEs had a work experience in the range of 2–6 years, with 112 respondents or 31.46%, followed by the range of >6–10 years with 98 respondents or 27.53%. The range of >10–15 years had 67 respondents or 18.82%, and less than 2 years had 56 respondents or 15.73%. For the range of >15–25 years, there were 23 respondents or 6.46%.

Table 2. Respondents' Characteristics

No.	Characteristics	Classification	N	Total	Percentage
1	Gender	Male	142	356	39,89%
		Female	214		60,11%
2	Age	20-30 years old	56	356	15,73%
		>30-40 years old	97		27,25%
		>40-50 years old	125		35,11%
		>50 years old	78		21,91%
3	Education background	Before elementary school	54	356	15,17%
		Elementary school	95		26,69%
		Junior high school	97		27,25%
		Senior high school	85		23,88%
		University degree	25		7,02%
4	Work experience	<2 years	56	356	15,73%
		2-6 years	112		31,46%
		>6-10 years	98		27,53%
		>10-15 years	67		18,82%
		>15-25 years	23		6,46%

Validity and Reliability

Table 3 shows that the correlation coefficient values (r count) for the total Innovation variable are higher than the tabled r value (0.1040), with df (N= 356-2 =354) at a significance level of 5%. Therefore, it can be concluded that all indicator items of the Innovation variable fall into the Valid category.

Table 3. Validity Test (Innovation)

		Correlations						r table (N= 356, $\alpha= 0.05$)	Category
		INV1	INV2	INV3	INV4	INV5	Tot_INV		
INV1	Pearson Correlation	1	.981**	.960**	.957**	.936**	.982**	0,1040	Valid
	Sig. (2-tailed)		.000	.000	.000	.000	.000		
	N	356	356	356	356	356	356		
INV2	Pearson Correlation	.981**	1	.963**	.965**	.939**	.984**		Valid
	Sig. (2-tailed)	.000		.000	.000	.000	.000		
	N	356	356	356	356	356	356		
INV3	Pearson Correlation	.960**	.963**	1	.987**	.976**	.992**		Valid
	Sig. (2-tailed)	.000	.000		.000	.000	.000		
	N	356	356	356	356	356	356		
INV4	Pearson Correlation	.957**	.965**	.987**	1	.968**	.990**		Valid
	Sig. (2-tailed)	.000	.000	.000		.000	.000		
	N	356	356	356	356	356	356		

		Correlations					Tot_INV	r table (N=356, $\alpha=0.05$)	Category
		INV1	INV2	INV3	INV4	INV5			
INV5	Pearson Correlation	.936**	.939**	.976**	.968**	1	.978**	Valid	
	Sig. (2-tailed)	.000	.000	.000	.000		.000		
	N	356	356	356	356	356	356		
Total_INV	Pearson Correlation	.982**	.984**	.992**	.990**	.978**	1	Valid	
	Sig. (2-tailed)	.000	.000	.000	.000	.000			
	N	356	356	356	356	356	356		

Notes: **: Correlation is significant at the 0.01 level (2-tailed), INV: Innovation

Moving on, Table 4 presents the validity test of the government intervention variable, indicating that the correlation coefficient values (r count) for the total government intervention variable are higher than the tabled r value (0.1040), with df (N= 356-2 =354) at a significance level of 5%. Hence, it can be concluded that all indicator items of the government intervention variable are in the Valid category.

Table 4. Validity Test (Government Intervention)

		Correlations					Tot_GI	r table (N= 356, $\alpha=0.05$)	Category
		GI1	GI2	GI3	GI4	GI5			
GI1	Pearson Correlation	1	.992**	.885**	.884**	.719**	.960**	Valid	
	Sig. (2-tailed)		.000	.000	.000	.000	.000		
	N	356	356	356	356	356	356		
GI2	Pearson Correlation	.992**	1	.877**	.881**	.716**	.957**	Valid	
	Sig. (2-tailed)	.000		.000	.000	.000	.000		
	N	356	356	356	356	356	356		
GI3	Pearson Correlation	.885**	.877**	1	.989**	.737**	.961**	Valid	
	Sig. (2-tailed)	.000	.000		.000	.000	.000		
	N	356	356	356	356	356	356		
GI4	Pearson Correlation	.884**	.881**	.989**	1	.729**	.960**	Valid	
	Sig. (2-tailed)	.000	.000	.000		.000	.000		
	N	356	356	356	356	356	356		
GI5	Pearson Correlation	.719**	.716**	.737**	.729**	1	.834**	Valid	
	Sig. (2-tailed)	.000	.000	.000	.000		.000		
	N	356	356	356	356	356	356		
Total_GI	Pearson Correlation	.960**	.957**	.961**	.960**	.834**	1	Valid	
	Sig. (2-tailed)	.000	.000	.000	.000	.000			
	N	356	356	356	356	356	356		

Notes: **: Correlation is significant at the 0.01 level (2-tailed), GI: Government Intervention

Next, Table 5 demonstrates the validity test of the MSMEs performance variable, where the correlation coefficient values (r count) for the total MSMEs performance variable are higher than the tabled r value (0.1040), with df (N= 356-2 =354) at a significance level of

5%. Therefore, it can be concluded that all indicator items of the MSMEs performance variable are in the Valid category.

Table 5. Validity Test (Performance of MSMEs)

		Correlations					r table (N= 356, $\alpha= 0.05$)	Category
		Per1	Per2	Per3	Per4	Total_Per		
Per1	Pearson	1	.976**	.806**	.789**	.949**	0,1040	Valid
	Correlation							
	Sig. (2-tailed)		.000	.000	.000	.000		
	N	356	356	356	356	356		
Per2	Pearson	.976**	1	.798**	.787**	.947**		Valid
	Correlation							
	Sig. (2-tailed)	.000		.000	.000	.000		
	N	356	356	356	356	356		
Per3	Pearson	.806**	.798**	1	.948**	.940**		Valid
	Correlation							
	Sig. (2-tailed)	.000	.000		.000	.000		
	N	356	356	356	356	356		
Per4	Pearson	.789**	.787**	.948**	1	.933**		Valid
	Correlation							
	Sig. (2-tailed)	.000	.000	.000		.000		
	N	356	356	356	356	356		
Total_Per	Pearson	.949**	.947**	.940**	.933**	1		Valid
	Correlation							
	Sig. (2-tailed)	.000	.000	.000	.000			
	N	356	356	356	356	356		

Notes: **: Correlation is significant at the 0.01 level (2-tailed), Per: Performance

Regarding the reliability test, Table 6 shows that the Cronbach's alpha values for the innovation variable (0.992), government intervention (0.964), and MSMEs performance (0.958) are higher than the tabled r value. Therefore, the questionnaire used as the data collection instrument in this study is deemed reliable.

Table 6. Reliability Test

Variable	Reliability Statistics			r table (N= 356, $\alpha= 0.05$)	Category
	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items		
Innovation	.992	.992	5	0.1040	Reliable
Government Intervention	.964	.964	5	0.1040	Reliable
Performance of MSME	.958	.958	4	0.1040	Reliable

Hypotheses Testing

The results of hypotheses testing, as presented in Table 7, demonstrate that both innovation and government intervention have a significantly positive influence on the performance of MSMEs. As informed by Table 7, the t-test yields coefficient value of 4.547, higher than the t-table of 1.96670, with significant level at 0.000 (lower than 0.05). This result means that variable innovation is significantly and positively correlated to

performance of MSMEs; hence, H1 is accepted. With regards to government intervention, this research reaches conclusion that it has a significantly positive influence on the performance of MSMEs. The t-test yields coefficient value of 11.821, higher than the t-table of 1.96670, with significant level at 0.000 (lower than 0.05). This result means that variable government intervention is significantly and positively correlated to performance of MSMEs; hence, H2 is accepted.

Table 7. Result of t-test

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	3.504	.595		5.892	.000
	INV	.170	.037	.226	4.547	.000
	GI	.461	.039	.589	11.821	.000

a. Dependent Variable: Performance

In terms of the simultaneous effect, [Table 8](#) shows results of F-test, depicting that innovation and government intervention simultaneously have positive influence on the performance of MSMEs, with F count (256.598) higher than F table (3.0212), with significance value of 0.000 (less than 0.05). This result implies that simultaneously, both variables of innovation and government intervention are positively connected to the performance of MSMEs; hence, H3 is accepted.

Table 8. Result of F-test

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1516.500	2	758.250	256.598	.000 ^b
	Residual	1043.118	353	2.955		
	Total	2559.618	355			

a. Dependent Variable: Per of MSME

b. Predictors: (Constant), Innovation, Government Intervention

Discussion

Central Kalimantan Province has significant potential for the development of MSMEs. Its status as a center of government and education provides opportunities for MSME entrepreneurs to collaborate with the public sector and leverage a qualified workforce. Additionally, the tourism and local craft sectors in Central Kalimantan Province hold substantial potential for development, offering an opportunity to enhance community income. Therefore, this research aims to analyze innovation and government support in improving the performance of MSMEs in Central Kalimantan Province. Furthermore, this study can contribute as a reference for both the government and stakeholders in efforts to enhance MSME performance in other provinces in Indonesia.

The findings of this research indicate that the innovation variable has a positive relationship with MSME performance. This supports the research conducted by [Antari & Widagda \(2019\)](#), [Hasna \(2021\)](#), [Hendriyanto \(2015\)](#), [Joko et al. \(2022\)](#), [Rachmasari & Suprpti \(2022\)](#), [Ranatiwi & Mulyana \(2018\)](#), [Thohary et al. \(2022\)](#), and [Latifah et al. \(2020\)](#),

explaining that innovation can significantly influence the improvement of MSME performance. However, these results do not align with the studies conducted by [Permana \(2018\)](#) and [William et al. \(2023\)](#), which elaborate that innovation does not impact the enhancement of MSME performance.

Concerning the influence of the government intervention on MSME performance, this study aligns with other research, such as that conducted by [Iqnatia et al. \(2021\)](#), [PramaisHELLa & Cahyono \(2018\)](#), [Pramestiningrum & Iramani \(2020\)](#), [Rahmah et al. \(2020\)](#), [Ruchiyat et al. \(2023\)](#), and [Zaelani et al. \(2022\)](#), revealing that the government's role can significantly enhance MSME performance. However, this research contradicts the findings of studies conducted by [PramaisHELLa & Cahyono \(2018\)](#) and [Samira et al. \(2023\)](#), explaining that the government's role does not impact the improvement of MSME performance.

This research carries several implications. First, MSMEs in Central Kalimantan Province need to encourage innovation in their products, processes, and management. This can be achieved through training, access to innovation resources, and collaboration with research and development institutions. Second, the Central Kalimantan Provincial Government must continue to expand its support for SMEs, including easier access to financing, relevant training, and infrastructure that supports SME growth. Third, collaboration between SMEs, the government, and educational and research institutions needs to be enhanced. This can aid in the development of more effective and sustainable innovation.

Conclusion

Drawing on the data analysis and discussion, this research concludes that innovation and the government intervention have a positive and significant influence on the improvement of MSME performance, both partially and simultaneously. Therefore, the more MSMEs engage in innovation and the government intervention in efforts to develop MSMEs, the greater the opportunity to enhance MSME performance in Central Kalimantan Province. This study highlights the importance of innovation and the government intervention in improving MSME performance in Central Kalimantan Province. Innovation focusing on products, processes, and management can provide a competitive advantage, while government support is key to the growth and sustainability of SMEs. With appropriate actions, MSMEs in Central Kalimantan Province can continue to thrive and contribute to greater economic growth.

This research has some limitations, such as its only focus on Central Kalimantan Province and variables of innovation and government intervention. Further research could expand the geographic scope to gain a more comprehensive understanding of the influence of innovation and the government's role on MSMEs in Indonesia. Additionally, future research could also evaluate the impact of technological innovation, such as e-commerce, on MSMEs.

Author's Declaration

The author made substantial contributions to the conception and design of the study. The author took responsibility for data analysis, interpretation and discussion of results. The author read and approved the final manuscript.

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