

STIMULATING THE MSME PERFORMANCE MONITORING SYSTEM THROUGH IMPROVING PERFORMANCE AND IMPLEMENTING CREATIVE ECONOMICS

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are a symbol of the strength of a region that must be developed. To support the development of MSMEs which continue to grow, various strategies are needed, especially how to encourage effective and efficient performance improvement. If these conditions can be implemented well, the development of MSMEs will facilitate the monitoring system for MSME performance by regional governments as an important part of improving regional performance, in this case the Department of Industry, Trade, Cooperatives and MSMEs. Apart from that, the consequences will have a direct impact on increasing regional economic value, especially on the growth of the creative economy which arises from the growth of MSMEs based on local wisdom, namely sharia-based. Therefore, it is very necessary to innovate policies by regional governments as an effort to accelerate regional economic development. This research is empirical research through a conclusive research design, namely by using data analysis using the Confirmatory Factor Analysis (CFA) method with the aim of seeing the advantages or strengths of each dimension of the MSME performance variables and the implementation of a sharia-based creative economy. The population that will be taken is all MSMEs in Lhokseumawe City based on data sources from the Department of Industry, Trade, Cooperatives and UMKM as the authority to supervise or monitor the performance of MSMEs. The sample determination method uses simple random sampling using the Isacc & Michael Table technique. The research results explain that the performance of MSMEs has the greatest contribution when compared to the implementation of a sharia-based creative economy in the Lhokseumawe City area. The results of the research prove that there is a need for regional government policy innovation, in this case the Department of Industry, Trade, Cooperatives and MSMEs, especially regarding monitoring and stimulating the performance of MSMEs through the existence of programs that encourage increasing the application of a creative economy based on local wisdom so that regions have advantages as a basis for implementing sharia Islam in Aceh Province.

Keywords: *MSME performance, confirmatory factor analysis (CFA), and sharia-based creative economy.*

1. INTRODUCTION

The existence of Micro, Small and Medium Enterprises (MSMEs) in Indonesia after the pandemic has entered a new phase, where MSMEs are challenged to be able to improve and adapt to technological developments through the support of digitalization programs, financial access and women's participation in the revival of MSMEs. To date, the presence of MSMEs in Indonesia has continued to increase since the Covid 19 pandemic with the contribution made to Gross Domestic Product (GDP) recorded at 61% (Irso: 2022). Seeing the strategic role that MSMEs contribute to the Indonesian economy, it is appropriate for MSMEs to be positioned as a strong alternative for the Government in order to grow business roots that are very popular and easily accessible to the public. The contribution of MSMEs is very important for Indonesia's development, because apart from being the largest contributor to GDP, MSMEs also have strong resilience in facing the economic crisis (Dyah Regita Pramestiningrum and Rr. Iramani: 2020). Through MSMEs, people only want a change that will lead to a more positive direction and improve welfare. Therefore, with the current changes, the performance of MSMEs must be a top priority in order to develop MSMEs towards an era of superior globalization.

Seeing the increasing demands for technological development, MSMEs which are under the auspices of the Regional Government as an extension of the Central Government, must also become a strong business unit and be able to encourage the creation of regional economic improvements. The existence of the Regional Government, whose implementation is delegated to the Regional Work Units (SKPD) or also known as the Department, in controlling MSMEs is very important. In accordance with the regulation of the Minister of State for Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 23/PER/M.KUKM/XI/2005 concerning Amendments to the Decree of the Minister of State for Cooperatives and Small and Medium Enterprises Number: 32/Kep/M.Kukm/Iv/2003 concerning Guidelines for the Growth and Development of Small and Medium Enterprise Centers, the existence of the Department is at the forefront remembering that the system established to carry out its duties and functions must be better and more professional to help all MSMEs. Thus, it can be ensured that the Department must have a good and strong system and be able to adapt to current technological developments. This means that the Department, as the party with authority and responsibility for MSMEs in the region, must be able to demonstrate professionalism in its work and stimulate the performance of MSMEs and regional economic growth globally.

In accordance with its function, regional governments are required to be the spearhead in controlling the development of regional MSMEs. Through assistance which is then followed by supervision and monitoring, MSMEs must be able to follow and be accountable for all their activities as regulated in the regulations. Regional governments must be able to ensure that all MSMEs under their supervision have carried out and carried out activities in accordance with applicable regulations. Through well-structured and planned systems and policies, the regional government as the person responsible will further ensure that all MSMEs grow and develop and are able to improve the regional economy. Therefore, it is very necessary to encourage MSMEs to have better performance. Referring to the assessment of the performance of MSMEs in the regions, especially the assessment of the results achieved by MSMEs which have a very broad impact on regional growth, the regional government must be ready to provide appropriate services and information for the needs of MSMEs. By increasing the performance of MSMEs, the performance of regional governments will also increase, meaning that the face of the region will become more positive as a region capable of generating high regional income.

Apart from the role of regional government which is very important for the growth of regional MSMEs, it is also necessary to pay attention to the impact of MSME development which will benefit the region. One of the estuaries of the development of MSMEs is that it has an impact on the growth of the creative economy as a strategic sector which will boost the value of the Indonesian economy and be able to absorb labor, so that the problem of unemployment can be overcome (Rensi Mei Nandini: 2022). This is also in accordance with Presidential Instruction Number 6 of 2009 which states that economic activities are based on individual creativity, skills and talents to create individual creativity and inventiveness that has economic value and has an impact on the welfare of society. The growth of the creative economy that occurs among MSMEs is able to form a circle of defense for the regional economy which is followed by the growth of other sectors. Through the creative economy, regional value will increase through various products or services produced with a high level of creativity. Another approach to the role of creativity is that creativity is seen as a measuring tool for social processes that can increase economic value (Sri Wahyuningsih and Dede Satriani: 2019). In this way, business growth patterns for society will easily be created in a variety of ways and will be able to show measurable and structured progress. This will certainly have an impact on the sustainability of MSME businesses which will directly impact the creation of a creative economy in various sectors. In this way, the performance of regional government through related departments will result in more optimal regional performance and be able to improve community welfare.

Regional governments, through mentoring and coaching MSMEs, must be more proactive in providing support through quality programs. MSMEs need to be empowered and appointed as parts that are able to help local governments to contribute to the country both directly and indirectly. The directed development of the creative economy will greatly influence the acceleration of regional economic growth so that a creative economic model will be born that suits regional characteristics and needs. Therefore, the

role of the Department is very much needed in order to encourage the performance of MSMEs which leads to the growth of the creative economy. Therefore, this research will try to help local governments and MSMEs in producing recommendations that can be used as a stimulant for regional performance. On the other hand, this research will also highlight the proportional development of the creative economy through the direct performance of MSMEs. The research stage carried out was through a direct survey of MSMEs regarding performance aspects and the development of the creative economy that was generated through the growth of MSMEs in Lhokseumawe City. However, if we refer to the local wisdom possessed by the people of Aceh, then through Qanun Number 11 of 2018, the development of the creative economy will be seen from a Sharia or Sharia-based perspective. This is very relevant to implement considering that Lhokseumawe City has many things to develop as an area that does not yet have a regional icon or symbol that is easily recognized by other regions in Indonesia.

Identification of problems

Based on the background explained above, the problems can be described as follows:

- a. Factors that influence MSME performance?
- b. How can Sharia-based creative economic values be developed to support MSME businesses?
- c. How to identify other relevant problems, so that the performance monitoring system carried out by the Department of Industry, Trade, Cooperatives and MSMEs can be used as input or development for improving regional government performance on an ongoing basis.

Theoretical Review

The development of Micro, Small and Medium Enterprises (MSMEs) has become the most important demand in advancing the country's economy. Indicators of economic success are determined by an increase in the value of Gross Domestic Product (GDP), which describes the increase in business value from the weight of existing businesses in a country. This condition will get better if it is supported by various government policies that side with the interests of the community. The existence of MSMEs is the spearhead in increasing the value of the country's trade and comprehensively improving the quality of the country's business. If MSMEs in a country experience stagnation in growth, then it is certain that the growth rate of large-scale businesses or businesses will stagnate because from a macro perspective the value of business investment will also experience a low level of market return.

LITERATURE REVIEW

Micro, Small and Medium Enterprises (MSMEs)

Micro, Small and Medium Enterprises (MSMEs) are an important part of business or business development in the region, especially in increasing value and regional economic growth. It cannot be denied, through MSMEs there will be continuity which can easily reduce the factor of low regional government investment in contributing to increasing the value of regional income, even the national government also recognizes that the existence of MSMEs can be an important and strategic factor in supporting national economic development (Eliada Herwiyanti et al., 2020:1). Therefore, the presence of MSMEs is very important and needs to be maintained and monitored through the role of regional government in order to create stability and continuity of regional economic growth.

According to Law Number 20 of 2008, there is a definition of MSMEs as follows:

- a. Micro businesses are businesses owned by individuals that can meet the criteria requirements business micro.
- b. Business small is business Which stand itself, carried out by individuals or bodies business Which No is child company And owned by company parent company which is a direct part of the business intermediate or big.
- c. Business intermediate is business economy Which stand Alone, done by individual or body business Which not a child company, Which No also the branch of the company owned, or become part direct nor part indirectly from small businesses or enterprises big in amount riches clean or annual sales profit corresponds to that arranged in Constitution.

Furthermore, the definition of MSMEs can also be interpreted differently and really depends on the needs and viewpoints of each party in accordance with the established criteria and the existence of

these MSMEs (Rachmawan Budiarto et al., 2015:2). This shows that the role and function of MSMEs is very important for the business environment and business actors to encourage the creation of certain values from business development in a place. Through MSMEs, a business environment will be formed and created and will influence business patterns which are indirectly influenced by the culture and mindset of the community. One form of very strong influence is the birth of various government policies or regulations which also influence the existence of MSMEs, one of which is the demand for the provision of financial reports that are difficult for MSMEs to understand according to applicable standards (Eliada Herwiyanti et al., 2020:3). Apart from that, MSMEs are also independent productive business units, whether carried out by individuals or legal entities in all economic sectors, which are based on the value of standing assets. Furthermore, MSMEs can be defined from several different criteria which include the number of employees, the number of sales or income, and/or the amount of assets or capital owned by the business (Tulus TH Tambunan, 2021:11).

Furthermore, according to Law no. 20 of 2008, the criteria used to define MSMEs are measured from net worth or asset value, excluding land and buildings where the business is located, or annual sales proceeds, with the following criteria:

- a. Micro businesses are business units that have assets of at most IDR 50,000. 000,- excluding land and buildings for business premises with annual sales proceeds of a maximum of Rp. 300,000,000,-.
- b. Small businesses with an asset value of more than Rp. 50,000. 000,- up to a maximum of IDR 500,000,000,- excluding land and buildings where businesses have annual sales proceeds of more than IDR 300,000,000,- up to a maximum of IDR 2,500,000,-.
- c. Medium businesses are companies with a net worth of more than IDR 500,000. 000,- to a maximum of IDR 100,000,000,000.- annual sales proceeds above IDR 2,500,000,000.- to a maximum of IDR 50,000,000,000,-.

In contrast to some of the opinions above, according to Iin Khairunnisa et al. (2022:3) that the meaning of MSMEs is also determined by the characteristics of MSMEs which also have characteristics as factual traits or conditions inherent in the business activities and behavior of the entrepreneur concerned in running his business.

From the definitions above, we can see differences financially and in terms of the interests or roles of MSMEs which give rise to various forms of understanding but still have the same goal, namely to create added value for the economy. Thus, it can be concluded that MSMEs are community business units that are managed either individually or in groups which then generate profits for the long-term sustainability of the business.

MSME performance

Referring to performance factors, in general they can be measured through the results obtained over a certain period of time or through certain measures that are assessed based on the growth or development of a business or organization. Various types of measures are identified with performance, ranging from the level of profit generation to measures of resource capabilities that produce results for the company or organization. Thus it can be explained that performance indicators for a company can be seen from several aspects or factors that can be developed according to interests. Likewise, MSMEs also have different scopes for producing a performance definition that suits the needs and objectives of the assessment. When viewed from the development of a country, performance measures must also take into account the characteristics of each MSME which are influenced by several aspects such as market orientation, prospects of business owners, the nature of job opportunities, organizational and management systems implemented in the business, the degree of mechanism in the process. production, sources of raw materials and capital, location of business premises, external relations and the degree of women's involvement (Nurjaya, 2022:7).

Current globalization has also required MSMEs to be able to adapt to changing times through technological changes. The use of technology in business will also influence the performance of MSMEs

so that the needs and interests of MSMEs will be adjusted to these conditions, one of which is the Internet of Things (IoT). One form of MSME performance results that is directly correlated with technological changes is the use of the internet for marketing systems, where this system follows changes in consumer shopping attitudes which are increasingly using online methods (Wulan Ayodya, 2020:2). MSME performance is also influenced by a focus on efforts to reveal strengths and weaknesses in work in order to be able to achieve organizational goals which will then become the standard for evaluating organizational performance (Amelia Setyawati, 2017: 89). Developing business conditions will be a very strong indicator to show better performance, conversely if there are weaknesses, then various efforts are needed to minimize these weaknesses. This condition certainly cannot be separated from the financial condition of the business which is able to maintain the survival of MSMEs. Company performance is a description of the financial condition of a company which is analyzed using financial analysis tools to obtain a financial condition that reflects work performance in a certain period (Heru Irianto et al., 2020:29).

Through good performance, you will be able to produce good work results or achievements. A business will be greatly influenced by several factors in assessing the good or bad performance of an MSME business, namely that the business owner must have financial literacy to be able to generate maximum profits. Apart from financial literacy, MSMEs must also understand how to manage their own capital, government policy support, the macro environment and the social environment (Dyah Regita Pramestiningrum and Rr. Iramani: 2020). These factors will greatly determine the steps taken by MSMEs in achieving profitability which can be used as a benchmark to encourage maximum performance. In line with encouraging maximum performance, the role of human resources (HR) who have the competencies needed by MSMEs is also a very important factor and determines the steps taken by MSMEs to develop. HR competency as reflected in knowledge and skills is the key to improving MSME performance (Diana et al.: 2022). Thus, it is clear that HR is an internal factor that is able to raise MSMEs to certain standards in performance assessment that must be accounted for.

Manurut Hendratmoko (2021) summarizes 14 indicators that influence the performance of MSMEs, namely reputation, productivity, employee satisfaction, profits, sales or income, product suitability, capital adequacy, operational effectiveness in production, quality of products produced, achievement of predetermined targets, number of customers, ease of monitoring and reduction of production costs. All of these indicators can occur in various MSMEs that have different types of business. However, it does not rule out the possibility that these indicators will occur alternately. Therefore, the readiness of MSMEs to anticipate problems in the field is the main solution for maintaining business. In this way, goals can be measured easily and used as parameters for business success.

Creative Economy

creative economy issue is still a new thing that is currently being implemented by the government in all regions in Indonesia. According to Presidential Instruction Number 6 of 2009, the creative economy is defined as economic activities based on individual creativity, skills and talents to create individual creativity and creativity that have economic value and influence the welfare of society. The term creative economy, which is derived from industrial growth, has brought major changes to the world of economics, especially in Indonesia, and has even been recognized worldwide as a part that greatly influences economic values and changes. The Indonesian government through the Ministry of Trade has provided its own definition regarding the creative industry, where in the definition of creative industry is "an industry that originates from the use of individual creativity, skills and talents to create prosperity and employment opportunities through the creation and utilization of the individual's creativity and inventiveness" (Syahrul Amsari and Windu Anggara, 2022: 2).

Then more specifically, the Ministry of Trade of the Republic of Indonesia (2008) reformulated the definition of creative economy as an effort to develop the economy sustainably through creativity with an economic climate that is competitive and has renewable resource reserves. Another clearer definition was also conveyed by UNDP (2008) in Muhammad Syahbudi (2021:8) who formulated that the creative economy is an integrative part of innovative knowledge, creative use of technology and culture .

There are 3 (three) main things that are very closely related to the creative economy according to Haswan Yunaz et al. (2022: 4-5), namely:

- a. Creativity (Creativity); creating something new and unique or different from others, both services and products produced. Besides that, the definition of creativity can also be in the form of practical ideas that become solutions to problems.
- b. Innovation (Innovation); transformation of an idea or ideas based on creativity through the use of existing discoveries in creating a product or service that is better and unique, has added value and is useful.
- c. Discovery (Invention); is the creation of something that has never existed before and can be recognized as a work that has a unique function or has never been published.

Regarding the potential of regional governments, the opportunity for creative economic development is an added value that regional governments can achieve. In order to develop regional potential , creative economics does not only involve society or communities as quality resources, but also the involvement of bureaucratic elements with entrepreneurship patterns . The concept of bureaucratic involvement in the creative economy is that the bureaucracy not only spends but also produces (income generating) in a positive sense (Osborne and Gaebler: 1992). Suryana (2013) also explains that in essence the creative economy is more of an economic activity that prioritizes creative thinking to be able to create something that has value and is different, and contains selling value. Therefore, it can be concluded that the creative economy implemented by regional governments means that the results of the creation of creativity that emerge are more aimed at improving the welfare of society. The creative economy is not only able to create added value economically, but also added value socially, culturally and environmentally (Rensi Mei Nandini: 2016). Thus, all aspects of an area must be controlled and supervised by the regional government to prevent harm to the community. Various regulations and policies must be created by the regional government as the spearhead of implementing the creative economy which will give rise to high competitiveness for regional economic development.

Sharia Basis

One of the most important and very influential parts of a system is how to make the system more controllable and have feedback value that is able to provide guaranteed improvements. This is the focus of every organization, including the government. Especially for regional governments that have a government system with special autonomy, this is a demand that must be implemented. For regions such as Aceh, Bali or Yogyakarta which are very famous for their local wisdom, this system is feasible to implement and must be conclusive in various policies and implementations in running the government. Currently, the Sharia system has become a regional economic development model that is recognized by the world as an economic model that is able to support and guarantee its implementation in the long term. According to sharia, the economic system is able to provide a strong basis and multi-effects for financial development in particular, and the global economy. Referring to the basic principles of sharia developed through Islamic economics, and clearly different from capitalist economic construction, Islamic economics is very close to the so-called values inherent in every economic actor, namely humans. Sharia economics has basic values based on amar ma'ruf nahi munkar . There are characteristics that underlie sharia economics and are used in understanding sharia behavior in business practices, namely divine economics (which originates from Allah's teachings in the Koran), medieval economics (having a balance of various aspects), and just economics (paying attention to justice towards all parties) (Yoyok Prasetyo: 4). This is then a general sharia value that is important to develop in the business world which believes in the existence of religious elements that come down from Allah SWT.

Through the sharia system practiced in the economic world, it is clear that there must be an agreement that can be understood and implemented by all parties. According to NJ Coulson (1964) in Masud and Muro (2022) that "Islamic law is definely ordered system preceding and not preceded by the Muslim state, controlling and not controlled by Muslim society" . This opinion clearly strengthens that the sharia system has been developing for a long time and is a system that is suitable for use, and not only

for Muslims. Thus sharia is a system that is guaranteed to be able to control economic and financial practices which have a very broad impact in the long term. Then Masud and Muro (2022:23) further explain that sharia is divided into 3 (three) important parts, namely "Sharia is divided into three parts: dogmatic theology ('aqida), morality (akhlak), and positive law (fiqh). This division also reflects the relative significance of each. In this order of values, fiqh essentially functions and implements, in practical legal terms, the dogma and ethical norms of Islam. In commercial transactions and contracts, for instances, morality and law tend to be either united or stand in close proximity to one another (Zarqa: 1998, 1:46)"

Sharia values become strength for a system, because sharia provisions have a comprehensive and universal nature (Sri Nurhayati and Wasilah: 2011). According to Ali and Duss (2011:3) in Daniels (2017:4) that sharia is " personal religious law and moral guidance and the ideal law of God as interpreted by Muslim scholars over centuries aimed toward justice, fairness and mercy ". From this opinion it is clear that the nature of sharia must be implemented as a rule (law) which must not conflict with the rules of Allah SWT in all aspects of life, including in the world of business or the economy, which is based on the values of justice, fairness or goodness. This also applies to regional governments as authorities who have control rights over the community, so these values are specific and perhaps developed, will become a system that has different values from others. In practice, the government must be wiser in seeing and understanding community culture and appropriate regional needs. Therefore, it can be explained further that Sharia applies at all levels of life including political, social and individual. In other words, sharia law covers a very broad range of rules and can be used as a rule that can respond to change (Abdulla and Keshavjee, 2018).

Responding to global economic changes has forced local governments to establish various policies and regulations that are able to encourage the growth of regional businesses that can be promising for the welfare of the community. Especially in Aceh, the implementation of the Islamic Sharia system will be a strong basis for the establishment of a government with resources capable of facing change, and this cannot be separated from Qanun Number 11 of 2018 concerning Sharia Financial Institutions (LKS). This regulation is one of the legal products that has adopted economic changes which are deemed very necessary to be implemented through Islamic sharia law, because sharia is not only a rule that regulates religious life for Muslims, but is further and complex that sharia is a very universal rule for life. man. According to Ali-Karamali (2020: 12) explains that "shariah does not mean Islam as a whole but rather a subset of Islam, usually the subset of Islam is concerned with rules, jurisprudence, and the legal order of society" . This shows that the understanding of sharia values is very broad, covering all aspects of life both related to rules, legal science and the legal order that applies in society.

2. RESEARCH METHODS

Research variable

The variables used in the research survey are as follows:

MSME performance is a proxy for various things that can influence MSMEs to achieve their desired goals and influence operations. The indicators that will be determined are more about factors that influence MSMEs such as reputation, productivity, employee satisfaction, profits, sales or income, product suitability, capital adequacy, operational effectiveness in production, quality of products produced, achievement of predetermined targets, number of customers. , ease of monitoring and reduction of production costs. All of these indicators can occur in various MSMEs that have different types of business. However, it does not rule out the possibility that these indicators will occur alternately (Hendratmoko: 2021).

The implementation of a Sharia-Based Creative Economy is an economic activity based on individual creativity, skills and talents to create individual creativity and inventiveness that has economic value and has an impact on the welfare of society (Presidential Instruction No. 6 of 2009 and Muhammad Syahbudi, 2021). However, if it is connected to the Sharia system, the creative economy has a system of implementing activities that is based on Sharia law, where everything will take into account Sharia elements both in creating creativity and inventiveness or creating innovations that have economic value.

Population and Sample

Population is the totality of all elements in a research area, while the sample is representative of the population. The sample population does not always have to be humans or animals or other living objects, but can also be inanimate objects such as financial data or a collection of other objects (Azuar Juliandi et al., 2014: 51). The population in this research are all MSMEs operating in various sectors under the auspices and responsibility of the Department of Industry, Trade, Cooperatives and SMEs of Lhokseumawe City. The sampling technique used in determining the sample is simple random sampling, which is a technique for determining samples by taking random samples without paying attention to strata (levels). In determining this sample, the characteristics or characteristics of the sample must be homogeneous so that all samples from the existing population will have the same opportunity as the selected sample (Muhammad Darwin et al.: 2020).

In this research, sample determination will use the table technique from Isacc & Michael where the population of MSMEs in Lhokseumawe City can be seen from Table 3.1 below:

Table 3.1 Population Recapitulation Based on Sector Per District

Sector	Subdistrict			
	Banda Sakti	Blang Mangat	Muara Dua	Muara Satu
Trading	1,858	106	458	161
Agriculture	0	6	38	48
Mining	0	0	0	0
Industry	1,446	526	717	854
Fishery	14	18	10	2
Transportation	36	0	7	0
Farm	5	12	10	20
Total	3,359	668	1,240	1,085
	6,352 rounded up to 7,000			

Source: Lhokseumawe City Department of Cooperatives and SMEs (2023)

Based on Table 3.1 above, the total population has been divided into various sectors per sub-district with a total of 6,352 MSMEs. By using the Isaac & Michael Table , the error rate used in this research is 5% with a significance of 95%. Therefore, the population has been rounded up to 7,000, so that the number of selected samples is 332 MSMEs, with the proportions for each sub-district as shown in Table 3.2 below:

Table 3.2 Proportion of Number of Selected Samples Per District

No	Subdistrict	Selected Samples
1	Banda Sakti	175
2	Blang Mangat	35
3	Muara Dua	65
4	Muara Satu	57
	Total	332

Source: Lhokseumawe City Disperindakop and UKM (Processed Data, 2023)

Data collection technique

The data collection procedure is a conscious effort to collect data which is carried out systematically using established procedures (Suharsimi Arikunto: 2002) . Thus, the data collection carried out is as follows:

1. Observation; Data collection procedures are carried out directly at the research site or location by conducting preliminary interviews and carrying out a temporary problem identification process before formulation is carried out after the preliminary research.

- Interview; The interview method was carried out by the team with all relevant parties who had direct relevance to the research. Interviews were also conducted to strengthen the problem identification process at the initial stage of data collection.
- Questionnaire; The data source that will be used and analyzed in this research is primary data . Primary data is a source of research data obtained directly from original sources without going through intermediaries (Nur Indriantoro and Bambang Supomo; 2002) . Primary data in this research is in the form of questionnaire answers from all respondents which were collected.

Data analysis

The data collected from the questionnaire will be analyzed using Confirmatory Factor Analysis (CFA). The CFA model must be formed first, the number of latent variables determined first, and identification of parameters required. CFA is divided into two, namely First Order Confirmatory Factor Analysis and Second Order Confirmatory Factor Analysis. Confirmatory Factor Analysis is a method used to test how well the variables being measured can represent previously formed constructs or factors. In CFA, there are two types of variables, namely latent variables and indicator variables. Latent variables are variables that cannot be measured directly, but can be formed and built by other variables that can be measured and these variables are indicator variables.

The general model of confirmatory factor analysis is as follows (Bollen: 1989):

$$x = \lambda \xi + \delta$$

Where:

x : is a vector for indicator variables of size qx_l

λ : is a matrix for factor loading (λ) or coefficient that shows the relationship between x and ξ of size qx_n

ξ : (ξ), is a latent variable of size nx_l

δ : vector for measurement errors measuring qx_l

3. RESULTS AND DISCUSSION

Respond Rate

The initial stage of discussing empirical research is the results of descriptive statistical tests that have been obtained through field surveys. Therefore, it is necessary to first describe the number of questionnaires that have been distributed through student field enumerators, namely the response rate or questionnaire return rate used for further data processing as shown in Table 4.1 below:

Table 4.1 Response Rate

Information	Questionnaire		Response Rate
	Amount	Percentage	Used
Number of respondents 332 for all types of MSME sectors in 4 sub-districts in Lhokseumawe City	Distributed: 332	100%	278 Questionnaire 84%
	Didn't return: 39	12%	
	Return: 293	88%	
	Damaged: 2	4.5%	
	Incomplete: 6		
Not filled in: 7			

Source: Processed Data (2023)

The response rate value obtained at the final stage was 84%, or the number of questionnaires that were returned and data processing could be carried out. Next, to describe or describe the data that has been collected, descriptive statistical analysis is carried out. This descriptive analysis presents tables showing the results of respondents' responses to statements related to MSME performance and the implementation of the creative economy. In this research, descriptive analysis will be presented in the form of a frequency distribution and categorization of the percentage of actual scores to ideal scores, where respondents' responses will be grouped into 5 criteria.

Respondents' Responses Regarding MSME Performance

From the results of the recapitulation of descriptive figures for the MSME performance variable, it can be seen that the actual score achieved by respondents was 20965 from the ideal score of 27800. Next, to provide an interpretation of the total score obtained, the score percentage was calculated using the following steps:

$$\begin{aligned} \text{Answer Score Percentage} &= [20965 : (278 \times 20 \times 5)] \times 100\% \\ &= 75.4\% \end{aligned}$$

If plotted on a continuum line, the percentage scores from respondents' answers will appear as follows:

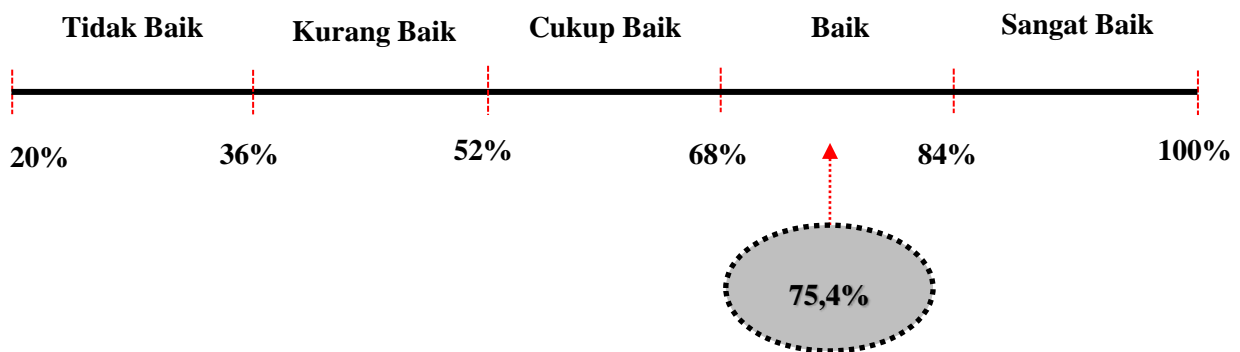


Figure 4.1

Continuum Line of Respondents' Responses Regarding MSME Performance

Based on mapping the percentage values of respondents' response scores into a continuum line drawing, it can be seen that the score percentage of 75.4% is in the percentage range between 68.1% - 84% and is categorized as good. Thus it can be concluded that MSMEs in Lhokseumawe City have good performance.

Respondents' Responses Regarding the Implementation of the Creative Economy

The results of respondents' responses from the creative economy application variable showed that the actual score achieved by respondents on the creative economy application variable was 11,815 from the ideal score of 13,900. Next, to provide an interpretation of the total score obtained, the score percentage was calculated using the following steps:

$$\begin{aligned} \text{Answer Score Percentage} &= [11815 : (278 \times 10 \times 5)] \times 100\% \\ &= 85.0\% \end{aligned}$$

If plotted on a continuum line, the percentage scores from respondents' answers will appear as follows:

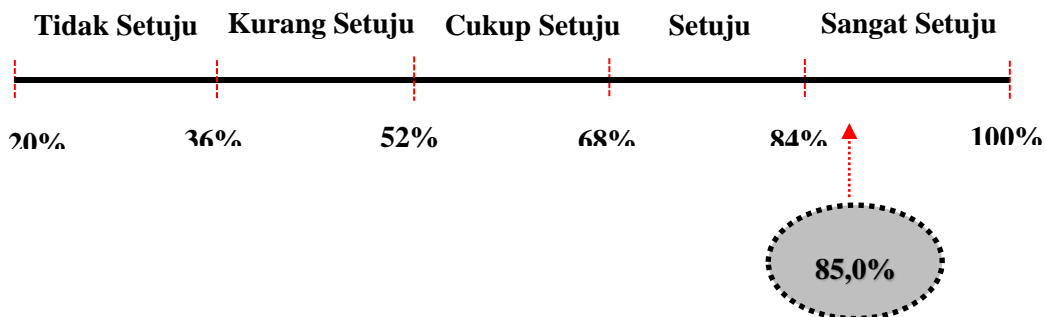


Figure 4.2

Continuum Line of Respondents' Responses Regarding the Implementation of the MSME Creative Economy in Lhokseumawe City

Based on mapping the percentage values of respondents' response scores into a continuum line drawing, it can be seen that the score percentage of 85.0% is in the percentage range between 84.1% - 100% and is categorized as very good. Thus, it can be concluded that almost all respondents strongly agree with the implementation of the creative economy in Lhokseumawe City.

Data Analysis and Hypothesis Testing

This research aims to determine the factors that can influence the performance of MSMEs in Lhokseumawe City. The statistical method used in this research is confirmatory factor analysis (CFA) using partial least squares (PLS) modeling which will result in 2 types of models being formed, namely the measurement model or what is usually called the outer model and the structural model or what is called the inner model .

1. Confirmatory Factor Analysis (CFA)

Based on the results of calculations using the Smart PLS 3.29 program, the First Order path diagram is obtained as follows:

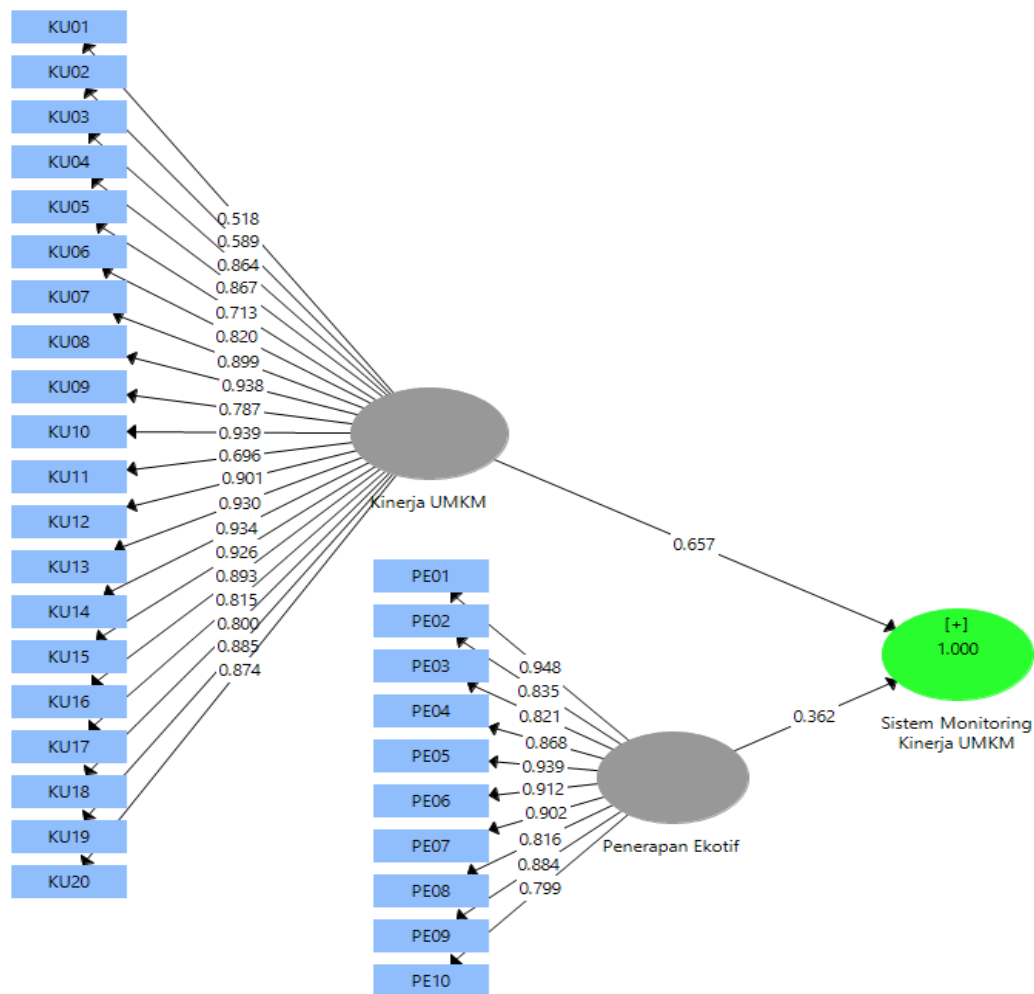


Figure 4.3

Path Diagram of Factors that Influence the MSME Performance Monitoring System at the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs

The first test (first order) is convergent validity which aims to confirm the extent of the relationship between the manifest variables (indicators) of a construct and the construct that will be formed (variable). An indicator is said to be valid or capable of explaining the construct (variable) that it will form if it has a loading factor value and an AVE (average variance extracted) value that is greater

than 0.5 (critical value). The results of data processing using the Smart PLS program can be seen in the following descriptions in Tables 4.4 and 4.5:

Table 4.4
AVE Value of Research Variables

	AVE > 0.5
MSME (KU) Performance	0.701
Application of Creative Economy (PE)	0.764

Source: Data processing results with Smart PLS 3.29 (2023)

Based on data processing using the Smart PLS program, the results obtained were that all variables had an AVE value above 0.5, which indicated the model had a good construct.

Table 4.5
Research Indicator Loading Factor Values

Indicator	Loading Factor > 0.5	Evaluation
KU01 ← MSME Performance	0.518	Valid
KU02 ← MSME Performance	0.589	Valid
KU03 ← MSME Performance	0.864	Valid
KU04 ← MSME Performance	0.867	Valid
KU05 ← MSME Performance	0.713	Valid
KU06 ← MSME Performance	0.820	Valid
KU07 ← MSME Performance	0.899	Valid
KU08 ← MSME Performance	0.938	Valid
KU09 ← MSME Performance	0.787	Valid
KU10 ← MSME Performance	0.939	Valid
KU11 ← MSME Performance	0.696	Valid
KU12 ← MSME Performance	0.901	Valid
KU13 ← MSME Performance	0.930	Valid
KU14 ← MSME Performance	0.934	Valid
KU15 ← MSME Performance	0.926	Valid
KU16 ← MSME Performance	0.893	Valid
KU17 ← MSME Performance	0.815	Valid
KU18 ← MSME Performance	0.800	Valid
KU19 ← MSME Performance	0.885	Valid
KU20 ← MSME Performance	0.874	Valid
PE01 ← Ecomotive Applications	0.948	Valid
PE02 ← Ecomotive Applications	0.835	Valid
PE03 ← Ecotive Applications	0.821	Valid
PE04 ← Ecotive Applications	0.868	Valid
PE05 ← Ecotive Applications	0.939	Valid
PE06 ← Ecomotive Applications	0.912	Valid
PE07 ← Ecotive Applications	0.902	Valid
PE08 ← Ecomotive Applications	0.816	Valid



Indicator	Loading Factor > 0.5	Evaluation
PE09 ← Ecomotive Applications	0.884	Valid
PE10 ← Ecomotive Applications	0.799	Valid

Source: Data processing results with Smart PLS 3.29 (2023)

Apart from that, the loading factor value for each indicator is greater than 0.5 so that the requirements for convergent validity are met. The second test (second order) is discriminant validity which aims to confirm the suitability of each indicator that forms the construct, where each indicator must be grouped according to its variable. Discriminant validity testing can be seen from the cross loading results presented in Table 4.6 below:

Table 4.6
Cross Loading Results

Code	UMKN performance	Ecotive Application
KU01	0.518	0.510
KU02	0.589	0.568
KU03	0.864	0.839
KU04	0.867	0.711
KU05	0.713	0.750
KU06	0.820	0.799
KU07	0.899	0.808
KU08	0.938	0.816
KU09	0.787	0.663
KU10	0.939	0.902
KU11	0.696	0.591
KU12	0.901	0.872
KU13	0.930	0.867
KU14	0.934	0.849
KU15	0.926	0.883
KU16	0.893	0.736
KU17	0.815	0.656
KU18	0.800	0.739
KU19	0.885	0.827
KU20	0.874	0.810
PE01	0.843	0.948
PE02	0.745	0.835
PE03	0.694	0.821
PE04	0.891	0.868
PE05	0.871	0.939
PE06	0.808	0.912
PE07	0.790	0.902
PE08	0.703	0.816
PE09	0.880	0.884
PE10	0.769	0.799

Source: Data processing results with Smart PLS 3.29 (2023)

In Table 4.6 above, it can be seen that the loading factor value for each construct measuring indicator (colored numbers) is much higher than the loading factor for other latent variables, so it can be concluded that all latent variables have adequate discriminant validity .

Next, to see each value that forms the construct that is in accordance with the main variable (namely the MSME Performance Monitoring System), it can be seen in Figure 4.4 below:

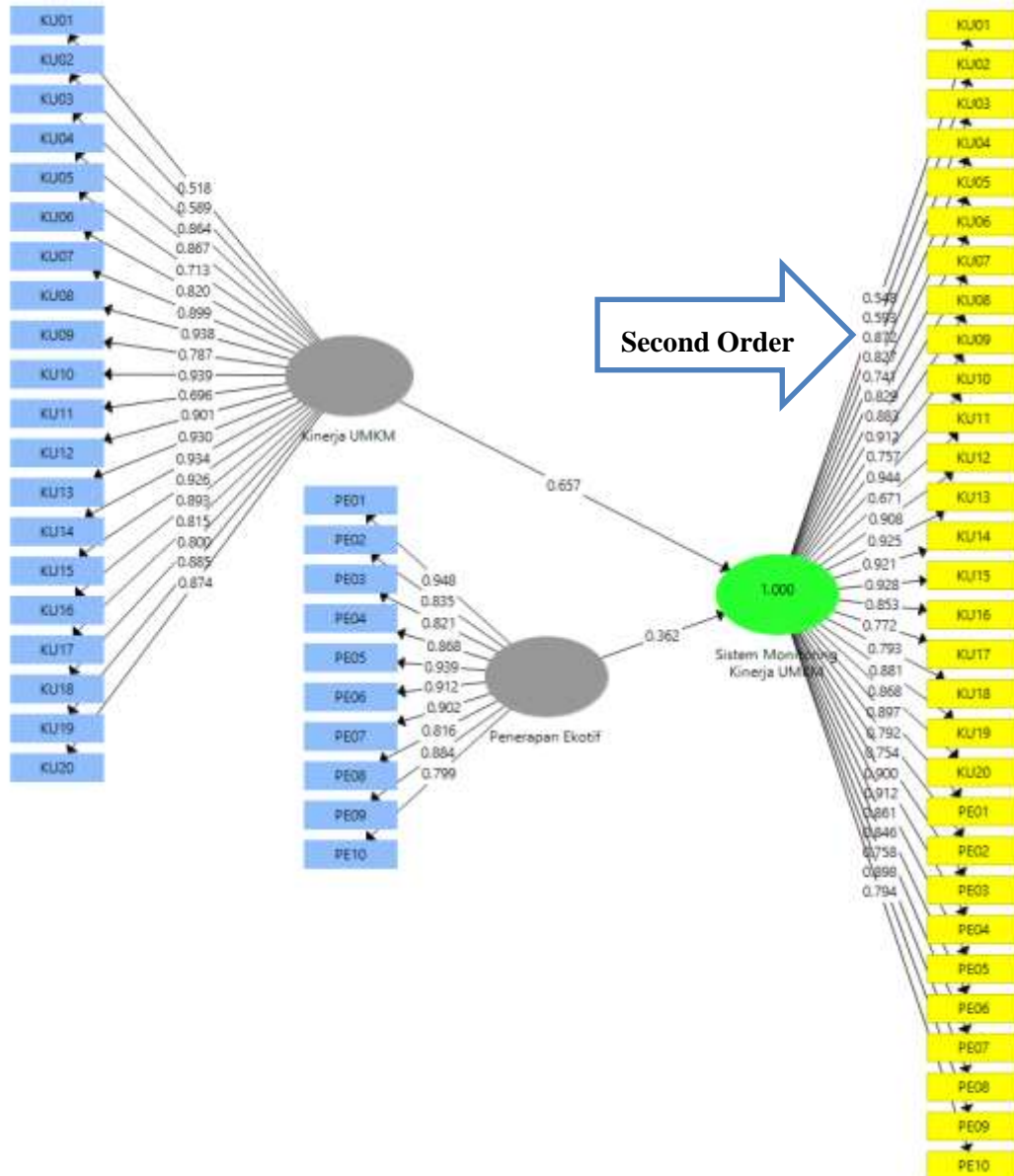


Figure 4.4

Second Order Path Diagram for Matching the Main Variable Values of the MSME Performance Monitoring System at the Lhokseumawe City Industry, Trade, Cooperative and MSME Service

Based on Figure 4.4 above, it can be seen that for each indicator that forms the main variable construct, after carrying out the Second Order test , there will be several indicators that have the lowest loading factor value and the highest value for both groups of variables. Each indicator that has the highest value is an indicator that needs to be explained as strengthening the main variable that needs to be analyzed further through the results of data collection that has been carried out in a structured manner.

Likewise, the value of each indicator is the lowest and requires further analysis. This shows that there is a need to carry out a more in-depth analysis of indicators that can provide a measure of the importance of monitoring MSME performance which must be carried out by the Lhokseumawe City Industry, Trade, Cooperatives and MSMEs Service. Table 4.7 shows a recapitulation of the highest and lowest loading factor values after the Second Order test.

Table 4.7
Highest and Lowest Loading Factors as an Explanation of the Suitability of MSME Performance Monitoring System Variables at the Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City

Indicator	Loading Factor	Value Direction
MSME performance		
KU01	0.548	Lowest
KU10	0.944	Highest
Application of Creative Economy		
PE03	0.754	Lowest
PE05	0.912	Highest

Source: Processed data (2023)

2. Construct Reliability Testing

Reliability testing aims to determine the accuracy, consistency, precision of the instrument in measuring the construct to be formed. The reliability test can be determined from the Cronbach's Alpha value (α) and the Composite reliability (CR) value provided that if the construct has a reliability value greater than 0.7, it can be concluded that the measuring construct has good accuracy, consistency and precision of the instrument or is declared reliable. The test results are summarized in Table 4.8 below:

Table 4.8
Construct Reliability

	A	CR	Critical Value	Evaluation
MSME performance	0.881	0.912	0.7	Reliable
Ecotive Application	0.851	0.886	0.7	Reliable

Source: Data processing results with Smart PLS 3.29 (2023)

Based on the results presented in Table 4.8 above, it can be concluded that all indicators that form the construct are reliable or in other words all manifest variables have been proven to have accuracy, consistency and precision in measuring the construct because they have a Cronchbach 's Alpha value and a Composite reliability value greater than 0.7 (critical value).

3. Structural Model Evaluation

Evaluation of the structural model in PLS can be seen from the results of significance testing through estimated path coefficients. To test the significance or meaningfulness of the influence that occurs, hypothesis testing is carried out which refers to the P-Value and T-Value (t count). The critical value used in testing this hypothesis is 1.96, which is the critical value recommended for hypothesis testing using Smart PLS at a significance level of 0.05 or 5% (α). The test results are shown in Table 4.9 below:

Table 4.9
CFA Model Evaluation

	Original Sample (O)	Contribution	T-Value	P-Values
MSME performance	0.657	43.1%	158,044	0,000
Ecotive Application	0.362	13.1%	84,012	0,000

Source: Data processing results with Smart PLS 3.29 (2023)

Based on the results above, it can be seen that all factors have a p-value <0.05 so that all factors are declared significant in influencing the performance of MSMEs at the Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City. Furthermore, the magnitude of the influence contribution provided by each factor can be calculated from the path coefficient (O 2 x 100%). From the table above, it can be seen that the performance of MSMEs is the main factor influencing the performance monitoring system of MSMEs at the Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City with a contribution of 43.1%, then the implementation of a sharia-based creative economy provides a contribution of 13.1% in influencing the MSME performance monitoring system at the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs.

4. Correlation coefficient

Furthermore, to determine the closeness of the relationship between the two factors, it can be seen from the correlation coefficient as shown in Table 4.10 below:

Table 4.10
Correlation coefficient

	MY	P.E
MY		0.919
P.E	0.919	

Source: Data processing results with Smart PLS 3.29 (2023)

The calculation results obtained a correlation value of 0.919, which is included in the very strong relationship category in the correlation range between 0.80 – 1.00, meaning that there is a very strong relationship between MSME performance factors and the implementation of the creative economy.

DISCUSSION

Referring to the results of the research described above, several important things can be explained regarding the importance of knowing how MSMEs actually perform and how the regional government plans through the Department of Industry, Trade, Cooperatives and MSMEs to be able to advance the regional economy through empowering the existing sharia system. and has been strengthened by Qanun Number 11 of 2018 concerning Sharia Financial Institutions. All MSMEs under the auspices of the Department should pay attention and improve their function and involvement in supporting government programs.

a. The Importance of Developing Digitalization of MSME Monitoring Systems

Technological advances have demanded renewal in all regional sectors in order to respond to the needs and interests of business people. Regional governments must be more aware of the forms of technology that will be developed. The Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City is an extension of the central government which is entrusted with the mandate to carry out its role and function as a driver and savior of people's lives. The community really needs support, both direct and indirect, from the regional government to advance the regional economy,

especially its role in increasing Regional Original Income. This is the main key for local governments in increasing the level of community welfare.

Through the use of technology that can increase regional progress, the value of business people, especially MSMEs, will improve. MSMEs in the regions are the responsibility of the government and must receive special attention in developing their businesses, because the success of MSMEs cannot be separated from the profits obtained by the region. Therefore, an attitude of mutualism must occur between both parties, both MSMEs and the regional government, in this case the Department of Industry, Trade, Cooperatives and MSMEs. From the research results, information was obtained that MSME business actors really want good cooperation with the regional government or the Department. The Department must create a good system for monitoring the existence of MSMEs. This is clearly needed by the Department so that in assessing and making decisions on how to improve the quality of MSMEs, the Department will no longer be hampered at all. Therefore, the results of this research have succeeded in obtaining precise information about how the needs of the Department and MSMEs are designed in the form of the RAKAN UMKM application which can help both parties to synergize with each other through a system or technology. This will clearly result in a level of efficiency and effectiveness in sustainable operations. For further information on system use, you can see the system manual which is separate from this report.

Specifically for the Department, the RAKAN UMKM monitoring system will be very helpful in controlling the existence of MSME businesses and can be used as a basis for providing recommendations for programs or other matters deemed necessary. The Department can find out the development of MSME businesses and evaluate the existence of MSMEs more easily. It is hoped that this monitoring system will become an example or pilot project for other regions in Aceh Province.

b. The Role of MSME Performance in Driving the Regional Economy

The results of the research findings show that the performance of MSMEs makes the largest contribution, namely 43.1%, as the main factor that is most important to be considered by the Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City. Regional governments must seriously pay attention to and assess the performance of MSMEs as drivers regional economy through a monitoring system that has been designed in the form of an application. This will greatly affect the Department's performance as supervisor or monitor of all MSMEs in Lhokseumawe City. This condition needs to be improved again, meaning that with a monitoring system based on the RAKAN UMKM application, it will be able to create better Department performance and continuously monitor or monitor the development of existing MSMEs. This will definitely provide long-term guarantees for the Department in controlling MSME businesses. In the end, it is hoped that a good system will accelerate the regional government, especially Lhokseumawe City, to continue to grow together with MSMEs that contribute to the value of PAD.

c. Sharia-Based Creative Economy Implementation Model

The contribution to implementing a Sharia-based economy was 13.1%, meaning that the level of contribution to implementing the creative economy is still quite low. This needs to be a concern for the Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City to be able to encourage the realization of a creative economic system in a more positive direction and encourage strong implementation of Qanun Number 11 of 2018 concerning LKS. The regional government of Lhokseumawe City must think about how prepared all parties are to immediately implement or enforce a sharia-based economic system, for example promoting a profit sharing system. Regional governments must innovate programs that can respond to the development of the creative economy in the region. A creative economic model linked to a profit sharing system will be the main thing that can be developed by regional governments in realizing an economy with national standards equivalent to other more advanced regions in Indonesia such as Bali, Malang, Lombok and so on.

These regions already have various creative economic sectors with their own characteristics which will gradually create competitive advantages in each region. Therefore, the regional government's efforts, especially through the Department of Industry, Trade, Cooperatives and MSMEs of

Lhokseumawe City, are very positive input and can be developed in the not too distant future. The government can coordinate with academic institutions or universities such as the Lhokseumawe State Polytechnic, so that program plans to revive the community's economy can be realized. In this way, people will gradually experience a better level of welfare.

d. Sustainable Regional Development Plan

If we look at the loading factor values for the second order test , Table IV.7 shows the lowest and highest numbers which are the dominant values for each latent variable and can be used as a more in-depth and detailed study for the Department of Industry, Trade and Cooperatives. and Lhokseumawe City MSMEs to pay attention to and study these problems, especially with regard to how to strengthen the MSME performance monitoring system implemented. The UMKM Performance Variable explains that there is the highest loading factor figure, namely the KU10 indicator (MSME businesses increase the number of employees every year). This indicates that in general MSME businesses are basically experiencing very good growth. This condition will not be possible if the businesses owned by MSMEs do not produce positive results. This clearly provides an illustration for the Department of Industry, Trade, Cooperatives and MSMEs that many MSMEs in Lhokseumawe City experience an increase in business every year, and this condition must be utilized by Dians in creating new programs for MSMEs that grow and develop consistently. Therefore, the Department must be able to identify appropriate types of businesses and programs to continue to encourage their capacity to contribute to regional economic growth.

Furthermore, the weakest thing is the KU01 indicator (having sufficient capital to develop a business), where this condition also indicates that many MSMEs do not have sufficient capital to develop a business. The Department needs to carry out further monitoring using direct approaches in order to map the problems that occur. Thus, if there is an assistance program that can be provided, then the right steps to prioritize MSMEs will be better. Therefore, these two things must be a priority program which will later be proposed by the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs. Variables for the Implementation of a Sharia-Based Creative Economy , the highest loading factor value is in the PE05 indicator (the application of a creative economy must have a creative value that is able to encourage variability in products and services that have sales value). This clearly indicates that the products currently sold by MSMEs are still largely homogeneous or do not have high product variability. MSMEs still do not have an adequate level of creativity in producing products or services that are sold. From these findings it can be concluded that the Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City must seriously think about how to create training programs that will produce products or services with high selling value with a level of creativity that is unique or different from existing products. ever existed. If it can be developed better, the value of products that have high variability and a good level of creativity will be able to accelerate the development of the creative economy in Lhokseumawe City.

Furthermore, the lowest loading factor value is in the PE03 indicator (the need to create a creative economic pattern that is able to encourage sustainable community economic growth based on local wisdom). From these findings, it can be concluded that the application of the sharia model that can be implemented by MSMEs is still very low, resulting in local wisdom as reflected in Qanun Number 11 of 2018, still not being implemented properly. This will be a homework assignment for the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs in forming a better model for implementing the creative economy. It would be better for Dians to be more active and attractive in carrying out the monitoring function of MSMEs so that they can make recommendations for MSMEs that can be used as role models in implementing a sharia-based system. In this case, the research results suggest that a profit sharing system be used first, which will then be developed with the applicable Islamic sharia patterns. In this way, it can be ensured that the existence of MSMEs will become a model as a regional economic accelerator and become an example for other regions. The Department can collaborate with various existing parties such as the Islamic Sharia Service, regional Ulama Consultative Council and so on. This is done to find the right pattern in developing a sharia-based profit sharing model.



4. CONCLUSION

Based on the results of the analysis and discussion that has been carried out, the following conclusions are obtained:

1. The performance of MSMEs is the main factor influencing the digitalization of the MSME performance monitoring system at the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs with a contribution of 43.1%.
2. The implementation of a sharia-based creative economy contributed 13.1% in influencing the MSME performance monitoring system at the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs.
3. The digital-based MSME performance monitoring system was designed based on the results of a survey of MSME performance indicators required by the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs.
4. The Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs must pay attention to MSME performance indicators that require prioritization and program acceleration.
5. The Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City must also accelerate the sharia-based creative economy development program through the creation of a more adaptive and implementable profit sharing model.
6. The Department of Industry, Trade, Cooperatives and MSMEs must collaborate with related parties such as the community, universities and related agencies within the Lhokseumawe City government.

Suggestion

Based on the conclusions above, the things that can be recommended are as follows:

- a. The Department of Industry, Trade, Cooperatives and MSMEs of Lhokseumawe City must be better able to create programs with priority levels based on interests and needs.
- b. Collaboration between the Lhokseumawe State Polytechnic and the Lhokseumawe City Department of Industry, Trade, Cooperatives and MSMEs must be continued and developed in the form of mentoring programs or other programs that encourage quality improvement for both parties.
- c. For the Department, organizational performance measurement must be created through various efforts or activities, one of which is measuring the success of the performance monitoring system that has been designed by the PNL.
- d. Further research is to be able to develop a more complex MSME performance monitoring system with an application base that is more contemporary and in line with needs. For empirical research, further research must be able to prove the performance measures of MSMEs in encouraging regional economic growth.

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