



The Effect of Capital and Licensing on The Productivity of Msmes with an Innovative and Proactive Mindset as A Mediating Variable: A Study on Msmes in Majalengka Regency

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ABSTRACT

An entrepreneurial mindset influences how effective MSMEs are in facing various business challenges, such as capital and licensing. Apart from that, research on mindset factors in the context of MSMEs in Majalengka can produce new ideas that are more interesting and useful in formulating policies to accelerate the growth of MSMEs. This research analyzes the influence of capital and licensing on the productivity of MSMEs in the Majalengka Regency by considering innovative and proactive mindsets as mediating variables. The quantitative method was implemented by collecting data from 100 MSME samples using a questionnaire. The analysis results show that capital and licensing have a significant direct impact on the productivity of SMEs, with 77.2% of the variation in productivity explained by these two variables. However, an innovative and proactive mindset does not mediate between capital, licensing, and productivity. These findings indicate that to improve productivity, MSMEs must focus on enhancing access to capital and simplifying the licensing process. Support from the government in reducing bureaucracy is also an important factor in the efforts to develop MSMEs in the region.

Keywords: capital, licensing, innovative mindset and proactive mindset and productivity of MSMEs

INTRODUCTION

Poverty includes the inability to meet basic needs for clothing, food, board, health and education. Based on data from the Central Statistics Agency of Majalengka Regency, the growth rate of the poor population is still low, with the poverty rate reaching 11.21% of the total 1.3 million population. This figure shows a decrease from 147,121 in 2022 to 134,580 in 2024. This shows that poverty is still a big problem that needs to be a priority in regional development efforts. MSMEs (Micro, Small, and Medium Enterprises) have a very important role in the national economy, especially in absorbing labor and encouraging local economic growth. However, MSMEs in Majalengka Regency face various challenges that hinder their operations and production, one of which is difficulties in obtaining capital and licensing (Riswanto et al., 2024). Previous research has shown that limited access to capital is one of the main obstacles to business growth and market expansion, with around 54% of MSMEs complaining about this problem (Gusriyana et al., 2023). Then, MSMEs have difficulty complying with regulations and obtaining valid permits because the licensing process is considered complicated and bureaucratic. As a result, they struggle to get financial support and access to formal markets.

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According to the R&D of Bappeda Majalengka (2022), 211,000 MSMEs in Majalengka Regency in 2021 absorbed around 16,030 workers. MSMEs have increased significantly, but capital and licensing issues are still the main issue in increasing the productivity of MSMEs (Singh et al., 2018). One of the big challenges for MSMEs to innovate and adapt to rapid market changes is limited capital and access to technology and equipment. Capital is principal money or funds that are used as the basis for doing business, spending money, and various other activities (Indonesia, 2021). All types of wealth that can be used to increase yields in the production process are referred to as capital. Prawirosentono in Loho (2023) explained that capital is goods or money that are combined with production factors such as land and labor to create new products and services. According to researchers, business capital refers to money used for trading, spending money, and various other purposes; Including possessions such as money and goods that can be used to generate profits and increase wealth (Mathuva, 2015). In this context, capital is the amount of money required to run a business operation. Some of the company's capital indicators include: a. The company's capital structure, namely its own capital and loans; b. Utilization of additional capital; c. Obstacles in obtaining external capital; and d. Business conditions after the capital increase.

Licensing requirements should follow the principle of convenience for MSMEs. This shows that the more requirements are set, the less interest MSMEs will have in taking care of licensing (Mardianto et al., 2023). On the other hand, if the requirements are simpler and the number is less, business actors will be more likely to take care of licensing. According to a study conducted by Bank Indonesia on MSME Licensing Procedures, the majority of MSMEs rated four out of eight indicators of bureaucratic quality and licensing services as good: a) the friendliness of licensing officers; b) clarity of service procedures; c) the ability of the officer to provide explanations; and d) availability of equipment. On the other hand, many MSMEs are still dissatisfied with the following four factors: a) variations in unofficial levies; b) lack of facilities to handle complaints; and c) there is duplication of requirements and procedures (Nurhayati, 2020). Regulations and deregulation of licensing must regulate the rights and obligations between the applicant and the institution, as explained by Study in Nurhayati (2020). Some things that need to be considered in this context are: a) Written clearly; b) Balance between the two parties; and c) All parties must fulfill their promises. From these various definitions, it can be concluded that the interest of MSMEs in taking care of licensing will be influenced by the attractiveness and clarity of the existing licensing consequences.

According to McGrath & MacMillan in Azizah (2019), the way of thinking of an entrepreneur is known as the entrepreneurial mindset. Individuals with this mindset tend to prefer to face uncertainty rather than avoid it, see the world in a simpler way than others who may see it more complexly, and seek to learn from risk-taking experiences. According to Dhliwayo and Vuuren in Azizah (2019), the meaning of mindset consists of the word "mind", which means mind, and "set", which functions as a verb to emphasize the image that exists in the previous word. Innovative mindsets tend to explore their creativity by encouraging to look at problems from different perspectives, ask deep

questions, and think critically before taking information for granted (Henriksen et al., 2017). A proactive mindset is a way of thinking that encourages individuals to take initiative and take responsibility for the actions and decisions taken. A person with this perspective not only reacts to the situation at hand, but also seeks to create positive changes in his life and around him.

Productivity is the ability to produce products with quality equivalent to the effort spent. Because the means of production, technology, and capital are the work of humans, the role of humans is very important in increasing productivity (Männasoo et al., 2018). According to Dewi in Gsriyana (2023), production, quality, and yield are the main components of productivity. Increased productivity and efficiency are the main sources of growth to achieve sustainable development. Productivity components include efficiency, effectiveness, and quality. According to Kamriah in Setiawan (2024), work productivity can be measured by comparing the results achieved by entrepreneurs with their roles and contributions to MSMEs in a certain period of time. To demonstrate and improve the quality of MSMEs, productivity is considered an important step towards the welfare and improvement of the quality of MSMEs.

Previous research had not fully explored the direct influence between MSME Productivity in Majalengka Regency and aspects of Capital and Licensing, then I found that MSMEs that have received capital and licensing from certain institutions actually use it to buy consumptive goods instead of developing their businesses. MSMEs also utilize the capital in an ineffective and efficient way, which ultimately causes losses for their businesses. So, one of the important factors that is still not researched in MSME research is the entrepreneurial mindset. This mindset includes mental attitudes, motivation, and innovative mindsets, which can influence how MSME actors face challenges in managing their businesses, including in decision-making related to capital and licensing.

Previous research only focused on how capital and licensing directly affect the productivity of MSMEs. However, there are still few studies that explore the influence of entrepreneurial mindset as a mediating variable. It is important to understand more deeply how psychological factors, such as motivation and innovative mindset, can affect MSME business management, as well as how capital and licensing have an impact on MSME productivity. Because it is proven that an entrepreneurial mindset affects how effective MSMEs are in dealing with various business challenges, such as capital and licensing. In addition, research on mindset factors in the context of MSMEs in Majalengka, can produce new ideas that are more interesting and useful in formulating policies to accelerate the growth of MSMEs.

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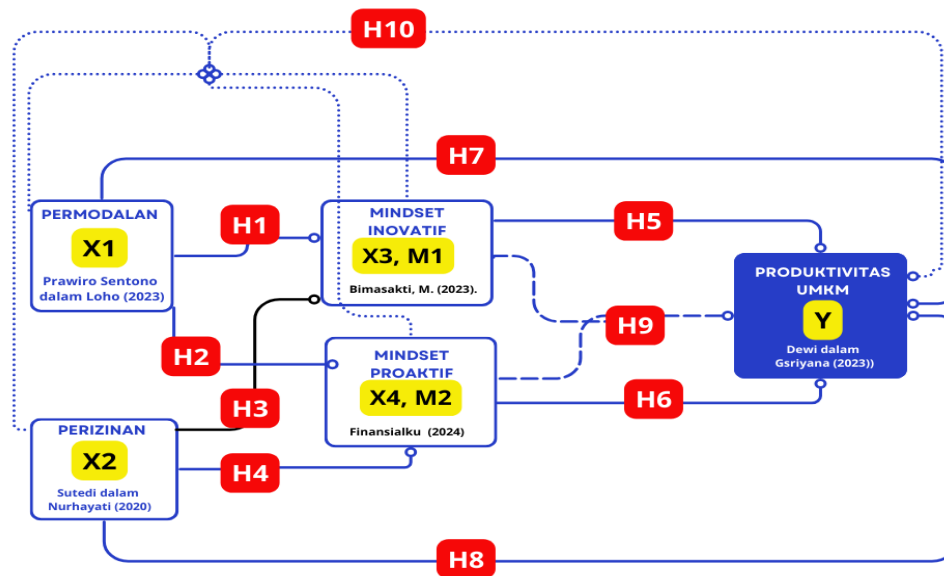


Figure 1. Conceptual Framework

Information:

- H1:** Capital has a Partial Positive Effect on Innovative Mindset in MSMEs in Majalengka Regency.
- H2:** Capital has a partial positive effect on the Proactive Mindset of MSMEs in Majalengka Regency.
- H3:** Licensing has a Partial Positive Effect on the Innovative Mindset of MSMEs in Majalengka Regency.
- H4:** Licensing has a partial positive effect on the Proactive Mindset in MSMEs in Majalengka Regency.
- H5:** Innovative Mindset has a partial positive effect on the Productivity of MSMEs in Majalengka Regency.
- H6:** Proactive Mindset has a partial positive effect on the Productivity of MSMEs in Majalengka Regency.
- H7:** Capital has a partial positive effect on the productivity of MSMEs in Majalengka Regency.
- H8:** Licensing has a partial positive effect on the productivity of MSMEs in Majalengka Regency.
- H9:** Innovative Mindset and Proactive Mindset mediate the relationship between Capital and Licensing with MSME Productivity in Majalengka Regency.
- H10:** Capital, Licensing, Innovative Mindset and Proactive Mindset have a Simultaneous Positive Effect on MSME Productivity in MSMEs in Majalengka Regency.

RESEARCH METHOD

The quantitative research method is the basis of this study, by using the Simple Random Sampling method to select a representative sample of 211,749 MSMEs in Majalengka Regency in achieving a balance between accuracy and resource efficiency in data collection, we set a Margin of Error (MoE) of 10% (0.10). Given that direct access to all MSMEs in the population is limited, because some MSMEs are not officially registered or difficult to reach, the use of a 10% Margin of Error allows researchers to still obtain a representative sample. Research with large populations such as 211,749 MSMEs requires a larger sample size if using a smaller Margin of Error, such as 5% or 3%, to obtain representative results. Collecting data from a very large sample will require more time, money, and human resources. The sample size of the desired population can be calculated using the Slovin formula, taking into account the confidence level and margin of error (MoE) that has been determined, (Sugiyono, 2017).

$$\begin{aligned}n &= \frac{N}{1 + N \cdot e^2} \\n &= \frac{211,749}{1 + 211,749 \cdot (0.10)^2} \\n &= \frac{211,749}{1 + 211,749 \cdot 0.01} \\n &= \frac{211,749}{1 + 2,117.49} \\n &= \frac{211,749}{2,118.49} \\n &\approx 99.96\end{aligned}$$

With $N = 211,749$ (total MSMEs) and $e = 10\% = 0.10$, we now enter these values into the Slovin formula: The number of samples required is about 100 MSMEs, with a margin of error of 10% and a total MSME population of 211,749, if rounded to the nearest number. Some of the data collection methods in this study include interviews, questionnaires (questionnaires), observations (observations), or a combination of all these methods.

Data analysis was carried out using IBM SPSS Statistics, assuming the number of n samples was 100 and alpha was 5% (0.05). To test the significance of validity, the calculated R value is compared to the R table. The reliability test was carried out using the Alpha Cronbach method. The data analysis process includes Multiple Linear Regression Analysis to evaluate the influence of Capital (X_1), Licensing (X_2) and Innovative Mindset (M_1), Proaktiv Mindset (M_2) as Mediation Variables on MSME Productivity (Y). The Hypothesis Test was carried out through the T Test (Partial), F Test (Simultaneous), and Coefficient of Determination models.

RESULT AND DISCUSSION

The Product Moment Correlation Method, developed by Karl Pearson, was used to assess the validity of this study. If the calculated R value is greater than the R of the table, then the data is considered valid. This test was carried out by comparing the calculated R value with the R of the table for degrees of freedom (df) = $n - 2$, i.e. $df = 100 - 2 = 98$, which resulted in a table R value of 0.096. The results of the validity test are as follows:

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Table 1. Validity Test Results

Variable	Statement	R-Calculate	R-Table	STATUS
(X1) CAPITAL	X1_1	0.518	0,096.	VALID
	X1_2	0.654	0,096.	VALID
	X1_3	0.810	0,096.	VALID
	X1_4	0.835	0,096.	VALID
	X1_5	0.582	0,096.	VALID
	X1_6	0.362	0,096.	VALID
	X1_7	0.866	0,096.	VALID
	X1_8	0.872	0,096.	VALID
(X2) LICENSING	X2_1	0.635	0,096.	VALID
	X2_2	0.772	0,096.	VALID
	X2_3	0.834	0,096.	VALID
	X2_4	0.864	0,096.	VALID
	X2_5	0.879	0,096.	VALID
	X2_6	0.885	0,096.	VALID
	X2_7	0.899	0,096.	VALID
	X2_8	0.864	0,096.	VALID
	X2_9	0.480	0,096.	VALID
	X2_10	0.774	0,096.	VALID
	X2_11	0.809	0,096.	VALID
(X3) MINDSET INNOVATIVE	X3_1	0.768	0.096	VALID
	X3_2	0.759	0.096	VALID
	X3_3	0.704	0.096	VALID
	X3_4	0.781	0.096	VALID
	X3_5	0.791	0.096	VALID
	X3_6	0.785	0.096	VALID
	X3_7	0.805	0.096	VALID
	X3_8	0.761	0.096	VALID
	X3_9	0.754	0.096	VALID
	X3_10	0.759	0.096	VALID
	X3_11	0.820	0.096	VALID
	X3_12	0.801	0.096	VALID
	X3_13	0.784	0.096	VALID
	X3_14	0.760	0.096	VALID
(x4) MINDSET PROAKTIV	X4_1	0.748	0.096	VALID
	X4_2	0.727	0.096	VALID
	X4_3	0.726	0.096	VALID
	X4_4	0.542	0.096	VALID
	X4_5	0.652	0.096	VALID
	X4_6	0.683	0.096	VALID
	X4_7	0.756	0.096	VALID
	X4_8	0.794	0.096	VALID
	X4_9	0.741	0.096	VALID
	X4_10	0.682	0.096	VALID
	X4_11	0.736	0.096	VALID
	X4_12	0.537	0.096	VALID
	X4_13	0.723	0.096	VALID
	X4_14	0.713	0.096	VALID
	X4_15	0.618	0.096	VALID
(Y)	Y1	0.886	0,096.	VALID

Variable	Statement	R-Calculate	R-Table	STATUS
MSME	Y2	0.886	0,096.	VALID
PRODUCTIVITY	Y3	0.903	0,096.	VALID
	Y4	0.954	0,096.	VALID
	Y5	0.939	0,096.	VALID
	Y6	0.935	0,096.	VALID
	Y7	0.923	0,096.	VALID
	Y8	0.910	0,096.	VALID

Source: (Primary data of the questionnaire processed, 2024)

The Reliability Test was carried out using a questionnaire as an indicator to assess variables. If an individual's answers to a questionnaire remain consistent or stable over time, then the questionnaire is considered reliable or reliable. A variable is considered reliable if its Cronbach alpha value is greater than 0.70. The following table shows the results of the reliability test.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha (> 0.70)	Status
Capital (x1)	0.768	RELIABLE
Licensing (x2)	0.788	RELIABLE
Innovative Mindset (M1)	0,771	RELIABLE
Proactive Mindset (M2)	0,762	RELIABLE
MSME Productivity (Y)	0.802	RELIABLE

Source: (Primary data of the questionnaire processed, 2024)

The hypothesis of this study examines the relationship between Capital and Licensing Variables with MSME Productivity, Capital and Licensing Variables with MSME Innovative Mindset and Capital and Licensing Variables with MSME Proaktiv Mindset, which is tested through multiple regression analysis. The T test was carried out to test the research hypothesis regarding the influence of each partially independent variable on the bound variable. T-statistics are values used to assess the level of significance in hypothesis testing by calculating the value of T-statistics through bootstrapping procedures. In hypothesis testing, it can be said to be significant if the T-statistics value is greater than 1.96, while if the T-statistics value is less than 1.96, it is considered insignificant. Decision making is carried out by referring to the significance value contained in the Coefficient table. Generally, the basis for testing regression results is carried out with a confidence level of 95% or a significance level of 5% ($\alpha = 0.05$). The following are the criteria of the Statistical Test of T (Ghozali, 2018): If the significance value of the test $t > 0.05$, then H_0 is accepted and H_a is rejected. This means that there is no influence between the independent variable and the dependent variable. On the other hand, if the significance value of the t-test is less than 0.05, then H_0 is rejected and H_a is accepted, which indicates that there is an influence between the independent variable and the dependent variable.

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Table 3. Regression Analysis Test Results Capital and Licensing for MSME Productivity

Type	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	-1.943	1.877			-1.035	.303
CAPITAL	.459	.094	.373		4.865	<,001 reviews
LICENSING	.475	.065	.558		7.288	<,001 reviews

a. Dependent Variable: MSME PRODUCTIVITY

Based on Table 3, the Multiple Linear Regression Equation obtained is: $Y = -1.943 + 0.459X_1 + 0.475X_2$. The equation shows that the value of the MSME Productivity Variable is -1,943 if the Capital and Licensing variables remain constant. The Capital Variable with a coefficient of 0.459 means that every increase of one unit in the capital variable will increase the value of MSME Productivity by 0.459, assuming that the other variables remain constant. This effect is statistically significant, based on a very small significance value (Sig.) (<0.001). This shows that there is a very significant correlation between the productivity of MSMEs and Capital. MSME production has a positive correlation with the capital it has. Based on a coefficient of 0.475, every increase in one unit in the Licensing Variable will cause an increase in the value of MSME Productivity by 0.475, assuming the other variables remain constant. In addition, a very small significance (Sig.) (<0.001) indicates that this influence is also very statistically significant, similar to that indicated by the Capital Variable. Thus, the ease of obtaining a business license can make MSMEs more productive.

Table 4. Regression Analysis Test Results Capital and Licensing for the Innovative Mindset of MSMEs

Type	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	59.233	4.875			12.150	<,001 reviews
CAPITAL	-.152	.245	-.099		-.622	.535
LICENSING	.038	.169	.036		.226	.822

a. Dependent Variable: INNOVATIVE MINDSET OF MSMES

The value of the Innovative Mindset of MSMEs is 59,233 if the value of Capital and Licensing is equal to zero. Based on Table 4, the Multiple Linear Regression Equation shows that $Y = 59.233 + -0.152X_1 + 0.038X_2$. This means that the value of the MSME Innovative Mindset will decrease by 0.152 for every unit increase in the Capital Variable, assuming the other variables remain constant. This is due to the coefficient of capital variables which is -0.152. The influence of Capital is not statistically significant, as seen from the significance value (Sig.) of 0.535. Thus, no matter how much capital is given to MSMEs, it will not produce strong innovations. On the other hand, the value of the MSME Innovative Mindset will increase by 0.038 for every unit increase in the Licensing Variable, assuming the other variables remain constant. However, with a significance value (Sig.) of 0.822, we did not find a significant correlation between Licensing and the Innovative Mindset of MSMEs. This suggests that this influence is also not statistically

significant. So, when MSMEs are given a license, there will be an influence on the Innovative Mindset, but it is not significant.

Table 5. Regression Analysis Test Results Capital and Licensing for MSME Proactive Mindset

Type	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	54.951	4.843			11.346	<,001 reviews
CAPITAL	-.190	.243	-.124		-.780	.437
LICENSING	.224	.168	.211		1.331	.186

a. Dependent Variable: MINDSET PROAKTIV MSMES

The Innovative Mindset value of MSMEs is 54,952 if the value of Capital and Licensing is equal to zero. Based on Table 5, the Multiple Linear Regression Equation shows that $Y = 54.951 + -0.190X_1 + 0.224X_2$. The Capital Variable with a coefficient of -0.190 shows that every increase in one unit in the capital variable will cause the value of the MSME Proactive Mindset to decrease by 0.190, assuming that the other variables remain constant. Furthermore, a significance value (Sig.) of 0.437 indicates that this influence is not statistically significant. Thus, no matter how much capital is given to MSMEs, it will not produce a strong Proactive Mindset. Meanwhile, for Licensing, the coefficient of 0.224 shows that every increase in one unit in the licensing variable will increase the value of the MSME's proactive mindset by 0.224, assuming that other variables are kept constant. However, a significance value (Sig.) of 0.186 also indicates that this influence is not statistically significant. So, when MSMEs are given a license, there will be an influence on the Proactive Mindset, but it is not significant.

Table 6: Results of the Innovative Mindset Regression Analysis Test on MSME Productivity

Type	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	30.576	4.522			6.761	<,001 reviews
MINDSET INNOVATIVE	-.007	.079	-.009		-.087	.931

a. Dependent Variable: MSME PRODUCTIVITY

Table 7: Results of Prolactic Mindset Regression Analysis Test on MSME Productivity

Type	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	30.576	4.522			6.761	<,001 reviews
MINDSET PROAKTIV	-.007	.079	-.009		-.087	.931

a. Dependent Variable: MSME PRODUCTIVITY

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Based on tables 6 and 7 above, it provides information that there is no significant influence, the Innovative and Proaktiv Mindset Variables show a significance value (Sig.) of 0.931, which far exceeds the standard significance level (0.05). This indicates that there is no significant relationship between Innovative Mindset, Proaktiv and MSME Productivity. In other words, based on the available information, there is not enough evidence to state that the more Innovative and Proactive a person is in managing their MSMEs, the higher the productivity will be achieved. The F test was carried out to test the significance of the regression coefficient of all independent variables simultaneously, so that it could assess the influence of Capital and Licensing on the Productivity of MSMEs in Majalengka simultaneously. Here are the results of Test F.

Table 8. Simultaneous F Test Results

ANOVAa						
	Type	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4621.344	3	1540.448	108.446	<,001B
	Residual	1363.656	96	14.205		
	Total	5985.000	99			
a. Dependent Variable: MSME PRODUCTIVITY						
b. Predictors: (Constant), PROAKTIV MINDSET, LICENSING, CAPITAL						

The significance level in this study was set at 5% or 0.05. From table 8, it can be seen that the Sig value of the F test result is 0.001, which shows that the Sig value is less than the probability of 0.05 ($0.001 < 0.05$). Furthermore, based on the table F is searched with rums $F(k; n-k) = F(2; 100-2) = F(2; 98)$ in column 2 row 98, it is known that the F value of the table is 3.09. Thus, the results of the F test show that the sig value is $0.001 < 0.05$ and the F value is calculated $(108.446) > T$ table (3.09), so H_0 is rejected and concludes that there is a significant influence between Capital and Licensing on MSME Productivity.

The determination coefficient serves to measure how much influence Free Variables, such as Capital and Licensing, have on the Productivity of MSMEs. Table 9 presents the results of the determination test.

Table 9. Coefficient of Determination

Model Summary				
Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879a	.772	.765	3.769
a. Predictors: (Constant), PROAKTIV MINDSET, LICENSING, CAPITAL				

Table 9 shows the R Square or R^2 value of 0.772 (77.2%), which means that the MSME Productivity variable can be explained by 77.2% by the variation of the Capital and Licensing variables. Meanwhile, other factors that were not studied in this study contributed 22.8% of the total. To find out whether intermediaries (Innovative Mindset and Proactive Mindset) act as mediators in the relationship between independent variables (Capital and Licensing) and dependent variables (MSME Productivity), we can use the following mediation theory. Mediation Theory: If the indirect influence is greater than the direct influence, then the intermediate variable cannot be considered a mediator. (Sahamony, N. F). The intermediary variables of Innovative and Proactive Mindset do

not function as intermediaries in two relationships, namely Capital → MSME Productivity and MSME Productivity → Licensing. This is due to a more dominant direct influence compared to indirect influence, so that the role of Capital and Licensing in the production of MSMEs is more direct, without any significant intermediary influence.

The research instrument has all valid statement items. The value of the correlation coefficient, or R calculation, which is much greater than the R value of the table for each item indicates this. This means that each statement item successfully measures the construct in question. The research tool is also considered reliable if each variable has an Alpha Cronbach value above 0.70. This shows that the measurement tools used are not only consistent, but also reliable.

The results of regression analysis show that capital and licensing variables have a significant influence on the productivity of MSMEs. In other words, if the Capital and Licensing Variables increase, then the Productivity of MSMEs will also increase. The R-squared value of 77.2% shows that 77.2% of the variation in MSME productivity can be explained by variations in capital and licensing variables. The remaining 22.8% was influenced by other factors that were not included in this study. However, an innovative and proactive mindset does not function as a mediator between capital, licensing, and productivity.

This study shows that Innovative Mindset does not function as a mediator well. For Majalengka MSMEs, limited capital and technology can hinder creativity. Furthermore, the results of the study show that a proactive mindset is not a mediator. The researchers states that a proactive mindset still needs support from external sources, such as mentoring, training, and access to capital. Data from BPS shows that the high poverty rate is closely related to capital which is the main driver. This supports the view that increasing the productivity of MSMEs can contribute to reducing poverty. 211,000 MSMEs have a crucial role in the absorption of labor in Majalengka Regency (Bappeda, 2022). The findings of this study show the need for strategic policies to overcome capital and licensing problems so that regional economic growth can be increased.

Improvements in the capital structure and the effectiveness of capital utilization need to be carried out. Simplifying licensing procedures and eliminating various bureaucracies can encourage MSMEs to participate in the formal market. In addition, entrepreneurship training and mentoring must be expanded so that MSME actors can adopt an innovative and proactive mindset, especially in facing challenges in the market.

CONCLUSION

The purpose of this study is to evaluate the influence of capital and licensing on the productivity of MSMEs in Majalengka Regency. By adding mediation variables, namely an innovative and proactive mindset, this study found that capital and licensing have a significant influence on the productivity of MSMEs. Some of the key findings from the data analysis are as follows: The Influence of Capital and Licensing. Sufficient capital allows MSMEs to increase their production capacity, product quality, and business efficiency. On the other hand, a simpler and more effective licensing process encourages

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MSMEs to engage in formal markets, which in turn improves their market access and competitiveness. An innovative and proactive mindset does not fully function as a mediator in the influence between Capital, Licensing, and Productivity of MSMEs. Internal and External Factors of MSME Productivity in this study shows that it is important to map the internal (capital and mindset) and external (Licensing) influences on MSME Productivity to show that Capital and Licensing are important factors that affect MSME performance, while Innovative and Proactive Mindset requires additional support to have a significant impact.

This research reveals strategies to improve the performance of MSMEs in Majalengka Regency by improving access to capital, simplifying the licensing process, and improving entrepreneurship training programs. This aims to encourage the community to adopt an Innovative and Proactive Mindset. Suggestions for further research are to add additional factors, such as digitalization, product innovation, or entrepreneurial skills as a moderator or mediator. To see how the relationships between variables change over time, it's best to use a long-term approach. Conduct a more specific analysis based on the MSME business sector, such as agribusiness or creative industries. To understand the impact on the productivity of MSMEs, it is important to include the variables of digital technology integration. Conduct a comparative study between regions to understand contextual factors that affect productivity. To explore more deeply the experience of MSME actors, use a mixed method. Also focus on assessing local government policies related to capital, licensing, and entrepreneurship training.

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