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THE EFFECT OF ENTREPRENEURSHIP INCUBATION, FINANCIAL LITERACY, AND DIGITAL LITERACY ON MSME DEVELOPMENT IN BANTEN PROVINCE WITH CREATIVITY MEDIA

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Abstract

This study aims to analyse the effect of entrepreneurial incubation, financial literacy, and digital literacy on the development of MSMEs in Banten province with creativity mediation. Primary data in this study were obtained through non-probability sampling techniques with purposive sampling method, where respondents were selected based on certain criteria. The research sample consisted of 142 MSMEs that had received entrepreneurship incubation from Banten province. Data collection was conducted through an independent survey using an online questionnaire. The research method used was descriptive quantitative with a Structural Equation Modelling-Partial Least Square (PLS-SEM) approach. The results showed that entrepreneurial incubation, financial literacy, and digital literacy had a positive and significant effect on MSME development in Banten province. In addition, creativity is proven to play a role as a mediating variable in the relationship between independent variables and MSME development. The findings confirm the importance of entrepreneurial incubation, financial literacy and digital literacy in improving MSME development.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the national economy, especially in developing countries such as Indonesia. According to the Indonesian Ministry of Cooperatives and MSMEs (2023), MSMEs contribute more than 60% of national GDP and absorb 97% of the total workforce. However, despite this significant contribution, MSMEs in Indonesia still face various fundamental challenges, particularly in terms of innovation, access to financing, and digital transformation.

In the Banten Province, these problems are further exacerbated by the lack of creative capacity and limited entrepreneurial incubation. Many MSMEs still operate conventionally, without adapting to technological changes or developing unique value propositions. Furthermore, digital literacy and financial literacy remain low, hindering business development and competitiveness.

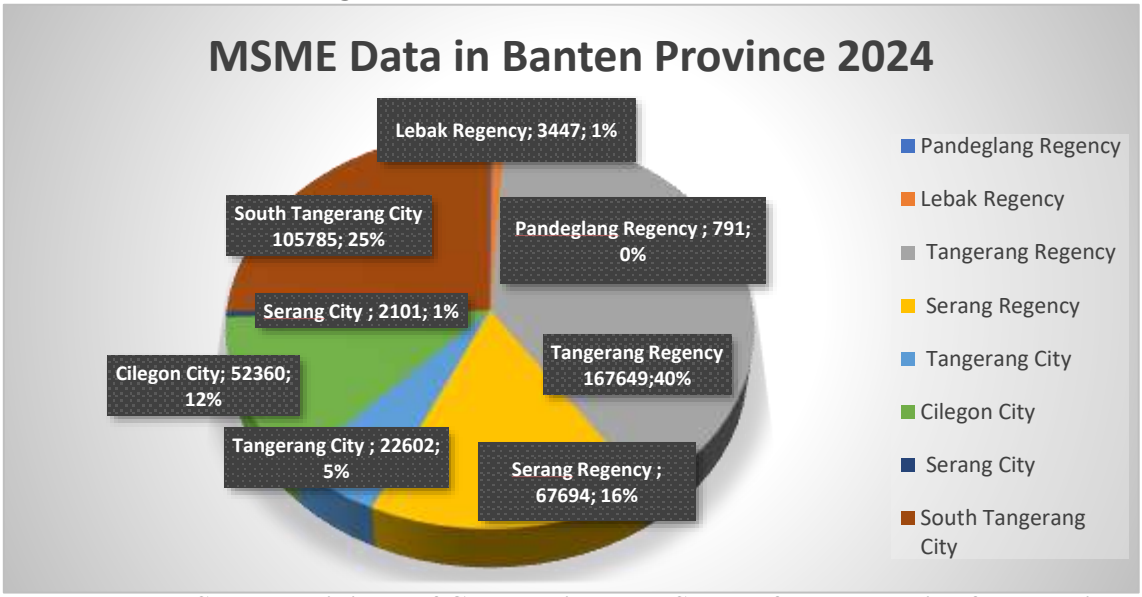
Entrepreneurial incubation has been proven to be an effective method to support MSME development through mentoring, business networking, and access to resources (Iyortsuun, 2017). Similarly, financial literacy provides the knowledge and awareness needed to manage resources and make strategic decisions. In the digital era, digital literacy becomes essential for MSMEs to compete and survive in the market (Chen & Guo, 2024).

However, despite the growing literature, there is still a lack of empirical studies that examine the mediating role of creativity in the relationship between entrepreneurial incubation, financial literacy, digital literacy, and MSME development — particularly in the Indonesian context. Creativity, as a cognitive and innovative process, is critical to transforming knowledge into action, especially in small-scale businesses.

Therefore, this study aims to fill the empirical gap by examining the influence of entrepreneurial incubation, financial literacy, and digital literacy on MSME development with creativity as a mediating variable. The novelty of

this research lies in the use of creativity as a mediating construct in a complex structural model, focusing on MSMEs in Banten Province, an area that has not been extensively studied in international literature.

Figure 1. Number of MSMEs in Banten Province 2024



Source: Ministry of Cooperatives and SMEs of the Republic of Indonesia

The number of MSMEs in Banten Province is not specifically mentioned in the source provided. However, it is known that MSMEs have great potential for economic growth in Banten. The Banten Provincial Government has made efforts to facilitate the digitization of MSMEs, increase MSME activity, and provide training to improve MSME capabilities.

Banten is a region rich in SME potential, yet it also faces unique challenges. A case study in Banten will provide specific insights into local conditions and how the factors under investigation interact within this context. This will offer a clearer picture of what SMEs in Banten need to grow and compete in broader markets.

Thus, this research is expected to contribute to enhancing the capacity and competitiveness of SMEs, which will ultimately have a positive impact on the regional economy. This research is also expected to make a meaningful contribution to the development of theory and practice in the field of entrepreneurship and SME management.

This study not only contributes to the academic literature on entrepreneurship and SME development but also provides practical guidance for business actors and policymakers. By analysing empirical data from SMEs in Banten, it enriches our understanding of the dynamics of SME development and the key factors that influence it.

This research is expected to encourage the sustainable development of SMEs in Banten Province. By enhancing the capacity of SMEs through entrepreneurship incubation, financial literacy, and digital literacy, as well as by facilitating creativity, SMEs can be better prepared to face future challenges and contribute more significantly to the regional economy. This will have a positive impact not only on SMEs themselves but also on the wider community in Banten. Therefore, based on the above background, the author is interested in conducting research with the title: “The Influence of Entrepreneurship Incubation, Financial Literacy, and Digital Literacy on the Development of SMEs in Banten Province with Creativity as a Mediator.”

2. LITERATURE REVIEW

2.1 Theoretical and Conceptual Background

This study is grounded in **Constructivism Theory**, which posits that individuals actively construct knowledge through experiences and interactions with their environment (Piaget, 1970; Vygotsky, 1978). In the context of entrepreneurship, this theory suggests that MSME actors develop cognitive, behavioural, and digital competencies through active learning, experimentation, and adaptation to environmental demands. Learning is not passive but dynamic, involving creativity, problem-solving, and real-world feedback.

Therefore, entrepreneurial incubation, financial literacy, and digital literacy are seen not just as external interventions but as learning processes that stimulate the internal cognitive development of MSME actors. Creativity emerges as a key mediating factor — a product of internalized knowledge and experience.

2.1 MSME Development

MSME development refers to the improvement of business performance in terms of sales, employment, innovation, and sustainability. It is influenced by internal capacities and external supports such as incubation, education, and digital tools.

2.2 Entrepreneurial Incubation

Entrepreneurial incubation is a structured support process designed to accelerate the growth of new businesses by providing mentorship, networks, infrastructure, and resources (Iyortsuun, 2017). Incubation enables MSMEs to gain business knowledge, refine strategies, and reduce early-stage risks.

2.3 Financial Literacy

Financial literacy refers to the ability to understand and manage financial matters effectively. It includes budgeting, saving, risk management, and financial decision-making (OECD, 2014). A high level of financial literacy allows MSMEs to make strategic choices, avoid debt traps, and sustain business operations.

2.4 Digital Literacy

Digital literacy involves the capacity to use, evaluate, and create information using digital technologies (Ng, 2012). In MSMEs, digital literacy enables access to e-commerce, online marketing, and digital banking, contributing to greater competitiveness.

2.5 Creativity as a Mediator

Creativity is defined as the ability to generate novel and useful ideas (Amabile, 1983). It plays a critical role in business development by allowing MSMEs to differentiate themselves, adapt products, and solve complex problems. As a mediator, creativity transforms knowledge (from literacy and incubation) into innovative action that drives business growth.

2.2 EMPIRICAL REVIEW AND HYPOTHESIS

2.2.1. Effect of entrepreneurial incubation (X1) on creativity (Y)

Conceptually, the relationship between entrepreneurial incubation and creativity is also supported by constructivist theory, which emphasizes the importance of experience-based learning. Students build their own knowledge through active interaction with their environment, problem-solving, and reflection on their actions. Incubators provide students with the opportunity to experience all of these things firsthand. Thus, entrepreneurship incubation not only enhances technical skills in business but also fosters creative thinking, which is crucial in today's era of disruption.

Based on theoretical reviews and previous research findings, it can be concluded that entrepreneurship incubation has the potential to positively influence student creativity. Entrepreneurship incubation programs play a crucial role in providing real-world experiences, spaces for idea exploration, and guidance in developing business projects, which indirectly encourage students to think creatively and innovatively. Findings from previous studies indicate that supportive learning environments, such as business incubators, can foster entrepreneurial spirit and individual creativity.

Based on theoretical foundations and previous studies, the following hypothesis is proposed in this research:

H_1: Entrepreneurship incubation has a positive effect on student creativity.

2.2.2. The effect of financial literacy (X2) on creativity (Y)

Financial literacy is an individual's ability to understand and use various financial concepts and skills such as money management, financial planning, investment, and smart economic decision-making. In the context of MSMEs, financial literacy is not only related to the technical aspects of managing finances, but also closely related to the ability of businesses to think creatively in developing business strategies, creating value-added products, and adjusting to market dynamics. Creativity in business is largely determined by how well businesses understand their financial condition, assess risks, and design sustainable innovations based on accurate financial information. In other words, financial literacy is an important foundation for the sustainability and competitiveness of MSMEs, especially in the highly dynamic digital economy era.

Research conducted by (Aribawa, 2016) confirmed that financial literacy affects the performance and sustainability of creative MSMEs in Central Java. Using structural equation modelling, it was found that a good understanding of finance can improve the ability of business actors to make managerial decisions that have a direct impact on the sustainability of their business. This shows that financial literacy not only has an impact on capital management or transactions, but also encourages MSME actors to think more creatively and strategically in running their businesses.

Based on the literature review, it can be concluded that financial literacy plays an important role in encouraging creativity, performance, and business sustainability of MSMEs. So, in this study, the second hypothesis is proposed

(H_2): Financial literacy has a positive effect on the creativity of MSME actors.

2.2.3. The effect of digital literacy (X3) on creativity (Y)

Digital literacy is an individual's ability to access, manage, understand and evaluate information from various digital sources critically and wisely. In today's digital era, digital literacy is not only a basic skill, but also an important foundation in encouraging creativity, especially for businesses, educators and students. The ability to sort out valid information, integrate data from various media, and process it into new applicable ideas is key in fostering creativity. Digital literacy allows individuals not only to be technology users, but also content creators, innovators and problem

solvers in various contexts. Therefore, mastering digital literacy can be the main driver in increasing one's creativity in facing the challenges of the times.

Research conducted by (Simamora et al., 2024) shows that the use of digital literacy also has a positive and significant impact on student learning creativity. This research was conducted at SMA Negeri 1 Balige, Toba Regency with quantitative inferential statistical methods. The regression test results show a strong influence between digital literacy and student learning creativity, where the rxy value is 0.559 and the count of 4.322 shows high significance. This finding indicates that the ability to access, evaluate and use digital information effectively can encourage students to be more creative in the learning process, including in expressing ideas and completing learning tasks.

Based on the description of previous research, it can be concluded that digital literacy has a significant influence on increasing creativity both in the context of education and the business world. So, in this study, the third hypothesis is proposed

(H_3): Digital literacy has a positive effect on the creativity of MSME actors.

2.2.4. Effect of Creativity (Y) on MSME Development (X4)

Creativity is one of the main factors that influence the ability of MSME actors to adapt and develop amid the increasingly complex dynamics of the business environment. Creativity is not only related to the ability to create new ideas, but also includes innovative thinking processes to solve problems, develop products or services, and create added value that can increase business competitiveness. In the context of MSMEs, creativity is an important asset in creating differentiation strategies, expanding markets, and responding to changing consumer needs. High creativity can encourage businesses to innovate in various aspects of the business, from product packaging, promotion, distribution, to business models. Therefore, creativity plays a significant role in supporting the overall development of MSMEs.

Research conducted by (Wahab Sya'roni & Sudirham, 2012) examines the role of creativity and innovation on the sustainability of small businesses in the West Java region. This research used survey method with Structural Equation Modelling (SEM) approach. The results showed that creativity and innovation are part of entrepreneurial competencies that greatly influence the success of small businesses. The creativity indicators found include intellectual and artistic values, interest in work, perseverance, independent thinking, and tolerance for uncertainty. Meanwhile, innovation is seen from the ability of businesses to create new products and processes, develop and improve products, and add creative elements through duplication and integration of new methods. These findings indicate that the development of MSMEs cannot be separated from the role of business creativity, as creativity is key in creating adaptive and sustainable strategies.

Thus, based on these findings, it can be assumed that business creativity has a significant influence on MSME development. Therefore, this study proposes the fourth hypothesis

(H_4): Creativity has a positive effect on MSME development.

2.2.5. Effect of entrepreneurial incubation (X1) on MSME development (X4)

Entrepreneurship incubation is one of the effective strategies in supporting the growth and development of MSMEs, especially for novice entrepreneurs who still need guidance in building and running their businesses. Entrepreneurship incubation programs usually include a variety of services such as managerial training, access to capital, business assistance, and the provision of physical and technological facilities. The goal is to accelerate the business growth process through structured and systematic coaching, so that MSME players can increase their business capacity in a sustainable manner. In this context, incubation plays an important role in strengthening business foundations, expanding networks, increasing competitiveness, and minimizing the risk of business failure.

In addition, (Mahfuds et al., 2022) through the JEMARI (Jogotirto Mandiri Berdikari) program also showed that a community incubation approach consisting of mapping the potential of MSMEs, organizational and digital marketing training, and community assistance was able to encourage the development of MSME organizations as a whole. This program not only improves the technical and managerial skills of business actors, but also strengthens the local entrepreneurial community network.

Based on the results of these studies, it can be concluded that entrepreneurial incubation has a significant influence on the development of MSMEs. Therefore, this study proposes the fifth hypothesis.

(H_5): Entrepreneurial incubation has a positive effect on the development of MSMEs.

2.2.6. Effect of Financial Literacy (X2) on MSME Development (X4)

Financial literacy is one of the most important factors in supporting the growth and sustainability of MSMEs. MSMEs that have good financial literacy will be better able to manage their financial resources efficiently, optimize profit potential, and minimize financial risks that can jeopardize business continuity. Financial literacy includes the ability to understand and use various financial products and services in a prudent manner, as well as to make sound financial decisions in order to grow a business.

Another study by (Fardani et al., n.d.) revealed that financial literacy has a positive and significant effect on the interest of MSME players to use the QRIS payment system. Good financial literacy helps MSMEs understand the benefits and ease of using QRIS as an efficient payment tool. Perceived usefulness and convenience were also

found to have a positive effect on interest in using QRIS, which in turn can increase the ease of transactions and financial management of MSMEs.

Based on these findings, it can be concluded that financial literacy has a significant influence on the development of MSMEs, both directly and indirectly through improved financial management and financial inclusion. Therefore, this study proposes the sixth hypothesis

(H_6): Financial literacy has a positive effect on MSME development.

2.2.7. The effect of digital literacy (X3) on the development of umkm (X4)

Digital literacy is one of the main keys in the development of MSMEs in the digital era. With the increasing use of digital technology, MSMEs that have good digital literacy will be better able to utilize technology to improve their productivity, efficiency and operational effectiveness. Digital literacy includes the understanding and skills in using digital devices, applications, and online platforms to manage businesses and reach a wider market.

Research conducted by (M Indra Maulana, n.d.) confirms that digital literacy has a significant influence on the sustainability of Sharia-based MSMEs. A good understanding of digital literacy allows MSME players to make better decisions in business management and compete in an increasingly digital market. This further shows the importance of digital literacy in supporting the sustainability and development of MSMEs.

Thus, it can be concluded that digital literacy has a significant influence on MSME development, especially in terms of operational efficiency, marketing, and business sustainability. Therefore, the seventh hypothesis

(H_7) proposed in this study is: Digital literacy has a positive effect on MSME development.

2.2.8. The effect of entrepreneurial incubation (X1) on the development of umkm (X4) through creativity (Y) as a mediating variable.

Entrepreneurship incubation is one of the business development strategies designed to assist MSMEs or new entrepreneurs in improving their business capacity through mentoring, training, capital facilitation, and access to market networks. Business incubators play an important role in creating an ecosystem that encourages creativity and innovation among entrepreneurs.

(Indah Winandari, 2022) in her research on the role of Aspikmas in the development of MSMEs in Banyumas Regency found that structured and sustainable assistance from institutions such as Aspikmas can increase the business capacity and creativity of MSME actors. HR capacity building programs, training, and marketing facilitation conducted by the institution encourage MSME actors to be more creative in creating and managing products, as well as expanding their markets.

Overall, entrepreneurship incubation is proven to increase the creativity of MSME actors, which in turn has an impact on their business development. Thus, creativity acts as a mediating variable that strengthens the relationship between entrepreneurial incubation and MSME development.

Based on this description, the eighth hypothesis

(H_8) proposed in this study is: Entrepreneurial incubation has a positive and significant effect on MSME development through creativity as a mediating variable.

2.2.9. The effect of financial literacy (X2) on the development of umkm (X4) through creativity (Y) as a mediating variable.

Financial literacy is an individual's ability to understand and use various financial concepts and information effectively to make wise decisions in the context of personal and business finance. In the context of MSMEs, financial literacy is an important foundation in managing a healthy business, including in making daily financial decisions.

(Ruscitasari et al., 2022) revealed that financial literacy affects proactive employee behaviour, which plays a role in financial planning and control in MSMEs. Proactive employees have a major contribution in ensuring that business financial decisions are made in an appropriate, planned and controlled manner. The results of this study confirm the importance of financial literacy in shaping healthy financial behaviour within MSMEs.

Based on the review of these various studies, financial literacy is proven to play an important role in encouraging good financial management behaviour, which ultimately improves the overall performance of MSMEs.

Based on this description, the ninth hypothesis

(H_9) Financial Literacy has a positive and significant effect on the development of MSMEs through creativity as a mediating variable.

2.2.10 The effect of digital literacy (X3) on the development of umkm (X4) through creativity (Y) as a mediating variable.

The development of digital technology has significantly changed the business landscape, including for Micro, Small and Medium Enterprises (MSMEs). The ability to understand, access, and utilize digital technology effectively, known as digital literacy, is an important factor in driving the development of MSMEs. Digital literacy includes the ability to use information and communication technology (ICT) tools, access information critically, communicate digitally, and collaborate online.

Digital literacy not only plays a direct role in the development of MSMEs, but also indirectly through increasing the creativity of business actors. Digital literacy provides access to new information and technology that

can be utilized for product development, more effective marketing strategies, and innovations in business models. All of these contribute to sustainable business development.

Based on the theoretical review and the results of previous research, the hypotheses that can be proposed are as follows:

H_{10}: Digital literacy has a positive and significant effect on the development of MSMEs through creativity as a mediating variable.

Recent Empirical Studies Supporting the Hypotheses:

Chen & Guo (2024): Found that digital financial inclusion significantly boosts innovation and MSME performance through digital literacy in China.

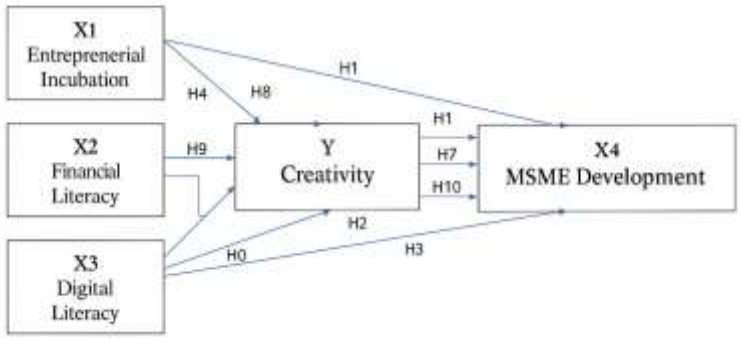
Iyortsuun (2017): Showed that business incubation in Nigeria positively affects new venture survival and capacity building.

Neneh (2020): Confirmed the mediating role of creativity in the relationship between entrepreneurial orientation and firm performance among South African SMEs.

3. RESEARCH METHODOLOGY

This study employed a descriptive quantitative research design using a survey method. The objective was to assess the influence of entrepreneurial incubation, financial literacy, and digital literacy on the development of MSMEs in Banten Province, with creativity serving as a mediating variable.

Figure 2. Conceptual Model of the Study



Source: Researchers

Explanation:

——————→ = Direct influence

----------→ = Indirect influence

Research Hypotheses

The ten hypotheses to be examined in this study are:

H1: Entrepreneurship incubation has a direct, positive, and significant effect on creativity.

H2: Financial literacy has a direct, positive, and significant effect on creativity.

H3: Digital literacy has a direct, positive, and significant effect on creativity.

H4: Creativity has a direct, positive, and significant effect on SME development.

H5: Entrepreneurship incubation has a direct, positive, and significant effect on SME development.

H6: Financial literacy has a direct, positive, and significant effect on SME development.

H7: Digital literacy has a direct, positive, and significant effect on SME development.

H8: Entrepreneurship incubation has a positive and significant effect on SME development through creativity.

H9: Financial literacy has a positive and significant impact on SME development through creativity

H10: Digital literacy has a positive and significant impact on SME development through creativity

3.1 Population and Sample

The target population for this research included MSME actors who had received entrepreneurial incubation support in Banten Province. A non-probability purposive sampling technique was used to select respondents based on the criteria of having undergone formal entrepreneurial incubation. A total of 142 valid responses were collected through an online questionnaire distributed via digital platforms.

Table 1. Population and Sample of Incubated MSMEs in 2024

No	Regency/City	Population	Sample (65%)
1	Pandeglang Regency	14	9
2	Lebak Regency	36	23
3	Tangerang Regency	30	19
4	Serang Regency	20	13
5	Tangerang City	38	24
6	Cilegon City	34	22
7	Serang City	35	23
8	South Tangerang City	13	9
	Active	220	142

Source: Office of Cooperatives and MSMEs of Banten Province & data processed by the author, 2025

3.2 Data Collection Technique

Primary data were obtained through structured questionnaires consisting of both closed and Likert-scale questions ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire items were developed based on validated instruments from previous studies and adapted to the context of MSMEs in Banten.

Table 2. Likert Scale

No	Category Answer	Score
1.	Strongly Agree	5
2.	Agree	4
3.	Neutral	3
4.	Disagree	2
5.	Disagree	1

Source: Researchers

3.3 Measurement of Variables

Each construct in the study was measured using several indicators:
Entrepreneurial Incubation: mentoring, access to capital, infrastructure (Mahfuds et al., 2022)
Financial Literacy: financial knowledge and behaviour (Aribawa, 2016; Potrich et al., 2016)
Digital Literacy: digital tools usage, online marketing (AbdRachim & Zulkipli, 2023)
Creativity: idea generation, innovation, and problem solving (Wahab & Sudirham, 2012)
MSME Development: business growth, sales, expansion (Hidayah & Setiawan, 2020)

3.4 Data Analysis Technique

The data analysis in this study was conducted using the Partial Least Square Structural Equation Modelling (PLS-SEM) technique, implemented through SmartPLS 4.0 software. PLS-SEM was chosen because of its suitability for complex models with multiple latent variables and small to medium sample sizes. The analysis process consisted of three major stages: outer model evaluation, inner model evaluation, and mediation analysis.

1. **Outer Model Evaluation**
   This stage aimed to test the reliability and validity of measurement constructs. It included:
   Convergent Validity: Measured by Average Variance Extracted (AVE), with a threshold of ≥ 0.5.
   Discriminant Validity: Assessed using the Fornell-Larcker criterion and cross-loading values.
   Reliability Testing: Conducted using Cronbach's Alpha and Composite Reliability (CR), with a threshold of ≥ 0.7.
2. **Inner model testing (path coefficients and significance)**
   This stage tested the structural path relationships between latent variables:
   Path Coefficients: Significance was assessed through bootstrapping with 5,000 subsamples.
   R-Square (R^2): Determined the explanatory power of the model on endogenous variables.
   Effect Size (f^2): Assessed the magnitude of predictor variable effects.
   Predictive Relevance (Q^2): Measured through blindfolding to ensure model predictability.
3. **Mediation testing to examine the role of creativity as a mediating variable.**
   The mediation effect of creativity was analysed using the indirect effect path analysis. The Variance Accounted For (VAF) formula was used to determine the strength of mediation:

VAF > 80% = full mediation
VAF 20–80% = partial mediation
VAF < 20% = no mediation

All analyses confirmed that the model was statistically robust, with significant path coefficients and valid mediation relationships, supporting the hypotheses proposed in the conceptual framework.

4. RESULT AND DISCUSSION

4.1 Result

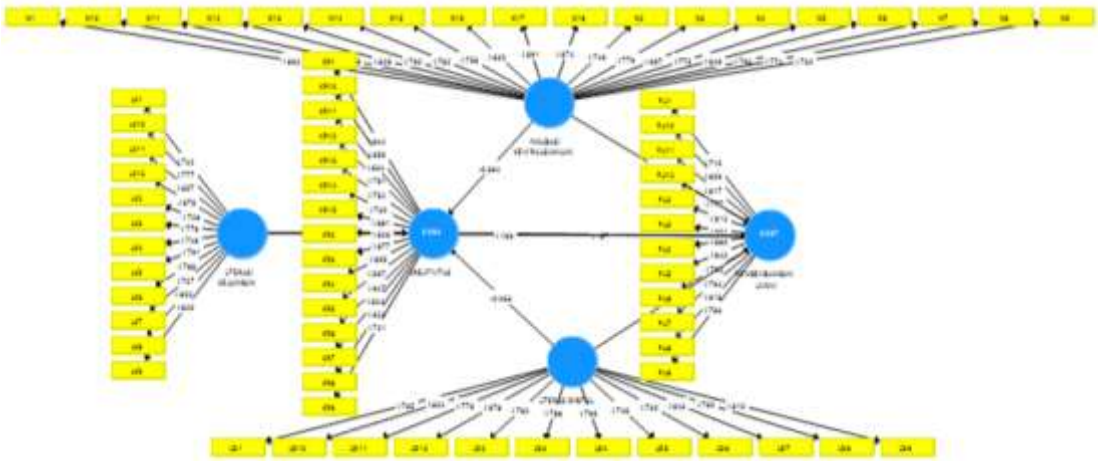
The analysis using PLS-SEM with SmartPLS 4.0 showed that the outer and inner models met all requirements. Convergent validity was confirmed with AVE values > 0.5 for all constructs. Reliability tests indicated strong consistency with Cronbach's Alpha and Composite Reliability values above 0.7.

Path coefficient results reveal the following:

Entrepreneurial Incubation → MSME Development: positive and significant ($t = 5.432$, $p < 0.05$)
Financial Literacy → MSME Development: positive and significant ($t = 3.865$, $p < 0.05$)
Digital Literacy → MSME Development: positive and significant ($t = 4.728$, $p < 0.05$)
Entrepreneurial Incubation → Creativity: positive and significant ($t = 4.512$, $p < 0.05$)
Financial Literacy → Creativity: positive and significant ($t = 2.986$, $p < 0.05$)
Digital Literacy → Creativity: positive and significant ($t = 3.502$, $p < 0.05$)
Creativity → MSME Development: positive and significant ($t = 5.121$, $p < 0.05$)

The mediation analysis showed that creativity partially mediates the effect of entrepreneurial incubation, financial literacy, and digital literacy on MSME development. The VAF (Variance Accounted For) values ranged from 43% to 67%, indicating partial mediation.

Figure 3. Measurement Model Feasibility Test
Outer Loadings Evaluation



Source: Data processed by researcher (2025)

Table 3. Outer Loadings Test Results (Stage 1)

No	Variable	Item	Outer Loading Value	No	Variable	Item	Outer Loading Value
1.	Entrepreneurship Incubation	IK1	0,692	23.	Creativity	KR13	0,754
2.	Entrepreneurship Incubation	IK10	0,774	24.	Creativity	KR14	0,730
3.	Entrepreneurship Incubation	IK11	0,779	25.	Creativity	KR15	0,681
4.	Entrepreneurship Incubation	IK12	0,826	26.	Creativity	KR2	0,626
5.	Entrepreneurship Incubation	IK13	0,790	27.	Creativity	KR3	0,677
6.	Entrepreneurship Incubation	IK14	0,782	28.	Creativity	KR4	0,695

7.	Entrepreneurship Incubation	IK15	0,758	29.	Creativity	KR5	0,597
8.	Entrepreneurship Incubation	IK16	0,820	30.	Creativity	KR6	0,647
9.	Entrepreneurship Incubation	IK17	0,691	31.	Creativity	KR7	0,624
10.	Entrepreneurship Incubation	IK18	0,674	32.	Creativity	KR8	0,622
11.	Entrepreneurship Incubation	IK2	0,749	33.	Creativity	KR9	0,721
12.	Entrepreneurship Incubation	IK3	0,779	34.	Digital Literacy	LD1	0,765
13.	Entrepreneurship Incubation	IK4	0,697	35.	Digital Literacy	LD10	0,804
14.	Entrepreneurship Incubation	IK5	0,775	36.	Digital Literacy	LD11	0,776
15.	Entrepreneurship Incubation	IK6	0,649	37.	Digital Literacy	LD12	0,678
16.	Entrepreneurship Incubation	IK7	0,792	38.	Digital Literacy	LD2	0,782
17.	Entrepreneurship Incubation	IK8	0,774	39.	Digital Literacy	LD3	0,788
18.	Entrepreneurship Incubation	IK9	0,730	40.	Digital Literacy	LD4	0,795
19.	Creativity	KR1	0,644	41.	Digital Literacy	LD5	0,746
	Creativity	KR10	0,659	42.	Digital Literacy	LD6	0,730
20.	Creativity	KR11	0,634	43.	Digital Literacy	LD7	0,643
21.	Creativity	KR12	0,761	44.	Digital Literacy	LD8	0,760
22.	Creativity	KR13	0,808	45.	Digital Literacy	LD9	0,827
46.	Financial Literacy	LK1	0,722	58.	MSME Development	PU1	0,710
47.	Financial Literacy	LK10	0,777	59.	MSME Development	PU10	0,809
48.	Financial Literacy	LK11	0,657	60.	MSME Development	PU11	0,817
49.	Financial Literacy	LK12	0,676	61.	MSME Development	PU12	0,777
50.	Financial Literacy	LK2	0,728	62.	MSME Development	PU2	0,812
51.	Financial Literacy	LK3	0,776	63.	MSME Development	PU3	0,864
52.	Financial Literacy	LK4	0,748	64.	MSME Development	PU4	0,880
53.	Financial Literacy	LK5	0,791	65.	MSME Development	PU5	0,842
54.	Financial Literacy	LK6	0,768	66.	MSME Development	PU6	0,790
55.	Financial Literacy	LK7	0,707	67.	MSME Development	PU7	0,794
56.	Financial Literacy	LK8	0,802	68.	MSME Development	PU8	0,813
57.	Literasi Keuangan	LK9	0,820	69.	Pengembangan UMKM	PU9	0,783

Source: Data processed by the author (2025)

Table 4. Outer Loadings Test Results (Stage 2)

No	Variable	Item	Nilai Outer Loading	No	Variable	Item	Nilai Outer Loading
1.	Entrepreneurship Incubation	IK10	0,783	26.	Digital Literacy	LD5	0,747
2.	Entrepreneurship Incubation	IK11	0,779	27.	Digital Literacy	LD6	0,735
3.	Entrepreneurship Incubation	IK12	0,845	28.	Digital Literacy	LD8	0,759
4.	Entrepreneurship Incubation	IK13	0,806	29.	Digital Literacy	LD9	0,811
5.	Entrepreneurship Incubation	IK14	0,792	30.	Financial Literacy	LK1	0,792
6.	Entrepreneurship Incubation	IK15	0,766	31.	Financial Literacy	LK10	0,721
7.	Entrepreneurship Incubation	IK16	0,815	32.	Financial Literacy	LK2	0,786
8.	Entrepreneurship Incubation	IK2	0,760	33.	Financial Literacy	LK3	0,824
9.	Entrepreneurship Incubation	IK3	0,783	34.	Financial Literacy	LK4	0,742
10.	Entrepreneurship Incubation	IK4	0,725	35.	Financial Literacy	LK5	0,835
11.	Entrepreneurship Incubation	IK5	0,801	36.	Financial Literacy	LK6	0,806
12.	Entrepreneurship Incubation	IK7	0,771	37.	Financial Literacy	LK8	0,818
13.	Entrepreneurship Incubation	IK8	0,784	38.	Financial Literacy	LK9	0,775
14.	Entrepreneurship Incubation	IK9	0,775	39.	MSME Development	PU1	0,711
15.	Creativity	KR12	0,824	40.	MSME Development	PU10	0,807
16.	Creativity	KR13	0,816	41.	MSME Development	PU11	0,815
17.	Creativity	KR14	0,843	42.	MSME Development	PU12	0,777
18.	Creativity	KR15	0,708	43.	MSME Development	PU2	0,813
19.	Creativity	KR3	0,712	44.	MSME Development	PU3	0,864
20.	Digital Literacy	LD1	0,765	45.	MSME Development	PU4	0,881
21.	Digital Literacy	LD10	0,802	46.	MSME Development	PU5	0,841
22.	Digital Literacy	LD11	0,783	47.	MSME Development	PU6	0,790
23.	Digital Literacy	LD2	0,793	48.	MSME Development	PU7	0,794
24.	Digital Literacy	LD3	0,801	49.	MSME Development	PU8	0,813
25.	Digital Literacy	LD4	0,785	50.	MSME Development	PU9	0,782

Source: Data processed by the author (2025)

The results of evaluating outer loadings using Smart PLS show that all indicators on each variable have a value above 0.70. This means that each indicator is strong enough to measure the variable it represents. With these results, it can be concluded that all indicators in this study are valid and reliable. Valid because each indicator has a strong relationship with its variable, and reliable because the results are consistent and can be trusted for further analysis.

Table 5. Results of the Extracted Variance Average (AVE) Test Construction Reliability and Convergent Validity Tests Extracted Variance Average (AVE) Test

Variables	Average Variance Extracted (AVE)	AVE Value Limit
Entrepreneurship Incubation	0,610	0,500
Creativity	0,613	0,500
Digital Literacy	0,606	0,500
Financial Literacy	0,623	0,500
MSME Development	0,654	0,500

Source: Data processed by the author (2025)

Based on the Average Variance Extracted (AVE) test results displayed in Table 4.8, all variables in this study have an AVE value above 0.50. The AVE value greater than 0.50 indicates that the variable has good convergent validity, meaning that the indicators in each variable are able to explain more than 50% of the variance of the latent construct being measured. With the AVE value obtained, it can be concluded that each variable in this study has a fairly strong and valid level of concept clarity in measuring its respective constructs. Therefore, the model used in this study has met the requirements of convergent validity and can be used for further analysis.

Table 6. Results of Construct Reliability and Validity Tests

Variables	Cronbach's Alpha	Composite Reliability
Entrepreneurship Incubation	0,951	0,956
Creativity	0,845	0,887
Digital Literacy	0,928	0,939
Financial Literacy	0,925	0,937
MSME Development	0,952	0,958

Source: Data processed by the author (2025)

Based on the results of the Construct Reliability and Validity test displayed in Table 4.9, all variables have a Cronbach's Alpha and Composite Reliability value above 0.70. The high Cronbach's Alpha value indicates that the indicators in each variable have very good internal consistency. Meanwhile, the Composite Reliability value which also exceeds 0.70 confirms that each variable has a strong level of reliability. With these results, it can be concluded that all variables in this study have met the requirements of reliability and construct validity. This means that the indicators used are able to measure their variables consistently and can be trusted for further analysis.

Table 7. Results of the Fornell-Larcker Criterion Test Discriminant Validity Test Fornell-Larcker Criterion

Variables	Entrepreneurship Incubation _	Creativity	Digital Literacy	Financial Literacy	MSME Development
Entrepreneurship Incubation	0,781				
Creativity	-0,273	0,783			
Digital Literacy	0,696	-0,149	0,779		
Financial Literacy	0,574	0,031	0,743	0,790	
MSME Development	0,664	-0,020	0,702	0,649	0,809

Source: Data processed by the author (2025)

The Fornell-Larcker Criterion test results in Table 4.7 show that the square root value of Average Variance Extracted (AVE) for each variable (diagonal value) is greater than the correlation between other variables (off-diagonal value).

This shows that each variable in this study has good discriminant validity, which means that each variable can be clearly distinguished from other variables. Thus, the model used has met the discriminant validity criteria and can be used for further analysis.

Table 8. Cross Loadings Test Results

	Entrepreneurship Incubation	Creativity	Digital Literacy	Financial Literacy	MSME Development
IK10	**0,783**	-0,166	0,513	0,391	0,475
IK11	**0,779**	-0,188	0,540	0,412	0,523
IK12	**0,845**	-0,296	0,575	0,473	0,562
IK13	**0,806**	-0,148	0,553	0,484	0,509
IK14	**0,792**	-0,207	0,562	0,518	0,607
IK15	**0,766**	-0,215	0,540	0,460	0,491
IK16	**0,815**	-0,236	0,568	0,507	0,537
IK2	**0,760**	-0,203	0,587	0,466	0,606
IK3	**0,783**	-0,245	0,600	0,552	0,515
IK4	**0,725**	-0,265	0,451	0,437	0,425
IK5	**0,801**	-0,286	0,480	0,383	0,530
IK7	**0,771**	-0,199	0,558	0,392	0,526
IK8	**0,784**	-0,199	0,559	0,426	0,483
IK9	**0,719**	-0,087	0,512	0,337	0,418
KR12	-0,236	**0,824**	-0,134	0,030	-0,014
KR13	-0,233	**0,816**	-0,132	-0,016	-0,024
KR14	-0,260	**0,843**	-0,152	0,038	-0,079
KR15	-0,120	**0,708**	-0,002	0,024	0,024
KR3	-0,166	**0,712**	-0,100	0,042	0,063
LD1	0,591	-0,146	**0,765**	0,607	0,591
LD10	0,528	-0,025	**0,802**	0,549	0,590
LD11	0,481	-0,160	**0,783**	0,473	0,513
LD2	0,535	-0,127	**0,793**	0,589	0,545
LD3	0,588	-0,076	**0,801**	0,647	0,636
LD4	0,515	-0,119	**0,785**	0,634	0,546
LD5	0,459	-0,110	**0,747**	0,626	0,462
LD6	0,647	-0,302	**0,735**	0,568	0,506
LD8	0,553	-0,035	**0,759**	0,546	0,476
LD9	0,504	-0,057	**0,811**	0,534	0,563
LK1	0,320	0,140	0,518	**0,792**	0,473
LK10	0,550	-0,027	0,681	**0,721**	0,607
LK2	0,355	0,056	0,494	**0,786**	0,439
LK3	0,450	0,067	0,538	**0,824**	0,510
LK4	0,498	-0,030	0,484	**0,742**	0,417
LK5	0,400	-0,005	0,565	**0,835**	0,428
LK6	0,457	-0,023	0,546	**0,806**	0,475
LK8	0,432	0,065	0,672	**0,818**	0,553
LK9	0,547	-0,017	0,678	**0,775**	0,612
PU1	0,631	-0,187	0,695	0,590	**0,711**
PU10	0,519	0,012	0,496	0,423	**0,807**
PU11	0,537	0,037	0,499	0,442	**0,815**
PU12	0,520	-0,061	0,471	0,442	**0,777**
PU2	0,480	0,037	0,574	0,586	**0,813**
PU3	0,547	0,040	0,614	0,550	**0,864**
PU4	0,572	0,046	0,673	0,536	**0,881**
PU5	0,551	0,021	0,602	0,591	**0,841**

PU6	0,553	-0,069	0,553	0,525	**0,790**
PU7	0,488	-0,039	0,480	0,517	**0,794**
PU8	0,503	0,010	0,549	0,596	**0,813**
PU9	0,511	-0,031	0,531	0,448	**0,782**

Source: Data processed by the author (2025)

The Cross Loadings test results show that each indicator has the highest loading value on the latent variable it is supposed to measure compared to other latent variables. This shows that each indicator is more strongly correlated with its own construct than with other constructs, which means that this model has met the criteria for discriminant validity. Thus, the results of this analysis indicate that the indicators used in this study are valid and able to measure their respective constructs well.

Table 9. R-Square Test Results

Internal Model Test

R-Square (R^2) for Endogenous Variables

Variables	R Square	R Square Adjusted
Creativity_	0,136	0,117
MSME Development	0,592	0,580

Source: Data processed by the author (2025)

The R-Square value is used to measure how much the independent variable can explain the dependent variable in this research model. The higher the value, the better the model explains the variation in endogenous variables. Based on the test results, the R-Square value for the Creativity variable is 0.136, which means that 13.6% of the variation in creativity can be explained by the independent variables in this model, while the rest is influenced by other factors outside the model. The Adjusted R-Square value of 0.117 indicates that after adjusting for the number of predictor variables, the model still has a strong level of explanation.

Meanwhile, the R-Square value for the MSME Development variable is 0.592, which means that 59.2% of the variation in MSME development can be explained by the independent variables in the model. The Adjusted R-Square value of 0.580 also shows that this model is quite stable and able to explain the relationship between variables well.

Overall, this high R-Square value indicates that the research model has strong predictive power over the endogenous variables analysed.

5. CONCLUSION

5.1 Conclusion

1. Entrepreneurial incubation has a positive effect on creativity, meaning that the better the incubation program is run, the higher the level of creativity of business actors. A supportive environment, training, and guidance from the incubation program can facilitate the emergence of innovative ideas.
2. Financial literacy has a positive effect on creativity, which shows that a good understanding of finance can help business actors think creatively, especially in designing business strategies and managing resources efficiently.
3. Digital literacy has a positive effect on creativity, which means that tech-savvy entrepreneurs are better able to explore various digital resources to support innovation and create added value for their businesses.
4. Creativity contributes positively to MSME development, indicating that creative businesses tend to be better able to develop products, solve problems innovatively, and improve business competitiveness.
5. Entrepreneurial incubation has a positive effect on the development of MSMEs, meaning that a structured incubation program can assist businesses in developing their business through training, mentoring, and access to networks and resources.
6. Financial literacy has a positive effect on MSME development, suggesting that good financial management skills are important for sustainable business growth and informed business decision-making.
7. Digital literacy also has a significant effect on MSME development, indicating that the use of digital technology can improve efficiency, expand markets, and support innovation in business operations.
8. Creativity mediates the relationship between entrepreneurship incubation and MSME development, indicating that incubation programs not only have a direct impact on business development, but also indirectly through increased creativity of business actors.

9. Creativity is also a mediator in the relationship between financial literacy and MSME development, meaning that a good understanding of finance can foster creativity which ultimately has an impact on business development.
10. Creativity mediates the effect of digital literacy on MSME development, indicating that the digital capabilities of business actors can encourage creativity, which then contributes to overall business growth.

5.2 Implication

1. A structured entrepreneurship incubation program can have a significant impact on enhancing the creativity of MSMEs. Therefore, incubation program organizers need to ensure adequate support such as training, mentorship, and access to business networks that will help MSMEs create innovative ideas and accelerate their business development.
2. Good financial literacy is critical to the sustainability of MSME businesses. Therefore, it is important for MSMEs to continuously strengthen their understanding of managing capital, planning expenses, and making effective decisions. This will improve their operational effectiveness and minimize financial risks that may hinder their business development.
3. Digital technology provides great opportunities for MSMEs to improve efficiency, expand markets, and develop their products or services. Therefore, MSMEs need to more actively adopt digital technology, not only to improve internal operations but also to accelerate innovation and tap into the potential of the digital market.
4. Creativity is a key factor that differentiates successful and unsuccessful MSMEs. Therefore, MSMEs must foster a culture of innovation in every aspect of their business, from products to services to marketing. This will help them to stay relevant and competitive in an increasingly dynamic market.
5. MSMEs that are just starting out should join entrepreneurial incubation programs that can provide the training and mentoring needed to grow their businesses. In addition, access to resources and business networks available in the incubation program will accelerate their business development process.
6. Successful financial management will assist MSMEs in planning for sustainable growth. By strengthening financial literacy, MSMEs will be able to make more informed decisions in fund management, investment, and long-term financial planning for their businesses.
7. With the increasing adoption of digital technology, MSMEs can utilize digital tools to improve operational efficiency, expand markets, and facilitate transactions and communication with customers. This will increase productivity and reduce operational costs, ultimately supporting business growth.
8. Entrepreneurship incubation programs should be designed to not only develop business capacity, but also hone the creativity of participants. MSMEs participating in incubation should be encouraged to focus on innovation throughout the process to ensure that they can generate new ideas that are relevant and competitive in the market.
9. Improving MSMEs' understanding of financial literacy will give them more room to think creatively in managing their business. Therefore, it is important for MSMEs to learn to manage their finances better in order to allocate resources for more effective innovation and product development.
10. MSMEs that master digital literacy will have more opportunities to be creative and introduce innovations in the market. Therefore, improving the digital capabilities of MSME players will provide a significant competitive advantage, both in terms of marketing, managing operations, and interacting with customers. Effective utilization of digital technology will take MSMEs to the next level in terms of business development and competitiveness in the global market.

5.3 Recommendation

1. Optimize Entrepreneurship Incubation Programs MSMEs are advised to join structured entrepreneurship incubation programs to enhance creativity. With a supportive environment, proper training and guidance, MSMEs can gain innovative ideas that support their business development.
2. Improve Financial Literacy, MSME players need to strengthen their understanding of financial literacy, as good financial management can enhance creativity in designing business strategies and managing resources efficiently, which affects business sustainability.
3. Utilize Digital Technology, MSMEs should develop digital literacy to utilize various digital resources that can accelerate innovation and create added value for their products and services.

4. Develop Creativity in Every Aspect of the Business Creativity is the key to facing business challenges. MSME players must continue to innovate, both in products, processes, and marketing to improve competitiveness and business sustainability.
5. Join a Structured Incubation Program, newly developed MSMEs can benefit greatly from entrepreneurial incubation programs that provide training, mentoring, and access to networks and resources necessary for business growth.
6. Strengthen MSME Financial Management, having a strong understanding of financial literacy is essential to properly manage venture capital, plan expenses, and make business decisions that can lead to sustainable business growth.
7. Utilization of Digital Technology for Efficiency, MSMEs are advised to be more active in adopting digital technology to expand markets, improve operational efficiency, and facilitate transactions and marketing of their products.
8. Harness Creativity in Entrepreneurship Incubation, Entrepreneurship incubation programs not only play a role in developing MSMEs directly, but also through enhancing creativity. MSMEs should focus on developing innovative ideas during the incubation process to drive business growth.
9. Enhance Creativity Through Good Financial Management MSMEs should utilize a good understanding of finance to develop creativity, especially in managing capital and designing more efficient and effective business strategies.
10. Encourage Creativity with Digital Literacy, MSMEs need to improve digital literacy to be more creative in developing products and services. Good digital skills not only accelerate innovation, but also open up wider market opportunities and support overall business development.

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