THE EFFECT OF BUSINESS SKILL AND SME PERFORMANCE IN INCREASING THE INCOME OF SME ACTORS IN EAST JAVA PROVINCE WITH INNOVATION AS AN INTERVENING VARIABLE

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Abstract

The purpose of this study is to analyze the effect of Business Skill and SME Performance on Increasing the income of SME Performance on increasing the income of SME actors through innovation as an intervening variable on SME actors who have participated in training held by UPTP Cooperatives and SMEs of East Java Province in 2023. The analysis method used are the classical assumption test, path analysis test, and sobel test. In this study, the object studied were SME actors who had participated in training from the UPTP Cooperative and SMEs of East Java Province. The result of the study indicate that the business skill variable has a positive effect on innovation, SME performance has a positive effect on innovation, business skills have a positive effect but not significant on income, SME performance has a positive effect on income, innovation has a positive effect on income. The results of the path analysis show that innovation can be a mediating variable for the business skill variable and SME performance on increasing income.

Keywords: SME, Business Skill, SME Performance, Income, Innovation

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INTRODUCTION

As the name implies, Micro, Small, and Medium Enterprises or SMEs are one aspect that strengthens the people's economy, namely sustainability in facing the economic crisis situation in Indonesia, and these SMEs also have a significant impact on the common people (Alansori, Fahrizal, and Luthfi 2021). According to Mukhlis and Simanjuntak (2016), the SME sector can be also be one of the leading sectors in economic empowerment and increasing the added value of economic resources available in a region or nation. Micro, Small and Medium Enterprises play an important role in growth in the national economic sector (Agarwal and Ojha 2022). In addition to being beneficial in growth in the national economic sector, the development of these SMEs also has a potential to increase taxation because the more economic activities develop, the more taxable object and taxpayers are subject to tax (Mukhlis, Sugeng Hadi Utomo, and Yuli Soesetyo 2015). The according to Fitri, Putra, and Lusiana (2020) SMEs also contribute to the investment sector by up to 56.2%. This can happen because SMEs contribute to the creation of new jobs and increase gross domestic product (Siebold 2021). East Java Province is one of the regions in Indonesia that has achieved quite significant economic progress. One indicator that can be seen is from the graph of the increase in the value of gross regional domestic product. Meanwhile, according to Anugerah and Nuraini (2021) in 2018, East Java Province became the province with the largest number of poor people nationally amounting to 4,334,638 people. One of the reasons why the poor population in East Java Province is the largest nationally is because the small number of jobs available while the number of job seeker is increasing every year. However, there are several strategies to reduce the poverty rate in East Java Province, including improving the quality of human resources through the provision of the free education and skills training that are useful for improving individual life skills (Anugerah and Nuraini 2021; Pramestiningrum and Iramani 2020).

Figure 1. GDP Data, Province East Java
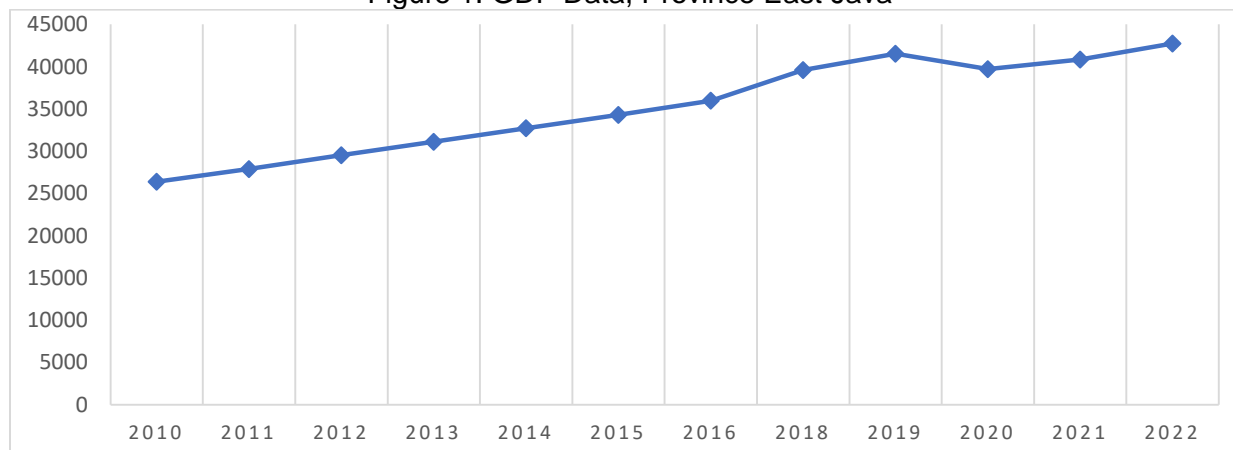
Source: East Java Central Statistics Agency, 2023

Business skills or expertise in entrepreneurship are important in running SME activities. Although it is an important basic thing, there are also many SME actors who lack or do not have basic knowledge and expertise in entrepreneurship. In stating that SMEs often find it difficult to maintain their competitive advantage and maintain growth due to limited resource, technology, and managerial capabilities. According to Iko Putri Yanti (2019) when running a business activity, basic financial skills and knowledge are mandatory in managing entrepreneurial activities. Meanwhile, according to Wibowo (2015) the ability to manage labor, raw material, and information to carry out production is an important thing for SME actors to have. In supporting this, East Java Province established the UPTP Cooperatives and SMEs through regulation issued by the Governor of East Jave Province Number 44 of 2018 discussing the regulations regarding nomenclature, organizational structure, job descriptions, and the role of the establishment of the UPTP Cooperatives and SMEs of East Java Province as a sign of the seriousness of the East Java Province as a sign of the seriousness of the East Java Provincial government in advancing human resources for SME actors and indirectly having an impact on increasing SME income and performance. SME performance is one of the indicators in seeing the progress or success of an SME. According to it's meaning, performance is the ability of a business or SME to implement and meet predetermined targets. According to Septiani and Wuryani (2020) performance that is considered good is positive achievements in various field such as finance, production, distribution, and marketing are prerequisites for sustainable growth and achievinf the main goals for Small and Medium Enterprise (SME). Even so, there ara several other indicators for achieving SME goals, one of which is innovation. According Prihartini and Sanusi (2019) Innovation is a creative process that produces something different, service, business processes, methods, or policies. Innovation has a vital role in entrepreneurial activities, because innovation is a combination of several production factors owned by entrepreneurs to became a driving factor in economic growth (Darmo 2023). The same thing was also stated according to Adhimursandi (2016) Innovation is a driver of change in the progress of the Indonesian people's economy and most of it comes from entrepreneurs or people who are brave and able to take risk and try ti accelerate economic growth. Several previous studies have stated that business skills and innovation simultaneously influence the progress of SMEs in Padang City (Fitri, Putra, and Lusiana 2020). In a study conducted by Iskandar and Safrianto (2020), it was explained that entrepreneurial skills and entrepreneurial experience simultaneously influence the success of entrepreneurship. Then, research by Fahmi, Hadiyati, and Ahmad (2020) Knowledge has a positive impact but does not have a significance on performance, which means that if knowledge is increased, knowledge can also improve performance. In study by Nawang Sari et al. (2022) showed that the increase in capital made by

SME actors has been proven to have a positive and significant influence on the growth and development of their businesses, both directly and indirectly. Meanwhile, in a study conducted by Melany, Nirwana, and Mukhlis (2022) SMEs have a positive impact and significant changes for the better way.

Based on several previous studies explained earlier, there were several inconsistencies, although there were several variables that were not the same like this study. The basis for making decision on the Innovation variable as an intervening variable is based on the basic theory of endogenous technical change developed by Grossman and Elhanan (1994) that there is a possibility that Innovation activities have the same effect on economic growth and other macroeconomic factors, then several previous studied show that income is influenced by ability and performance but with a small percentage. In addition, there has been no research that has really examined the four variables simultaneously, namely Business skills, SME performance, SME Income, and Innovation. This study aims to examine the effect of Business Skills and SME performance on the income of SMEs in East Java Province with Innovation as an Intervening variable.

LITERATURE REVIEW
Business Skill

Business skill is the ability to manage with effort and adaptively in carrying out activities in a complex organization (Ahmad and Ahmad 2018). Business skills are indeed mandatory skills for entrepreneurs. This is also found in (Wang, Lin, and Tsay 2016) which explains that things like financial, marketing, and industry expertise, then management skills such as leadership, project management, planning, controlling, training and organization, then social skills related to personal skills, communication skills, personal motivation, and the ability to work independently.

Good attitude, critical thinking, communication skills, time management, and others are some of the skills referred to in Business Skills (Espinoza Mina and Gallegos Barzola 2020). Several studies on small companies have demonstrated that the ability to conduct business effectively is one of the best assets for maximizing profits and performance (Ali et al. 2020; Botella-Carrubi et al. 2022; Mainga, Daniel, and Alamil 2022). Training programs aimed at enhancing business skills are specifically designed to equip individuals with the knowledge and abilities necessary for successfully launching new business ideas within the community (Botella-Carrubi et al. 2022).

SME Performance

The term "performance" can be understood as a description of how effectively an activity or task achieves a company's goals, targets, vision, and mission (Warsiyah 2023). According to Margareta et al. (2023), the performance of SMEs (Small and Medium Enterprises) is defined as the level of effectiveness and efficiency in achieving the goals and targets set by the SME. Rekarti and Doktoralina (2017) argue that developing the ability to adapt is crucial for SMEs to increase profit opportunities and enhance business performance, which in turn can positively impact the economic conditions of the area where the business operates. SME performance reflects a company's ability to adapt to the business environment, including changes in the market, such as customer preferences, competition, and other influential factors. Moreover, effective performance management depends on the company's ability to create harmony between the external environment and it's internal operations (Rekarti and Doktoralina 2017).

SME Income

Income is the result obtained after the process of buying and selling, whether it involves goods or services (Lubis 2022). Then according to Budiono et al. (2022) SMEs are a business or business managed by individuals or business entities, SMEs are an important sector for the Indonesian economy, because they expand employment opportunities. We know that SMEs are an important sector in the country's economy because they can create jobs and increase income equality. Even so, there are still many SMEs that experience difficulties when they want to develop their businesses with the aim of increasing income due to lack of skills and knowledge in the field of entrepreneurship, therefore the government provides assistance by organizing entrepreneurship training with the aim SME income (Kwartawaty, Sari, and Jona 2023). In addition to the training held by the government, there is also the influence of innovation technology in increasing the productivity of an SME or Company and ultimately will have an impact on the economic growth of SME actors and the area around the SME (Surya et al. 2021).

Innovation

Innovation is an important part of the competition because one of the advantages brought by innovation is the creation of innovative concepts, new methods, new results, or improving business quality (Wijaya, Qurratu'aini, and Paramastri 2019). Meanwhile, according to Lestari (2019) innovation is a new concept, implementation, evaluation with the ultimate goal of commercialization. Innovation in SMEs or a company is often used as a method to achieve a

more stable position in the market, there is also a significant relationship between new product development revenue (Ali et al. 2020).

The ability to innovate can be said to be the potential to create new and valuable products or knowledge. Thus, the ability to innovate is very important for small business that want to compete with larger competitors and have more resources (Saunila 2020).

RESEARCH METHODS

Research Design

This study uses a quantitative approach. The quantitative approach is an activity in analyzing research data whose data is in the form of numbers and requires calculations to obtain the desired results (Veronica 2022). This study is also used to examine whether Business Skills and MSME actors in East Java Province with innovation as an intervening variable. This study uses initial information obtained through the distribution of surveys to MSME actors in East Java Province. This questionnaire is only intended for MSME actors who have participated in training run by UPTP Cooperative and MSMEs of East Java Province.

Population and Sample

According to Roflin and Liberty (2021), population is a research subject in the form of people or can be called a research unit or observation unit. In 2018, the distribution of the number of SMEs in East Java reached 9.783.920 units. However, this study did not use the total number of SMEs in East Java as a population. The population group in this study were all SME actors or administrators who came and had participated in training held at the East Java Province Cooperative and SME Training UPT. A simple is part of the entire study population data that can represent a research population (Hidayat 2021). Because the type of research population is an unlimited population, the number of research samples taken In this study was 100 SME actors or administrators with the type of sampling from this study being the purposive sampling method. In selecting samples, it is based on or has certain requirements that must be met. The criteria for selecting this sample are SME actors or administrators in East Java Province who have participated in training carried out by the East Java Province Cooperative and SME Training UPTP.

Data Collection

The questionnaire that was compiled produced research data in the form of likert scale. According to Fadila, Rahayu, and Saputra (2020), the likert scale is a type of scale that is often used in research to evaluate programs that have been implemented, and is also used to

measure attitudes, opinions, and perceptions of individuals and groups toward certain programs.

Table 1. Alternative Questionnaire Answers

Score	Information
5	Strongly Agree
4	Agree
3	Neutral
2	Disagree
1	Strongly Disagree

$$Means\ of\ Interval = \frac{Density\ at\ Lower\ Limit - (Density\ at\ Upper\ Limit)}{Area\ Under\ Upper\ Limit - Area\ Under\ Lower\ Limit}$$

Data Analysis Method

This study uses statistical analysis and path analysis. In conducting statistical analysis and path analysis, the statistical tool used is SPSS (Statistical Product and Service Solutions). This method was determined because the purpose of this study is to understand the impact, correlation and level of significance between the variables involved.

$$Y = \beta_1 + \beta_2 + \beta_3 + \varepsilon$$

Figure 2. Path Diagram Model
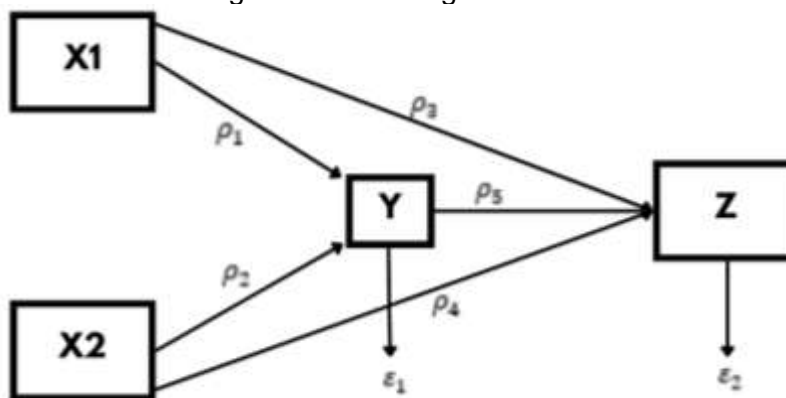
Triangulation

The triangulation method is a combination of models that combines qualitative and quantitative research methods in a balanced manner (Sugiyono 2015). There are 3 types if

triangulation that are commonly used 1) method triangulation, in this type the data or information obtained will be compared with different methods or ways, for example comparing data or information obtained through interviews with observations and vice versa; 2) data source triangulation, in this method it is used to find out the truth of data or information obtained through different data sources, for example data or information obtained through interviews or questionnaires are also used other data obtained through literature studies, document, or archives; 3) theory triangulation, this method compares data or information obtained through a specific relevant theoretical perspective. In general, this method aims to make the results of research more complete, valid, reliable, and objective. The weakness obtained when using only data collection technique can be overcame using the triangulation method. In this study, the method used is the type of data triangulation, namely comparing data obtained with data sources obtained using other methods.

RESULTS AND DISCUSSION

Validity Test

In this study, validity test is applied using the SPSS statistical tool, by comparing the calculated r to the table r with the number of samples, namely 30 individuals (table 2).

Table 2. Validity Test Results

Question	r count		r table(N=30)	Information
P2	0,550	>		Valid
P5	0,440	>		Valid
P6	0,610	>		Valid
P7	0,583	>		Valid
P8	0,578	>		Valid
P9	0,541	>		Valid
P10	0,755	>		Valid
P11	0,586	>		Valid
P12	0,660	>		Valid
P13	0,656	>		Valid
P14	0,707	>		Valid
P15	0,479	>		Valid
P16	0,687	>		Valid
P17	0,666	>		Valid
P18	0,673	>		Valid
P19	0,587	>		Valid

There are several treatments carried out on the data before being tested, namely transforming the raw data with MSI (Method Successive Interval). After performing calculations using the SPSS tool, the table above is obtained as a conclusion from the comparison of the results of the calculated r to the r table. Of the total 19 measurement components that have been tested for validity, there are 3 components that are invalid, while rest are declared valid.

Reliability Test

The reliability test in this study was conducted using the Cronbach's Alpha coefficient. This test was conducted with the help of SPSS software to assess the internal consistency of the research instrument (questionnaire).

Table 3. Reliability Test Results

Cronbach's Alpha	N of Items
,894	16

The table above shows a Cronbach's Alpha value of 0.894 > 0.456 with an N value of 16, which can then be concluded that the data tested above has a high level of reliability.

Classical Assumption Test

Table 4. Classical Assumption Test Results

No	Types of Equations	Normality *Asymp. Sig (2-tailed) > 0,050*	Multicolinearity (Tolerance > 0,10 dan VIF < 10)	Heteroscedasticity (Sig. > 0,05)
1	First Model	*Asymp. Sig. =0,152* Normally distributed	*Tolerance* X_1= 0,836; X_2= 0,836 *VIF* X_1= 1,196; X_2= 1,196 There is no multicollinearity	Nilai Sig. X_1= 0,973 > 0,05 Nilai Sig. X_2=0,388 > 0,05 There are no symptoms of heteroscedasticity
2	Second Model	*Asymp. Sig. =0,200* Normally distributed	*Tolerance* X_1= 0,643; X_2= 0,707 Y=0,554 *VIF* X_1= 1,556; X_2= 1,415 Y=1,806 There is no multicollinearity	Nilai Sig. X_1=0,641 > 0,05 Nilai Sig. X_2=0,957 > 0,05 Nilai Sig. Y=0,642 > 0,05 There are no symptoms of heteroscedasticity

From the information in the table above, it can be concluded that the data in the study conducted by the researcher is normally distributed, there are no symptoms of multicollinearity, and there are no symptoms of heteroscedasticity. So from the results of the classical assumption test in the table above, it can be continued to the next stage of analysis.

Path Coefficient Test

The reason for conducting this path coefficient test is to find out what form the equation of the two models to be tested takes.

Table 5. Results of the First Model and Second Model Testing

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.363	1.244		2.704	.008
	Business Skill (X1)	.626	.116	.446	5.401	.000
	Kinerja UKM (X2)	.323	.077	.348	4.213	.000

a. Dependent Variable: Inovasi (Y)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	1.972	1.805		1.092	.277
	Business Skill (X1)	.246	.185	.125	1.330	.187
	Kinerja UKM (X2)	.328	.117	.251	2.807	.006
	Inovasi (Y)	.591	.142	.421	4.162	.000

a. Dependent Variable: Pendapatan (Z)

The table of t-statistic test results on both models can be defined as the influence of each variable Business Skill, and SME Performance on SME actors' Income through Innovation as an intervening variable. Then the equations for both models can be arranged as follows:

$$Y = 3,363 + 0,626X_1 + 0,323X_2 + \varepsilon \qquad \textbf{(model 1)}$$
$$Z = 1,972 + 0,246X_1 + 0,328X_2 + 0,591Y + \varepsilon \qquad \textbf{(model 2)}$$

From the results of the equation above, it can be concluded that all variables in both models have positive values.

Hypothesis Testing

Results of t-Test (Partial)

The t-test is one of the statistical methods commonly used to test hypotheses in research. This method is also useful for evaluating the extent to which the independent variable

has an impact on the dependent variable. When the t-count value exceeds the t-table value, or the Sig value, is less than 0.05, it can be concluded that there is an influence of the independent variable on the dependent variable.

Table 6. t-Test Results

Variable	$t_{calculated}$	t_{table}	Information
First Model Equation			
Business Skill (X1)	5,401	1,66055	Positive and Significant
SME Performance (X2)	4,213	1,66055	Positive and Significant
Second Model Equation			
Business Skill (X1)	1,330	1,66071	Positive and Insignificant
SME Performance (X2)	2,807	1,66071	Positive and Significant
Income (Y)	4,162	1,66071	Positive and Significant

F Test Results (Simultaneous)

The F test is used to assess how well the independent variables can explain the dependent variable. In the first model, F count is 39.083 with a Sig. value of 0.000. Because F count > F table and Sig. value < 0.05, it can be concluded that simultaneously the Business Skill and SME Performance variables have an influence on the Income variable. Meanwhile, in the second model, the F count value is 26.775 and the Sig. value is 0.000. Because the F count value is > than F table and the Sig. value is < than 0.05, then the Business Skill, SME Performance, and Innovation variables have a simultaneous influence on the Income variable.

Table 7. F Test Results

Model	F_{count}	F_{table}	Sig.
Model Equation 1	39,083	3,09	0,000
Model Equation 2	26,775	2,70	0,000

Coefficient of Determination Test

Table 8. Results of the Coefficient of Determination (R^2) Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.668[a]	.446	.435	1.606874

a. Predictors: (Constant), Kinerja UKM (X2), Business Skill (X1)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675[a]	.456	.439	2.249023

a. Predictors: (Constant), Inovasi (Y), Kinerja UKM (X2), Business Skill (X1)

The results of the determination coefficient test (R^2) on the first model equation and the second model equation obtained values of 0.446 and 0.456 which indicate that the independent and dependent variables are related. In the first model, the R^2 value obtained was 0.446 which means that 44.6% of the independent variables affect the dependent variable, then the remaining 55.4% is influenced by error variables/variables not included in this study.

In the second model equation, the R^2 value obtained was 0.456, which means that 45.6% of the independent variables influence the dependent variable, while the remaining 54.4% are influenced by error variables/variables not included in this study.

Path Analysis

Figure 3. Path Diagram Model Results
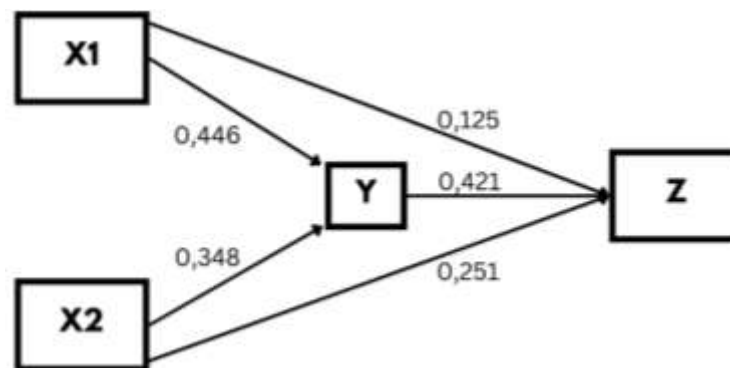
The image above is the result of the calculation through the Sobel test. The Sobel test was conducted with the aim of finding out the t-count results of the influence of the independent variable on the dependent variable through the intervening variable. In the calculation of the Sobel test, 2 t-count results were produced, namely at the t1 value obtained 3.2734 which was > from the t_{table} at a significance level of 0.05, namely 1.6603, which can be concluded that it is significant. This means that Innovation can be a mediator in the influence of Business Skills on Income.

While in t2 obtained 2.9444 which is > from t_{table} at the level of significance of 0.05 which is 1.6603 which can be concluded that it is significant. This means that Innovation can be a mediator in the influence of SME Performance on Income.

The Influence of Business Skills on Innovation

Business Skill has a positive and significant influence on Innovation in SMEs who have participated in the UPTP Cooperative and SME training in East Java Province. From the results

of this study, it can be interpreted that the knowledge and literacy about entrepreneurship possessed by SMEs has an impact on the ability to innovate, which is an important ability for SMEs to have. This is what will maximize profits through the development of products or services that have been offered to the community in order to be able to compete with other similar products.

This is directly proportional to the research conducted by Yanthy et al. (2020) that innovation has a positive and significant effect on the hard skills and soft skills of teachers in Islamic schools in Jakarta and Tangerang. Then according to Ali et al. (2020) customers always have the desire to buy new products that already have Innovation features and also the ability to innovate will lead a company or SME to maintain their performance stable even though there is market turmoil.

The Influence of SME Performance on Innovation

SME performance has a positive and significant effect on Innovation in SME actors who have participated in training held by the UPT Training for Cooperatives and SMEs of East Java Province. From these results, it shows that Innovation really has an effect on improving SME Performance. An Innovation carried out by companies and SMEs such as updating the products or services offered will have a positive effect on winning the market against rival companies.

A study conducted by Joko, Anisma, and Sofyan (2022) stated that without innovation a business or SME will lose to its competitors. The study also concluded that innovation does not play a major role in improving the performance of SMEs (Small and Medium Enterprises). Meanwhile, in a study conducted by Jalil, Ali, and Kamarulzaman (2022) innovation, especially in the field of technology, is one of two indicators that can maximize the performance of SMEs or companies, and also an innovation that develops will be directly proportional to the performance of an SME/company. Then according to Carrasco-Carvajal, García-Pérez-de-Lema, and Castillo-Vergara (2023) in dealing with market dynamics, innovation is one way to manage limited resources and as a promotional tool for the development of new products for SMEs in dealing with market dynamics.

Pengaruh *Business Skill* terhadap Pendapatan

Business Skill has a positive but insignificant effect on the income of SMEs who have participated in training held by the UPTP Cooperatives and SMEs of East Java Province. From the results of this study, it was found that knowledge and literacy about entrepreneurship have quite an influence on income, however, there are other factors that can affect the income of SMEs.

Meanwhile, according to Nanda Oktasavira and Ismanto (2022), the amount of income can determine whether or not a business activity continues because the sustainability of a business is determined by the funds it has and literacy technology is the ability to use information and communication which is one of the abilities to increase income. There is a difference between the findings in a study conducted by Mariam and Yuliani (2022) It was found that skills training had a positive and significant impact on MSME income. Then according to Sinambela et al. (2021)capital, level of education and technology in a company have a significant impact on the company's income both individually and together.

The Impact of SME Performance on Revenue

The performance of SMEs has a positive and significant effect on the income of SMEs who have participated in training held by the UPT Training for Cooperatives and SMEs of East Java Province. These results indicate that an increase in SME performance, whether it is about improving services or adding types of goods traded, will show a positive reaction to increasing the income of SMEs. When an SME makes an update to a product that is more useful, it will also have a positive impact on the income received by the SME.

According to Mustapha et al. (2020) the most basic ability in making MSME activities successful is the ability to see opportunities, this ability is related to individual skills and skills in generating greater income value. However, according to research conducted by Ayub et al. (2020) micro savings carried out by an MSME will have a positive effect on MSME performance while financial knowledge and grant assistance do not affect the performance of an MSME.

The Impact of Innovation on Income

Innovation has a positive and significant influence on income for SMEs who have participated in training held by the UPT Training for Cooperatives and SMEs of East Java Province. This study shows that innovation activities for services or goods traded by SMEs will positively affect the amount of income that will be received by SMEs.

Innovation is one of the important and most significant factors that can affect the performance of SMEs. SMEs need to have a strong direction of innovation to achieve growth, in addition, SME Innovation refers to new ideas, concepts, and new methods in terms of quality and creativity with the aim of achieving a positive impact on SMEs (Jalil, Ali, and Kamarulzaman 2022) Innovation has an impact on increasing SME income in outperforming market competition with fellow SME rivals who sell almost the same products or services. Meanwhile, in a study conducted by Widiyanto, Satrianto, and Wibowo (2021) innovation in products, prices, and innovation has an impact on the income of SME actors.

Triangulation

In this study, data triangulation tests were also carried out with the aim of validating the data collected by the researcher so that it can be said to be valid, reliable, and objective.

Figure 4. Activities of the East Java Province Cooperative and SME Training Unit

In the observations made by the researcher when attending the training activities held by the East Java Province Cooperative and SME Training UPT, it was seen that the participants were quite enthusiastic and several times asked questions about efforts to develop small, micro and medium enterprises. Then based on an article published by the East Java Province Cooperative and SME Service as of March 2024, East Java managed to record a poverty rate that only reached single digits, namely 9.79% and became the highest poverty rate reduction in Java Island, the Administration (Biro Administrasi Pimpinan Sekretariat Daerah Provinsi Jawa Timur 2024).

Then based on an article published by ANTARA, it was reported that during the visit of the Governor of East Java to the K-UKM Expo event entitled Future UMKM Transformation in Surabaya, it was stated that UMKM contributed 58.36% of the PDRB in the local province. Governor Khofifah also expressed her gratitude to UMKM actors who helped increase economic growth in East Java by 5.24% above the national average and became the highest in Java (Nurul Aulia Badar 2023).

CONCLUSION AND SUGGESTIONS

The findings of this study indicate that Innovation plays a role as a mediator between Business Skill and SME Performance towards the income of SME actors who participated in training at the UPTP Cooperatives and SMEs of East Java Province. The training conducted by

the UPTP Cooperatives and SMEs of East Java Province aims to improve Business Skill and SME Performance. The results of this study indicate that the training program has a positive and significant impact on the income of SME actors. However, Business Skill does not directly have a significant impact on the Income of SME actors. This shows that there are various other factors that are involved or influence changes in the income of SME actors. Based on the results of research and observations in the field, it is better if the focus of training is on Innovation in entrepreneurship, besides only focusing on improving Business Skills practically.

Further comprehensive studies need to be conducted so that the programs implemented by the government are truly on target. It is also recommended to conduct further studies in other regions so that the training organized by the government truly provides real and relevant benefits for SMEs, not just mere formalities.

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