
THE INFLUENCE OF ABILITY AND INNOVATION ON PERFORMANCE COFFEE MARKETING (STUDY ON UMKM IN BANJARMASIN)

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ABSTRACT

The long-term objectives of previous research that have focused on the problems of Product Innovation and Information Technology in manufacturing companies, service companies, research conducted in companies including Anttila J., Jussila K., 2018, Ramayah T., While in this study focuses on the study of Product Ability and Innovation on Coffee Marketing performance carried out in Banjarmasin UMKM. Specific targets to be achieved. Against the backdrop of current Marketing Performance, many problems arise related to employment, especially the performance of UMKM Marketing, therefore problems related to performance need to be resolved. Focus on two problems, namely Analyzing and knowing the Effect of Ability and Innovation partially on UMKM Performance. (1) Is there an effect of Ability on Marketing performance, and (2) Is there an effect of Innovation on Marketing performance. This research method uses a quantitative approach. The data collection technique uses a questionnaire (questionnaire), Population and sample of 48 respondents, while data analysis uses Smart PLS. The Data Analysis Technique used in this study is PLS-SEM because it aims to test the predictive relationship between constructs by seeing whether there is a relationship or influence between the constructs. proposed activities. The study aims to provide the ability that better interactions and relationships are actually side effects of providing space for MSMEs for Coffee Marketing, innovating and still being able to accommodate existing problems.

Keywords: Ability, Innovation, Marketing Performance of UMKM Coffee.

INTRODUCTION

Indonesia's economic growth every year experiences quite good changes and developments. The statement is based on the Official Statistics News of BPS (2022), the database that in 2019-2020. Micro, small, and medium enterprises in Banjarmasin City experienced development with a growth rate of 38,864 to 40,199. It can be concluded that MSMEs experience a significant increase every year. Especially in Banjarmasin City, many

MSMEs produce beverage and food products.

The increasing rate of economic growth in Indonesia is not as fast as the economic growth in ASEAN (Association of South East Asia Nations) countries. The statement is based on news in the 2020 data box. Micro, Small and Medium Enterprises (MSMEs) in various countries including Indonesia are one of the strong driving forces of the community's economy. Most of these micro, small and medium actors

come from small or home industries, thus their consumers also come from lower-middle class society.

For a business to grow and survive, innovation is needed. Innovation can be created as companies see many competitors emerging so that companies are able to combine the advantages of competitors into a new advantage for the company (Ofori et al., 2019).

The impact of innovation also contributes to the creation of useful characters to be more easily remembered and has an impact on increasing company profits, where the profit plays a role in the welfare of all elements of the company. (Waheed et al., 2014). The ability to relate to small and medium business actors needs to implement the role of product innovation in their business, this is done because of the influence of globalization on the rapid development of promotion as a form of new knowledge. also useful in terms of accelerating the production process and marketing products in other ways such as online sales (Setyawati., 2014).

In this era of globalization, promotion continues to grow. Almost all activities start through Innovation. Where everything is easier to reach via the internet. With Promotion, it can facilitate performance to be maximized. In the online world, social media is redefining the way people interact with each other, allowing people to build relationships without geographical and demographic barriers. The impact of social media doesn't stop there. Social media also facilitates global collaboration in innovation. Social media encourages social inclusivity and builds a sense of belonging in their communities. (Philip Kolter et al; 2019).

In micro, small and medium enterprises, in addition to Ability, good Marketing performance is also needed. There are many models of organizational management where there are differences in how to select, build, distribute, and protect Marketing from the company (Associate; 2014). Good performance results from good work so that it can lead to superior Marketing strategies.

MSMEs in South Kalimantan have five main characteristics. The first characteristic is that management is carried out simply. MSMEs in South Kalimantan tend to employ relatives or family members. The scale of the business being run is classified as small. Starting from production activities and goods sold, it is still classified as small in number. The second characteristic is that it is concentrated in the trade sector. MSMEs engaged in the wholesale and retail trade sector; car and motorcycle repair and maintenance, which is 48.45 percent. Followed by the accommodation and food and beverage provision sector at 18.04 percent and the processing industry at 12.75 percent. The third characteristic is the absence of legal status. The fourth characteristic is that there are more male entrepreneurs than female entrepreneurs. The fifth characteristic is the lack of knowledge and skills of human resources, as many as 42 percent of MSME actors are elementary school graduates/equivalent or below, followed by junior high school graduates/equivalent (22 percent), high school/vocational school graduates/equivalent (27 percent), and college graduates (9 percent). MSMEs in South Kalimantan continue to grow with this composition, but good management of MSMEs includes

activities that require broad insight. Non-formal skill development is still often ignored by MSME actors (Central Statistics Agency; South Kalimantan; 2022)

The development of Micro, Small and Medium Enterprises (MSMEs) in

Banjarmasin City is quite rapid every year. This can be seen in the data on the development of MSMEs in Banjarmasin City in 2020-2021 based on data from the Banjarmasin City Cooperatives, MSMEs, and Manpower Service, namely:

Table 1. MSMEs in Banjarmasin City

Year	Micro	Small	Intermediate	WUB	Amount
2020	31,622	3,724	1,643	1,875	38,864
2021	32,167	3,724	1,643	2,585	40.199

Source: Banjarmasin City Cooperatives, UMKM, and Manpower Service, 2022

The table above shows that the number of business units always increases every year. It can be seen in the database that in 2020-2021. Micro, small, and medium enterprises in Banjarmasin City experienced development with a growth rate of 38,864 to 40,199. It can be concluded that MSMEs experience a significant increase every year. Especially in Banjarmasin City, many MSMEs produce food products.

With this, the unemployment rate will decrease and the poverty rate in this country will also decrease with the role of work from MSMEs. The development of MSMEs is expected to provide a significant positive contribution to the efforts made by the government in overcoming these problems. The problems that exist in this country are expected not only to provide contributions but also MSMEs are able to survive in facing every problem that exists. At least with the contribution of MSMEs can help a little to solve the problems faced by Indonesia related to the high poverty rate, the large number of unemployed, and inequality in income distribution.

Based on this description, this study aims to produce a comprehensive model by considering the Ability and Competence variables. Innovation,

which has an impact on the performance of UMKM Coffee Marketing in Banjarmasin City. This is also the originality and novelty of this study.

Research conducted by

Man and Wafa (2018), with a study entitled "The Relationship Between Distinctive Capability, Innovativeness, Strategy Type and the Performance of Small and Medium: Size Enterprises (SME's) of Malaysian Manufacturing Sector". The purpose of this study is to determine the relationship between distinctive capabilities, innovation, strategy types and performance of SMEs in the manufacturing sector in Malaysia. The population is 100 SMEs in the manufacturing sector, using structured questionnaires and interviews with SME owners-managers. Data analysis using multiple regression and One-Way ANOVA analysis, with the results of the study showing (1). Management capability has a positive and significant effect on the performance of small and medium enterprises (SMEs); (2). Business strategy has a significant effect on the performance of small and medium enterprises (SMEs).

Holy (2019), with a study entitled "Performance Improvement through Entrepreneurial Orientation, Management Skills and Business

Strategy". This study aims to determine and analyze how much influence entrepreneurial orientation, management skills and business strategies have on small and medium industries. The population in this study were all entrepreneurs who were also owners or managers of border SMEs in East Java, while the sample was set at 365 business units. Data analysis using SEM and the findings are as follows: (1). Entrepreneurial orientation has a significant positive effect on the management skills of small and medium industries. This shows that to achieve high performance, an entrepreneur must have management skills. (2). Entrepreneurial orientation has a significant positive effect on business strategy. With a high entrepreneurial orientation, it will be easier for companies to focus and implement business strategies, both differentiation, low cost and focus. These three strategies can be used one or in combination with one another to improve company performance. (3). A high entrepreneurial orientation is also needed to improve SME performance, therefore it is necessary to have the belief that success is due to one's own efforts, high self-confidence and openness to be able to increase sales, increase assets and increase profit growth. (4). Management capability has a significant positive effect on performance, in other words, sufficient management capability can determine the success of SME performance. (5). Hybrid strategies that combine low cost and differentiation strategies cannot improve SME performance.

Ursic and Mulej (2015) Theory and Practice of Management Concepts: Slovenian's experience Management, Business performance. The findings

show that management capability has no significant effect on technological development as well as globalization and innovation in efforts to improve business performance.

Panayides (2016), Enhancing innovation capability through relationship management and implications for performance, Distribution management Business performance, SEM via LISREL 8.52, The results of the study show that distribution management supported by innovation capability has an effect on company performance.

Wai and Kuan (2014) *Supply chain management, knowledge management capability, and their linkages towards firm performance*. Research Variables Ability, Management, Organizational Performance, Lisrel Analysis Tool 8.30 The results of the study show that management ability has an effect on company performance. Research conducted by E. Supriyati, M. Iqbal, Internet Marketing Adoption Factors for Micro and Small and Medium Enterprises (MSMEs) in Kudus Regency with SEM (Structural Equation Model) and Cobit 4.1 Framework, The indicators analyzed are indicators of internet marketing usage. From this identification, questionnaires were distributed to MSMEs. The Structural Equation Modeling (SEM) approach is used to empirically analyze the factors related to the use of internet marketing in marketing MSME products. The results of this study indicate that the correlation between Internet Marketing and PO5 is quite strong (-0.358) but the direction is negative so that the smaller the IT investment arrangement, the smaller the use of Internet Marketing.

Research conducted by H. Tawas, C. Djodjoko, The Influence of

Entrepreneurial Orientation, Product Innovation, and Competitive Advantage on Marketing Performance of Yellow Rice Business in Manado City, The research method used is associative. The research data is based on a review of relevant literature and questionnaires.

which was sent to 47 yellow rice business owners in Manado city. This study is a test of the influence of entrepreneurial orientation, product innovation, and competitive advantage on the marketing performance of yellow rice businesses in Manado city. The study used a saturated sampling method. The data analysis tool used was path analysis. The results of the study underline that entrepreneurial orientation does not have a positive and significant effect on competitive advantage, product innovation has a positive and significant effect on competitive advantage, entrepreneurial orientation and product innovation simultaneously have a positive and significant effect on competitive advantage, and competitive advantage has a positive and significant effect on marketing performance.

Research conducted by M.Muafi, Pattern of relationship between organizational innovation, people equity and SME performance, The type of research is survey. This research tries to test the relationship between organizational innovation, people equity and SME performance. The results of the study indicate that: (1) there is a positive influence of organizational innovation on SME performance; (2) there is a positive influence of organizational innovation on people equity (alignment, capability, engagement); and (3) there is a negative influence of people equity (alignment,

capability, engagement) on SME performance. The practical implications of this research are: (1) increasing the skills, knowledge and abilities of HR; (2) owners or managers can encourage to have a match of people equity (alignment, capability, engagement) with the vision and mission of SMEs.Štefko R., Steffek V., 2015.

METHOD

This research was conducted on Micro, Small, and Medium Enterprises (MSMEs) located in the Banjarmasin area. The selection of this location was based on ease of access and proximity to the researcher, which allows for more efficient research implementation in terms of time and cost. In addition, MSMEs in this area have characteristics that are relevant to the objectives of the study, especially in examining factors that influence business performance, so that the results of this study are expected to reflect the real conditions that occur in the field.

In this study, the operationalization of variables is very important to clarify the meaning of each variable and indicator used. The goal is to avoid misunderstandings in data interpretation and to ensure that the measuring instrument used can capture data validly and reliably. The operationalization of variables also aims to determine the measurement scale of each variable, so that hypothesis testing using the Structural Equation Modeling (SEM) method can be carried out appropriately. The research model used in this study aims to test the effect of two independent variables, namely Ability (X1) and Innovation (X2), on the dependent variable, namely MSME Performance (Y). The type of research used is a quantitative approach with an explanatory research type. This

approach was chosen because it is appropriate to explain the causal relationship between the variables that have been determined in the research model.

The population in this study were all MSMEs operating in the Banjarmasin area. The sampling technique used was the total sampling or census technique, namely all members of the population were used as samples. Based on this technique, 48 respondents were obtained. This technique is considered appropriate because the population size is relatively small so that it is possible to reach all relevant respondents. To analyze the data, the SEM method based on variance or Partial Least Square (PLS-SEM) was used. This technique was chosen because it has advantages in analyzing predictive models with a small number of samples, does not require normal data distribution, and is suitable for use in exploratory research

aimed at developing theories. Evaluation of the PLS model includes measuring the outer model (the relationship between indicators and constructs) and the inner model (the relationship between constructs) to test the proposed hypothesis.

RESULTS and DISCUSSION

Outer Model Evaluation

Testing the validity and reliability of the instrument in PLS is the outer model test. The outer model or measurement model, in principle, is to test the items against the latent construct, or in other words, to measure how far the items can explain the latent construct. Indicators and reflective items are measured by convergent validity, discriminant validity or by Average variance extracted (AVE), and composite reliability. The interpretation criteria in testing the outer model in SmartPLS are presented in table below

Table 2. SmartPLS outer model assessment criteria

Model Test	Output	Rule of thumb
OuterModel Indicator test	<i>Convergent validity</i>	The minimum loadings factor value is 0.7
	<i>Discriminant validity</i> (Cross loadings)	The correlation value of cross loadings with its latent variables must be greater than the correlation with other latent variables.
	<i>AVE</i>	AVE value must be above 0.5
	<i>Composite reliability</i>	Good if it has a minimum value of 0.7
	<i>Cronbach's alpha</i>	Good if it has a minimum value of 0.6

Source: Chin in Ghazali (2008:19) and Garson, (2016:34-90), Wiyono, (2011:233), Ringle, et.al. (2015:44)

According to Jogiyanto (2009) before conducting hypothesis testing to predict the relationship between latent variables in structural capital, measurement model testing must be carried out first to verify indicators and latent variables. This testing includes

construct validity testing (convergent validity and discriminant validity) and construct reliability testing. Validity testing is carried out to determine the ability of research instruments to measure what should be measured. While reliability testing is used to

measure the consistency of measuring instruments in measuring a concept. To test validity and reliability, it can be used by designing a measurement model or outer model

In the first test, the analysis that needs to be measured is to meet the criteria of the validity and reliability test. Validity test by looking at the value of outer loadings, AVE, discriminant validity, while the reliability test is seen from composite reliability, cronbach alpha, and Rho-A. The results of the test of the first test structural model are as follows:

1. Evaluation of convergent validity (outer loadings)

Convergent validity Each item in measuring latent variables is indicated

Table 3. Convergent validity (outer loadings) of the first outer model

Ite m	Innovation (X2)	Marketing Performance (Y)	Ability(X 1)	Decisio n
X1. 1			0.696	Invalid
X1. 2			0.762	Valid
X1. 3			0.680	Invalid
X1. 4			0.765	Valid
X1. 5			0.617	Invalid
X1. 6			0.605	Invalid
X2. 1	0.786			Valid
X2. 2	0.841			Valid
X2. 3	0.814			Valid
X2. 4	0.756			Valid
X2. 5	0.854			Valid
X2. 6	0.782			Valid

by the size of the loading factor in the PLS measurement model. Convergent validity is used to test the degree of convergent validity where a measuring instrument (item) of a variable is operationalized on another variable, because theoretically there should be similarity (convergence). According to Chin (1998) in (Ghozali, 2008) the convergent validity of the measurement model with reflective indicators is assessed based on the loading factor of each item forming the latent construct. A latent construct is considered to have good convergent validity if it has a loading value of at least 0.7 which is considered sufficient.

Ite m	Innovation (X2)	Marketing Performance (Y)	Ability(X 1)	Decisio n
Y1. 1		0.651		Invalid
Y1. 2		0.884		Valid
Y1. 3		0.763		Valid
Y1. 4		0.776		Valid
Y1. 5		0.825		Valid
Y1. 6		0.769		Valid

Source: smartPLS output (2025)

Based on table 5.10, items that have an outer loading value <0.7 , which indicates a weak relationship between verification ability and proof construct, then in the next analysis this indicator must be removed. Variables that have an outer loading <0.7 are the Ability variables, namely in items X1.1, X1.3, X1.5, and X1.6. The Marketing Performance (Y) performance variable has no outer loading <0.7 . The Marketing Performance (Y) variable has

an outer loading <0.7 , namely in item Y1.1. Thus, items that have an outer loading value <0.70 must be eliminated from the research model and will be continued for the next analysis.

Another method to see discriminant validity is to look at the average variance extracted (AVE) value. The minimum recommended value is 0.5. The following is the AVE value of the first model.

Table 4. AVE Values of the First Model

Construct	AVE	Rule of thumb	Decision
Ability(X1)	0.476	0.5	Invalid
Innovation (X2)	0.650	0.5	Valid
Marketing Performance (Y)	0.610	0.5	Valid

Source: smartPLS output (2025)

Table 5.11 shows that the AVE values for the Innovation and Marketing Performance variables (Y) meet the minimum AVE value standards, while the Ability variable has not met the minimum AVE value standards. This can be concluded that the structural model has not been able to meet the criteria.

2. Discriminant validity evaluation

PLS-SEM also tests the discriminant validity of the measured constructs.

This validity test is intended to determine whether two constructs are truly different from other constructs empirically (Hair, 2019). Discriminant validity can be seen from the cross loading value and by comparing the square root of AVE and the correlation between latent constructs. The cross loading value can be seen in the following table:

Table 5.12 Discriminant validity (cross loadings) of the first outer model

Item	Innovation (X2)	Marketing Performance (Y)	Ability(X1)	Decision
X1.1	0.543	0.632	0.696	Valid
X1.2	0.750	0.664	0.762	Valid
X1.3	0.420	0.402	0.680	Valid
X1.4	0.600	0.608	0.765	Valid
X1.5	0.425	0.473	0.617	Valid
X1.6	0.474	0.371	0.605	Valid
X2.1	0.786	0.781	0.718	Valid
X2.2	0.841	0.738	0.665	Valid
X2.3	0.814	0.705	0.680	Valid
X2.4	0.756	0.606	0.519	Valid
X2.5	0.854	0.692	0.635	Valid
X2.6	0.782	0.643	0.604	Valid
Y1.1	0.551	0.651	0.567	Valid
Y1.2	0.736	0.884	0.631	Valid
Y1.3	0.714	0.763	0.632	Valid
Y1.4	0.678	0.776	0.561	Valid
Y1.5	0.731	0.825	0.633	Valid
Y1.6	0.629	0.769	0.666	Valid

Source: smartPLS output (2025)

Based on table 5.12, the cross loading value which symbolizes the level of correlation of variables in the construct has a greater value on its item compared to the cross loading value on other items. This shows that the latent construct on the variable predicts items in its block better and informs each indicator that is different and has a varied value (Hair, 2019). This also applies to other latent constructs that have a greater cross loading value on the items in their block compared to other items.

3. First outer model reliability evaluation

PLS modeling uses reliability coefficients to explain the measurement mode being tested. The name of the coefficient is composite reliability. Hulland (1999) stated that this coefficient is an internal consistency coefficient that approaches Cronbach's internal consistency coefficient. This reliability coefficient is suitable for measuring concentric constructs that assume that the precision and measurement scale between items have differences.

Table 5.13 Reliability of the first outer model construct

Construct	Composite reliability	Cronbach's alpha	Rho-A	Decision
Ability(X1)	0.844	0.784	0.798	Reliable

Innovation (X2)	0.917	0.892	5	0.89	Relia ble
Marketing Performance (Y)	0.903	0.870	6	0.87	Relia ble

Source: smartPLS output (2025)

Table 5.13 shows that all constructs meet Composite Reliability (CR) because the resulting value is more than 0.70 and the Cronbach's alpha value is > 0.6 and Rho-A has a value > 0.70. These results indicate that all variables used in this study are reliable.

Evaluation of the second structural outer model

The second outer model test was conducted again because in the

previous analysis there were still outer loadings that did not meet the criteria. The outer loading value indicates a weak relationship between constructs, so it must be removed from the model. After the items were removed from the model, the following picture of the relationship between research constructs was obtained:

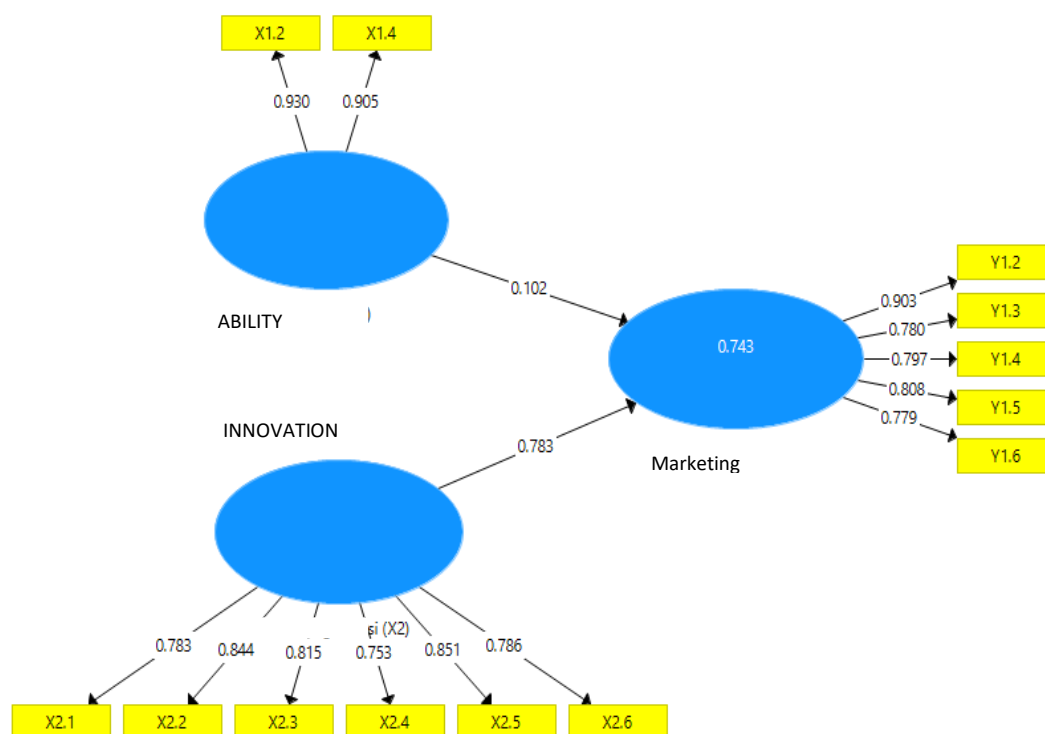


Figure 5.2 Results of the second outer model test

Source: smartPLS output (2025)

In the second test, the analysis that needs to be measured is the criteria of the validity and reliability tests. Validity test by looking at the value of outer loadings, AVE, discriminant validity, while the reliability test is seen from composite reliability, cronbach alpha, and Rho-A. The results of the fourth structural test model are as follows:

1. Evaluation of convergent validity (outer loadings)

The fourth test analysis on the structural model begins with evaluating the measurement model or outer model. In this evaluation of the measurement model, the construct validity and construct reliability estimates in the study will be tested. The outer loading

values obtained can be seen in the following table:

Table 5.14 Convergent validity (outer loadings) of the second outer model

Item	Innovation (X2)	Marketing Performance (Y)	Ability(X1)	Decision
X1.2			0.930	Valid
X1.4			0.905	Valid
X2.1	0.783			Valid
X2.2	0.844			Valid
X2.3	0.815			Valid
X2.4	0.753			Valid
X2.5	0.851			Valid
X2.6	0.786			Valid
Y1.2		0.903		Valid
Y1.3		0.780		Valid
Y1.4		0.797		Valid
Y1.5		0.808		Valid
Y1.6		0.779		Valid

Source: smartPLS output (2025)

Based on Table 5.14, the outer loading value > 0.7 indicates that the relationship between the item and its latent construct is good and acceptable. The outer loading value that has met the criteria and the interpretation of the relationship between each indicator and its latent construct is included in the more than sufficient category, so the

PLS-SEM analysis can be sufficient for the second structural model test.

Another method to see discriminant validity is to look at the average variance extracted (AVE) value. The recommended minimum value is 0.5. The following is the AVE value of the fourth model.

Table 5.15 AVE Values of the Second Model

Construct	AVE	Rule of thumb	Decision
Ability(X1)	0.841	0.5	Valid

Innovation (X2)	0.650	0.5	Valid
Marketing Performance (Y)	0.663	0.5	Valid

Source: smartPLS output (2025)

Table 5.15 shows the AVE values for the variables of Ability, Innovation, and Marketing Performance (Y) have met the minimum standard of AVE values. In order for the structural model to meet the criteria.

The measurement of discriminant validity is determined by looking at the cross-loading correlation value with its latent variables and must be greater than the correlation with other latent variables.

2. Discriminant validity evaluation

Table 5.16 Discriminant validity (cross loadings) of the second outer model

Item	Innovation (X2)	Marketing Performance (Y)	Ability(X1)	Decision
X1.2	0.753	0.671	0.93	Valid
X1.4	0.602	0.58	0.905	Valid
X2.1	0.783	0.761	0.532	Valid
X2.2	0.844	0.754	0.646	Valid
X2.3	0.815	0.702	0.639	Valid
X2.4	0.753	0.574	0.559	Valid
X2.5	0.851	0.669	0.478	Valid
X2.6	0.786	0.667	0.744	Valid
Y1.2	0.737	0.903	0.624	Valid
Y1.3	0.714	0.78	0.441	Valid
Y1.4	0.68	0.797	0.597	Valid
Y1.5	0.73	0.808	0.59	Valid
Y1.6	0.631	0.779	0.532	Valid

Source: smartPLS output (2025)

Table 5.16 shows that all questions are valid (able to measure the latent variables) because the loading value is higher compared to the loading with other latent variables.

3. Evaluation of the reliability of the second outer model

PLS modeling uses reliability coefficients to explain the measurement mode being tested. The name of the

coefficient is composite reliability. Hulland (1999) stated that this coefficient is an internal consistency coefficient that approaches Cronbach's internal consistency coefficient. This reliability coefficient is suitable for measuring concentric constructs that assume that the precision and measurement scale between items have differences.

Table 5.17 Reliability of the second outer model construct

Construct	Composite reliability	Cronbach's alpha	Rho-A	Decision
Ability(X1)	0.914	0.812	0.824	Reliable
Innovation (X2)	0.917	0.892	0.896	Reliable
Marketing Performance (Y)	0.908	0.872	0.875	Reliable

Source: smartPLS output (2025)

Table 5.17 shows that all constructs meet Composite Reliability (CR)

because the resulting value is more than 0.70 and the Cronbach's alpha value is >

0.6 and Rho-A has a value > 0.70 . These results indicate that all variables used in this study are reliable.

Assessment of factor weights (outer loadings)

The degree of strength or weakness of an indicator as a measure of a variable or item as a measure of an indicator can be seen from the outer loading value (loading factor) for the reflective indicator model, while for the formative indicator it can be seen from the outer loading value. This study has a reflective indicator model, meaning that the indicator is a reflection of the variable. The reflection of the variable shows the characteristics of a variable. The magnitude of the loading factor shows the magnitude of the contribution of an item to the variable. The greater the loading factor indicates

the greater the contribution of an item and the smaller the loading factor indicates the smaller the contribution of an item to the variable.

1. Weighting of the construct item factors Ability

Ability construct is something in a person that causes his behavior in a certain direction according to his goals. Ability has six indicators in explaining Ability has the ability to make strategic plans, make decisions well without the help of others, distribute work well to employees, build a reliable work team, communicate well with employees, complete work on time.

This construct has six (6) statement items, where after validity and reliability testing, only two (2) items met the minimum requirements.

Table 5.18 Factor weights of the Ability construct items (X1)

No	Item	Outer loading	Contribution
X1.2	have the ability to make strategic plans	0.930	The Biggest
X1.4	building a reliable work team	0.905	The Smallest

Source: Processed primary data (2025)

Table 5.19 shows the Ability construct (X1) there are two (2) items that have loading values above 0.7 so that it is stated that these items are good shapers of the Ability construct (X1). The item that contributes the most to the formation of the variable is X1.2, namely: having the ability to make strategic planning (X1.1.1) The item builds a reliable work team with a contribution of 0.930 (93%) and the weakest is X1.4, namely building a reliable work team with a contribution of 0.905 (90.5%).

2. Innovation construct item factor weights

Innovation Construct is a work atmosphere created by organizational behavior and policies. Innovation has six indicators, namely Goals to be achieved, Consensus, Excellence, Unity, Achievement, and Familiarity. This construct has six (6) statement items, where after testing the validity and reliability of all items meet the minimum requirements.

Table 5.19 Factor weights of Innovation construct items (X2)

No	Item	Outer loading	Contribution
X2.1	Outperforming Competitors to Enter New Markets (X1.3.1),	0.783	

X2.2	Offering Products That Are First Available In The Market (X1.3.2),	0.844	
X2.3	Establish Partnerships With The Best Partners Before Competitors Do (X1.3.3).	0.815	
X2.4	Developing a Distinctive Product Design (X1.1.1),	0.753	The Smallest
X2.5	Products Made Vary (X1.1.2),	0.851	The Biggest
X2.6	Produce Products That Are In Demand By The Market	0.786	

Source: Processed primary data (2024)

Table 5.19 shows the Innovation construct (X2) there are six (6) items that have loading values above 0.7 so that it is stated that these items are good shapers of the Innovation construct (X2). The item that contributes the most to the formation of the variable is X2.5, namely: The attention of the Leader to the achievements of his employees needs to be addressed with a contribution of 0.851 (85.1%) and the weakest is X2.4, namely: The Leader can act fairly and impartially towards certain groups in the internal environment with the same contribution of 0.753 (75.3%).

Table 5.20 Factor weights of the Marketing Performance construct items (Y)

No	Item	<i>Outer loading</i>	Contribution
Y1	Sales growth (Y2.1) items, namely sales (turnover) increased from year to year (Y2.1.1),	0.903	The Biggest
Y2	The increase in sales (turnover) is also followed by an increase in production (Y2.1.2)	0.780	
Y3	Profit growth (Y2..2) item, namely profit increases from year to year (Y2.2.)	0.797	
Y4	The increase in profit obtained is higher than the increase in capital required	0.808	
Y5	Business development becomes bigger	0.779	The Smallest

Source: Processed primary data (2025)

Table 5.20 shows the Marketing Performance (Y) construct, there are five (5) items that have loading values above 0.7 so that it is stated that these items are good builders of the Marketing Performance (Y) construct. The item

3. Weight of Marketing Performance construct item factors (Y)

Marketing Performance Construct (Y) is the level of achievement of work by Employees. Marketing Performance (Y) has six indicators, namely sales growth, sales increase, profit growth., Increased profit obtained higher than the increase in capital required Quantity, Work efficiency, Quality, Timeliness, Knowledge and Creativity. This construct has six (6) statement items, where after validity and reliability testing only five (5) items meet the minimum requirements.

that contributes the most to the formation of the variable is Y1.2, namely: sales growth (Y2.1) item, namely sales (turnover) increase from year to year (Y2.1.1), with a contribution of 0.903 (90.3%) and the weakest is Y1.7,

namely: business development becomes bigger with a contribution of 0.779 (77.9%).

4.2.5. Evaluation of the inner structural model

Inner model or structural model testing in principle tests the influence between one latent variable and another latent variable, both exogenous and endogenous. It can also be said to test the hypothesis between one latent variable and another latent variable.

Testing is done by looking at the percentage of explained variance, namely: R^2 for the dependent latent variable modeled to get the influence of the independent latent variable using the stone-geisser Q square test measure, and looking at the magnitude of the structural path coefficient. The stability of this estimate is tested using the t-statistic obtained through the bootstrapping procedure. (Wiyono, 2011:402)

Table 5.21 Criteria for assessing the inner model of SEM-PLS

Model Test	Output	Criteria
Inner Model (Hypothesis Test)	R^2 for endogenous latent variables	R^2 of 0.67; 0.33; 0.19, indicating that the models are "substantial", "moderate", and "weak" (Chin, 1988)
	Goodness of Fit (GoF)	0.36 = Strong (large) 0.25 = Moderate 0.10 = Weak (small)
	Effect size	0.02 = Small effect 0.15 = Moderate effect 0.35 = Large effect Cohen (1988) in Ghazali, (2008:19)
	Path coefficient and t-statistic	The estimated values for path relationships in the structural model should be significant, which can be obtained by algorithmic procedures and bootstrapping.

Source: Wiyono, (2011:403), Ghazali, (2008:19), Garson, (2016:92-100)

Structural Model Evaluation

Hypothesis testing in this study was conducted after going through two (2) stages of outer model testing (validity and reliability). The second structural model has met all the requirements of the outer model so that it can be continued to inner model testing or hypothesis testing of the influence between variables. In SEM PLS hypothesis testing (inner model) is to determine the influence between variables which is marked by the

direction of the arrow from one variable to another (blue circle shape).

Path coefficient is the value of the path coefficient or the magnitude of the influence of the latent variable. In the PLS structural model, the magnitude of the influence (path coefficients) is written on each arrow from one latent variable to another latent variable. The greater the value of the path coefficient indicates the greater the influence and vice versa

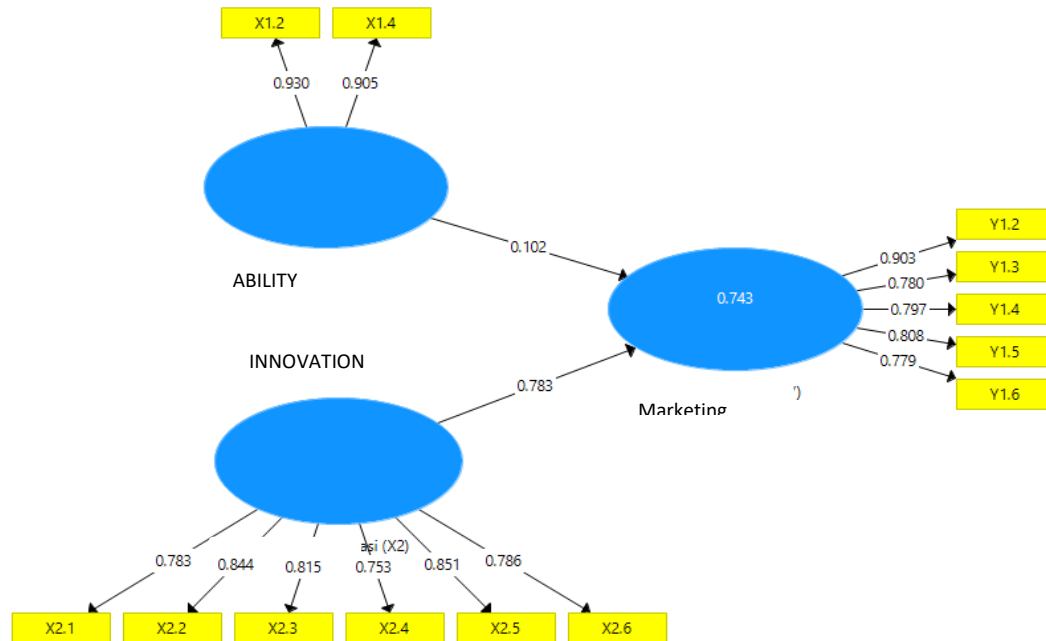


Figure 5.3 Structural model

Source: smartPLS output (2025)

The path coefficient values as in Figure 5.3 are presented in more detail in table 5.22 below.

Table 5. 22 Path coefficients of the structural model

No	N	Construct	Innovation (X2)	Marketing Performance (Y)	Ability (X1)
1		Innovation (X2)	0.806		
2		Marketing Performance (Y)	0.859	0.815	
3		Ability(X1)	0.744	0.685	0.917

Source: smartPLS output (2025)

Path Coefficient only shows the magnitude of the influence between variables and has not provided evidence of whether the influence between the variables is significant or not. Testing for significance or insignificance between variables in PLS is done by comparing the t statistic

value with a 5% t significance of 1.96. (Chin, 1998 and 2010), Hair. et.al (2011 and 2012) in Latan and Ghazali (2012). The t count of the inner structural model of PLS is obtained using the bootstrapping method. The results of the t statistic calculation are shown in Figure 5.4

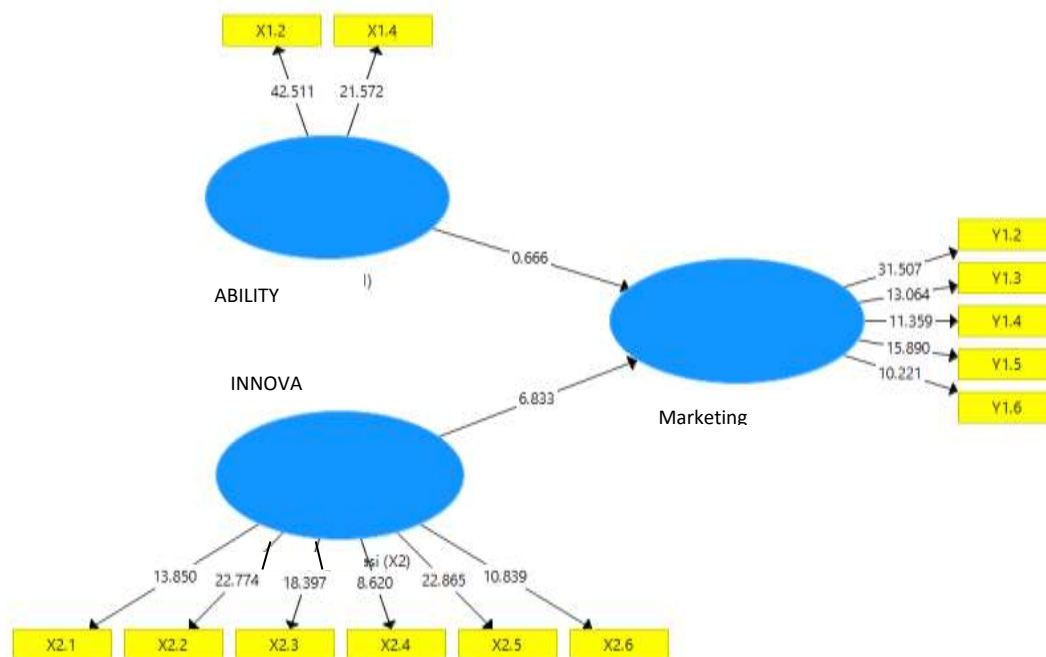


Figure 5.4 The t-statistic value of the bootstrapping structural model.

Source: smartPLS output (2025)

Testing the significance of the partial influence of each exogenous variable on the endogenous variable is done by comparing the calculated t value of the statistic with the t significance. If the T-statistic is higher than the T significance value, it means that the hypothesis is

supported or accepted. This study uses a 95 percent confidence level or a significant level = 5%, so the T significance value for the two-tailed hypothesis is 1.96. (Chin, 1998 and 2010), Hair. et.al (2011 and 2012) in Latan and Ghazali (2012)

Table 5.22 Path coefficients and t-statistics: inner structural model

No	Influence between variables	Coefficient	t	P values	Decision
			count		
1	Ability-> Marketing Performance (Y)	0.102	10,666	0	Not Significant
2	Innovation-> Marketing Performance (Y)	0.783	6,833	0,000	Significant

Source: smartPLS output (2025)

Information:

1. Beta coefficient is used to determine the strength of each independent variable in determining the dependent variable.
2. T count: used to determine the quality of the significance of the regression between each independent variable (X) whether or

not it has an influence on the dependent variable (Y).

3. P Value is defined as the magnitude of the opportunity (probability) observed from the test statistics.

The data presented in the table above can be interpreted by looking at the path coefficients value which indicates the coefficient of influence between variables. Furthermore, to determine

the level of significance of the relationship between variables, namely by looking at the statistical value. If the t-statistic value $>$ t-table then the result is significant (Chin, 1998 and 2010), Hair. et.al (2011 and 2012) in Latan and Ghozali (2012). The t-table value can be known by calculating the degree of conformity formula. Based on the calculation of the degree of conformity formula that has been done using a significant level of 5% (one-tailed) or a confidence level of 95%, it can be seen that the t-table is 1.96.

Evaluation of Goodness of Fit of the structural model

Inner model or structural model testing in principle tests the goodness of fit of the structural model and continues with testing the influence between one latent variable and another latent

variable, both exogenous and endogenous. The structural model must meet the criteria for goodness of fit of the model from various commonly used measures.

1. Coefficient of determination (R-Square)

The predictive power of the structural model can be measured using R Square (R²). The use of R Square (R²) to explain the influence of certain exogenous latent variables on endogenous latent variables whether they have a certain influence. The R Square (R²) value with a score of 0.67, 0.33 and 0.19 indicates that the model is strong, moderate and weak (Chin et al, 1998 in Ghazali and Latan, 2015). The R Square (R²) value is contained in table 5.24.

Table 5.24 R-Square and Adjusted R-Square models

No	Variables	<i>R Square</i>	<i>Adjusted R Square</i>
1	Marketing Performance (Y)	0.777	0.767

Source: smartPLS output (2025)

From the results of the R Square analysis, it shows that Marketing Performance (Y) variation is determined by the variables of Ability and Innovation by 77.7%, the remaining 22.3% is varied by other variables that are not included in this research model. The contribution of Ability and Innovation to Marketing performance is in the strong category. This is because there are still many other variables that certainly affect Innovation that researchers have not fully studied.

2. Goodness of Fit (GoF)

In PLS Path Modeling, it can identify global optimization criteria to determine the Goodness of Fit index. The Goodness of Fit or GoF index developed by Tenenhouse et al (2004) is used to evaluate measurement models and structural models and in addition provides a simple measurement for the entirety of the model prediction. The GoF value criteria are 0.10, 0.25 and 0.36 which indicate that GoF is small, GoF Medium and GoF Large (Ghozali and Latan, 2015). The GoF value can be seen in table 5.25.

Table 5.25 R Square and Communality Index of the Model

No	Variables	<i>R Square</i>	<i>Communal</i>
1	Ability	-	0.657
2	Innovation	-	0.703
	Marketing Performance (Y)	0.777	0.646
Average		0.259	0.668

Source: smartPLS output (2025)

Furthermore, to determine the goodness of fit (GoF) of the structural model, it is calculated by taking the square root of the average communality index and average R Squares values, as follows:

$$\begin{aligned} \text{GoF} &= \sqrt{0.259 * 0.668} \\ &= \sqrt{0.339} \\ &= 0.582 \end{aligned}$$

The greater the GoF value, the more appropriate the model depiction. According to Wiyono, (2011:403), the GoF value category is divided into three, namely 0.1 (weak), 0.25 (moderate), and 0.36 (large). The GoF value of 0.582 is interpreted as a large GoF, meaning that the measurement model (outer model) with the structural model (inner model) is feasible or valid.

DISCUSSION

The Influence of Ability on Marketing Performance (X1)

The first hypothesis test was conducted to test the effect of the Ability variable on the Marketing Performance variable (Y). Proof of the existence or absence of a significant effect was conducted by comparing the t-statistic value of the bootstrapping results with a t significance of 5%. Based on the test results, it is known that the calculated t value > t statistic is: $10.666 < 1.96$ or a sig. value of $0.000 < 0.05$. It can be concluded that Ability has a significant effect on the Marketing Performance variable (Y). Thus, the first hypothesis is accepted as true.

The coefficient is 0.102 with a positive relationship direction, meaning that if the Ability is good, it will increase Marketing Performance (Y), conversely, the lower the Ability, the lower the Marketing Performance (Y). The strength of its influence is in the very weak category because it is between 0-

0.2 (Sugiono, 2013:215). According to the results of research using Smart PLS, it is known that Ability with supporting theories in the previous chapter explains that there are 6 (six) indicators in explaining Ability to have the ability to make strategic plans, make decisions well without the help of others, distribute work well to employees, build a reliable work team, communicate well with employees, complete work on time.

The findings produced in this study are inconsistent with the conception of Pearce II and Robinson (2017) that managerial ability is always used as a parameter associated with the classification of objectives, several important components used to assess and change managerial ability are personality, intelligence, motivation, memory and processing systems and managerial ability determines the business strategy used to achieve the goals that have been classified. Furthermore, Ansoff (1990) in Sulastini (2023) revealed that business ability includes the ability to make plans, determine priorities or strategies and correct strategies. Edward (1994) in Maskur (2016) stated that the level of a person's business ability is related to the way they formulate the company's functional policies to determine the strategic actions to be taken.

The Influence of Management Capability on SME Performance. Management Capability has a significant positive effect on SME Performance. The GeSCA results shown in table 5.39 and figure 5.16 obtained a path coefficient of 0.029^* and $CR = 4.28^*$ (significant) with a positive sign. These results indicate that the management capabilities possessed by SME coffee

owners can directly improve SME performance. This finding provides an indication that the implementation of management capabilities including planning, organizing, and directing, as forming variables of management capabilities can be used directly to increase sales growth, profit growth and capital growth as forming variables of SME performance. The most dominant form of management capability variables is the direction indicator, namely completing work on time. Then the form of SME Performance variables that have the greatest contribution is the sales growth indicator, through sales items (turnover) increasing from year to year.

The findings produced in this study support the results of previous research conducted by Akgun et al. (2018), by taking a sample of 356 respondents from 112 companies, involving managers and employees from various companies operating in Istanbul. The data analysis used was hierarchical regression analysis, with the results of the study showing that the emotional ability of the company has a significant and positive effect on the company's financial performance and organizational effectiveness. Furthermore, the findings of Man and Wafa (2008) by taking a sample of 100 SMEs in the manufacturing sector in Malaysia, using structured questionnaires and interviews with SME owners-managers. Data analysis used multiple regression and One-Way ANOVA analysis, with the results of the study showing that management ability has a positive and significant effect on the performance of small and medium enterprises (SMEs). The findings of this study are also in line with the research of Suci (2009) in Sulastini (2022) with the

conclusion showing that management ability has a significant positive effect on performance, in other words that sufficient management ability can determine the success of SME performance. These findings are also supported by several other studies such as Wai and Kuan (2011), Chi et al (2011), Hsu (2012), Fening (2012), and Dani et al. (2013) which concluded that management capability has a direct effect on performance. The results of this study differ from previous studies related to management capability and SME performance by Ursic and Mulej (2005) who stated that management capability directly has no significant effect on business performance.

The results of this study support the theory of Tidd and Pavitt (1998) stating that management skills are very important in small, medium and large industries, where each requires management activities to coordinate the abilities or skills of workers and the coordination of resources owned by the company. The role of leaders or company owners to understand and carry out management functions is the main thing to achieve the success of a business. Management is the achievement of organizational goals in an effective and efficient manner through planning, organizing and directing organizational resources (Daft, 2016).

4.3.2. The Influence of Innovation on Marketing Performance (X2)

The second hypothesis test was conducted to test the effect of the Innovation variable on the Marketing Performance variable (X2). Proof of the existence or absence of a significant effect was conducted by comparing the t-statistic value of the bootstrapping results with a t significance of 5%. Based

on the test results, it is known that the calculated t value $>$ t statistic, namely: $6.833 > 1.96$ or a sig. value of $0.000 < 0.05$. It can be concluded that Innovation has a significant effect on the Marketing Performance variable (X_2). Thus, the second hypothesis is accepted as true.

The coefficient of 0.783 with the direction of the relationship Innovation Strategy implemented by the owner of the Coffee IKM has a direct effect on improving the performance of the IKM. This means that the Ability is proven to be able to improve the performance of the IKM. This means that the application of the right Ability carried out by the owner of the Coffee IKM is able to encourage increased performance of the IKM.

Innovation Strategy has a significant direct positive effect on SME Performance. This finding supports the research results and theories of Jauck and Glueck (1988), Pierce II and Robinson (2007), Wafa (2008), Parnell (2010), Bordean et al. (2010), Mohd et al. (2013), Hsu (2012), Li and Tan (2013), Acquaah (2013). formed positively, meaning that if Innovation is good, it will increase Marketing Performance (Y), conversely, the worse the Innovation, the lower the Marketing Performance (Y). The strength of its influence is in the strong category because it is above 0.4 (Sugiono, 2013:215). According to the results of research using SmartPLS, it is known that Innovation with supporting theories in the previous chapter explains that there are 6 (six) indicators in explaining the Innovation Strategy implemented by SME Coffee owners has a direct effect on increasing SME performance. This means that the Innovation strategy is proven to be able to improve SME performance. This

means that the implementation of the right innovation strategy carried out by SME Coffee owners is able to encourage increased SME performance.

CONCLUSION

The conclusion of this study shows that managerial ability and innovation have a significant role in improving the marketing performance of MSMEs, especially in Banjarmasin City, with a focus on coffee products. This study revealed that the variable of managerial ability, although positive, has a weak impact on marketing performance. This shows that although good management can contribute to marketing results, other factors also need to be considered. On the other hand, innovation is proven to have a stronger and more significant influence on marketing performance, indicating that the development of new products and strategies has a major impact on improving the competitiveness and effectiveness of MSME marketing.

The results of the analysis show that innovation plays a key role in forming product differentiation that can attract consumer interest, which in turn increases sales volume and brand reputation. Meanwhile, managerial skills, although important, do not show a very large influence on marketing performance, which can be interpreted that although good managerial skills, such as planning and organizing, remain important, the innovation factor makes a more significant contribution to improving MSME performance.

In addition, this study also shows that to achieve optimal results in marketing, MSMEs in Banjarmasin need to focus more on developing product innovation and improving technology-based marketing capabilities, such as online marketing which is increasingly

developing. This is important to support the sustainability and growth of MSMEs, especially in facing increasingly tight competition in the era of globalization.

Overall, this study provides an important contribution in understanding the factors that influence the marketing performance of MSMEs, especially in the coffee sector, by

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- showing the importance of managerial and innovation capabilities as the main drivers of marketing success. It is hoped that the results of this study can be a reference for MSME owners and managers to focus more on developing innovation-based strategies to improve the competitiveness and marketing performance of their businesses.
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