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## **The Moderating Role of Innovation Capability in the Relationship Between Corporate Social Responsibility and MSME Performance: A Case Study of PT Arutmin Indonesia Site Asamasam**

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### **Abstract:**

*Micro, Small, and Medium Enterprises (MSMEs) are the backbone of national economies but continue facing structural constraints, including limited access to capital, technology, and competitiveness. While Corporate Social Responsibility (CSR) programs are expected to enhance the capacity of MSMEs, the effectiveness of such initiatives remains debated, particularly in relation to internal organizational factors. Previous studies have examined CSR and MSME performance extensively; however, limited attention has been paid to the role of innovation capability as a moderating variable, especially within emerging economies. This study seeks to address this gap by analyzing the moderating role of innovation capability in the relationship between CSR and MSME performance, focusing on enterprises fostered by PT Arutmin Indonesia Site Asamasam. A quantitative survey method was employed, and data collected from mentored MSMEs were analyzed using Partial Least Squares (PLS) regression with SmartPLS software. The findings reveal that CSR exerts a positive yet statistically insignificant influence on MSME performance. In contrast, innovation capability is decisive in enhancing performance through product development, quality improvement, and business process efficiency. However, innovation capability was not found to strengthen the performance relationship. Theoretically, this research contributes to CSR and innovation capability literature in emerging market contexts. Practically, CSR programs should be better aligned with the innovation readiness of MSMEs to ensure sustainable performance outcomes.*

**Keywords:** CSR, Innovation Capability, MSME Performance, Stakeholder Theory

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## **1. Introduction**

Globally, Micro, Small, and Medium Enterprises (MSMEs) serve as the economy's backbone, significantly contributing to job creation, innovation, and economic growth. Recent reports project that the global SME financing market will reach US\$4.0 trillion by 2024 and increase to US\$5.8 trillion by 2030, with a compound annual growth rate (CAGR) of 6.4% over 2024–2030 (Newswire, 2025). This projection confirms the significant potential of MSMEs in strengthening the global value chain while also serving as a driving force for sustainable development in various countries.

At the national level, MSMEs play a vital role in supporting Indonesia's economic resilience. Data from the Ministry of Cooperatives and MSMEs (2022) shows that MSMEs contribute 60.5% to the Gross Domestic Product (GDP) and absorb 96.9% of the national workforce. This strategic role became even more evident during the COVID-19 pandemic, when MSMEs proved resilient in the face of the global crisis. Local products, such as batik masks and personal protective equipment (PPE), can meet domestic needs and have successfully penetrated international markets. This fact reflects the capacity of Indonesian MSMEs to contribute to the global value chain while also strengthening the foundation of the national economy.

The government's commitment to strengthening MSMEs is realised through various strategic policies. One crucial step is the issuance of the Minister of Finance Regulation (PMK) No. 177/2016 regarding export-oriented import facilities (KITE) for Small and Medium Enterprises (SMEs), which is part of the 2015 Economic Policy Package. This facility provides duty exemption and the elimination of VAT or luxury tax on importing raw materials and machinery used to produce export goods. This policy encourages MSMEs to reduce production costs, increase capacity, expand investment, and strengthen competitiveness in the international market. According to the Economic Impact Report (2023), 120 companies receiving KITE IKM facilities contributed to export earnings of US\$67.16 million, with an export-to-import ratio of 4.01. Additionally, facilities worth Rp46.82 billion (US\$3.02 million) created jobs for 18,043 people, generated Rp887.41 billion in added value, and spurred new investments of Rp180.22 billion (Desk, 2024).

In addition to government policies, the strengthening of MSMEs is supported by private sector initiatives through Corporate Social Responsibility (CSR) programs. CSR serves as a complementary instrument that synergises with state policies, particularly in reaching MSME actors at the local level. One example is the CSR program of PT Arutmin Indonesia Site Asamasam, which consistently nurtures SMEs around its operational area. This program focuses on increasing business capacity through funding, training, marketing network development, and improved management quality. This CSR support is expected not only to strengthen local economic resilience but also to encourage mentored SMEs to be able to compete in both national and global markets.

However, various studies show that the success of CSR in improving MSME performance is not solely determined by the amount of funds or the form of programs provided but is also influenced by internal factors of the beneficiaries, one of which is innovation capability (Hur et al., 2018). Innovation is defined as the ability of an organisation or business entity to develop new ideas, products, processes, or methods that create added value (Schumpeter & Backhaus, 2003). For SMEs, innovation is key to facing market dynamics, increasing competitiveness, and optimising available resources (Rosenbusch et al., 2011). MSMEs with high innovation capabilities will be more adaptable in utilising CSR funds, for example, by developing new products, improving service quality, or implementing creative marketing strategies. Conversely, MSMEs with low innovation capabilities tend to be passive and less able to optimise the assistance provided, thus limiting the impact of CSR on performance. Therefore, innovation capability is a moderating variable that strengthens the influence of CSR on MSME performance.

From the perspective of Stakeholder Theory (Freeman, 2015), PT Arutmin Indonesia's implementation of CSR reflects the company's responsibility towards its stakeholders, including shareholders and the surrounding community, including MSMEs. This theory emphasises that companies must consider the interests of all parties affected by their operational activities. In this context, as part of the local community, MSMEs are key stakeholders who benefit from CSR programs. However, the extent to which MSMEs can transform CSR support into improved performance depends heavily on their innovation capabilities. Thus, the synergy between external support (CSR) and internal capacity (innovation) becomes crucial in empowering SMEs while strengthening the company's legitimacy, reputation, and long-term relationships with its stakeholders.

Several empirical studies indicate that CSR positively and significantly impacts MSME performance. For example, a meta-analysis study by Oduro et al. (2022) found that economic, social, and environmental CSR activities collectively have a positive impact on MSME financial and non-financial performance, with the most substantial impact coming from social-based CSR. Rinawiyanti et al. (2021) also reported that economic and philanthropic CSR responsibilities significantly impact customer and employee performance. Conversely, other research has shown less consistent results. Studies in Vietnam, for example, show that national institutional conditions heavily influence CSR practices and do not always directly lead to improved business performance (Minh et al., 2025). Additionally, Shinta et al. (2024) found that audit quality as a moderating variable could not strengthen the influence of CSR disclosure on company financial performance.

Research on innovation capability as a mediator or moderator between company resources/responsibilities and MSME performance also shows varied results. Studies in Malaysia show that entrepreneurial resources (including technical resources) significantly improve micro-enterprises' performance through the mediating role of innovation capability (Taleb et al., 2023). Putra & Hartono (2024) also emphasise that absorptive capacity and innovation capability positively influence the performance of MSMEs. However, a systematic review by Nasir et al. (2024) emphasises that

research placing innovation capability as a moderating variable is still relatively limited compared to mediation models, and the results are highly dependent on the research context. Flah et al. (2024) research in Tunisia also showed that the moderating effect of innovation on the relationship between CSR and financial performance is influenced by industry characteristics and company structure.

Thus, there are still empirical inconsistencies and limitations in research regarding integrating CSR and innovation capability (both as a mediator and moderator) in MSMEs in developing countries, including Indonesia. Therefore, this research was conducted to fill this gap by focusing on PT Arutmin Indonesia Site Asamasam's fostered SMEs to directly test whether and how innovation capability strengthens or mediates the influence of CSR on the performance of local SMEs.

## **2. Theoretical Background**

**Stakeholder Theory** (Freeman, 1984) asserts that corporate sustainability is not solely determined by shareholder interests but by relationships with various stakeholders, including consumers, governments, communities, and SMEs. Freeman (2015) emphasises that value creation is integral to business activities. Within this framework, CSR is a form of corporate responsibility in meeting social, legal, ethical, and philanthropic expectations (Carroll, 1991; Ghazali & Chariri, 2022). Thus, implementing CSR by companies, including PT Arutmin Indonesia, is not merely a legal obligation but also a strategy for legitimacy, reputation, and sustainability.

**Corporate Social Responsibility (CSR)** is a company's commitment to supporting sustainable development by improving community and environmental well-being (Kotler & Lee, 2005). Carroll (1979), through the CSR Pyramid, asserts that social responsibility encompasses economic, legal, ethical, and philanthropic dimensions. In the context of MSME development, CSR is positioned as an external instrument that can provide capital, training, and market access. However, the literature shows varied results: some studies find that CSR contributes positively to improved performance of MSMEs (Jamali et al., 2017), while others confirm its limited effect if not balanced by the recipient's internal capacity (Muthuri et al., 2012).

On the other hand, **innovation capability** is a company's capacity to receive, develop, and implement new ideas in products, processes, and business models (Anggraeni & Sanaji, 2021; Schumpeter & Backhaus, 2003). Rijal et al. (2023) distinguish innovation into incremental, radical, and disruptive forms, which enhance competitiveness. Previous research consistently shows that innovation capability significantly contributes to the success of MSMEs (Hur et al., 2018; Rosenbusch et al., 2011). Nevertheless, the role of innovation capability as a moderating variable in the relationship between CSR and MSME performance is rarely researched, especially in developing countries.

The performance of MSMEs themselves reflects their ability to achieve productivity, business sustainability, and the creation of economic and social value (Handayati et

al., 2023). The factors influencing it come from external sources, such as government policies or CSR, and internal ones, such as leadership, managerial strategies, and innovation capabilities (Chong, 2008; Hult et al., 2004). Some studies confirm that external support often has no significant impact if not supported by adequate internal capabilities (Wicaksono & Hidayatulloh, 2022).

Based on the literature synthesis, a research gap is evident. First, the relationship between CSR and MSME performance in Indonesia is rarely explored in depth, even though the contribution of MSMEs is significant to the national economy. Second, previous research places innovation as an independent variable, rather than as a moderator that could strengthen or weaken the influence of CSR on MSME performance. Third, most studies focus on the global and national context. At the same time, research on the role of mining companies' CSR, such as PT Arutmin Indonesia, in fostering local MSMEs is still minimal.

Thus, the novelty of this research lies in integrating stakeholder theory and the concept of innovation capability to explain the effectiveness of CSR on MSME performance. This study examines the direct impact of CSR on MSME performance and explicitly explores the role of innovation capability as a moderating variable. This contribution is important because similar studies are rarely conducted in the local Indonesian context, especially on MSMEs mentored by mining companies.

Corporate Social Responsibility (CSR) is widely seen as a corporate strategy that enhances reputation, competitive advantage, and financial and non-financial performance (Bahta et al., 2021). In the context of MSMEs, CSR can take various forms, such as providing capital, entrepreneurship training, management mentoring, and facilitating market access. Through this support, MSMEs are expected to have better capacity to manage their businesses, expand their business networks, and increase their income. According to Stakeholder Theory (Freeman, 2015), CSR is a form of corporate social responsibility to stakeholders, including MSMEs as part of the beneficiary community. When CSR programs are designed according to the needs of MSMEs, CSR can become a valuable external resource and contribute to improved business performance. Thus, CSR has the potential to impact the performance of MSMEs positively.

*H1: Corporate Social Responsibility (CSR) influences the performance of MSMEs.*

Innovation capability is an organization's ability to develop new ideas, implement technologies, and create more effective products, processes, or business models (Rosenbusch et al., 2011). In the context of MSMEs, innovation is a key factor for increasing competitiveness, reducing dependence on traditional production methods, and expanding market share. Schumpeter & Backhaus (2003) emphasised that innovation is the primary driver of economic growth. This is supported by research by Hur et al. (2018), which shows that innovation capability significantly improves the performance of MSMEs in terms of productivity and profit. Innovation capabilities enable MSMEs to be more adaptable to market dynamics, allowing businesses to survive and grow sustainably.

*H2: Innovation capability influences the performance of MSMEs.*

CSR is often considered an effective strategy for enhancing competitiveness, financial performance, and intangible assets (Bahta et al., 2021). However, Barnett and Salomon (2012), as cited in Magrizos et al. (2021), emphasise that not all CSR practices automatically lead to improved performance; rather, it depends on the context of implementation and the readiness of the beneficiaries. This indicates the presence of internal factors that determine the success of CSR. In the context of MSMEs, one important internal factor is innovation capability. Bahta et al. (2021) emphasise that the effectiveness of CSR on MSME performance is highly dependent on the internal capabilities of the business, including the ability to innovate. Unfortunately, research on the role of innovation as both a mediator and moderator in the relationship between CSR and MSME performance in developing countries is still limited (Achi et al., 2022; Muthuri et al., 2012). Therefore, it is important to test how innovation capabilities can strengthen the influence of CSR on MSME performance. Based on this research gap, the third hypothesis is formulated:

*H3: Innovation capability moderates the influence of CSR on MSME performance.*

### **3. Methodology**

This study employs a quantitative approach to empirically examine the role of innovation capability in moderating the effect of corporate social responsibility (CSR) on the performance of micro, small, and medium enterprises (MSMEs). The research data were obtained through a survey using a structured questionnaire distributed to MSME actors mentored by PT Arutmin Indonesia Site Asamasam.

#### **Data, Instruments, and Data Collection Techniques**

Data were collected using a survey method with questionnaires, which, according to Sugiyono (2016), involves a series of written questions or statements provided to respondents to answer. The respondents in this study were MSME actors mentored by PT Arutmin Indonesia Site Asamasam.

The research instrument was a structured questionnaire developed based on indicators widely used in previous studies. The questionnaire consisted of three primary constructs:

1. Corporate Social Responsibility (CSR): Indicators adapted from Carroll (1991) dan Kotler & Lee (2005), covering economic, legal, ethical, and philanthropic dimensions.
2. Innovation Capability: Indicators based on Anggraeni & Sanaji (2021) dan Rijal et al. (2023), including product/service innovation, process improvement, and the ability to adopt new ideas.
3. MSME Performance: Indicators adopted from Handayati et al. (2023) dan Wicaksono & Hidayatulloh (2022), covering productivity, revenue growth, business sustainability, and social value creation.

Each construct was measured using reflective indicators on a 4-point Likert scale (1 = strongly disagree, 4 = strongly agree). Before distribution, the questionnaire was

pilot-tested on 20 respondents to ensure language clarity, indicator relevance, and comprehensibility.

### **Population and Sample**

The population of this study comprised all MSME actors mentored by PT Arutmin Indonesia Site Asamasam. This site was selected as the research object due to its success in fostering MSMEs and its position as one of the mentoring institutions with the highest turnover under PT Arutmin Indonesia.

Samples were collected through Google Forms and determined using the probability sampling technique. According to Sugiyono (2016), probability sampling is a sampling technique that provides equal opportunity for each element or member of the population to be selected as a sample. Types of probability sampling include simple random sampling, proportional stratified random sampling, disproportionate stratified random sampling, and cluster sampling. This study applied simple random sampling, which is defined by Sugiyono (2016) as the random selection of sample members from the population without considering existing strata. Based on this technique, 47 respondents were selected as the research sample.

### **Data Analysis Techniques**

This study uses partial least squares regression analysis to evaluate the relationships between variables. The data analysis technique used is path analysis with the bootstrap method. The main advantage of the bootstrap method is that it does not rely on the assumption of normality and is suitable for relatively small sample sizes. The data analysis process was conducted using the Smart-PLS software application.

The outer, external relationship or measurement model assesses reflective and formative indicators. Convergent validity in a measurement model can be determined by examining the correlation between indicator and variable scores. An indicator is considered valid if the Average Variance Extracted (AVE) value exceeds 0.5 or the outer loading on all variable dimensions exceeds 0.5. Thus, it can be concluded whether the measurement meets the criteria for convergent validity.

The inner or structural model is used to predict the causal relationships between latent variables. Internal model analysis for dependent variables can be done by examining the R-squared value, the Stone-Geisser Q-squared test for predictive relevance, and the t-test and significance of the structural path coefficients. To assess the internal model using Partial Least Squares (PLS), the initial step is to examine the R<sup>2</sup> value for each dependent variable. Hypothesis testing is conducted by observing the t-value in the statistical test. The criteria for hypothesis testing in this study are based on the t-statistic value and the probability value with a significance level of 5%. The hypothesis is accepted or rejected if the p-value is less than 0.05.

This research adheres to the principles of research ethics. Before completing the questionnaire, respondents were given an informed consent form explaining the research objectives, the voluntary nature of participation, and the guarantee of data

confidentiality. Respondent identities were kept anonymous, and the information collected was used solely for academic purposes. Data collection permits were also obtained from PT Arutmin Indonesia, the institution overseeing MSMEs.

#### 4. Empirical Findings/Result

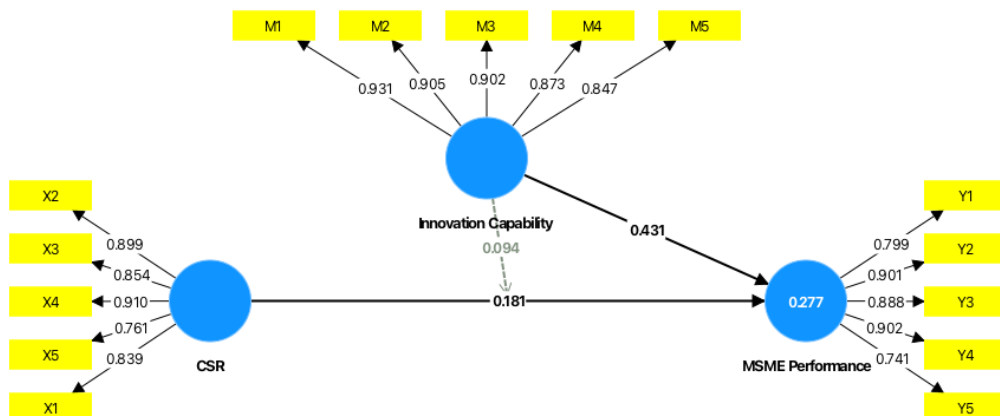
##### Outer Model

**Table 1. Outer Model: Validity and Reliability**

Variables	<i>Average Variance Extracted (AVE)</i>	<i>Result</i>	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>Results</i>
CSR	0.730	Valid	0.907	0.941	Reliable
Innovation Capability	0.796	Valid	0.936	0.956	Reliable
MSME Performance	0.720	Valid	0.902	0.912	Reliable

Source: Data Processed, 2025

The outer model measurement is performed by observing the reflection of the indicators, where the study is based on the correlation between the item/component scores estimated using the outer loading factor values. The minimum value limit for the outer loading factor is 0.5. The data processing results using Smart-PLS version 4.1.0.8 show the following outer loading factor values:



**Figure 1. Outer Model: Outer Loadings**

Source: 2025 processed original data



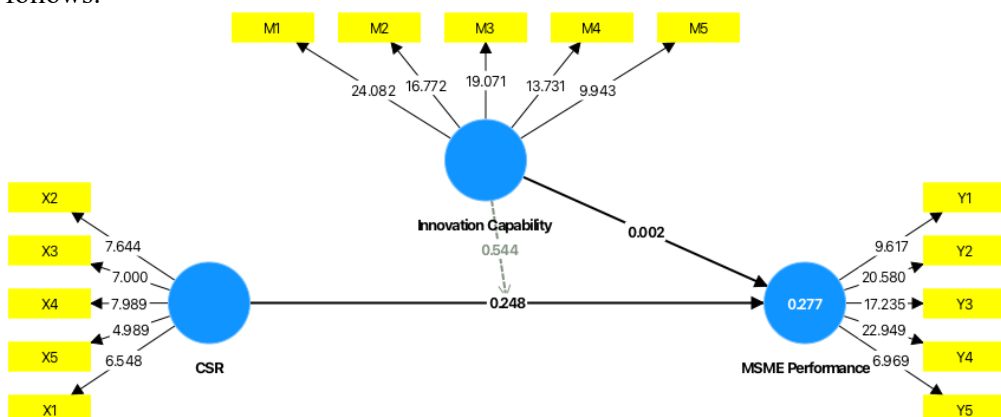
The results of the outer model analysis show that all indicator values are above 0.70, so it can be confirmed that the constructs for each variable are valid. The visualization of the structural model testing results in the outer model can be seen in Figure 2. Validity in this study was evaluated using outer loading values and average variance extracted (AVE), while reliability was tested with Cronbach's Alpha and composite reliability. The details of the validity and reliability testing results are presented in Table 1.

The outer loading or factor loading value is used to assess convergent validity. An indicator is categorized as valid if its value is greater than 0.7. The test results show that all indicators in this study have loading values above 0.5, so they can represent the measured variables. Meanwhile, discriminant validity is determined through the AVE value, with the criterion that each variable must have a value greater than 0.5. Since all variables in this study meet this criterion, it can be concluded that all variables have good discriminant validity.

Reliability testing is done by looking at the composite reliability value. A variable can be considered reliable if the composite reliability value exceeds 0.6. The research results show that all variables have values above 0.6, which means these variables are reliable. The reliability test is also supported by the Cronbach's Alpha value, where the reliability criteria are met if the value exceeds 0.7. All variables showed values above 0.7, so the variables used are not only valid but also have a high level of reliability.

### Structural Model Testing (Inner Model)

The inner model measurement assessed the relationships between the variables constructed in this study. The structural model used in this study can be described as follows:



**Figure 2. PLS Bootstrapping**  
Source: 2025 processed original data

Figure 2 shows the structural model results, with path coefficients used to assess the significance and direction of the relationships between variables. These coefficients, including the original sample values, t-statistics, and p-values obtained from bootstrapping with Smart-PLS, are detailed in Table 3. The model's  $R^2$  value of 0.277 indicates that CSR and innovation capability explain 27.7% of the variation in MSME performance, while 72.3% is due to other variables outside the scope of the study. The significance of the model is evaluated through t-statistics, which reflect the influence of independent variables on the dependent variable

**Table 2. Path Coefficient**

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
CSR → MSME Performance	0.181	0.197	0.157	1.154	0.248
Innovation Capability → MSME Performance	0.431	0.445	0.142	3.030	0.002
Capability × CSR → MSME Performance	0.094	0.082	0.154	0.606	0.544

Source: Data Processed, 2025

## 5. Discussion

The first hypothesis states that CSR positively affects MSME performance. The research results show that although the relationship's direction is positive, CSR's influence on MSME performance is not significant. The path coefficient value is 0.181 with a t-statistic of 1.154 ( $< 1.96$ ) and a p-value of 0.248 ( $> 0.05$ ), indicating that the contribution of CSR to performance is still weak. This finding aligns with the research by Muthuri et al. (2012), which states that the impact of CSR on community-based businesses is indirect and more felt in the long term. From the perspective of Stakeholder Theory (Freeman, 1984), CSR is indeed a form of corporate responsibility towards stakeholders, including mentored MSMEs. However, its effectiveness is highly influenced by the ability of MSMEs to manage the assistance they receive. In the context of this research, the CSR program is more oriented towards short-term financial aid rather than strengthening business capacity, so its contribution to performance improvement has not been optimal. Theoretically, these results confirm the view of Barnett and Salomon (2012) in Magrizos et al. (2021) that not all CSR practices can improve performance. Practically, companies need to design CSR that is more focused on developing the capacity of MSMEs, such as management training, strengthening market access, and business mentoring, so that the contribution of CSR can be more significant.

The second hypothesis states that innovation capability positively affects MSME performance. The research results support this hypothesis, showing a path coefficient value of 0.431, a t-statistic of 3.030 ( $> 1.96$ ), and a p-value of 0.002 ( $< 0.05$ ). This means that innovation capability has a significant and positive influence on improving the performance of MSMEs. This finding aligns with (Schumpeter & Backhaus, 2003) view that innovation drives economic growth and competitiveness. Previous research also supports these findings, such as Rosenbusch et al. (2011) and Hur et al. (2018), who confirm that SMEs with higher innovation capabilities tend to achieve better performance in terms of efficiency, product differentiation, and adaptability to market changes. From a Stakeholder Theory perspective, innovation enhances the ability of MSMEs to meet the expectations of stakeholders, such as consumers, suppliers, and local communities. This strengthens the legitimacy of the business and supports its long-term sustainability. The practical implication of these findings is that MSMEs need to continue developing their innovation capabilities through product, process, and business model innovation to enhance their competitiveness and sustainable performance.

The third hypothesis states that innovation capability moderates the influence of CSR on MSME performance. However, the research results do not support this hypothesis. The interaction coefficient of 0.094 with a t-statistic of 0.606 ( $< 1.96$ ) and a p-value of 0.544 ( $> 0.05$ ) indicates that innovation capability does not strengthen the relationship between CSR and MSME performance. This finding is consistent with Anser et al. (2018), who also found that innovation did not play a significant role as a moderator in the CSR-performance relationship. One possible cause is that the CSR design is more philanthropic or short-term assistance, so it is not directly connected to the innovative activities of MSMEs. In other words, even though MSMEs have innovation capabilities, the CSR they receive does not add strategic resources to strengthen performance. These results differ from the findings of Bahta et al. (2020), who emphasized that innovation can serve as a partial mediator in the relationship between CSR and performance, as well as the research by (Becerra-Vicario et al., 2023), which showed that CSR can strengthen the influence of innovation on performance in Spain. This difference indicates that in the context of SMEs in developing countries, innovation capabilities more appropriately act as mediators rather than moderators. From a theoretical perspective, these results confirm that CSR is not sufficient to be carried out solely as a social or philanthropic activity. Still, they must be oriented towards creating shared value. Companies need to design CSR that directly supports the innovation activities of MSMEs, for example, through technology transfer, digital literacy training, or mentoring for creative product development, so that CSR can have a more tangible impact on improving MSME performance.

**Table 3. Result of Hypotheses Test**

Variable	Significance	Hypotheses	Description
CSR → MSME Performance	0.248	H1	Rejected
Innovation Capability → MSME Performance	0.002	H2	Accepted
Innovation Capability × CSR → MSME Performance	0.544	H3	Rejected

\*) Level of significance 0,05

Source: Data Processed, 2025

## 6. Conclusions

This study concludes that CSR does not affect the performance of MSMEs. This finding indicates that although the CSR provided by companies can include capital assistance, facilities, and training, these forms of support have not substantially impacted the productivity and competitiveness of MSMEs. Therefore, CSR is more likely to be a long-term endeavor and requires strengthening the internal capacity of beneficiaries to achieve optimal results. Conversely, this study proves that innovation capability influences the performance of MSMEs. Innovation in product development, quality improvement, and production efficiency is proven to be a key factor determining the success of MSMEs in increasing competitiveness and expanding market share. However, the research results also indicate that innovation capability cannot moderate the relationship between CSR and MSME performance, so CSR not integrated with innovative activities cannot strengthen its influence on performance. Theoretically, these findings enrich the literature by confirming the importance of strategic orientation within the framework of Stakeholder Theory, where companies are not only required to provide social or financial assistance, but also need to create strategic value that supports the improvement of MSME innovation capacity.

The practical implications of this research can be directed towards several parties. For PT Arutmin Indonesia, the research results indicate the need to reposition the CSR program so that it is not only charitable but also more focused on strengthening the innovation capabilities of MSMEs. Relevant forms of support include digital technology-based training, development of local flagship products, and facilitation of access to broader markets. For mentored MSMEs, the research findings confirm that business success is more determined by internal innovation capabilities. Hence, MSME actors need to improve product creativity, technology utilization, and marketing strategies to avoid complete dependence on external support.

Furthermore, for the government and policymakers, this research provides input that MSME development programs need to focus on the synergy between CSR and innovation enhancement policies, for example, through technology adoption incentives, research collaboration, and strengthening the digital ecosystem that supports MSME competitiveness. This research has limitations because it uses a cross-sectional design, so it cannot capture the long-term dynamics of CSR's impact

on MSME performance. Therefore, further research is recommended using a longitudinal approach to gain a deeper understanding of the sustainability effects of CSR programs. Additionally, future research can add mediating variables, such as technology adoption or managerial capabilities, as well as other moderating variables, such as policy support or entrepreneurial orientation, to provide a more comprehensive picture of the factors influencing MSME performance.

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