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DO TAX INCENTIVES IMPROVE THE PERFORMANCE OF INDONESIAN MSMES?

Ahmad Afandi[1]
Try Mahendra Siregar[1]
Darwis Harahap[1]
Utari Evy Cahyani[1]
[1]UIN Syekh Ali Hasan Ahmad Addary Padangsidimpuan
Alamat Korespondensi: ahmadafandi0311@gmail.com

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ABSTRACT

MSMEs are the backbone of a country's economy and development and can make a significant contribution to sustainable economic growth. The government as a regulator carries out one of the tax functions by providing tax incentives to MSMEs. This research was conducted with the aim of knowing the effect of tax incentives on the performance of Indonesian MSMEs and the innovation variable mediates these two variables. Data were collected from 110 business actors and analyzed using the partial least square feature model (SEM-PLS) approach. The results agree with all hypotheses because tax incentives and innovation have a significant effect on MSME performance and tax incentives have a significant effect on business innovation. This innovation is considered as a mediator of the relationship between tax incentives and the performance of Indonesian MSMEs. This research is expected to contribute to regulators to continue to supervise MSMEs so that they use tax incentives properly for the sustainability of Indonesian MSMEs. The government needs to oversee the provision of final PPh tax incentives to MSMEs so that they run according to policy objectives.

ABSTRAK

UMKM merupakan tulang punggung perekonomian dan pembangunan suatu negara serta dapat memberikan kontribusi yang signifikan terhadap pertumbuhan ekonomi yang berkelanjutan. Pemerintah sebagai regulator menjalankan salah satu fungsi perpajakan dengan memberikan insentif pajak kepada UMKM. Penelitian ini dilakukan dengan tujuan untuk mengetahui pengaruh insentif pajak terhadap kinerja UMKM Indonesia dan variabel inovasi memediasi kedua variabel tersebut. Data dikumpulkan dari 110 pelaku usaha dan dianalisis menggunakan pendekatan partial least square feature model (SEM-PLS). Hasil tersebut sesuai dengan semua hipotesis karena insentif pajak dan inovasi berpengaruh signifikan terhadap kinerja UMKM dan insentif pajak berpengaruh signifikan terhadap inovasi usaha. Inovasi ini dianggap sebagai mediator hubungan antara insentif pajak dengan kinerja UMKM Indonesia. Penelitian ini diharapkan dapat memberikan kontribusi kepada regulator untuk terus mengawasi UMKM agar menggunakan insentif pajak dengan baik demi keberlangsungan UMKM Indonesia. Pemerintah perlu mengawal pemberian insentif pajak PPh final kepada UMKM agar berjalan sesuai tujuan kebijakan.

1. INTRODUCTION

The biggest economic driver in Indonesia so far is the Micro, Small and Medium Enterprises (MSMEs). The MSMEs contribute statistically 60.5% of Indonesia's total gross domestic product (GDP) and absorb 97% of the total workforce with 99% of total employments (Ayem & Hijayanti, 2022). The MSMEs are the main tool for achieving sustainable development purposes. These are considered as economic engines that used as a key instrument for reducing poverty through the promotion of sustainable development projects. The success of MSMEs in constructing the national economy can be seen from the results of the financial performance reports they have. Owing to that, the MSMEs are called as the backbone of the economy (Jansson et al., 2017).

Taxes are the largest source of revenue in Indonesia that the sources of tax revenues commonly come from many sectors, one of which is the MSME. The MSMEs in Indonesia have been calculated 64 million business units in total that spread across various regions (Tenri & Resinta, 2023). In 2021, it is recorded that the total number of MSMEs are only 2.3 million with the MSMEs who have an Tax Identification Number (NPWP) however not all of them pay taxes regularly, only half of them are routinely and conceivably even lesser than that (Wulandari et al., 2022). The large number of MSMEs spread across Indonesia should be able to have a better influence on tax absorbers, nonetheless the realization is far from expectations.

Initially, the tax rate for MSME actors was 1% of gross income, which was not more than 4.8 billion in a year, as stated in Government Regulation (PP) Number 46 of 2013. Then on July 1 2018, the regulation was replaced with a Government Regulation (PP) Number 23 of 2018 which in this regulation the government stipulates that the tax rate for MSMEs is 0.5% of gross income which is not more than 4.8 billion in a year, this policy applies to MSMEs that run businesses offline and online (Wulandari et al., 2022).

Hajawiyah et al. (2022) stated that the change in tax rates aims to support the development of MSMEs and ease the burden on MSME actors so that more MSME actors can contribute to taxation. After the existence of this policy, the number of MSMEs paying taxes increased even though in terms of nominal tax revenue decreased as a result of the reduction in tax rates.

With this policy there is great hope for tax revenue, because of the large number of MSMEs in Indonesia. The Ministry of Finance noted that 2020 tax revenue was lower than 2019 while state expenditure continued to increase, especially during and due to the Covid-19 severe. In 2020 Indonesia will experience a state budget deficit of 6.09% of the Gross Domestic Product (GDP) (Nurhayati & Witono, 2022).

The low level of compliance of MSMEs in paying taxes is increasingly being felt when Covid-19 has had an adverse impact on Indonesia's economic growth (Ayem & Hijayanti, 2022). The government provides a policy that is with incentives the final PPh for MSMEs is borne by the government, which means that MSMEs do not have to pay taxes. However, only around 201,880 or 10% of MSMEs take advantage of tax incentives (Wulandari et al., 2022).

The purpose of giving tax incentives is of course to maintain and improve the performance of MSMEs (Rudianti & Ningrum, 2022). Previous literature has concluded that tax incentives generally increase business growth and performance (Deyganto, 2022; Twesige & Gasheja, 2019). Nugroho (2019) states, the form of government assistance does not always have a positive impact on business performance. Costs that should be used to pay taxes but when given tax incentives, this can be used as capital for business development so that it can grow sustainably. However, studies linking the concept of tax incentives empirically with business innovation are still scarce.

Tax incentives only focus on maintaining MSMEs (Ayem & Hijayanti, 2022; Hajawiyah et al., 2022; Orkaido & Beriso, 2022), making business people aware of tax compliance (Rudianti & Ningrum, 2022), business growth (Twesige & Gasheja, 2019). Because innovation is one of the success factors in competitive advantage (Agyapong et al., 2017). Business innovation will also be a intervening variable based on referrals Jansson et al. (2017) innovation provides special benefits for the development of a business and company performance.

Business innovation is when a company implements a new process, idea, service or product with the aim of increasing profits (Knowles et al., 2015). This could mean launching a new and improved product or service (which can generate higher revenue), making existing processes more efficient, or solving a current business problem (both saving costs and saving time). A business focus on brainstorming, design thinking, or setting up an innovation lab can drive business innovation. A key element of innovation is driving revenue for the company (Marshall & Parra, 2019).

In this regard, this research examines the role of tax incentives in developing business innovation and the performance of Indonesian MSMEs. More specifically, it aims to examine (1) the effect of tax incentives on

MSME performance, (2) the effect of tax incentives on business innovation, (3) the effect of business innovation on MSME performance, (4) whether business innovation mediates the relationship between tax incentives and MSME performance Indonesia.

2. DEVELOPMENT OF RESEARCH HYPOTHESIS AND THEORETICAL FRAMEWORK

2.1 Tax Incentives on MSME Performance

Tax incentives are the collection of tax rates, the collection of tax bases, the consolidation and deferral of taxes (Córdova-león et al., 2022). The government provides a tax stimulus in the form of Final Income Tax incentives that apply to MSMEs. Through tax incentives, the MSMEs will not be burdened by their tax obligations and can provide space for businessmen to manage limited capital (Nurhayati & Witono, 2022). If MSMEs can manage limited capital properly, MSME performance will increase. Twesige & Gasheja (2019) states that the performance of SMEs can be interpreted as the result of the achievement of the work of a group or individual in order to achieve the goals of a business. Findings Deyganto (2022) states that tax incentives can increase the growth of micro, small and medium enterprises significantly to the sustainability of MSMEs and the economy as a whole. So, then the hypothesis as follows:

H1: Tax incentives have a significant effect on the performance of Indonesian MSMEs

2.2 Tax Incentives on Business Innovation

Wulandari et al. (2022) said that tax incentives are a strong fiscal policy that can encourage savings and investment that lead to capital formation so as to increase industrial growth and economic development. Tax incentives are expected to be able to motivate business actors to encourage the growth rate of MSMEs because businessmen can allocate costs that should be used to pay taxes against other costs. With these costs, business actors can make various innovations for business continuity and progress. The company's innovation aspect does not only see products and processes as innovation, but the business system is also a measure of the company's success. Findings Qi et al. (2020) states that reducing the tax burden can create sustainable economic improvement and innovation. So, the research hypothesis is as follows:

H2: Tax incentives have a significant effect on Indonesian MSME Business Innovation

2.3 Business Innovation on MSME Performance

Innovation leads to the acceptance and tendency of companies to adopt new ideas which leads to the development and launches new products (Knowles et al., 2015). The development of new products and services form the basis for the increasing the company's resilience to business environment uncertainties and challenges. The business literature views business innovation as an organizational culture, reflecting acceptance and openness to the idea of sustainable development (Qi et al., 2020). Agyapong et al. (2017) states that creativity and innovation can create sustainable performance for the MSMEs. As well as Duodu & Rowlinson (2019) said innovation as a determination factor for the business sustainability. As a result, the hypothesis might be stated as follows:

H3: Business innovation has a significant effect on the performance of Indonesian MSMEs

2.4 Tax incentives for MSME performance through business innovation

In actuality, tax incentives have been shown to have a considerable impact on the performance of the MSMEs (Deyganto, 2022). Researchers attempt to complete the construct by integrating innovation as one of the success criteria in competitive advantage (Agyapong et al., 2017). It is expected that the government would grant tax incentives that are intended strengthen the country's economic situation and spin the wheels of the economy, where these tax incentives will be beneficial as extra capital. When we were faced with the Covid-19 pandemic last year, MSMEs experienced a decline and tax incentives helped the process of recovery and economic sustainability of the business sector (Ayem & Hijayanti, 2022). Agyapong et al. (2017) explain the role of an incentive to increase the progress of an organization's exploration and exploitation of innovation. In addition, innovation facilitates the exchange of ideas between companies which basically provides special benefits for the development of a business (Jansson et al., 2017). So, the hypothesis for this might be:

H4: Significant business innovation mediates tax incentives on the performance of Indonesian MSMEs

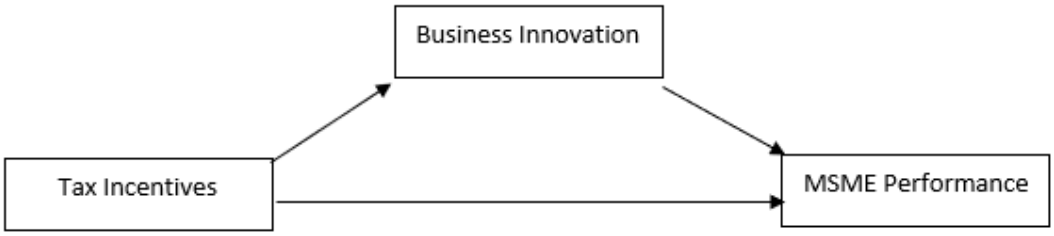

Figure 1. Research Models

The research model was adopted by research (Twesige & Gasheja, 2019) with the addition of Business Innovation as a intervening variable. The research model is illustrated in Figure 1.

3. RESEARCH METHODS

3.1. Data

This study used descriptive quantitative research, and the populations for this research were Indonesian MSMEs. According to Hair et al. (2010) it will be complex to find a suitable model if the sample size is too high, and he advised that an adequate sample size be between 100-200 respondents so that the estimation interpretation may be employed with the Structural Equation Model (SEM). Hair et al. (2010) explains that the cost of a representative number of samples is to switch the indicator by ten. According to the calculation results, 110 MSMEs will be involved in this research. This research used a convenience sampling approach and distributed questionnaires using printed media and Google forms.

This sampling method was chosen for facilitating the implementation of research by reason of the respondents used namely business actors who fall into the category of small, micro and medium enterprises. The Google Link form was distributed widely to Indonesian MSMEs, and 197 respondents completed the questionnaire, however, 110 respondents were selected for data testing to achieve research objectives and theory. Respondents have four demographic variables ranging from gender, age, length of business and type of business.

Table 1. Respondent Demographics

Characteristic	Frequency	Percentage (%)
Gender		
Woman	63	57,3
Man	47	42,7
Total	110	100
Age		
20-30	37	33,6
31-40	44	40
41-50	20	18,2
Above 50	9	8,2
Total	110	100
Domicile Province		
Aceh	5	4,55
North Sumatera	9	8,18
West Sumatera	6	5,45
Riau	3	2,73
Jambi	3	2,73
South Sumatera	2	1,82
Bengkulu	1	0,91
Lampung	2	1,82
Bangka Belitung Islands	1	0,91
Riau Islands	3	2,73
Special Capital Region of Jakarta	9	8,18

West Java	2	1,82
Central Java	5	4,55
Special Region of Yogyakarta	8	7,27
East Java	5	4,55
Banten	4	3,64
Bali	2	1,82
West Nusa Tenggara	2	1,82
East Nusa Tenggara	3	2,73
West Kalimantan	4	3,64
Central Kalimantan	4	3,64
South Kalimantan	4	3,64
East Kalimantan	2	1,82
North Kalimantan	2	1,82
North Sulawesi	1	0,91
Central Sulawesi	2	1,82
South Sulawesi	3	2,73
South East Sulawesi	4	3,64
Gorontalo	2	1,82
West Sulawesi	2	1,82
Maluku	1	0,91
North Maluku	2	1,82
Papua	1	0,91
West Papua	1	0,91
Total	110	100
Length of business (in years)		
< 1	3	2,7
1 – 3	34	30,9
3 – 5	40	36,4
> 5	33	30
Total	110	100
Type of business		
Micro	59	53,6
Small	46	41,8
Intermediate	5	4,6
Total	110	100

3.2. Method

The data analysis technique in this study uses the Partial Least Square (PLS) approach. The purpose of PLS is to assist the researchers to obtain the value of latent variables for predictive purposes as well as to forecast the influence of dependent variables on independent variables and explain the theoretical relationship between the two variables (Anderson & Gerbing, 1998). Details of latent variables and their indicators are presented in table 2.

The data analysis technique with the PLS-SEM approach appropriate for this research. This is due to the tendency of the data to be non-normal, the complexity of the model and the number of samples below 200 respondents (Hair et al., 2017). Smart PLS 3.0 is a data estimation tool; the PLS test is carried out in three stages: 1. Evaluation of the Measurement Model (Outer Model), 2. Evaluation of Structural Models (Inner Model), 3. Hypothesis Testing.

Table 2. Research Variable

Variable	Indicators	Source
Tax Incentives	There is a tax reduction Justice in the provision of tax incentives Impact arising from tax incentives	(Deyganto, 2022)
Innovation	Product expansion Product imitation New product	(Knowles et al., 2015)
MSME performance	Work quantity Quality of work Efficiency in carrying out tasks Discipline Initiative	(Twesige & Gasheja, 2019)

4. ANALYSIS RESULTS AND DISCUSSION

4.1. Result

4.1.1. Evaluation of the Measurement Model (Outer Model)

The correlation between indicators and their supplementary are determined in the external measurement model within the theoretical framework. To assess Cronbach's alpha, composite reliability (CR), convergent validity, discriminant validity, and Average Variance Extracted (AVE) were used in the PLS pathway modeling. The Cronbach's alpha results are in the range 0.840 to 0.872 while the CR is in the range 0.809 to 0.909. Referring to Hair et al. (2017) for internal construction consistency reliability it must be above 0.70 (α and CR > 0.70). The Cronbach's alpha (α) and composite reliability (CR) values are presented in Table 3. Furthermore, the following tests are convergent and discriminant validity by using outer loadings and average variance extract (AVE) values. The convergent validity can be seen through the loading factor value, which is resulted to be accepted if the loading factor value is higher than 0.7 (Hair et al., 2017). The Average Variance Extracted (AVE) value has also found unproblematic because it has value over 0.50, as recommended by Henseler et al. (2009).

The discriminant validity indicates the extent to which a construct differs from another. This ensures that a construct captures a unique phenomenon that is not represented by other constructs (Hair et al., 2011). The Fornell-Larcker criterion is used to see discriminant validity (Hair et al., 2017). The results of examining the Fornell-Larcker criteria show that the AVE square root value of each AVE construct is greater than the highest correlation with the other constructs, see in table 4 below.

Table 3. Outer Model Output

Construct Relationship	Code	Loadings	Weights
Tax Incentives (α=0.840, CR=0.809 and AVE=0.689)	X. 1	0,826	0,424
	X. 2	0,829	0,479
	X. 3	0,830	0,401
Innovation (α=0.850, CR=0.909 and AVE=0.769)	Z. 1	0,873	0,384
	Z. 2	0,898	0,379
	Z. 3	0,860	0,378
MSME performance (α=0.872, CR=0.907 and AVE=0.661)	Y. 1	0,790	0,250
	Y. 2	0,852	0,288
	Y.3	0,842	0,256
	Y.4	0,797	0,226

	Y. 5	0,782	0,208

Table 4. Fornell-Larcker Criterion Output

	Innovation	MSME performance	Tax Incentives
Innovation	0,821		
MSME performance	0,559	0,888	
Tax Incentives	0,562	0,741	0,814

4.1.2. Evaluation of the Structural Model (Inner Model)

The PLS algorithm procedure is run to see the path coefficient of the proposed relationship and the coefficient of determination of the endogenous variables. The Bootstrap process was deployed to estimate the significance of the results. As suggested by Kleinbaum et al. (1988) that one of the most effective techniques, including the evaluation of the variance inflation factor (VIF), was used to determine the presence of multicollinearity among the independent variables in this study. The results of the regression analysis showed that the VIF ranged from 1.187 to 3.230. Referring to Hair et al. (2014) evaluated the variance inflation factor <5, this concluded that multicollinearity was not a problem in the study. The analysis also includes the observation of Effect Size (f2). Referring to Cohen (1988), the f^2 values of 0.02 (small), 0.15 (medium), and 0.35 (large) can be a predictor effect size. Table 5 explains that the overall output f^2 is in the range of 0.167 to 0.238 which is in the medium category.

Table 5. Effect Size and Multicollinearity Output

Construct Relationship	f^2	VIF
Tax Incentives -> MSME performance	0,167	3,212
Tax Incentives -> Innovation	0,282	1,187
Innovation -> MSME performance	0,238	3,230

The accuracy of construct predictions in the proposed model is indicated by the value of the coefficient of determination (R^2). PLS-SEM focuses on maximizing the R^2 value of the dependent variable. According to Hair et al. (2017), R^2 values of 0.25, 0.50 and 0.75 are considered Strong, Medium and Weak respectively. The coefficient of determination of the MSME performance construct has a moderate value (R^2 = 0.709, R^2 adjusted = 0.704). Therefore, it can be elucidated that the variables of tax incentives and innovation simultaneously have an effect of 70.9% on the performance of SMEs, the remaining 29.1% is influenced by other variables not tested in this study. Likewise, tax incentives have an effect of 67.9% on innovation, the remaining 32.1%. The Q^2 value can be used as a reference for predicting the relevance of the independent variable to the dependent variable (Hair et al., 2017). The Q^2 value of the MSME performance variable is 0.704 and innovation is 0.676 which is above the minimum threshold value of 0. This indicates that the observed values have been reconstructed properly so that the model has predictive relevance.

Table 6. R-Square (R^2) and R Square Adjusted (Q^2) Output

Variable	R Square	R Square Adjusted
Innovation	0,679	0,676
MSME performance	0,709	0,704

Hypothesis testing using Smart PLS software by bootstrapping innovative PLS resampling method (Hair et al., 2017). Test the hypothesis's significance value on the condition that the original sample has a positive or negative influence because the t-statistics value is > 1.65 and the p-value < 0.05. The results of the inner model in this study are also presented in figure 2 below.

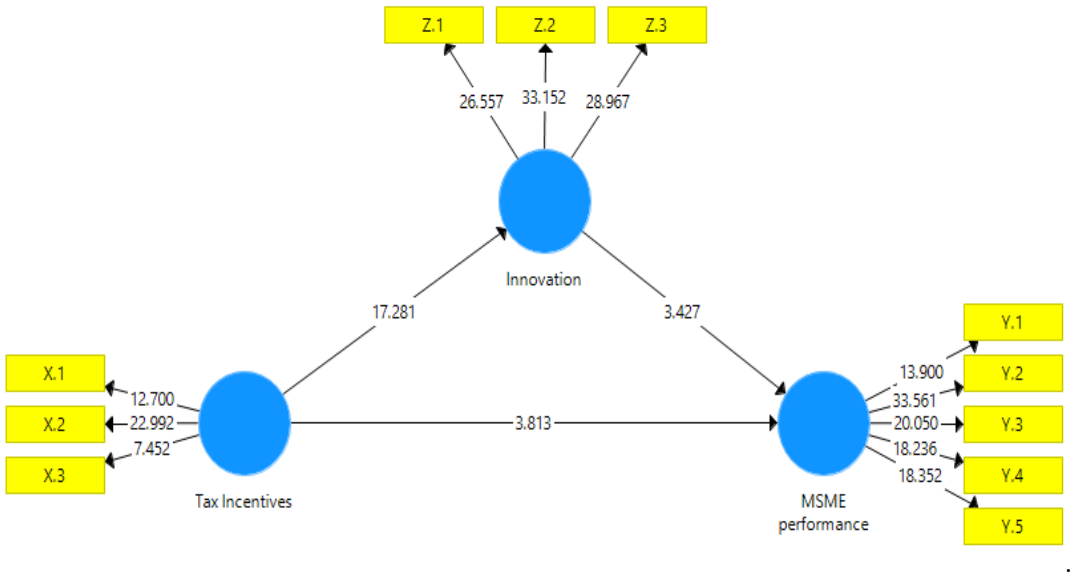

Figure 2. Inner Model Research Model

4.2. Robustness Check

In trending path models, researchers frequently assume that the relationship between constructs is linear. The linear relationship is generally an approximate relationship that is in fact good, however, it is not always that (Ahrholdt et al., 2019). At Sarstedt et al. (2020) recommend non-linearity criteria to increase the robustness. Therefore, this research adds a quadratic effect. The output of the quadratic effect displays that the results are not significant for all paths and aspects. To conclude, the interaction is not significant providing evidence of the robustness of the linear effect (Sarstedt et al., 2020).

Table 7. Output of Quadratic Effect

Construct Relationship	B	p-values	f^2
Tax Incentives -> MSME performance	0,777	0,000	0,041
Tax Incentives -> Innovation	0,497	0,000	0,067
Innovation -> MSME performance	0,457	0,001	0,061
Quadratic Effect Tax Incentives -> MSME performance	-0,087	0,348	0,007
Quadratic Effect Tax Incentives -> Innovation	-0,066	0,091	0,005
Quadratic Effect Innovation -> MSME performance	0,160	0,128	0,004
Tax Incentives -> Innovation-> MSME performance	0,441	0,001	0,016

4.3. Discussions

4.3.1. Tax incentives on the performance of MSMEs

The results of hypothesis testing show that tax incentives have a significant effect on the performance of the Indonesian MSMEs. The lower the tax incentive rate given, the more performance of MSMEs in financial terms will be. The existence of tax incentives for MSMEs improves financial performance in the form of net profit obtained. The results of these studies are correspondingly to Córdova-león et al. (2022) which discloses tax incentives as a form of taxation facility in the form of reduced tax rates for taxpayers who meet certain requirements to minimize the tax expense to be paid. From this theory it is notified that tax incentives are used to minimize the expense as forementioned because the tax burden is reduced as the net profit earned by MSMEs increases, this is in accordance with the research results obtained throughout the research. Deyganto (2022) again states the results that if tax incentives can increase the growth of micro, the small and medium enterprises significantly to the sustainability of MSMEs and the economy as a whole.

4.3.2. Tax incentives for business innovation

Based on the test results, it is found that tax incentives have a significant effect on changes in Indonesian MSME innovation. Providing tax incentives to the MSMEs with a final PPh rate of 0.5% is an incentive for MSMEs to allow the development of innovations. Business innovation must be created in order to win the competition and get maximum income and profits (Marshall & Parra, 2019). According to the findings Qi et al. (2020), reducing the tax burden can create sustainable economic improvement and innovation.

4.3.3. Business innovation on MSME performance

The relationship between innovation and MSME performance is also tested and it empirically shows that the innovation has a significant effect on the performance of Indonesian MSMEs. Innovation refers to the acceptance and tendency of a company or organization to adopt new ideas which lead to the development and launch of new products (Knowles et al., 2015). These findings support previous research which found that creativity and innovation can create sustainable performance for MSMEs (Agyapong et al., 2017; Duodu & Rowlinson, 2019).

4.3.4. Business innovation mediates tax incentives on MSME performance

The test results state that significant innovation mediates the relationship between tax incentives and the performance of Indonesian MSMEs. The innovation is an important construction for companies to outperform their competitors. Corporate innovation can also be defined in terms of management and process approaches (Duodu & Rowlinson, 2019). The process of developing new ideas in terms of processes, products and systems is the main key for the MSME sector in maintaining its competitive advantage, which in turn can achieve good performance. When they have received tax incentives, entrepreneurs will use the deductions from these incentives as capital for developing their business. Because tax incentives are a form of taxation facilities provided by the government to certain taxpayers in the form of lowering tax rates aimed at minimizing the amount of the tax burden to be paid (Qi et al., 2020). Then capital and the innovation process in general are the most important part for the sustainability of MSME's competitive advantage (Agyapong et al., 2017).

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusion

In this paper, researchers explore the influence of the parameters of tax incentives that continue on the performance of Indonesian MSMEs. With this goal in mind, the researcher collected primary data through self-administered questionnaires and analyzed through Smart-PLS version 3. The conclusion that can be drawn from these findings is that hypothesis one to four (H1, H2, H3, H4) have been accepted by the researchers. The tax incentives have a significant effect on the performance of MSMEs and can be said that tax incentives lead to sustainable improvement of MSME businesses. This means that the practice of tax incentives encourages the sustainability and growth of micro, small and medium enterprises. With the existence of tax incentives, of course it will be very beneficial for MSME actors, especially for development efforts. The tax incentives can have a significant effect on innovation, because business actors will modify their business development with tax incentives. The tax incentives provided by the government make it easy for MSME actors, because MSME taxpayers do not need to deposit the tax payable, but only need to make a realization report every month. This will increase the awareness of taxpayers in paying off their tax obligations.

In addition, innovation facilitates the exchange of ideas between business actors which in turn provides specific benefits for development implementation. Innovation also obtains significant results on the performance of MSMEs. Researchers achieved good results that innovation can mediate the relationship between tax incentives and MSME performance. Innovation can provide unique value for businesses. The main focus of innovation is on the creation of new ideas, which are then implemented into their products, processes and business systems. The process of developing new ideas in terms of processes, products and systems is the main key for the MSME sector in maintaining its competitive advantage which in the end can achieve good performance.

5.2. Recommendation

Practice. The research findings provide practical implications for SMEs in making organizational decisions. First, small, micro and medium enterprises must emphasize tax incentives, so that their operations continue to be more efficient and effective in business development. Second, the existence of tax incentives provided by the government can be used by businessmen to create new innovations in their products and services, so that they can support business sustainability.

Regulators. Governments should encourage the growth of Micro, Small and Medium Enterprises by creating the necessary capacity framework and lightening the burden of regulatory action and ensuring that their efforts are directed towards providing tax incentives to MSMEs. The government should carry out a campaign to explain the role of taxation in the country's development and help MSMEs to understand tax laws. The government needs to supervise the provision of final PPh tax incentives to MSMEs so that they run according to policy objectives.

Future discoveries. Based on data from the Directorate General of Taxes, the number of MSMEs in Indonesia has reached 64 million. However, MSMEs that have taken advantage of the final income tax incentives are only 15% or around 9.8 million. So that more intensive socialization is needed by the government to Micro, Small and Medium Enterprises. Then, in future studies, the socialization variable can be used by researchers in developing an assessment model by adding value to the socialization variable as a variable that moderates the relationship between tax

incentives and the performance and growth of Indonesian MSMEs. In future research, it is better for the researcher to add the sample size to the future study plan to strengthen the generalization of the test results to be carried out.

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