

# Which One Is More Important and For MSME's In Garut, Financial Capital or Creativity?

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**Abstract**– Labor absorption in Indonesia, especially Garut, is dominated by absorption in micro-scale MSMEs, compared to small-scale MSMEs. This is directly proportional to the dominance of MSMEs that are still micro-scale in Indonesia. This phenomenon is a problem that illustrates the difficulty of MSME actors to move up to a larger scale. The purpose of this study is to find out which is more important and crucial for the sustainability of MSMEs, whether financial capital or creativity possessed by MSME actors. In this research, researchers using the systematic reviews research method, it's an effective way to go beyond the traditional limitations of literature studies, allowing researchers to gain increased competitiveness of local products. The results of this study illustrate how financial capital and creativity each have a very important role for the performance and sustainability of MSMEs.

**Keywords:** Financial Capital, Creativity, MSME's

## I. INTRODUCTION

The introduction explains the background of the problem, the motivation for the research, the formulation of the problem (containing questions about the relationship between variables), and the objectives of the research. The introduction is written in flowing paragraphs and avoids sub-sub in the introduction. Micro, small, and medium enterprises (MSMEs) are vital drivers of economic development worldwide, with their success often hinging on two critical factors: financial capital and creativity. Understanding which of these is more important for MSMEs requires a nuanced examination of their interdependencies and relative influences on business performance.

Financial capital is undeniably essential for MSMEs. Access to financial resources significantly determines a firm's capacity for growth, operational stability, and ability to innovate [1], [2]. The lack of sufficient capital constrains MSMEs' operations, limiting their ability to invest in resources that enhance productivity and competitiveness [3]. Studies have shown that effective capital management and financial literacy directly correlate with improved financial performance and sustainable business growth in MSMEs [4], [5]. Financial literacy, encompassing the knowledge and skills to manage finances effectively, ensuring that MSME owners can make informed decisions regarding capital utilization, ultimately

influencing their access to funding and overall operational success [5] [6].

On the other hand, creativity and innovation are indispensable for MSME sustainability and competitiveness, especially in rapidly changing markets. Creative strategies allow MSMEs to differentiate themselves, adapt to consumer needs, and leverage unique selling propositions that financial resources alone cannot provide [8]. Innovation capability, fueled by creative thinking, can lead to new product development and process improvements that significantly enhance a firm's market position and profitability [9]. Moreover, MSMEs that foster an environment conducive to innovation are better equipped to navigate economic challenges and capture emerging opportunities, thus often achieving superior performance relative to their less innovative peers [10].

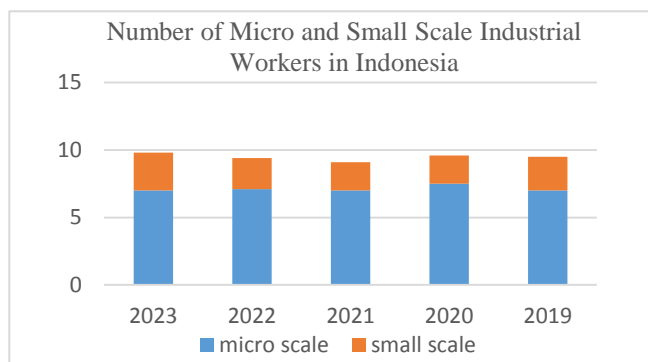
The interplay between financial capital and creativity illustrates that while financial resources are a prerequisite for operational viability, creativity plays a crucial role in maximizing the impact of those resources. A study highlights that MSMEs that blend sound financial practices with innovative strategies tend to perform better and exhibit greater resilience against market fluctuations [11], [12]. Creative approaches not only facilitate effective allocation of financial capital but also drive engagement



and adaptability, which are essential for long-term growth [13] .

The significance of financial capital in MSME success is overwhelmingly supported by the literature, establishing it as a critical factor in ensuring operational efficiency and market positioning. However, creativity and innovation emerge as equally vital, enhancing the effectiveness of capital deployment and fostering resilience. Therefore, MSMEs that effectively integrate both financial management and creative strategies are likely to excel in today's competitive business environment.[14]

**Table 1. Number of Micro and Small Scale Industrial Workers in Indonesia**



Source : [15]

Based on the data on Micro and Small Scale Industrial Workers in Indonesia above, it can be seen that in terms of labor absorption, there is still greater absorption in micro-scale MSMEs, compared to even small-scale MSMEs. This is directly proportional to the dominance of MSMEs that are still micro-scale in Indonesia. This phenomenon is a problem that illustrates the difficulty of MSME actors to upgrade to a larger scale.

## II. LITERATURE REVIEW

### 2.1 Financial capital

Financial capital is a multi-faceted concept that encompasses the funds and resources available for investment and business operations. According to Kaldor, financial capital reflects a shift towards financialization, where securities are increasingly viewed as forms of private property, emphasizing the role of leverage and market behavior in capital accumulation [14] . Moreover, Maher and

Aquanno establish the connection between financial capital and corporate governance, asserting that the evolution of financial power influences state and economic structures [15] . This view is corroborated by Cohen et al., who discuss the increasing importance of financial capital in addressing socio-environmental crises, suggesting that its role has transitioned from an extractive to a reparative one, significantly impacting economic performance [16] .

Indicators of financial capital can be broadly classified into three categories: (1) availability of financial resources, which relates to the accessibility and allocation of funds for investments; (2) investment performance, typically characterized by the return on equity (ROE), which signifies the efficiency in generating profits from shareholders' equity; and (3) corporate governance quality, which encompasses the structures and processes that dictate how capital is used within organizations [17] . Each of these indicators serves as a crucial determinant of business performance and sustainability, underscoring the intertwined nature of financial strategies and corporate practices in navigating modern economic challenges [17] .

### 2.2 Creativity

Creativity has been defined in various ways across different scholarly perspectives, highlighting its multifaceted nature. One contemporary definition emphasizes creativity as a cognitive process involving originality, fluency, and flexibility, which is critical in educational contexts for enhancing problem-solving skills among students [20] [19] . For example, a study by Fatmawati et al. elucidates that creative thinking enables students to approach problem solving in innovative ways, allowing them to integrate and express their learning outcomes effectively [19] . Moreover, another definition frames creativity as the capability to generate novel ideas or solutions, underscoring the essence of original thought as a vital component of creative activity [22] [21] . Such definitions reflect the significance of fostering a supportive



environment where creative skills can flourish, particularly in an educational setting.

To assess creativity, various indicators have emerged in research literature. Commonly recognized indicators include originality, which refers to the uniqueness of ideas produced; fluency, which measures the ability to generate a large number of ideas; and flexibility, which denotes the versatility in thought processes, allowing for the adaptation of strategies to different problems [22]. Recent studies reinforce these indicators, suggesting that enhancing training and instructional strategies can effectively develop students' creative abilities [23]. In particular, the assessment of these creative thinking dimensions underscores their importance in predicting not only academic performance but also fostering a student's overall creative potential [24]. Collectively, these insights highlight the critical role that accurately measuring creativity through these established indicators plays in both educational and professional contexts.

### III. RESEARCH METHODS

The literature study research method is an approach used to analyze, collect, and evaluate various literature sources related to a particular topic. Based on this method, it is very important to understand the trends, developments, and debates that exist in a research field. Literature studies can help researchers to formulate hypotheses, identify gaps in research, and provide a firm framework for further studies [25].

This approach includes several systematic stages, such as selecting and assessing the quality of relevant research, as well as processing the data obtained from systematic reviews and meta-analyses as an effective way of going beyond the traditional limitations of literature studies, thus enabling researchers to gain in-depth insights into the impact of information systems on career and competency development [28].

These findings indicate that literature-based research is not only relevant in a particular discipline, but can also be a powerful tool for evaluating different methodologies and practices in diverse fields. The literature study research method is a

crucial foundation in the development of science, and by using a systematic approach, comparative analysis, and structured writing, researchers can make significant contributions to the development of knowledge in a field. [27].

### IV. RESULTS AND DISCUSSION

Based on the research results that are related to the comparison between creativity and financial capital for MSMEs in Garut, of course in the systematic literature review analysis by collecting from various previous literature sources as part of the data collection technique used in this study is a documentation study to identify the relevance of previous research with the novelty of this study which can be seen between the nodes of this research variable. The results of the analysis are interpreted through publish or perish software, the search results are as follows:

**Table 1. Results of publish or perish search analysis**

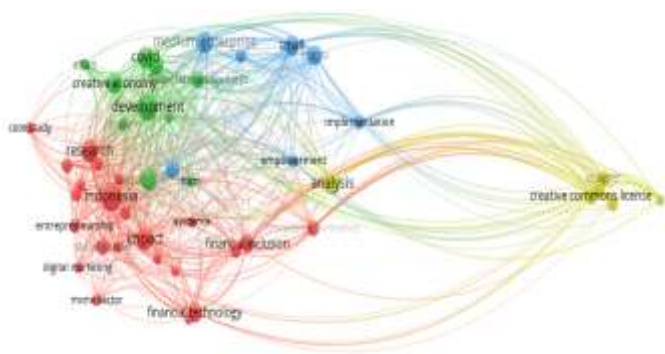
N o	Cita tion	Author	Title	Publication
1	263	Endris, Kassegn	The role of micro, small and medium enterprises (MSMEs) to the sustainable development of sub-Saharan Africa and its	Journal of Innovation and Entrepreneurship
2	166	Heikal, Ilham, Khaddafi	Accelerate Economic Growth of Lhokseumawe City with Application of Supply Chain and Main Strategic Commodity	Quality Access
3	160	Absah, Sadalia, Yuliaty, Ilham	MSMEs in Medan City during the new	search.proquest.com
4	156	Hendrawan, Chatra, Iman, Hidayatul lah	Digital transformation in MSMEs: Challenges and opportunities in technology	Information Journal
5	135	Risman, Ali, Soelton, Siswanti	The behavioral finance of MSMEs in the advancement of financial inclusion and financial technology	mpra.ub.uni-muenchen.de
6	127	Jatmiko, Udin,	Strategies for MSMEs to achieve sustainable	Journal the Asian



		Raharti, Laras	competitive advantage: The SWOT analysis method	
7	107	NAWAN GSARI, SISWAN TI, SOELTON	Human Resources Management Strategy For Sustainability	iccd.asia
8	104	AMA Ausat, T Al Bana	Basic capital of creative economy: The role of intellectual, social, cultural, and institutional capital	Journal.mediadigitallpublikasi.com
9	103	Subagja, AMA Ausat, AR Sari, MI Wanof	Improving customer service quality in MSMEs through the use of ChatGPT	Minfo Journal
10	102	Sari, A.	Literature review: The efforts to strengthen of micro, small and medium-sized enterprises (MSME)	Asian Journal of Management

Source: Publish or perish data processing results, 2024

The results of publish or perish search above are collected from 10 previous studies that are relevant to this study, the filtering is reviewed from the most citations to see previous references that have in-depth research. In addition, the results of the existing document data search are analyzed through Vosviewer to see clusters in each study that has been studied by researchers, this can also interpret the nodes in each cluster that are different from each other, the results of the analysis can be interpreted as follows:



**Figure 1. Results of the Vosviewer analysis of the documentation study**

Source: Results of Vosviewer analysis data processing, 2024

All the collected data identified 4 clusters in the visualization of the research novelty analysis. Overall, VOSviewer maps the variable nodes in the form of a two-dimensional network, where the distance between nodes represents the strength of the relationship between variables. The closer the position of two nodes, the stronger the relationship, which indicates that the two variables are often studied together. Each node in the cluster shows a relationship that is interrelated but distant and different from each other, in this study each node collected from 500 previous research documents is seen between keywords each node is close to each other and contribute to their success in a competitive market has a close relationship with the next cluster, it strengthens the increasing number of previous studies related to financial capital and creativity providing data reinforcement in this study. Where in this study can interpret the comparison between financial capital and creativity of MSMEs in Garut which have novelty in the interrelation of the existence of MSMEs by reviewing the nodes that want to be measured related to financial capital and creativity of its actors.

The results of data analysis on adequate financial capital are very important for MSMEs to run daily operations and for business expansion. Access to financing, such as People's Business Credit (KUR), contributes positively to MSME performance by providing the financial support needed to grow [28]. Without sufficient capital, many MSMEs are forced to reduce the scale of their operations, which can ultimately affect profitability. Sufficient capital, MSMEs can be more flexible in innovating their products and services. Entrepreneurial orientation supported by adequate capital can improve marketing performance through product innovation, which is very important to face tight competition [29]. Based on this, sufficient financial capital allows MSMEs to implement better financial management practices which can also have an impact on the creativity patterns of MSME actors.

The strategy carried out by MSME actors experienced an increase in income by using digital marketing media, which is very important in a business environment that is increasingly moving towards digitalization [30]. With creativity in adapting using e-commerce and social media, MSMEs can reach wider customers and increase revenue growth. Revenue growth is driven by creativity and has an impact on increasing product





innovation among MSME actors [31]. Thus, financial capital and creativity play an important role in increasing the competence and sustainability of MSME businesses. Both complement each other and contribute to sustainable growth in the future.

## V. CONCLUSION AND SUGGESTIONS

Based on the results of the review of ten previous studies analyzed through Publish or Perish and visualized with VOSviewer, four main clusters were found that showed a close relationship between financial capital, creativity, and the success of MSMEs in facing market competition. This visualization shows that these variables are often studied simultaneously and have a mutually reinforcing relationship. Analysis shows that adequate financial capital is an important factor in supporting MSME operations and their business expansion. Access to financing such as People's Business Credit (KUR) has been proven to encourage increased business performance by providing space for innovation and strengthening entrepreneurial orientation. On the other hand, the creativity of MSME actors is also the main key in utilizing digital platforms and e-commerce to reach a wider market and increase business income.

Thus, it can be concluded that financial capital and creativity are two complementary elements and play a very important role in the sustainability and growth of MSMEs. The combination of both provides stronger competitiveness for MSMEs to survive and thrive amidst competitive and dynamic market challenges.

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