

ABSTRACT

Objective: Along with changes in eating patterns and the development of the tourism industry in Bandung City, the growth rate of culinary MSMEs is increasing. This provides great potential for business people in marketing their products. Many MSME players do not have sufficient knowledge and skills in managing their businesses, this can lead to errors in financial management, marketing, and production, resulting in low MSME performance. This study verifies the relationship of self-efficacy and optimism to innovation through entrepreneurial alertness.

Methodology: This research was using descriptive technique with a quantitative approach with a verification approach. The sample size was 120 MSMEs in the culinary sector. The sampling technique used purposive sampling with the use of SEM-PLS Ver.4 software.

Findings: The results of hypothesis testing show that culinary sector MSME owners who are trying to sell their business for 1 - 5 years have the capacity for optimism to entrepreneurial alertness, self-efficacy to entrepreneurial alertness, entrepreneurial alertness to innovation, and innovation to financial performance.

Value: This research extends the concept of human psychological capital theory by adding new dimensions relevant to MSME business performance. The practical implications of this research are expected to help MSME players in the culinary sector in Bandung City in improving business strategies in the form of company updates or innovations to obtain better financial performance.

Keyword: *Self-efficacy, Optimism, Entrepreneurial Alertness, Innovation, MSME*