

The Importance of Micro, Small, and Medium Enterprises Competitiveness through Digital Transformation

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DOI: <https://doi.org/10.33005/jasf.v7i1.467>

Received: March 27, 2024. Revised: April 05, 2024. Accepted: June 15, 2024

Abstract

The emergence of the Industrial Revolution has led to transformative changes in global industries driven by digital technology and automation. These changes have brought both opportunities and challenges to MSMEs. This research examines how social capital, marketing performance, and human resources affect MSMEs' competitiveness with digital transformation as a mediating variable. This study uses quantitative methodology and a causal associative approach. A stratified random sampling technique will ensure adequate representation from different industries and geographical areas. Data were collected using a questionnaire distributed and filled out by 200 MSME entrepreneurs at three locations in Badung Regency: Kuta, North Kuta, and South Kuta, Bali-Indonesia. The data was analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The results of this research show that social capital, marketing performance, and human resources have a significant influence on MSMEs' competitiveness. Digital transformation has an insignificant effect on MSME's competitiveness in Badung Regency, Bali Province. Digital transformation has been proven to mediate the effect of marketing performance on SMEs' competitiveness. Digital transformation cannot mediate the effect of social capital and human resources on SMEs' competitiveness in Badung Regency, Bali Province. The results of this study can serve as a guide for future researchers who will tackle related issues. In addition, more research is required to increase the variety of variables and locations to obtain more meaningful results.

Keywords: *Digital transformation, HR competence, marketing performance, social capital, MSMEs Badung Regency-Bali, Indonesia.*

How to cite (APA 7th style)

Merta, I. K., Usadha, I. D. N., & Sudiartini, N. W. (2024). The Importance of Micro, Small, and Medium Enterprises Competitiveness through Digital Transformation. *JASF – Journal of Accounting and Strategic Finance*, 7 (1), 18-38.

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INTRODUCTION

According to the Bali Cooperative and MSMEs Agency, as of May 2022, there were 440,609 registered MSMEs in Bali, an increase from 412,265 units in 2021 (Ayupijaya, 2021). Most workers in Kuta Village are employed in trade industries, where there are 3.361 individuals, and the service or public services industry, where there are 3.267 individuals (BPS, 2021). Badung Regency's nearly 95% reliance on the tourism industry was the cause of this. Between 2020 and 2022, Kuta saw a sharp decrease in the number of visitors. Particularly in popular tourist destinations like Kuta Beach, the decline reached 99% (Herman et al., 2023). Despite their growth, SMEs in Bali continue to face several challenges, including funding, human resources, technology, licensing, and marketing. Technology has the potential to enhance productivity for MSMEs. At the same time, profiles of MSME actors are quite diverse, including those with relatively low digital and financial literacy. One of the capital-related issues has been MSMEs' ignorance of how to obtain funding for business development. In the meantime, many microbusiness players lack business legality regarding licensing. For MSMEs to effectively manage their businesses, their knowledge must also be enhanced. Promotions are still not at their best, and MSMEs' marketing reach is still limited (Kartika et al., 2024).

MSMEs in Bali face the same issue as other parts of the country: a decline in revenue that harms their ability to continue in business. One indicator of a small to medium-sized company's viability that eventually leads to acquisition is revenue (Yuliantari & Pramukki, 2022). The majority of MSMEs in Bali work in the trade sector, i.e., 254.655 units (58%), followed by the agricultural sector, namely 87.966 units (20%), while the non-agricultural sector at 61.048 (14%), and varied services 3.694 (8%) (Widiastini et al., 2023). It demonstrates the increasing contribution of MSMEs to Bali's economy, so to ensure sustainable economic recovery, it's important to view it from the MSME's point of view. MSMEs in Bali are under extreme pressure and are also paralyzed as a result of the decline in trading activity, according to data from BI (Bank Indonesia) of Bali Province. This paralysis is caused by a 68% drop in sales, 12% in capital issues, 10% in distribution issues, 6% in raw material issues, and 4% in production issues. Other factors that contribute to the decrease in sales turnover are MSMEs inherent traits, which include low capital, incomplete licensing, a lack of awareness regarding tax payment, a lack of innovation, and a low adoption rate of technology (Jaya et al., 2020; Thousani & Edy, 2024).

Previous research has highlighted factors that influence the competitiveness of MSMEs. Some of these factors are related to the effectiveness of social capital, marketing performance, human resource competency, and digital transformation. For example, studies conducted by Dian & Bagus (2021) and Khusaini et al. (2022) show that social capital has an important role in strengthening the competitiveness of MSMEs. In this case, strong social relationships and networks enable MSME actors to access wider information and resources, supporting their business strategies. However, opposite findings were presented by Prasetyo et al. (2020) and Purwati et al. (2021), where social capital is considered not to contribute significantly to business performance. These differences may be due to regional context, network structure, or how social capital is utilized in daily operations. The role of marketing performance also does not always produce a uniform impact on the competitiveness of MSMEs. Marjukah (2022) and Oduro &

Williams (2023) indicate that marketing success can increase competitiveness by maximizing market reach and increasing customer loyalty. However, Sumaryanto & Widajanti (2023) show that increasing marketing activities is not always directly related to increasing performance. This may happen when quality products do not accompany the marketing strategy or lack adequate logistical support.

Human resource competency is considered a crucial factor in building competitive advantage, as Alatas et al. (2024) and Millendra & Marwan (2022) reported. However, several other studies, such as those conducted by Sunarti et al. (2023) and Sutrisno, Kraugusteeliana, et al. (2024), found that increasing HR competency does not always have a real impact on competitiveness, especially if the organization is unable to utilize existing skills effectively in a dynamic environment. Digital transformation is also a factor to be considered, where studies by Nur & Made (2024) and Susanti et al. (2023) found that digitalization can help MSMEs respond more quickly to market changes, thereby improving performance. However, Mutoharoh et al. (2020) found that digitalization does not always directly impact competitiveness. Factors such as the readiness of technological infrastructure and digital skills of MSME players may be obstacles that influence the effectiveness of this transformation. This research was conducted because there is a research gap with various implications. As a result, further research needs to be carried out using different data and research locations. This is done to complete the research in all districts in Indonesia. Complete research in various regions regarding the competitiveness of MSMEs can be used as a reference to compare the similarities and differences of each region.

MSMEs in Bali continue to face a number of challenges, including those related to social capital, marketing performance, human resources, and technology. Business capabilities and resource-based view (RBV) by a company can create a sustainable competitive advantage. Based on the Resource-Based Theory of Firm, one strategy for gaining a competitive edge is to develop a company resource or capability that is hard to replicate. Et al. (2024) state that when someone or a group uses social structures that they believe can effectively and also efficiently accomplish individual or group goals with other capital, they are building their social capital, which is all the strengths of community social forces. MSMEs with greater social capital will report higher productivity levels than those with lower social capital. Within MSMEs, the benefits of relationships between different departments or functions are also influenced by the strength and extent of social capital. To adapt and survive unfavorable changes, social capital has emerged as a crucial relational resource, particularly for livelihoods that depend heavily on resources. For a business to operate efficiently, the amount of social capital that an entrepreneur has in their personal network is essential. One of the advantages is that different actors in the company work more quickly, either directly or indirectly, raising the performance of SMEs. A prior study by (Khurrohmah et al., 2022; Khusaini et al., 2022), social capital can affect MSMEs' performance. While, (Meflinda et al., 2018; Prasetyo et al., 2020) the research found that social capital had no significant effect on MSME's performance.

H₁: Social capital has a significant effect on MSME's competitiveness.

The competitiveness of MSMEs can be increased by marketing performance that outperforms their competitors. The adaptability of consumer needs reflects the SME's capacity to identify and satisfy market needs. This flexibility is a marketing tool that is essential for satisfying changing consumer demand and enhancing business outcomes (Oduro & Williams, 2023). Resource-based theory is a process for designing strategies that generate competitive advantage by evaluating an organization's strengths and concentrating on managing resources and their capabilities to maintain the competitive advantage. To ascertain the extent of a product's success rate, it is crucial to observe how well the marketing strategy is performing when supplying the products that customers find appealing. An increasingly important element of MSMEs' financial management is the integration of digital marketing strategies, which helps them increase their productivity and operational efficacy. Digital marketing strategies, such as social media platforms and websites, have become a practical choice for MSMEs with limited promotional resources (Sumaryanto & Widajanti, 2023). The capacity of a business to grow and uphold strategic partnerships with all pertinent supply chains is measured by its marketing performance. Understanding customer needs and desires is made possible by market orientation, which also offers solid guidelines for taking competitive and customer feedback to heart. Superior value in the eyes of the consumer and exceptional performance for MSMEs can result from a commitment to market orientation. The way in which the SMEs compete is through the application of market performance, which will impact the outcome of the visit. Study from (Oduro & Williams, 2023; Rahman et al., 2023) found a significant relationship between marketing performance and SME competitiveness. While, (Sumaryanto & Widajanti, 2023) Research has shown that marketing performance has an insignificant effect on an MSME's performance.

H₂: Marketing performance has a significant effect on MSMEs' competitiveness.

Human resources factors are essential in increasing the MSME competition in Bali. Another key component that ensures an organization's operations run smoothly is its human resources (Sembiring, 2016). Resource-based View (RBV) depends on ownership of certain essential resources, particularly those with attributes like value and barriers to duplication, to maintain a competitive edge. Benefits can be obtained if the business efficiently maximizes these resources. The Resource-based View (RBV) emphasizes strategic decisions, human resource optimization, management, identification, development, and utilization of critical resources to maximize corporate value. One major component that can be used to elevate MSMEs' professionalism is human resources. This is because individual participation in running a business within a business unit affects it (Sunarti et al., 2023). An SMEs competitive advantage stems from the ability to distinguish its resource characteristics from those of other companies in the same market share. Human resources is also a key component that enables MSMEs to capitalize on the potential of new product development to develop and enhance the caliber of their goods by forecasting consumer demand (Muliadi, 2021). Human resources competence, including skills, knowledge, and aptitude entrepreneurship, calls for high standards of HR quality. Enhancing MSME's performance is a key goal of business development, and human resource development helps with this in several ways. As an employee carries out the tasks assigned to him, the quantity and the quality of the work he produces determine his performance (Safkaur & Sagrim, 2019). According

to research from Millendra & Marwan (2022), human resources competence significantly affects SMEs' competitive advantage. While Kraugusteeliana et al. (2024) showed that HR competence has an insignificant effect on SME competition.

H₃: Human resources have a significant effect on MSMEs' competitiveness.

Based on the results of observations, the problems that occur in the SME actors are the lack of capital, knowledge, marketing innovation, and technology, which results in the growth of MSMEs' performance in North Kuta, Bali, decreasing. This decline affects the welfare of MSME actors, as seen from decreased income earned. The aforementioned phenomena indicate differences from earlier studies, leading to numerous inconsistencies in variable testing in previous studies, so mediating variables may be useful in addressing inconsistent relationships. The framework for understanding the effects of digital strategy is provided by the Resource-Based View (RBV) theory. Well-planned digital strategies for MSMEs grow into adaptable skills that affect the rate and success of digital transformation. During the post-pandemic period, specific regions encountered a decline in economic growth, including Bali. Further study is required to comprehend how these variables impact their enterprises in diverse economic landscapes. This study analyzes the effects of social capital, marketing performance, and human resources on MSME competitions in North Kuta, Bali, with digital transformation as a mediate variable. Within the context of MSMEs, digitalization has become a transformative force. According to the results of the previous study, MSMEs' performance may be significantly impacted by their adoption and also an integration of digital technology into the business operations (Guo et al., 2020; Komala & Firdaus, 2023). If owned of SMEs commit to digital transformation, they can run it by providing discounts, offering products on social media, and so on. The digitalization stimulated MSMEs' capacity for innovation (Yuliantari & Pramukki, 2022). According to research (Alamsyah et al., 2024; Desmiyawati et al., 2023), digital transformation significantly affects MSME's performance. Meanwhile, Mutoharoh et al. (2020) found that digital transformation has an insignificant impact on SME competition.

H₄: Digital transformation has a significant effect on MSMEs' competitiveness.

Investment in digitalization to carry out MSMEs' business activities will positively impact their product innovation. Searching for information by having good digitalization will increase SMEs' level of sales with the help of easy social access. When MSMEs carry out digital transformation, it can help link foresight capability to social capital. Research by (Ghi et al., 2021; Nguyen et al., 2023), prove that social capital greatly impacts SME competitions mediated by digital transformation.

H₅: Digital transformation mediates the effects of social capital on MSMEs' competitiveness.

Digital innovation in marketing can help MSMEs achieve marketing targets, increase brand awareness and market share, and increase customer satisfaction and loyalty (Dyatmika et al., 2023). Digital innovation can help MSMEs face competition, create unique products or services,

and also increase customer satisfaction. In the ever-growing digital era, MSMEs need to utilize digital technology and digital media to reach a broader target market, optimize interactions with customers, and increase their marketing effectiveness. According to a study by (Guo et al., 2020; Utama & Indarwati, 2023). Digitalization can significantly mediate the effect of marketing performance on MSMEs' competitiveness.

H₆: Digital transformation mediates the effects of marketing performance on MSMEs' competitiveness.

One of the main factors contributing to MSMEs' success and one of the biggest advantages of digital transformation is seen to be digitization. HR plays a major role in the success of SMEs' digitalization efforts since they can supply the employees or skills required for these processes, which can be difficult for SMEs in the trade and also craft industries in particular. Study (Kmecová et al., 2021; Putra et al., 2023) stated that digitalization can significantly mediate the effect of human resources competence on MSMEs' competitiveness.

H₇: Digital transformation mediates the effects of human resources on MSMEs' competitiveness.

The conceptual framework clarifies the relationship between theory and important elements of a given issue. This forms the basis of scientific research that has been prepared using prior theories, professional judgments, and findings.

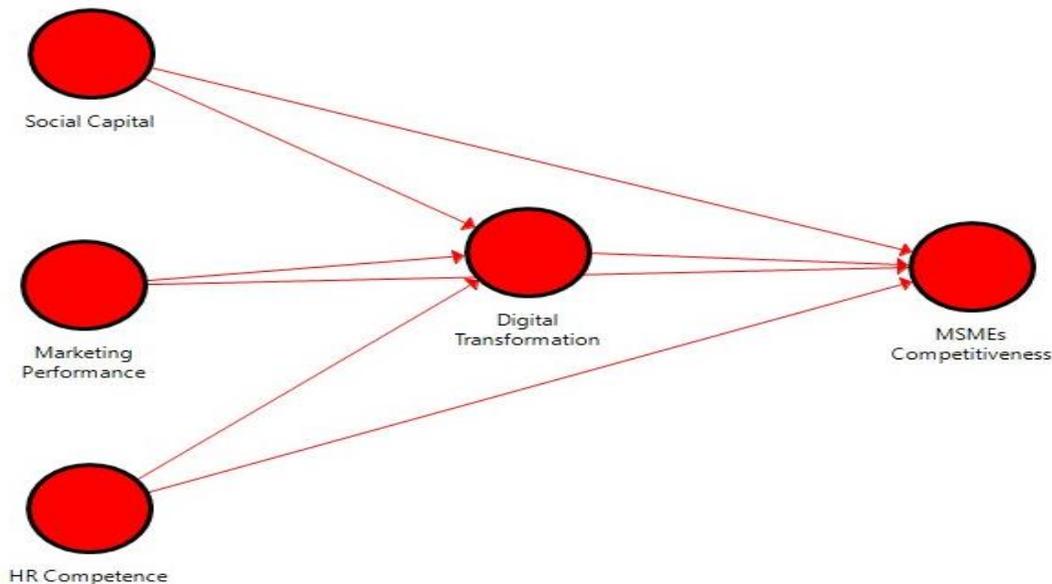


Figure 1. Research Model

Figure 1 shows the independent variables of the present study, namely social capital, marketing performance, HR competence, and MSMEs' competitiveness as a dependent variable. Finally, we

used digital transformation as a mediation variable. In theory, we anticipate that the independent and dependent variables will be positively correlated.

Based on the results of observations, the problems that occur in the SME actors are the lack of capital, knowledge, marketing innovation, and technology, which results in the growth of MSMEs performance of Badung Regency, namely Kuta, North Kuta, and South Kuta has decreased. This decline affects the welfare of MSMEs actors as seen from decreased income earned. The aforementioned phenomena indicate that there remain differences from earlier studies, leading to numerous inconsistencies in variable testing in previous studies, so mediating variables may be useful in addressing inconsistent relationships. During the post-pandemic period, specific regions encountered a decline in economic growth, including Bali. Further study is required to comprehend how these variables impact their enterprises in diverse economic landscapes. This study analyzes the effects of social capital, marketing performance, and human resources on MSME competitions in Badung Regency, Bali, with digital transformation as a mediate variable.

RESEARCH METHOD

This study used a quantitative and causally associative approach to verify the hypothesis. This study incorporates literature studies by referencing articles and journals as the theoretical foundations. The location of this study is Badung Regency, Bali Province. In-depth interviews with MSME actors and observations are used as primary data sources in this study. Micro, Small, and Medium Enterprises doing business in Badung, Bali, are the target demographic. As MSMEs are highly diverse, a stratified random sampling technique will ensure adequate representation from different industries and geographical areas, so 200 is the calculated sample size.

A questionnaire distributed and completed by 200 MSME owners was used to gather data at three locations in Badung Regency, namely Kuta, North Kuta, and South Kuta. Two hundred MSME entrepreneurs completed a questionnaire that was distributed as a sample. A Likert scale, with scores from 1 (strongly disagree) to 5 (strongly agree), was used to score the questionnaires used in the data collection process. The types of MSMEs were quite diverse: culinary, crafts, and clothing. The characteristics of respondents indicated that 124 of them ran culinary businesses, 31 people ran craft businesses, and 45 owned businesses in the fashion industry. This information was based on the types of businesses that the respondents operated.

Based on Table 1, questions on social capital consist of 5 indicators. Questions on marketing performance consist of 5 indicators. The HR competence consists of 5 indicators. Digital transformation consists of 6 indicators and questions on MSME's competitiveness comprise 6 indicators.

Table 1. Research Instrument

Variables	Indicator	Scale
Social capital	<ol style="list-style-type: none"> 1. Effective communication skills 2. Community relationships 3. Understanding of local culture 4. Leadership skills 5. Engagement in business networking Sutrisno et al. (2024)	Likert scale 5 point
Marketing performance	<ol style="list-style-type: none"> 1. Standard channels of distribution 2. Standard prices and service 3. Standard advertising and promotion 4. Standard product characteristics 5. Standard service delivery Lee & Griffith (2019)	Likert scale 5 point
HR competence	<ol style="list-style-type: none"> 1. HR skill 2. HR knowledge 3. HR abilities 4. HR ethnic 5. HR attitude Nurani et al. (2021)	Likert scale 5 point
Digital transformation	<ol style="list-style-type: none"> 1. Digital roadmap 2. The process of digital transformation 3. Enterprise digitalization 4. Enterprise information system 5. Organizational adaptability 6. Employees digital cognition Chen et al. (2022)	Likert scale 5 point
MSMEs competitiveness	<ol style="list-style-type: none"> 1. Competitive prices 2. Lower price than competitors 3. High-quality products to customers 4. Compete based on quality 5. Very reliable products 6. Very durable products Ferreira & Coelho (2020)	Likert scale 5 point

Source: Authors calculation, 2024

To verify that there was a relationship between the variables, the gathered data were subsequently processed using the SmartPLS application through the analysis stages of testing the inner, and outer models. The t-test was utilized for testing hypotheses. Instrument tests comprise Cronbach's alpha, composite reliability, convergent, discriminant, and also Average Variance Extracted (AVE) validity tests. When the probability value \leq alpha (0.05) and t-statistic value \geq

t-table (1.96), the purpose of the test criteria is to determine whether exogenous factors significantly affect endogenous variables (Solimun, 2017).

RESULTS AND DISCUSSION

Results

Characteristics of Respondents

The respondent's characteristics are classified by demographic, namely owner age, gender, last education level, use of e-commerce, running of business, and type of business.

Table 2. Characteristics of Respondents

Characteristics of Respondents	Items	Frequency	Percentage
Owner age	20-30	35	17,5%
	31-40	67	33,5%
	41-50	47	23,5%
	>50	51	25,5%
Gender	Male	74	37%
	Female	126	63%
Education	High School	72	36%
	Bachelor	82	41%
	Master	46	23%
Using of E-commerce	<5 years	105	52,5%
	>5 years	95	47,5%
Running of business	2 years	50	25%
	3-5 years	56	28%
	>10 years	94	47%
Type of business	Culinary	86	43%
	Craft	32	16%
	Fashion	66	33%
	Other	16	8%

Source: Processed data, 2024

Table 2 presents data related to demographics; for the owner category, there are more 31-40 years (33,5%). In the gender category, most are female, with 126 people (63%). Furthermore, the last education level of the respondents was a bachelor's degree, with 82 people (41%). The use of e-commerce in the Badung Regency SME business was <5 years, with as many as 105 business actors (52,5%). Badung Regency MSME's running business was >10 years with 47%. According to 86 business actors (43%), the type of business is culinary. Then the feasibility level of the questionnaire was distributed to 200 respondents using validity and reliability tests

Validity, Reliability, and Average Variance Extracted

Convergent validity is assessed using the correlation of the variables. If a construct correlates with item scores and its size is greater than 0.70, it is deemed large. For applications in the early stages of research, obtaining a value of 0.50 to 0.60 is considered sufficient. Cronbach's Alpha determines the lower bound of a construct's reliability value, whereas Composite Reliability determines a construct's true reliability value. Reliability is determined by looking at Cronbach's Alpha and Composite Reliability value, which is higher than 0.70. For an indicator to be considered higher than other indicators in terms of correlation, its AVE (Average Variance Extracted) value must be higher than 0.5.

Table 3. Cronbach's Alpha, Composite Reliability, and Average Variance Extracted

Variables	Cronbach's Alpha	Composite Reliability	AVE
Social Capital (X ₁)	0.894	0.920	0.698
Marketing Performance (X ₂)	0.877	0.910	0.670
Human Resources (X ₃)	0.838	0.882	0.600
Digital Transformation (Z)	0.904	0.926	0.677
MSMEs Competitiveness (Y)	0.879	0.909	0.627

Source: Processed data, 2024

Based on the analysis results in Table 3, the outer loading value of each indicator has a value of > 0.70, and indicators that reflect the measurement of MSMEs competitiveness in Badung Regency, North Bali, are considered valid. The value of Cronbach's Alpha and Composite Reliability of each construct in this study is greater than 0.70, it can be said that the gauge used in this study is reliable. The AVE values all show > 0.5, indicating that each indicator meets the requirements for strong convergence.

Discriminant Validity

Discriminant validity can be applied by comparing the intended construct loading value, which needs to be greater than that of another construct.

Table 4. Discriminant Validity-Fornell Larcker

Variable	SC	MP	HR	DT	MSMEs Competitiveness
SC	0.835				
MP	0.574	0.818			
HR	0.650	0.585	0.775		
DT	0.474	0.704	0.547	0.823	
MSMEs Competitiveness	0.491	0.472	0.444	0.620	0.792

Source: Processed data, 2024

According to the results of the analysis in Table 4, the AVE values of MSMEs' competitiveness, social capital, marketing performance, human resources, and digital transformation all yield more than 0.5 and pass the test of discriminant validity, which demands that the square root of AVE value exceed the correlation of the latent constructs. At that point, the aforementioned variables are accepted. To sum up, the research data model meets the good criteria and, depending on the findings of the discriminant validity test, can be further developed.

R- Square

This analysis aims to show how much exogenous variables affect the endogenous variables. R-square can identify three categories: 0.25 is weak, 0.50 is moderate, and 0.75 is strong.

Table 5. R-Square

	R-Square (R²)	R-Square Adjusted
MSMEs Competitiveness	0.551	0.481
Digital Transformation	0.392	0.365

Source: Processed data, 2024

Based on Table 5, the influence of social capital, marketing performance, human resources, and digital transformation on MSME's competitiveness, with a value of 0.551, or 55.1%, falls into the moderate category. While external factors influence 44.9% of the variance. The digital transformation (Z) R-square value was 0.392, indicating that 39.2% was impacted by social capital (X₁), marketing performance (X₂), and also human resources (X₃). Meanwhile, variables outside the model influence 60.8% of the variance.

Path Coefficients

One method used to determine the correlation between the variables was bootstrapping. The test criteria are satisfied when the t-statistic and probability values are less than or equal to the t-table (1.96) and alpha (0.05). It is claimed that exogenous factors significantly affect endogenous variables. Figure 2 shows the testing and analysis of previously stated research hypotheses. The outcomes of the empirical research model's PLS analysis indicate that each variable's reliability and validity are more than 0.70. The social capital (0.698) indicator has the lowest value of 0.792 and the highest value of 0.892. The marketing performance (0.670) indicator has the lowest value of 0.753 and the highest value of 0.869. The human resources (0.600) indicator has the lowest value of 0.739 and the highest value of 0.849. The digital transformation (0.677) indicator has the lowest value of 0.755 and the highest value of 0.894. The competitiveness (0.627) indicator has the lowest value of 0.715 and the highest value of 0.889. The path coefficients to explain the hypothesis results are shown in Table 6.

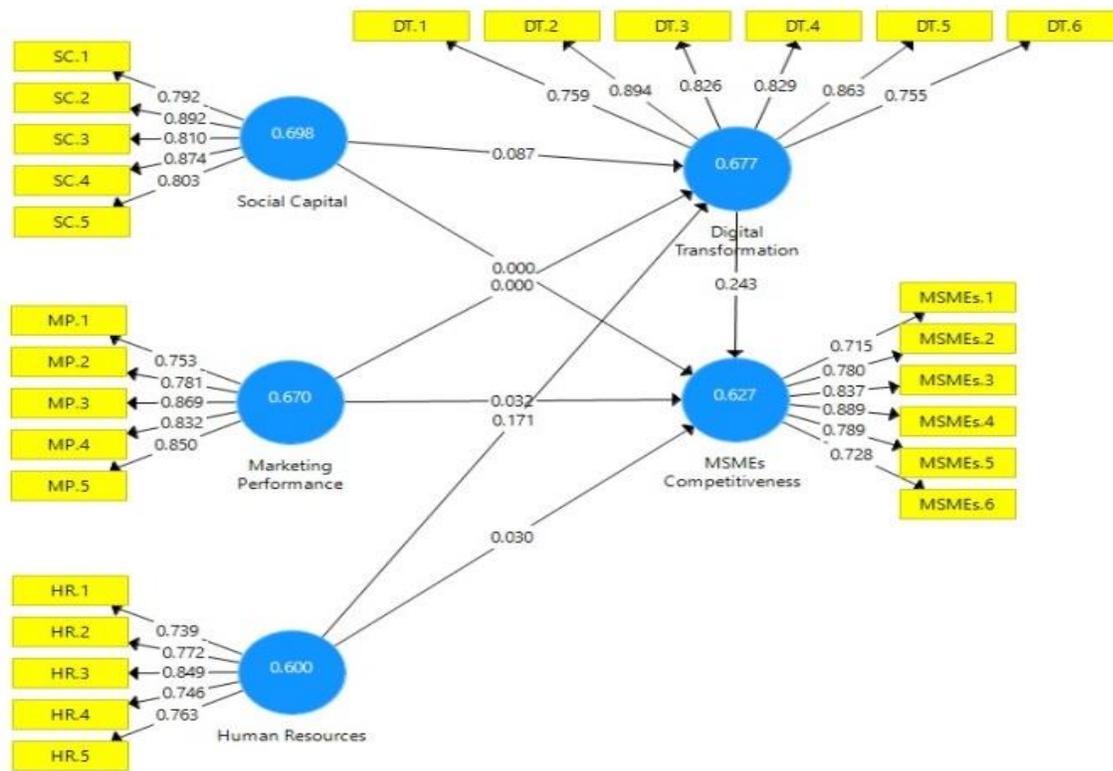


Figure 2. SmartPLS Analysis Results

Source: Processed data, 2024

Based on Table 6, the test findings are shown in the above table. With a p-value of $0.000 < 0.05$ and a t-statistic of 2.280, the first hypothesis indicates that social capital significantly affects MSME's competitiveness in Badung Regency. The second hypothesis demonstrates that using p-value $0.032 < 0.05$, and t-statistics 2.703, marketing performance has significant effects on SMEs competitiveness. The third hypothesis demonstrates that human resources significantly affect MSME's competitiveness, with t-statistics of 2.060 and a p-value of $0.030 < 0.05$. By t-statistics 1.586 and p-value $0.243 > 0.05$, the fourth hypothesis demonstrates that digital transformation did not significantly affect SMEs' competitiveness. The fifth hypothesis, which has t-statistics 1.495 and a p-value of $0.087 > 0.05$, indicates that digital transformation cannot mediate the effects of social capital on MSMEs' competitiveness. The sixth hypothesis test shows that digitalization can mediate the relationship between marketing performance and SME competition with t-statistics 4.921 and a p-value of $0.000 < 0.05$. The seventh hypothesis test results show that digital transformation cannot mediate the relationship between human resources and MSMEs competitiveness, with a t-statistic of 1.360 and a p-value of $0.171 > 0.05$.

Table 6. Hypothesis Test Results

	<i>Original Sample(O)</i>	<i>Standard Deviation (STDEV)</i>	<i>T Statistics (O/STDEV)</i>	<i>P-Values</i>
Social Capital (X ₁) → MSMEs Competitiveness (Y)	0.294	0.129	2.280	0.000
Marketing Performance (X ₂) → MSMEs Competitiveness (Y)	0.455	0.168	2.703	0.032
Human Resources (X ₃) → MSMEs Competitiveness (Y)	0.133	0.055	2.060	0.030
Digital Transformation (Z) → MSMEs Competitiveness (Y)	0.197	0.124	1.586	0.243
Social Capital (X ₁) → Digital Transformation (Z) → MSMEs Competitiveness (Y)	0.164	0.105	1.495	0.087
Marketing Performance (X ₂) → Digital Transformation (Z) → MSMEs Competitiveness (Y)	0.442	0.090	4.921	0.000
Human Resource (X ₃) → Digital Transformation (Z) → MSMEs Competitiveness (Y)	0.275	0.077	1.360	0.171

Source: Data processing on SmartPLS, 2024

Discussion

The Influence of Social Capital on MSMEs' Competitiveness

Based on data analysis findings, social capital significantly affects SMEs' competitiveness in Badung Regency, with t-statistics 2.280 and p-value $0.000 < 0.05$, which means H_1 is accepted. This was aligned with the Resource View (RBV) theory; MSMEs' capabilities and resources, specifically social capital, must meet high standards and requirements. This implies that as MSMEs' social capital increases, so do their levels of profit, productivity, and also customer loyalty. As a result, MSMEs' overall performance rises. Social capital is the interpersonal relationships with family and customers that build the trust required for a business to succeed. If the social capital indicator gives trust the highest score, then the family's strong social capital supports the business's ongoing operations. A key factor in increasing SMEs' competitiveness is their capacity to capitalize on and develop social capital, which takes the shape of suppliers, friends, family, and coworkers in addition to customer loyalty and trust (Fadillah & Suryaningrum, 2021). When social capital is broken down, internal social capital has a big influence on things like productivity and customer loyalty, which aren't related to finances. This study's findings align

with those of research conducted by Khurrohmah et al. (2022) and Khusaini et al. (2022), social capital has a significant effect on MSMEs' competitiveness.

The Influence of Marketing Performance on MSMEs' Competitiveness

Based on data analysis findings, marketing performance has significant effects on SMEs' competitiveness with t-statistics 2.703 and p-value $0.032 < 0.05$, which means that H_2 is accepted. This was in line with the resource-based view (RBV) theory; market-based resources that are continuously learning and adaptive can afford to be won by a company in the market in that industry. Effective marketing can support competitive advantage and serve as a strategy in response to the diversity of the market. When market orientation is executed effectively, marketing performance helps SMEs advance inadvertently. One of the many advantages of adopting a customer-focused approach in entrepreneurship is the capacity to create goods and services that satisfy the wants and needs of customers. High market orientation levels are associated with superior marketing performance in MSMEs. This is so because a market-oriented approach generates competitive benefits like cost-effectiveness, innovation, and high-quality goods and services. It is even hoped that it will boost the turnover of business actors in MSMEs, both in Badung Regency and generally for all SMEs that are currently in operation. The SME sector has benefited from the application of marketing strategies, which has increased profitability and market share. This study's findings align with those of previous research conducted by Marjukah (2022) and Oduro & Williams (2023) that marketing performance significantly affects MSMEs' competitiveness.

The Influence of Human Resources on MSMEs' Competitiveness

Based on data analysis findings, human resources significantly impact MSME's competitiveness with t-statistics 2.060 and p-value $0.030 < 0.05$, so H_3 is accepted. This was consistent with the Resource-Based View (RBV) theory, which states that a company's ability to use its diverse resources, keep rivals from copying them, and manage all of its resources effectively and efficiently is what determines whether a resource-based strategy is successful. Competitive advantage is based on resources, capabilities, and core competencies. Businesses with the necessary resources and skills will be able to take advantage of many opportunities in the sector. The organization achieves positive and long-lasting results when its resources and competencies are connected with its ever-evolving competitive advantages. This implies that MSMEs perform better the more knowledgeable and skilled their human resources are, or vice versa. Upgrading and maintaining knowledge and skills is necessary to motivate staff to perform better, which will further boost the performance of SMEs. One of the things that help SMEs perform better is their ability to support their human resources. MSMEs' productivity and profit levels also demonstrate that HR competence will be sufficient to sustain these businesses' operations. When MSME players use experience and non-formal training instead of just formal education to acquire these skills, only instruction and knowledge that is more theoretical than practical can be obtained through formal education. This study's findings are consistent with several earlier empirical studies, including those conducted by Alatas et al. (2024) and Millendra & Marwan (2022), human resources has a significant effect on SMEs' competitive advantage.

The Influence of Digital Transformation on MSMEs' Competitiveness

Based on the results of data analysis, digital transformations did not have significant effects on MSMEs' competitiveness with t-statistics 1.586 and p-value $0.243 > 0.05$, which means that H_4 is rejected. The Resource-Based View (RBV) theory provides a lens through which to examine how HR policies enable digital capabilities and other resources that contribute to long-term competitive advantage. The dynamic capability emphasizes that constant innovation and adaptability are required to maintain this competitive edge in the market. This might not occur because, in general, technological investment needs a significant amount of capital, particularly for MSMEs. However, long-term advantages will be gained, such as more easily evaluating the costs of purchasing raw materials for their products and other supporting supplies online. As a result, they can obtain the best deals on goods that meet their business demands at the most reasonable prices. Although there is no denying that digitalization necessitates large infrastructure investment, the company will eventually be better equipped to raise earnings in addition to the efficiency and effectiveness it generates. Additionally, even though a large amount of money was required at the start of its implementation, it also reduced additional technical expenses that arose when the business completed all tasks for an extended period of time. The findings of this study are consistent with study by Alamsyah et al. (2024) and Desmiyawati et al. (2023). Digital transformation significantly affects MSMEs' competitive advantage.

The Effect of Social Capital on MSMEs' Competitiveness Mediate by Digital Transformation

The study's findings demonstrated that digital transformation could not mediate the effect of social capital on MSME's competitiveness with t-statistics 1.495 and p-value $0.087 > 0.05$, so H_5 is rejected. Based on the value of social capital, it is argued that it cannot be acquired simply. Since socially complex resources must follow guidelines or be managed directly, competitors may not be able to reap the same advantages. The value of past deeds and performance can be transferred to the following generation when SMEs are known for building social capital. Its distinctive and complex character is linked to SMEs' performance and can support businesses' viability in the marketplace. Access is becoming faster, easier to obtain, and even capable of connecting to other parts of the globe thanks to the advancement of a more technologically advanced era. Digital use appears to create group exclusivity since not all users can take advantage of the opportunities due to service restrictions based on factors like age, gender, etc. This follows a study by Prabandari et al. (2023) that found that digitalization cannot significantly mediate the effects of social capital on MSMEs' competitiveness.

The Effect of Marketing Performance on MSMEs Competitiveness Mediate by Digital Transformation

The study's findings demonstrated that digital transformation can mediate the effect of marketing performance on MSME's competitiveness with t-statistics 4.921 and p-value $0.000 < 0.05$, so H_6 is accepted. Digital innovation has great potential to improve the marketing performance of MSMEs. In an increasingly competitive business environment, MSMEs that can adopt and utilize

digital innovation effectively experience increased marketing performance. Digital innovation in marketing can help MSMEs achieve marketing targets, increase brand awareness and market share, and increase customer satisfaction and loyalty. Digital innovation can help MSMEs face competition, create unique products or services, and increase customer satisfaction. Developing digital innovation as a strategy to improve MSMEs' marketing performance is also important. MSMEs need to continue to adapt to changes in digital trends that occur to optimize innovation and increase their competitiveness. In the ever-growing digital era, MSMEs need to utilize digital technology and digital media to reach a broader target market, optimize interactions with customers, and increase the effectiveness of their marketing. This is following the study of Guo et al. (2020) and Utama & Indarwati (2023), digitalization can significantly mediate the effects of marketing performance on MSME's competitiveness.

The Effect of Human Resources on MSMEs Competitiveness Mediate by Digital Transformation

This study's conclusions indicate that digital transformation cannot mediate the impact of human resources on SMEs' competitiveness with t-statistics 1.360 and p-value $0.171 > 0.05$, so H_7 is rejected. One of the obstacles preventing MSMEs from adopting digital technology is their lack of experience and expertise with digital platforms and technology. Actors in MSMEs typically lack the knowledge necessary to market, post details, and take images of their products on social media. Businesses frequently struggle to decide which platform to use to expand their customer base. MSMEs face several challenges in their transformation journey, including digital marketing strategy. Misconception leads micro, small, and medium enterprises (MSMEs) to believe that their businesses only need to concentrate on their offerings and costs. However, global brands are compelled to make financial investments in the media. Customers feel more connected to international brands through this process than to local ones physically closer to them. This is following the study of Sutrisno et al. (2024). Digitalization cannot significantly mediate the effects of human resources on MSMEs' competitiveness.

CONCLUSION

The study findings, which are based on data analysis and discussion, social capital, marketing performance, and human resources have a significant effect on MSME's competitiveness. Digital transformation has had an insignificant effect on MSME's competitiveness in Badung Regency, Bali Province, post-pandemic. Digital transformation has been proven to mediate the effect of marketing performance on an MSMEs' competitiveness. Digital transformation cannot mediate the effect of social capital and human resources on MSMEs' competitiveness in Badung Regency, Bali Province.

The results of this study can serve as a guide for future researchers who will tackle related issues. Furthermore, the government must integrate sales tactics and continuous support into digital marketing education to make MSME products competitive. Confirming for MSMEs to obtain legal status and business credit guarantees is essential when it comes to licensing. Transform MSMEs

into the formal sector and make it easier for them to access various government assistance programs. Along with ensuring the welfare of their employees, MSMEs are also increasingly contributing to state revenue in the best possible way. As Bali navigates the transformation era, policymakers, community leaders, and stakeholders can draw these insights open to formulate informed strategies that ensure sustainable development and inclusive growth for MSMEs.

However, this research still has limitations. First, the sample of the MSME manager only comes from one regency and did not distinguish between generations of MSME owners. Further research is expected to expand the sampling area, differentiate samples based on generational groups, and add variables to determine competitive advantage.

List of Abbreviations

Micro, Small, and Medium Enterprises (MSMEs); Partial Least Squares-Structural Equation Modeling (PLS-SEM); Average Variance Extracted (AVE).

Authors' Contribution

MIK conceptualized and also drafted the manuscript. *UIDN* and *SNW* data curation, data analysis, and final article draft.

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Funding

This research has no external funding

Conflicts of Interest

The authors declare no competing interest

Availability of Data and Materials

Data and materials are available upon request via email to the corresponding author.

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