

Competitiveness Factors and MSME Performance: Insights from Jambi Province

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Abstract

This study aims to analyze the impact of competitiveness factors on MSME performance in Jambi Province. The research focuses on four key competitiveness factors: financial capabilities, entrepreneurial skills, government policies, and technological advancements. Utilizing a quantitative approach, data were collected from 100 MSMEs through structured questionnaires. The analysis was conducted using Partial Least Squares (PLS) through Smart PLS 3 software. The findings indicate that entrepreneurial skills are the most significant factor influencing MSME performance, with profit growth identified as a key performance indicator. These results suggest that enhancing entrepreneurial capabilities and leveraging regional strengths can improve MSME competitiveness and sustainability in both local and global markets.

Keywords: Competitiveness factors, MSME performance, regional strengths, entrepreneurship.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in the global economy, particularly in providing employment and supporting regional economic development (Hafni, 2017). In Indonesia, MSMEs represent over 99% of all business entities and contribute approximately 60% to the national Gross Domestic Product (GDP)

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(Yanah et al., 2018; OECD, 2021). In addition to their economic contributions, MSMEs have been recognized for their resilience during economic crises, such as the COVID-19 pandemic, where they helped sustain local economies (UNDP, 2022).

Despite these significant contributions, maintaining competitiveness remains a challenge for MSMEs, especially in an era defined by globalization and technological advancement (Bhawsar & Chattopadhyay, 2015). Competitiveness is a multidimensional concept encompassing economic, managerial, political, and cultural aspects (Dvouletý & Blažková, 2020). At the macro level, policymakers strive to optimize resources for sustainable development, while at the micro level, business managers explore innovative strategies to enhance competitiveness (Fritsch & Wyrwich, 2017). However, MSMEs often face barriers such as limited access to finance, insufficient entrepreneurial skills, and slow technological adoption (World Economic Forum, 2021).

Leveraging regional advantages has been proposed as an effective strategy for enhancing MSME competitiveness. Local strengths, such as unique resources, cultural heritage, and geographic positioning, enable MSMEs to create distinct products and services that meet market demands (Ardianingsih et al., 2017; ADB, 2023). In Jambi Province, MSMEs have shown significant growth, increasing from 1,073 registered enterprises in 2019 to 3,513 in 2020 (Jambi Statistics Bureau, 2023). This growth highlights the potential of MSMEs in driving regional economic development.

Previous studies have emphasized the importance of entrepreneurial orientation and technological adoption in improving MSME performance. Entrepreneurial capabilities, such as opportunity recognition, risk-taking, and innovation, significantly enhance business growth and competitive advantage (Efendi et al., 2020; Anggraeni et al., 2017). Furthermore, access to modern technology and financial resources plays a critical role in enabling MSMEs to compete effectively in regional and international markets (Kukharuk & Gavrysh, 2019; Dvorský et al., 2021).

While much research has focused on MSME competitiveness, there is a limited understanding of how regional advantages can be integrated into competitive strategies. This study addresses this gap by proposing a model to enhance MSME competitiveness based on regional strengths in Jambi Province. The research contributes to the enrichment of knowledge by providing a comprehensive framework that integrates financial capabilities, entrepreneurial orientation, government policy support, and technological advancements.

The findings of this research are expected to offer valuable insights for policymakers, practitioners, and academics. By identifying critical success factors and



actionable strategies, this study aims to support MSMEs in achieving sustainable growth and competitiveness. Ultimately, this research underscores the necessity of leveraging regional strengths to foster innovation and resilience within the MSME sector.

LITERATURE REVIEW

Competitiveness Theory: Competitiveness theory explores the factors that enable firms, industries, and economies to improve their performance and maintain an advantage in the marketplace. It is a multidimensional construct that encompasses economic, managerial, political, and cultural aspects (Bhawsar & Chattopadhyay, 2015). This theory forms the basis for understanding how MSMEs can leverage regional advantages to enhance their competitiveness in a globalized world. Previous studies, such as those by Kukharuk and Gavrysh (2019), highlight that entrepreneurial capabilities, technological adoption, and financial access are key determinants of competitiveness.

Resource-Based View (RBV) The Resource-Based View (RBV) emphasizes the internal resources and capabilities of firms as the primary sources of competitive advantage. Firms with valuable, rare, inimitable, and non-substitutable resources are better positioned to achieve sustained performance (Barney, 1991). In the context of MSMEs, leveraging unique regional resources such as local culture and geographic strengths aligns with the RBV to create distinctive products and services (Ardianingsih et al., 2017).

Market-Based View (MBV) The Market-Based View (MBV) complements RBV by focusing on external factors such as market conditions, competition, and consumer preferences as drivers of firm performance. This approach underscores the need for MSMEs to align their offerings with market demands while utilizing innovative strategies (Efendi et al., 2020).

Entrepreneurship Theory Entrepreneurship theory examines the role of entrepreneurs in identifying opportunities, managing risks, and driving innovation. Entrepreneurs' capabilities, such as opportunity recognition and risk-taking, are essential for enhancing MSME competitiveness and performance (Anggraeni et al., 2017; Dvorský et al., 2021).

Technological Innovation Theory Technological innovation theory highlights the importance of adopting new technologies to enhance efficiency, productivity, and market competitiveness. For MSMEs, integrating modern technology is critical to overcoming operational challenges and competing effectively (World Economic Forum, 2021).

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H1: Factors of competitiveness significantly influence MSME performance.

This literature review establishes a theoretical framework for understanding how competitiveness factors influence MSME performance, laying the groundwork for the proposed model in this research.

METHODOLOGY

This study adopts a quantitative research approach to analyze the relationship between competitiveness factors and the performance of MSMEs in Jambi Province. The population of this research comprises MSMEs operating across districts and cities within Jambi Province. From this population, a sample of 100 MSMEs was selected using purposive sampling with a judgment sampling technique, ensuring that the selected respondents meet specific criteria relevant to the research objectives, such as type of business, scale of operations, and geographic distribution.

The data collection process involved both primary and secondary data sources. Primary data were gathered through questionnaires, which included closed-ended and open-ended questions to provide a comprehensive understanding of the respondents' perspectives. Secondary data were obtained from relevant reports, statistical databases, and prior studies to complement the primary data.

The analysis was conducted in two stages: descriptive statistical analysis and inferential statistical analysis. Descriptive statistics focused on measures such as mean values to summarize the data, while inferential statistics were performed using the Structural Equation Modeling (SEM) approach with the Partial Least Squares (PLS) method. Smart PLS 3 software was utilized to analyze the data, test the hypotheses, and validate the proposed model.

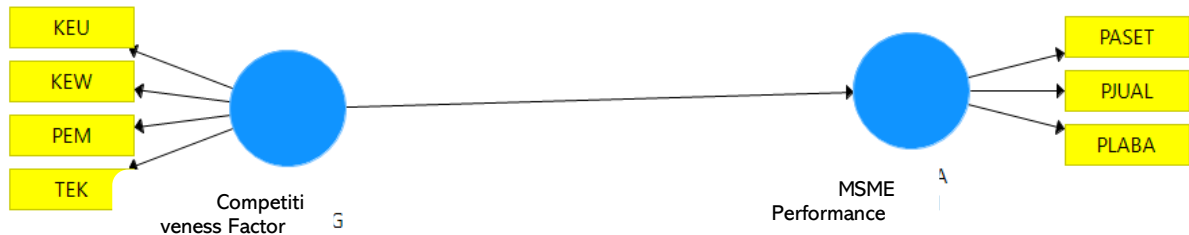
This methodological framework ensures a systematic and robust investigation into how competitiveness factors influence the performance of MSMEs, providing actionable insights for stakeholders in the region.

RESULT

The following section presents the research findings, which are based on the analysis conducted on the competitiveness factors and MSME performance variables in Jambi Province. The research model was tested using various statistical methods, and the results highlight the relationship between the identified indicators and the overall performance of MSMEs. These findings provide valuable insights into the key factors that influence MSME growth and competitiveness in the region.

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**Figure 1. Initial Research Model**

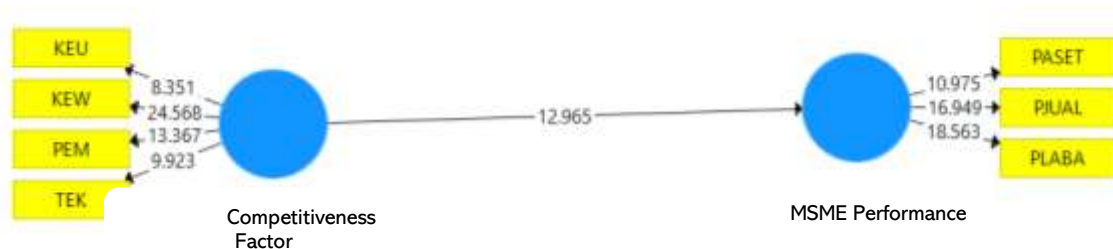
In this study, there are two variables: Competitiveness Factors and MSME Performance. The competitiveness factors variable has four indicators: financial factor (KEU), entrepreneurial factor (KEW), government policy factor (PEM), and technology factor (TEK). Meanwhile, the MSME performance variable consists of three indicators: asset growth (PASET), sales growth (PJUAL), and profit growth (PLABA).

Next, calculations were conducted on the research model, and the results are shown in the following figure:

**Figure 2. Initial Research Model Calculation**

According to Ghazali (2016), the convergent validity of the research model can be observed from the correlation between the item/indicator scores and their construct scores. An indicator is considered reliable if it has a correlation value above 0.70, although a value of 0.60 is still acceptable. Based on the figure, it can be seen that all indicators in every variable have a loading factor above 0.60. This indicates that these indicators reflect each variable in this study.

The bootstrapping results of the model are presented in the following figure:

**Figure 3. Bootstrapping Results**

Based on Figure 3, it can be concluded that among the competitiveness factors, the most dominant indicator is entrepreneurship (KEW), with a value of 24.568. This indicates that the competitiveness factor that most significantly affects MSME performance is the entrepreneurial factor. In other words, the entrepreneurial capabilities of MSME owners themselves greatly influence the competitiveness of MSME performance in the future.

Meanwhile, for the MSME performance variable, the most dominant indicator is profit growth. This means that the most easily observable indicator in assessing MSME performance is the increase in profit within the MSME.

The following table presents the path coefficient results obtained from this study:

Table 1. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
COMPETITIVENESS FACTOR -> MSME PERFORMANCE	0,724	0,733	0,056	12,965	0,000

Source: PLS Output

The calculation results in Table 1 indicate that the factors influencing competitiveness have a positive and significant impact on MSME performance. This can be observed from the calculation, which shows an original sample value of 0.724 (positive), a t-statistic of 12.965 (greater than 1.96), and a p-value of 0.000 (less than 5%). These results suggest that the competitiveness factors significantly contribute to improving MSME performance in Jambi Province.

The findings also highlight that increasing the competitiveness factors of MSMEs will enhance their overall performance. This means that MSME owners must focus on strengthening their businesses by improving key aspects such as financial management, entrepreneurial capabilities, government support, and technological adoption. By doing so, MSMEs will be better equipped to compete in both local and global markets, ensuring sustainable growth and long-term success.

DISCUSSION

The findings of this study confirm that increasing competitiveness factors significantly enhances MSME performance. This aligns with previous research by Kukharuk and Gavrysh (2019), which emphasized that entrepreneurial capabilities, such as risk calculation and opportunity recognition, are crucial in improving MSME competitiveness. Similarly, Anggraeni et al. (2017) argued that leveraging innovative entrepreneurial strategies fosters sustained business growth and competitive advantages, particularly in dynamic markets.

Entrepreneurial capabilities, as highlighted in this study, extend beyond traditional business practices. They include the ability to innovate, identify opportunities, and manage risks effectively. These capabilities are consistent with the Resource-Based View (RBV), which underscores the importance of unique, non-substitutable resources in achieving competitive advantages. In the context of MSMEs, these resources manifest as entrepreneurial creativity and initiative. For instance, entrepreneurs must demonstrate the ability to develop new techniques, produce innovative products or services, and create added value—all of which are essential for sustaining competitiveness in rapidly evolving markets.

Moreover, the ability to identify and act upon opportunities has been supported by Efendi et al. (2020), who identified opportunity recognition as a critical component of entrepreneurial success. Entrepreneurs who excel in this capability are better positioned to navigate uncertainties, develop unique business strategies, and create value-added products or services. These findings emphasize the importance of training and development programs for MSME owners to enhance their entrepreneurial skills, enabling them to adapt to changing market demands and leverage emerging opportunities effectively.

This study also aligns with findings from Dvorský et al. (2021), which highlighted the role of technological adoption in improving MSME competitiveness. The ability to integrate innovative technologies complements entrepreneurial capabilities, facilitating



the creation of new business models and the optimization of operational processes. For example, MSMEs that adopt digital tools can better manage their resources, streamline operations, and enhance customer experiences, ultimately boosting their market performance.

Furthermore, the significance of creative and innovative entrepreneurship in this study supports the conclusions of Rusdarti (2015), who argued that MSME competitiveness could be enhanced through strategic development plans based on SWOT analyses. By integrating internal capabilities with external opportunities, MSMEs can establish strong positions in competitive markets. For instance, entrepreneurs can utilize creative techniques to identify niche markets, develop tailored products, and establish organizational structures that align with market demands.

These findings underscore the need for policymakers and stakeholders to prioritize programs that foster entrepreneurial skills, encourage innovation, and provide access to technological resources. The combined focus on enhancing competitiveness factors and leveraging entrepreneurial capabilities offers a robust framework for improving MSME performance, ensuring their sustainability and resilience in dynamic economic landscapes.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study concludes that competitiveness factors significantly influence the performance of MSMEs in Jambi Province. Among these factors, entrepreneurial capabilities play a dominant role in enhancing MSME performance. The findings highlight that entrepreneurial skills, including innovation, risk-taking, and opportunity recognition, are crucial for fostering sustainable growth and maintaining market competitiveness. The integration of these skills with technological advancements and supportive government policies further strengthens MSME performance, ensuring their resilience in dynamic economic environments.

Recommendations

Based on the research findings, several recommendations are proposed:

1. **For MSME Owners:** Focus on improving entrepreneurial skills through training and development programs that emphasize creativity, innovation, and risk management.



2. **For Policymakers:** Design policies that provide financial support, access to technology, and entrepreneurship development programs tailored to the needs of MSMEs.
3. **For Stakeholders:** Encourage collaboration among MSMEs, government institutions, and private organizations to create an ecosystem that fosters innovation and competitiveness.

ADVANCED RESEARCH

Limitations

This study has several limitations that warrant attention. First, the sample size was limited to 100 MSMEs, which may not fully represent the diversity of MSMEs across Jambi Province. Second, the study primarily focused on specific competitiveness factors and did not explore other potential influences such as market dynamics and consumer behavior.

Suggestions for Further Research

Future research should consider the following:

1. Expanding the sample size to include more diverse MSMEs from various sectors and regions.
2. Investigating additional factors, such as market trends and customer preferences, that may impact MSME performance.
3. Conducting longitudinal studies to capture the long-term effects of competitiveness factors on MSME sustainability.

By addressing these limitations, future studies can provide a more comprehensive understanding of the factors that enhance MSME competitiveness and performance.

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