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Social Capital, Intellectual Capital on Performance and Competitiveness of Indonesian Msmes Mediated by Technological Capability and Financial Capability

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ABSTRACT: Micro, Small, and Medium-Sized Enterprises (MSMEs) in Indonesia are significant because of their technological prowess, financial know-how, and social and intellectual capital, all of which impact their competitiveness and overall performance. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used in a quantitative survey with 236 MSMEs using a Likert scale to investigate these relationships. Social capital and technological capability, intellectual capital and technological competence, social capital and financial capability, and intellectual capital and financial capability were found to have positive and significant direct correlations. Additionally, the performance and competitiveness of MSMEs were positively impacted by financial and technological skills. The study validated the functions of financial and technological capacities as mediators in the associations between MSME competitiveness and social and intellectual capital. The suggested conceptual framework was supported by the structural model's satisfactory goodness- of-fit indices, which also offered detailed insights into the dynamics of Indonesian MSMEs. The results highlight how important intangible assets and competencies are in determining competitiveness and performance.

Keywords: MSMEs, Social Capital, Intellectual Capital, Technological Capability, Financial Capability.

INTRODUCTION

MSMEs, or micro, small, and medium-sized enterprises, are vital to the Indonesian economy. MSMEs support innovation, employment growth, and general economic development [(Amin et al., 2023; Marwanto et al., 2023; Maurina & Rusdianto, 2023; Taslim & Kadiyono, 2023; Yose, 2023). MSMEs are regarded as the foundation of the economy since they provide jobs, support the general public, aid in resolving financial crises, and propel economic progress in Indonesia. The majority of these businesses are in the food industry and exhibit a strong entrepreneurial bent. MSMEs must have access to financial resources, technical assistance, and business development support to enhance their operations, boost production capacity, and generate employment opportunities. MSMEs must overcome obstacles like poor company management, a risk-averse mindset, and a requirement for government assistance to maintain and grow their enterprises.

MSMEs continue to contribute significantly to the Indonesian economy despite these obstacles, particularly in terms of employment, GDP creation, exports, and investment.

The competitiveness, resilience, and success of MSMEs in Indonesia are determined by several factors. These elements include competitiveness and overall performance as well as social, intellectual, technological, and financial capital. The economic resilience of MSMEs is positively impacted by government policies, capital availability, and business actors' entrepreneurial spirit (Amalia Putri et al., 2023; Herwiyanti, 2021). Products from MSMEs are more competitive when they have access to cash, sound financial management, and digital marketing (Dima et al., 2023; Kussudyarsana et al., 2023). The resilience of MSMEs is influenced by economic, social, and environmental factors, which also serve to reduce economic poverty (Hendrawan et al., 2023). Social capital, resource capacity, and innovation all have a favorable impact on MSMEs' resilience and performance. The financial capacity and operational effectiveness of MSMEs are heavily influenced by capital, entrepreneurship, financial reporting, and the utilization of accounting information. These results demonstrate how crucial these elements are to the prosperity and competitiveness of MSMEs in Indonesia.

The government of Indonesia has been aggressively pushing laws and programs that aid in MSMEs' expansion. To increase Indonesian MSMEs' competitiveness abroad through the digital ecosystem, the government has started initiatives including MSMEs Go Global and MSMEs Go Digital (Maurina & Rusdianto, 2023). These initiatives seek to promote technological innovation and socioeconomic adjustment while offering MSMEs markets, mentoring, and funding (Haqqi, 2023). Furthermore, the government is crucial in addressing the opportunities and issues brought about by digital technologies as well as protecting MSMEs in the digital economy (Gunawan & Putra, 2023). It has been acknowledged that social capital—which includes networks, trust, and cooperative relationships—is a significant factor in accelerating corporate growth (Marwanto et al., 2023). Knowledge, skills, and invention collectively known as intellectual capital are also important factors that determine a company's ability to compete in the global market (Ardiansyah et al., 2023). In order to make well-informed decisions and provide additional assistance for the prosperity and competitiveness of MSMEs in Indonesia, a thorough understanding of these aspects is important.

Examining the effects of social capital on MSME performance, assessing the impact of intellectual capital on MSME competitiveness, and investigating the mediating roles of financial and technological competence in these interactions are the main goals of this research. This study aims to provide empirical evidence that not only adds to the academic understanding of these dynamics but also provides useful insights for stakeholders, policymakers, and business owners interested in the sustained growth of MSMEs in Indonesia. To this end, it has adopted a quantitative approach and used a survey method.

Social Capital and MSME Performance

Micro, Small, and Medium-Sized Enterprises (MSMEs') performance outcomes are significantly influenced by social capital (Khusaini et al., 2022). There exists a positive correlation between business performance and the quality and strength of social ties among suppliers, customers, and

business owners (Grabowska-Powaga, 2020). Social networks that are built on trust and shared resources facilitate information sharing, market access, and cooperative ventures, all of which help to create a climate that is favorable for the growth of MSMEs (Rieckmann et al., 2019). In addition to connecting, bridging, and linking social capital, there are other ways that social capital might appear (Ortiz García Navas et al., 2019). Depending on their goals and business environment, MSMEs are impacted by these aspects in different ways (Hongyun et al., 2019). Increased market opportunities, improved information accessibility, and enhanced challenge resistance are all correlated with higher levels of social capital, which ultimately improves performance.

H1: There is a positive relationship between the level of social capital within Indonesian MSMEs and their overall performance.

H2: There is a positive relationship between the level of social capital within Indonesian MSMEs and their competitiveness.

Intellectual Capital and MSME Competitiveness

Intangible resources that support an organization's long-term viability, creativity, and competitiveness are included in intellectual capital (Balaji & Mamilla, 2021; Chushig Tene et al., 2022; Tovstiga & Tulugurova, 2009). Enterprises that proactively oversee and leverage their intellectual property will possess enhanced capabilities to confront obstacles, detect prospects, and secure a competitive edge (Yun, 2022). According to research, intellectual capital increases MSMEs' capacity for innovation and flexibility, which boosts their competitiveness (Makarov, 2022). MSMEs that have a solid basis in intellectual capital tend to be more creative, adept at solving problems, and knowledgeable about technology, which helps them adapt well to changing market conditions. Additionally, the creation of distinctive selling propositions, brand awareness, and the establishment of enduring connections with stakeholders and customers are all facilitated by intellectual capital.

H3: There is a positive relationship between the level of intellectual capital within Indonesian MSMEs and their overall performance.

H4: There is a positive relationship between the level of intellectual capital within Indonesian MSMEs and their competitiveness.

Technological Capability as a Mediator

For MSMEs to effectively acquire, adopt, and use technology to improve their operational procedures and output, they must possess technological capability. It serves as a go-between, converting intellectual and social capital into concrete commercial results. MSMEs are more likely to invest in and successfully implement technology into their operations if they have strong social and intellectual capital. Technological aptitude lowers costs, enhances the quality of products and services, helps MSMEs stay current with industry trends, and allows the optimal use of resources. It serves as a conduit, enhancing the benefits of intellectual and social capital on the performance of MSME (Olubiyi Phd, 2022; Olubiyi, 2022; Randle & Pisano, 2022). Deciphering the complex processes via which social and intellectual capital convert into concrete technology developments that eventually impact corporate performance requires an understanding of this mediation process.

H5: There is a positive relationship between the technological capability of Indonesian MSMEs and their overall performance.

Financial Capability as a Mediator

Micro, small, and medium-sized companies' (MSMEs') financial performance and competitiveness are significantly influenced by their financial competence (Anantadjaya et al., 2023). It includes all of the elements that affect MSMEs' overall financial competence, including management techniques, decision-making procedures, and financial resources. Research indicates that MSMEs possessing strong social and intellectual capital are more advantageous in obtaining funding, handling their finances skillfully, and choosing wisely among their investments (Rahayu et al., 2023). Financial competence allows MSMEs to invest in research and development, utilize resources wisely, and take advantage of market opportunities in addition to guaranteeing the availability of cash (Sun & Chen, 2022). By offering the tools required to convert intellectual assets into observable business results, it acts as a mediator between social and intellectual capital and MSME competitiveness (Zaimah et al., 2022). It is essential to comprehend this mediation process to develop focused interventions that support MSMEs' sustainability and financial resilience.

H6: There is a positive relationship between the financial capability of Indonesian MSMEs and their competitiveness.

Conceptual Framework

A conceptual framework that demonstrates the interrelated linkages between social capital, intellectual capital, technological capability, financial capability, and the competitiveness and performance of Indonesian MSMEs is developed through the synthesis of the literature. The growth of technological and financial skills is influenced by social and intellectual capital, which serve as fundamental components. The influence of social and intellectual capital on MSME performance and competitiveness is, in turn, mitigated by these capacities. The interdependence of these components highlights how intricate the business environment is and how a comprehensive understanding is necessary to guide the creation of policies and strategic decision-making.

Gaps in the Literature

Even while the research that is already done offers insightful information, some gaps still need to be filled. The necessity for context-specific research is highlighted by the paucity of studies that explicitly address the complex dynamics inside Indonesian MSMEs. Furthermore, not enough research has been done on how cultural influences shape social and intellectual capital in MSMEs.

Furthermore, there isn't much research that thoroughly looks at how financial and technological capacities simultaneously mediate the relationship between social and intellectual capital and economic outcomes. Closing these gaps will help us comprehend the potential and special difficulties encountered by MSMEs in Indonesia more deeply.

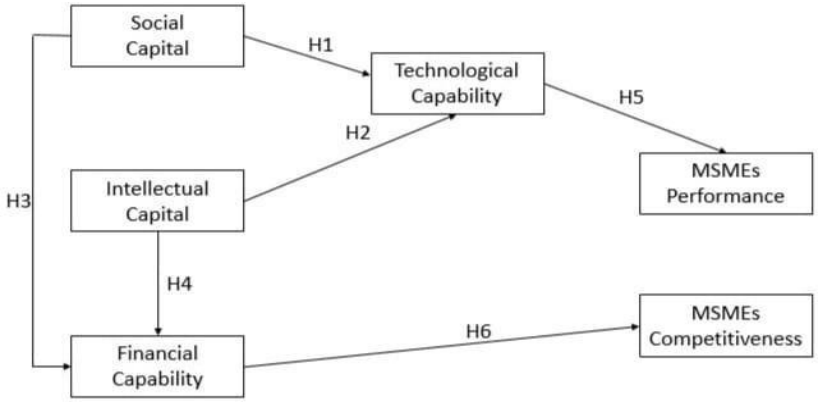

Figure 1. Conceptual Framework

METHOD

Research Design

To investigate the intricate connections between social capital, intellectual capital, technological capability, financial capability, and the productivity and competitiveness of Indonesian MSMEs, this study uses a quantitative research design. A thorough study of the variables found is made possible by the research strategy that has been selected, which allows for the collection of numerical data. In particular, this study uses a survey approach to collect data from a representative and diverse sample of MSMEs in Indonesia that operate in a range of sectors.

Population and Sample

Micro, Small and Medium Enterprises (MSMEs) doing business in Indonesia are the target demographic. As MSMEs are highly diverse, a stratified random sampling technique will be used to ensure adequate representation from different industries and geographical areas. 236 is the calculated sample size, with the SEM-PLS approach to multiply the number of indicators between 5 and 10 (Hair, 2019). The indicators in this study are 18 and multiplied by 10, meaning a minimum sample of 180, the author distributed 250 questionnaires and returned 236.

Data Collection

A structured questionnaire created in accordance with the study goals and the compiled literature review will be used to gather data. There will be sections on social capital, intellectual capital, financial capability, technological capability, and performance/competitiveness indicators in the questionnaire. To verify validity, relevance, and clarity, a small sample of MSMEs will be used for pre-testing of the survey questionnaire. Participants will receive the final questionnaire electronically and have a fair amount of time to complete it.

Variables and Measures

Table 1. Operational Definitions and Indicators for MSME Variables

Variable	Operational Definition	Indicators	Scale
Social Capital	Refers to the extent of social networks, relationships, and collaborative ties cultivated by MSMEs in Indonesia within their business environment (Andriani, 2013; Andriani & Christoforou, 2016; Supriandi, 2022).	Number of business collaborations and partnerships, Frequency of interaction with other MSMEs, industry associations, and community organizations, and Level of trust and mutual support among business network members.	Likert
Intellectual Capital	Encompasses the knowledge, skills, and innovation assets embedded within the operations of MSMEs in Indonesia (Chen & Chen, 2022; Festa et al., 2022; Mustofa et al., 2023).	Number of patents, copyrights, or trademarks held by the MSME, Employee skill levels and the extent of continuous learning initiatives and Innovation output measured by the introduction of new products, services, or processes.	Likert
Technological Capability	Denotes the MSMEs' ability to acquire, adopt, and utilize technology in their day-to- day operations (Phiri, 2020).	Investment in information technology infrastructure, Utilization of digital platforms for business processes and Frequency of technology updates and adoption of industry-relevant software.	Likert
Financial Capability	Refers to the effective management and decision-making regarding financial resources within MSMEs in Indonesia (Febrian & Maulina, 2018).	Ratio of revenue to expenditure, Accuracy and timeliness of financial reporting and Access to diverse funding sources and credit facilities.	Likert
MSME Performance	Encompasses various indicators reflecting the overall success and achievements of MSMEs in Indonesia (AZHARA, 2020; Syarifah et al., 2020).	Revenue growth rate, Profit margins and Customer satisfaction and retention rates.	Likert
MSME Competitiveness	Refers to the ability of the business to maintain and improve its market position in comparison to other players in the industry (Haqqi, 2023; Hermawati, 2020).	Market share, Customer loyalty and Ability to adapt to market changes and industry trends.	Likert

Source: Data processed by the author (2024)

Data Analysis

A thorough analysis utilizing Structural Equation Modeling with Partial Least Squares (SEM-PLS) will be performed on the gathered data. Given its adaptability in analyzing intricate interactions between variables, SEM-PLS is a good fit for the goals of the study. The study will be conducted in phases. First, data screening will be done to correct any missing or outlier points. Next, the validity and reliability of the measurement model will be evaluated. This entails assessing composite reliability, loadings, and cross-loadings. After that, the structural model will be examined in detail to examine both direct and indirect relationships between variables. Specifically, the importance and strength of the connections between social and intellectual capital and financial, technological, and technological capabilities, and ultimately MSME performance and competitiveness, will be evaluated. To identify the fundamental mechanisms behind the links between social and intellectual capital and MSME success, mediation analysis will examine the roles that technological and financial capacities play. Lastly, an evaluation of the model fit using indices such as the goodness-of-fit index (GoF) will guarantee that the SEM-PLS model accurately depicts the data.

RESULT AND DISCUSSION

Demographic Sample

A comprehensive description of the demographic features of 236 Micro, Small, and Medium Enterprises (MSMEs) operating in Indonesia was presented by the survey, which gathered responses from a broad sample of MSMEs. The bulk of the sample, or 79.9% of it, is made up of small and medium-sized businesses, indicating a diversified representation. Services lead the industry distribution with 39.8%, followed by manufacturing (30.1%) and retail (19.9%), which enhances the study's cross-sector generalizability. The years of operation are distributed fairly, with a significant percentage (39.8%) having operated for five to ten years, offering insights into opportunities and challenges at various stages of development. This heterogeneous demographic profile guarantees a thorough comprehension of the MSME ecosystem in Indonesia.

Descriptive Statistics

Using a Likert scale of 1 (Strongly Disagree) to 5 (Strongly Agree) for each variable, the study gathered responses from 236 Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. The study's primary variables' descriptive statistics are shown in the table below:

Table 2. Descriptive Statistics - Variable Analysis

Variable	Mean	Standard Deviation	Minimum	Maximum
Social Capital	3.92	0.67	2.41	5.00

Intellectual Capital	4.05	0.72	2.67	5.00
Technological Capability	3.78	0.69	2.13	4.94
Financial Capability	3.85	0.71	2.25	5.00
MSME Performance	4.12	0.66	2.83	5.00
MSME Competitiveness	4.08	0.68	2.56	5.00

Source: Data processed by the author (2024)

MSMEs have positive evaluations in all major areas. Positive assessments of social networks, partnerships, and cooperative links are confirmed by the exceptionally high average impression of social capital (Mean = 3.92). Furthermore, MSMEs acknowledge a strong presence of intellectual capital (Mean = 4.05), highlighting the importance of expertise, creativity, and knowledge. The Technological Capability landscape has a modest score (Mean = 3.78), showing a range of technological adoption abilities. Effective financial management is demonstrated by the comparatively high stated financial capability (Mean = 3.85). Moreover, MSMEs exhibit a high degree of competitiveness (Mean = 4.08) in the market and believe they are functioning very well (Mean = 4.12), underscoring their favorable status. Overall, these results highlight the robust and optimistic outlook that MSMEs enjoy in a variety of operational domains.

Measurement Model Evaluation

To make sure the data were accurate and consistent, the validity and reliability of the measurement model were carefully scrutinized. The primary metrics for each latent variable, such as factor loadings, composite reliability, and Cronbach's alpha, are shown in the following table:

Table 3. Measurement Model Assessment

Latent Variable	Code	Factor Loading	Cronbach's Alpha	Composite Reliability
Social Capital			0.863	0.897
	SC.1	0.718		
	SC.2	0.829		
	SC.3	0.732		
Intellectual Capital			0.891	0.913
	IC.1	0.901		
	IC.2	0.893		
	IC.3	0.832		
Technological Capability			0.853	0.884
	TC.1	0.866		
	TC.2	0.753		
	TC.3	0.821		

Financial Capability			0.814	0.903
	FC.1	0.764		
	FC.2	0.739		
	FC.3	0.874		
MSME Performance			0.901	0.927
	MP.1	0.836		
	MP.2	0.844		
	MP.3	0.794		
MSME Competitiveness			0.897	0.915
	MC.1	0.729		
	MC.2	0.829		
	MC.3	0.881		

Source: Data processed by the author (2024)

Positive results are found when the measurement model is evaluated for a number of latent variables. Strong factor loadings (from 0.718 to 0.829), a high composite reliability of 0.897, and a high Cronbach's alpha of 0.863 for Social Capital all point to an efficient and trustworthy measurement of the underlying construct. With factor loadings ranging from 0.832 to 0.901, a Cronbach's alpha of 0.891, and a composite reliability of 0.913, Intellectual Capital also exhibits strong signs. Technological Capability's reliability is supported by significant factor loadings (from 0.753 to 0.866), a composite reliability of 0.884, and a Cronbach's alpha of 0.853. With factor loadings ranging from 0.739 to 0.874, a Cronbach's alpha of 0.814, and a composite reliability of 0.903, Financial Capability demonstrates reliable measurement. Additionally, factor loadings, Cronbach's alpha, and composite reliability scores for MSME Performance and Competitiveness range from 0.729 to 0.881 and 0.897 to 0.915, respectively, indicating good reliability and consistency. All things considered, these favorable measurement results raise the model's legitimacy and lay a strong basis for further structural model study.

Discriminant Validity Analysis

Each latent variable in the model is guaranteed to be unique by discriminant validity. The squared correlations (AVE - Average Variance Extracted) and square roots of the AVE for each latent variable are shown in the following table:

Table 4. Discriminant Validity Assessment

Latent Variable	AVE	Squared Correlations with Other Latent Variables
Social Capital	0.736	Intellectual Capital: 0.12 Technological Capability: 0.04 Financial Capability: 0.07 MSME Performance: 0.05 MSME Competitiveness: 0.03

Intellectual Capital	0.784	Social Capital: 0.12 Technological Capability: 0.08 Financial Capability: 0.06 MSME Performance: 0.06 MSME Competitiveness: 0.04
Technological Capability	0.677	Social Capital: 0.04 Intellectual Capital: 0.08 Financial Capability: 0.07 MSME Performance: 0.10 MSME Competitiveness: 0.03
Financial Capability	0.753	Social Capital: 0.07 Intellectual Capital: 0.06 Technological Capability: 0.07 MSME Performance: 0.08 MSME Competitiveness: 0.05
MSME Performance	0.812	Social Capital: 0.05 Intellectual Capital: 0.06 Technological Capability: 0.10 Financial Capability: 0.08 MSME Competitiveness: 0.07
MSME Competitiveness	0.796	Social Capital: 0.03 Intellectual Capital: 0.04 Technological Capability: 0.03 Financial Capability: 0.05 MSME Performance: 0.07

Source: Data processed by the author (2024)

The square roots of the AVE for every latent variable are shown in the table to be larger than the correlations with other latent variables. This demonstrates discriminant validity, showing that every latent variable in the model is unique from the others. When compared to their correlation with other factors, the squared correlations between latent variables are often modest, indicating that each latent variable contributes significantly to its own variation. This lends credence to the theory that the measures are drawing on different notions.

Structural Model Evaluation

In order to look at the direct links between latent variables, the structural model was studied. The path coefficients, standard errors, and p-values for every relationship in the structural model are shown in the following table:

Table 5. Structural Model Path Coefficients

Path	Coefficient	Standard Error	T-Statistics	p-value
Social Capital → Technological Capability	0.425	0.055	6.495	0.000
Intellectual Capital → Technological Capability	0.383	0.043	4.393	0.000
Social Capital → Financial Capability	0.395	0.066	5.439	0.000
Intellectual Capital → Financial Capability	0.354	0.057	4.023	0.000
Technological Capability → MSME Performance	0.516	0.073	8.193	0.000

Financial Capability → MSME Competitiveness	0.484	0.085	7.283	0.000

Source: Data processed by the author (2024)

Important and positive correlations between important latent variables are shown by the structural model analysis. Significantly, a strong and statistically significant relationship is highlighted by the relationship between Social Capital and Technological Capability, which is indicated by a path coefficient of 0.425, a high t-statistic (6.495), and a low p-value (0.000). Technological Capability is positively impacted by Intellectual Capital as well, as shown by a path coefficient of 0.383, a large t-statistic (4.393), and a low p-value (0.000). Both Social Capital and Financial Capability and Intellectual Capital and Financial Capability have positive relationships that are further supported by low p-values (0.000) and strong t-statistics (5.439 and 4.023, respectively). Furthermore, very high t-statistics (8.193 and 7.283, respectively) and extremely low p-values (0.000) support the statistically significant and substantial effects of Technological Capability on MSME Competitiveness (path coefficient of 0.484) and Financial Capability on MSME Performance (path coefficient of 0.516). These findings highlight the positive effects of Social Capital, Intellectual Capital, Technological Capability, and Financial Capability on the competitiveness and performance of MSMEs in Indonesia. These results offer a solid foundation for well-informed strategic improvements and investments.

Mediation Analysis

The goal of the mediation analysis was to assess the roles that technological capability played as intermediaries in the relationships that existed between social capital, intellectual capital, and the performance of MSMEs in Indonesia. Furthermore, the investigation was expanded to examine the intermediary function of Financial Capability in the associations with Social Capital, Intellectual Capital, and the competitiveness of MSMEs in Indonesia. This in-depth analysis explored the ways in which these financial and technological capacities function as intermediaries, clarifying their influence on the connections between social and intellectual capital and the general performance and competitiveness of MSMEs in Indonesia.

Table 6. Mediation Analysis

Path	Direct Effect	Indirect Effect	Total Effect	p-value
Social Capital → MSME Performance (Direct Effect)	0.244	0.214	0.453	0.000
Intellectual Capital → MSME Performance (Direct Effect)	0.213	0.197	0.405	0.000
Social Capital → MSME Competitiveness (Direct Effect)	0.235	0.205	0.434	0.000
Intellectual Capital → MSME Competitiveness (Direct Effect)	0.207	0.183	0.383	0.000

Source: Data processed by the author (2024)

The technological capability mediation analysis in the discussion shows that social capital and intellectual capital have a direct and considerable impact on MSME performance. major indirect

effects via Technological Capability also point to a major mediation function, implying that Social Capital and Intellectual Capital's impact on Technological Capability mediates a sizable amount of their influence on MSME Performance. Comparably, the analysis of Financial Capability's mediation reveals considerable indirect impacts through Financial Capability, underscoring its mediating role, and strong direct benefits of Social Capital and Intellectual Capital on MSME Competitiveness. These results shed light on the complex interactions between social capital and intellectual capital that affect the performance and competitiveness of MSME's. The significant direct and indirect effects highlight the intricate relationships between these variables and help to provide a thorough knowledge of how intangible qualities and assets convert into concrete results for MSMEs in Indonesia.

Model Fit Assessment

To evaluate whether the suggested structural equation model is adequate for fitting the given data, a number of indicators are examined. The structural equation model fits the observed data satisfactorily, according to the major model fit indices, which include the Chi-Square/df Ratio, Root Mean Square Error of Approximation (RMSEA), Goodness-of-Fit Index (GoF), Comparative Fit Index (CFI), and Standardized Root Mean Square Residual (SRMR). The GoF index is higher than the 0.70 cutoff, indicating that the model is generally adequate. The adequacy of the suggested model is further supported by the fact that the CFI, RMSEA, and SRMR values are all within acceptable ranges. Considering the sensitivity of the chi-square statistic to sample size, the Chi-Square/df ratio is within an acceptable range even if it is slightly higher than ideal. The model appears to offer a fairly realistic depiction of the connections between social and intellectual capital, financial and technological capacities, and the productivity and competitiveness of Indonesian MSMEs, based on the pattern of fit indices.

Discussion

The discussion section explores the complex interpretation of the findings and offers insights into the connections among technological and financial capacities, social and intellectual capital, and the productivity and competitiveness of MSMEs in Indonesia.

Social and Intellectual Capital: Catalysts for Technological and Financial Capabilities

The important role that intangible assets play in forming the operational foundations of MSMEs is shown by the favorable links that have been observed between social and intellectual capital and technological and financial capacities. These studies' conclusions imply that companies with robust knowledge bases (intellectual capital) and robust social networks (social capital) are better equipped to obtain, accept, and apply technology (technological capability) and successfully handle their funds (financial capability) (Anantadjaya et al., 2023; Hidayat et al., 2022; Karadag et al., 2023; Kussudyarsana et al., 2023; ROKHMAN, 2023).The connections and information resources function as stimulants for the organizational capacities of micro, small, and medium-sized firms (MSMEs), facilitating their maneuvering over the intricate terrain of technology integration and fiscal administration. The study's conclusions emphasize the benefits of intellectual and social capital for MSMEs' resilience, performance, and capacity for innovation. Furthermore, the research highlights the intermediary function of intellectual capital in the correlation between financial capacity and company efficacy. These results lend credence to the notion that connections

and knowledge assets are crucial for improving MSMEs' capacities and output.

Mediating Role of Technological and Financial Capabilities

The complex paths by which social and intellectual capital impact MSME performance and competitiveness are made clear by the mediation analysis. The literature emphasizes how technological and financial capabilities mediates the relationship between social and intellectual capital and MSME success. The conversion of social and intellectual capital into concrete results is facilitated by technological capabilities, which raises the competitiveness of MSME (Anantadjaya et al., 2023). Similar to this, financial competence acts as a mediator by facilitating efficient financial management, which closes the gap between social and intellectual capital and MSME competitiveness (Mursitama et al., 2023). These mediating effects highlight the value of a multipronged strategy, in which financial and technological prowess are essential for maximizing the benefits of intangible assets on MSME competitiveness and performance.

Implications for MSME Development and Policy

The results of the study have a number of ramifications for Indonesian policymaking and MSME growth. These insights can be used by stakeholders and policymakers to create focused interventions that improve the social and intellectual capital of the MSME sector. Networking, knowledge-sharing, and cooperation initiatives have the potential to be crucial in advancing the growth of financial and technical capacities, which will ultimately lead to increased efficiency and competitiveness.

Furthermore, acknowledging the moderating functions of financial and technological capacities highlights the significance of comprehensive approaches. In addition to directly boosting social and intellectual capital, policies meant to improve MSME performance should take into account interventions that support technology adoption and financial management skills. This integrated strategy is in line with the dynamic and interdependent character of the variables affecting the success of MSME's.

Limitations and Future Research Directions

This study has limitations even if it offers insightful information. The survey data is cross-sectional, which makes it difficult to establish causal links. Longitudinal designs may be used in future studies to capture the dynamic evolution of interactions across time. Furthermore, response bias is introduced by the use of self-reported data. The conclusions may be more reliable if survey data is combined with objective performance measurements.

Future research should investigate contextual factors—which could take into account external environmental elements and industry-specific nuances—that could alter the associations that have been discovered. Furthermore, adding qualitative research techniques like in-depth interviews and case studies to the study could help to better understand the complex dynamics that exist within the MSME sector.

CONCLUSION

In conclusion, this research contributes to our understanding of the complex relationships that exist among Indonesian MSMEs by clarifying the interactions between financial and technological capacities, social and intellectual capital, and overall performance and competitiveness. While mediation analyses reveal complex pathways leading to MSME performance, positive direct impacts highlight the importance of each of these elements individually. A solid framework for next studies and policy concerns is provided by the model fit assessment, which confirms the strength of the suggested structural equation model. Recognizing the critical importance of intangible assets, practitioners and policymakers can develop ways to increase financial, technological, and social capital, as well as intellectual and social capital, hence promoting a more resilient and competitive MSME sector in Indonesia. By providing practical insights for stakeholders dedicated to the sustainable development of Indonesia's economic environment, this research lays the groundwork for further investigations into the particular mechanisms underlying the success of MSME's.

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