The Application of Digitalization Skills of Business Actors Mediates The Impact of Business on MSME Performance

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ABSTRACT: The application of digitalization skills to social media can affect the impact of business on MSME performance. The purpose of this study is to test and find out digital technology in the application of digitalization skills can mediate the impact of business on MSME performance. This study uses a quantitative approach with the design of questionnaire methods and explanatory research, with purposive sampling on the types of products marketed, MSMEs that make sales using social media and e-commerce, and MSMEs that have conducted entrepreneurship training, a sample of 268 MSMEs with a response rate of 50 MSMEs. The analysis used is SmartPLS. The results of the analysis show that the application of digitalization skills partially mediates the impact of business on MSME performance. Digital technology is an intermediary variable that is able to compete in the global market, because MSME players can do online marketing so that product sales can increase and digital technology is able to process products more efficiently by utilizing technology, and can distribute products more effectively. Business impact using the strategies applied, namely communication with media selection, competitive advantage refers to business competition, and innovation for product development. Financial performance has increased sales, non-financial performance has experienced accuracy in sales targets and develops business through the potential of human resources owned.

Keywords: MSMEs; business actors; digitalization skills

INTRODUCTION

Human resources are a process of utilizing humans as human labor, so that their physical and psychological potential functions optimally for the achievement of organizational goals (institutions). In addition, man is a complex and unique creature of God and was created in the integration of two non-independent substances, namely the body (physical / physical) as a material element, and the soul which is
immaterial. The most intensive working relationship in the organizational environment is between the leader and the workers (staff) under him. (Nawawi et al., 2002)

HRM is a multidisciplinary organizational function that draws theories and ideas from various fields such as management, psychology, sociology and economics (Mardikaningsih, 2024) (Sinambela & Darmawan, 2022). According to (DeCenzo et al., 2016) HR is concerned with the person dimension in management. Because every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization is essential to achieving organizational goals (Ahmad & Umrrani, 2019) (Darmawan et al., 2023). HRM is a management function that helps managers to recruit, select, train and develop members for an organization. HRM deals with the dimension of people in the organization.

Skill is the ability to develop knowledge gained through training and experience in carrying out several tasks so that someone is trained to be able to work more valuable and faster. According to Leigh Body (2011: 4), skill assessment includes: The ability to use tools and work attitudes, the ability to analyze a job and arrange the sequence of work, the speed of doing tasks, the ability to read images and symbols and the compatibility of predetermined shapes and sizes. According to Leighbody (2011: 4), skill is the potential to increase knowledge gained through practice and experience in doing work, so that someone can more quickly complete his work. According to Leighbody (2011: 4), there are several factors that affect skills, as follows: the ability to use tools and work attitudes, the ability to analyze a job and arrange the sequence of work, the speed of doing tasks, the ability to read pictures and symbols and the compatibility of predetermined shapes and sizes.

(Surber & Stauffacher, 2022) For example, Cisco defines digitization as the connection of people, processes, data, and things to provide intelligence and actionable insights. Another industry expert, Garnter defines digitalization by saying, the goal is to create and deliver new value to customers, not just improve what is already done or offered (Moore et al., 2016).

Business actor is any individual or business entity, whether in the form of a legal entity or non-legal entity established and domiciled or carrying out activities in the jurisdiction of the Republic of Indonesia, either alone or jointly through agreements for the implementation of business activities in various economic fields. (Government Regulation of the Republic of Indonesia Number 58 of 2001 concerning Development and Supervision of Consumer Protection Implementation)

It is important to emphasize that today’s HR competencies and roles are no longer adequate and incompatible with their changing responsibilities. The continuous development of HR technology creates new tasks and roles for HR professionals and motivates them to develop strong HR technology competencies (Pradana et al., 2023). So it can be said that with the rapid development of technology, people who are insensitive will make themselves
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alienated because they cannot keep up with various technological developments that exist. Mastery of one's creativity will be superior to just a piece of paper (ijasah), meaning that someone will win if it is easy to adapt to the various features of technology that are growing rapidly. This revolution and evolution of technology has resulted in situations that are beyond the ability of people and organizations to adapt, and these situations will only get worse. Many of the most in-demand jobs in sector 4.0 didn't even exist ten years ago. As a result, the capabilities required to perform this role are currently missing. Boundaries between professions are becoming more ambiguous, according to the study's findings. The majority of workers check their work phones and emails after hours, but 15% report that they never leave their jobs. Utilizing work equipment, mobile technology, etc., remote access to the workplace is possible. make it easier for them to work flexibly, manage workloads, be more productive, and feel empowered. (Kusuma | MEDIA BINA SCIENTIFIC, no date).

Kluyver & Pearce (2006) define strategy as how to position the company to gain its competitive advantage by involving the choice of industry to be entered, what products or services to offer, and how to allocate company resources. Some researchers adopt resource-based theory to answer problems that occur (Nguyen et al., 2020) (Abd Aziz & Samad, 2016; Husnah et al., 2023; Uchegbulam et al., 2015) (Cheng & Rabena, 2017) explained that in Resource Based Theory (RBT), to develop competitive advantage, companies must have resources and capabilities that are superior and exceed their competitors. This special competence or superior ability is a competitive advantage or internal resource quality factor that cannot be imitated, cannot be replaced, and is rarely found among competitors. (Nguyen et al., 2020) said that business strategy is a combination of all company commitments and activities to use resources to build a unique ability to compete in a particular market. Furthermore, Grant (2010) stated that strategic resources owned and controlled by the company are used as the basis for strategy formulation and implementation to realize optimal business performance.

MSMEs in the Indonesian economy are a business group that has proven to be resistant to various kinds of shocks and economic crises. The existence of MSMEs is very useful in distributing people's income and is an important pillar in the Indonesian economy. MSMEs function as engines of economic growth that are able to increase the country's foreign exchange, encourage more equitable economic growth, open jobs, support community needs and spur the economy at critical times. MSMEs influence the acquisition of gross domestic product and the provision of employment. Data from the Ministry of Cooperatives and SMEs the number of MSMEs currently reaches 64.2 million with a GDP contribution of 61.07%. The contribution of MSMEs to the economy is currently able to absorb 97% of the total workforce and is able to collect up to 60.4% of the total investment. MSMEs are able to absorb labor and can reduce unemployment. In a global perspective, it has been
recognized that MSMEs play a very important role in economic development and growth. Similarly, in the history of the Indonesian economy, it is recognized by all parties that the existence of MSMEs is considered the backbone of the national economy (Dalla Costa & El Alam, 2022) (Erlanitasari et al., 2020). The government through the Ministry of Cooperatives and SMEs has begun to promote the MSME digitalization program, because it is believed that digital transformation is an important key to the progress of MSMEs. The FinTech industry is considered more flexible and flexible than conventional financial services due to the lack of policies that control companies. This condition can be considered When the process of applying for debt, for conventional financial services there are a lot of administrative files that need to be done and completed. The files that need to be completed in a FinTech business are very simple just by uploading them online.

MSMEs are the foundation of the people's economy, where this sector has the ability to support the nation's economy. MSMEs in Indonesia contributed 61.07% to gross domestic income (GDP) or equivalent to IDR 8,573.89 trillion in March 2021. The participation of MSMEs has a positive influence on Indonesia, which is able to reduce poverty, even out people's economic conditions, and become a source of foreign exchange income. MSMEs have a very influential position, because this sector is able to open jobs for the community both directly and indirectly. When Indonesia experiences an economic crisis, the MSME business sector is also able to withstand the shock of the crisis. One of the reasons why the MSME sector is able to survive is the use of raw materials, most of which are local products. When many large-scale businesses were destroyed due to the monetary crisis, MSMEs became saviors from the impact of the monetary crisis. In addition, MSMEs contribute significantly to the export sector other than oil and gas. Based on data released by the Ministry of Cooperatives and SMEs, in 2017 MSMEs contributed to the country's foreign exchange of Rp 88.45 billion.

**Theoretical Foundation**

The theory of Resource-Based View-RBV is that the resources in a company merge into bundles and the capabilities underlying production are not the same as each other. The essence of the combination of resources and capabilities as "what" that makes an organization unique in terms of its ability to offer value to its customers. Purwohandoko in Stellmaris (2013: 13). According to Barney and Grant in Defin and Atim (2013: 393), resource-based business management is one alternative solution for MSMEs, because through this management, they are able to create special competencies and provide strategic choices to achieve sustainable competitive advantage. From this perspective, digital technology training programs and business strategies are related to providing control over MSME performance, or digital technology can mediate the impact of business strategy on MSME performance.

**Digital Technology**

With the existence of digital technology will make it easier for everyone to communicate and find information quickly. The role of
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Technology is very important, because with technological advances will give rise to online marketing activities. Technology is a rational method that leads to the efficiency of every human activity. Digital is a complex and flexible way in which human life becomes essential. Digital is closely related to media, because digital is an electronic device that displays visual images.

Digital technology is a tool whose operation no longer requires human labor and tends to be a system that can automatically connect with all computers. Digital technology literacy also brings various conditions about awareness of digital use, one of which is about social change, because digital technology can present a virtual public, as well as rapid transmission of information. Almost every day humans are always in contact with various kinds of digital technology ranging from the internet to smartphones. The development of digital technology makes it easy for people to get various related information about online payments.

The impact of globalization, supported by technological advances, has changed the business system in the contemporary world, with the aim of surviving and achieving maximum results. Therefore, it is important to prepare for competition to take advantage of dynamic business opportunities (Enis Bulak & Turkyilmaz, 2014). Many companies are starting to use and utilize digital resources to formulate and implement digital business strategies (Chi et al., 2016), with the aim that a company can reduce costs, improve company performance, and achieve competitive business sustainability (Enis Bulak & Turkyilmaz, 2014).

**Business Strategy**

According to Sofjan Assauri, the term "strategy" is formulated as a goal to be achieved, an effort to communicate what will be done, by who does it, how to do it, and to whom these things are also communicated. Strategy directs how the business can achieve the desired goals and objectives. In terms of business winning efforts, the strategy carried out by a company in order to succeed must meet the following criteria:

1. Strategy must fit and be appropriate to the circumstances at hand – Strategy can generate a sustained competitive advantage, with emphasis on great or outstanding performance throughout time.
2. Strategies can produce good financial performance, so that ultimately they can produce excellent and superior company performance.

The word business entered into the vocabulary of Indonesian from English, which among others is interpreted as: buying and selling; Commerce; Trade is buying and selling, trading business. In Indonesian
dictionary, business is defined as a trading business, commercial business in the world of trade, and business fields. The challenge for MSMEs in the era of digital economic transformation is the low ability of human resources to face trading methods that are traditionally and conventionally become digital technology or online business. The digital era is an era of openness both in terms of transactions, copyrights, and finance. This requires the government to create an environment that supports its programs, protects and makes regulations for MSME actors, and technological infrastructure, especially in rural areas.

According to M. Manullang, in his book it is explained that business can be defined as all activities of various institutions that produce goods and services that are necessary for people’s daily lives. With this understanding there are a number of important elements, in the definition, namely:
1. All activities – Institutions
2. Produce goods and services
3. Necessary for people’s lives

Strategies in maintaining sustainable competitive advantage, namely by choosing the right business strategy, using digital technology to carry out various innovations to improve the performance of MSMEs, so that they can be used optimally in various company activities and different markets (Wernerfelt, 1984).

**MSME Performance**

According to (Muteigi et al., 2015), the performance of MSMEs is the result of work achieved by individuals who adjust to the role or task of the individual in a company in a certain period, which is associated with a certain measure of value or standard in the individual company works. The performance of MSMEs is one of the most important targets for financial management, namely by maximizing the owner’s ability in addition to maximizing company value.

According to (Hasibuan & Soemitra, 2022) performance is the result of work achieved by individuals and organizations when carrying out the tasks assigned to them based on experience, skills, and time sincerity. Meanwhile, according to Rivai (2005), kinera is the result or measure of overall individual success in a certain period when carrying out tasks compared to possibilities, such as targets, work results, objectives or criteria that have been previously set and agreed upon together. The performance of MSMEs is a display of the complete state of the company over a certain period of time, is the result or achievement that is influenced by the company’s operational activities in utilizing the resources owned.

Based on the description above, it can be concluded that the performance of MSMEs is the result of work achieved as a whole and compared to the work results, targets, targets and criteria that have been set out in the law. Micro, Small and Medium Enterprises (MSMEs) are business activities that can expand employment and play an important role in the process of equitable distribution and increasing community income, encouraging economic growth, and realizing national economic stability.

The performance of MSMEs is an indicator to measure the level of success and health of these MSMEs. MSME performance (financial performance and non-financial performance) is used as an objective measurement medium to
describe the effectiveness of asset use in operations to increase profits from business development (Tarutė & Gatautis, 2014) (Hashai & Almor, 2004), achieving sales targets, adding assets (Wen et al., 2018), and maintaining the sustainability of the business (Eniola & Entebang, 2015)

Based on the literature review and the framework above, the following hypothesis can be drawn:

H1: Business strategy on MSME performance.
H2: Digital technology on the performance of MSMEs.
H3: Digital technology mediates the influence of business strategy on MSME performance.

RESEARCH METHODOLOGY

This study used a quantitative approach with an explanatory research design.

Data Collection Methods

This study comes from primary data. Observation methods and questionnaires are used to obtain data and information directly to MSME actors.

Measurement Scale

Variable measurement scale using ordinal scale with Likert scale measurement technique of 5 (five) points, point value indicates the attitude of respondents towards the variables studied (business strategy, digital technology, and MSME performance) used, namely; (5) Very often, (4) Often, (3) Sometimes, (2) Rarely, (1) Never (Sugiyono, 2018).

Population and Sample

The population in this study is MSMEs in Kaliwulu Village, which is 268 MSMEs. In this study, the sampling technique used was based on population, using purposive sampling with criteria for MSME actors who had attended entrepreneurship training. The general population in this study is MSME actors. While the target population is MSME actors in Kaliwulu Village, Plered District, Cirebon Regency.

Questionnaires are distributed by visiting directly (observation / survey) to respondents whose location distance can be reached by researchers, and conducting telephone interviews with respondents whose location distance is not reached by researchers, questionnaires that return and those that can be contacted via telephone amounting to 50 MSMEs.

Data Analysis Techniques

The analysis tool used is structural equation modeling (SEM) with SmartPLS software version 4.0. The SmartPLS SEM modeling process includes two basic stages, namely measurement model verification and structural model testing.

RESULTS AND DISCUSSION

The research was conducted in Kaliwulu Village, Plered District, Cirebon. Research focus on MSMEs. In this study, the sampling technique used was based on population, using purposive sampling with criteria for MSME actors who had attended entrepreneurship training.

It is considered that MSME players have the ability and knowledge related to the use of digital technology (e-commerce and social media) in setting the right business strategy to improve MSME performance.

The MSME Actors in this study are:
1. The number of female respondents was 34 people (68%) while male respondents were 16 people (32%). Judging from the gender, most MSME actors in Kaliwulu Village are women.

2. Judging from age, it can be categorized as 7 people aged 15-30 (14%), 31-45 years old as many as 31 people (62%), and 46-60 years old as many as 12 people (24%). This means that MSME actors in Kaliwulu Village are women with a dominant status who are married, they focus on helping the family economy and making MSMEs a sustainable business.

3. Judging from the type of business, as many as 34 people (68%) have businesses in the field of trade, 7 people (14%) have businesses in the field of production, 5 people (10%) have businesses in the field of services, and 4 people (8%) other businesses. This means that MSMEs in Kaliwulu Village are dominant as traders / trades.

**Inferential Analysis**

Construct validity and reliability testing, R-Square test (R2), goodness of fit model (GoF) test, and Q2 evaluation in table 2 research.

Table 1 of the validity and reliability test in this study shows 6 valid and reliable variables, meaning that they can be accepted and continued to the next test.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability (CR)</th>
<th>Average Variance Extracted (AVE)</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFECTIVENESS</td>
<td>0.648</td>
<td>0.841</td>
<td>0.727</td>
<td>Not Accepted</td>
</tr>
<tr>
<td>EFFICIENCY</td>
<td>0.869</td>
<td>0.911</td>
<td>0.718</td>
<td>Accepted</td>
</tr>
<tr>
<td>INNOVATION</td>
<td>0.590</td>
<td>0.830</td>
<td>0.709</td>
<td>Not Accepted</td>
</tr>
<tr>
<td>COMPETITIVE ADVANTAGE</td>
<td>0.825</td>
<td>0.920</td>
<td>0.851</td>
<td>Accepted</td>
</tr>
<tr>
<td>MSME PERFORMANCE</td>
<td>0.755</td>
<td>0.860</td>
<td>0.673</td>
<td>Accepted</td>
</tr>
<tr>
<td>MEASUREMENT</td>
<td>0.746</td>
<td>0.852</td>
<td>0.657</td>
<td>Accepted</td>
</tr>
<tr>
<td>BUSINESS STRATEGY</td>
<td>0.787</td>
<td>0.863</td>
<td>0.613</td>
<td>Accepted</td>
</tr>
<tr>
<td>DIGITAL TECHNOLOGY</td>
<td>0.869</td>
<td>0.910</td>
<td>0.718</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>R-Square</th>
<th>R-Square Adjusted</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFECTIVENESS</td>
<td>0.649</td>
<td>0.641</td>
<td>Moderate</td>
</tr>
<tr>
<td>EFFICIENCY</td>
<td>1.000</td>
<td>1.000</td>
<td>Strong</td>
</tr>
<tr>
<td>INNOVATION</td>
<td>0.735</td>
<td>0.729</td>
<td>Moderate</td>
</tr>
<tr>
<td>COMPETITIVE ADVANTAGE</td>
<td>0.828</td>
<td>0.824</td>
<td>Strong</td>
</tr>
<tr>
<td>MSME PERFORMANCE</td>
<td>0.662</td>
<td>0.648</td>
<td>Moderate</td>
</tr>
<tr>
<td>BUSINESS STRATEGY</td>
<td>0.825</td>
<td>0.821</td>
<td>Strong</td>
</tr>
<tr>
<td>DIGITAL TECHNOLOGY</td>
<td>0.239</td>
<td>0.223</td>
<td>weak</td>
</tr>
</tbody>
</table>
Path Coefficient Analysis

Tables 5 and 6 show that all variables (outer model and inner model) have coefficient values with a positive direction, meaning that business strategies are more effective in determining market targets and selling prices, if the use of digital technology (ecommerce and social media) is carried out optimally and on target, so as to improve the performance of MSMEs.

Hypothesis Testing

The initial stage carried out is by testing the direct effect of business strategies on MSME performance without involving digital technology mediation variables (e-commerce and social media), the results can be seen in table 7.

Based on table 7, that business strategy has a positive effect on MSME performance, meaning that determining the business strategy applied by MSME actors appropriately and in accordance with the products produced can improve MSME performance. The results above show the fulfillment of this requirement and can proceed to the next test, namely testing business strategies affecting MSME performance mediated by digital technology, can be seen in figure 1 and table 7.

Based on table 7, it shows that the coefficient of the business strategy path → the performance of MSMEs is significant at 0.468, while table 6 is the coefficient of the business strategy path → the performance of MSMEs is significant at 0.086. These results show that related to the effect of business strategy mediation on MSME performance with the coefficient of business strategy path → MSME performance of 0.468 to 0.086, which means that the hypothesis of the mediation effect in this study is accepted.

<table>
<thead>
<tr>
<th>Hubungan</th>
<th>Path Coefficients</th>
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</thead>
<tbody>
<tr>
<td>MSME PERFORMANCE -&gt; EFFECTIVENESS</td>
<td>0.805</td>
</tr>
<tr>
<td>MSME PERFORMANCE -&gt; MEASUREMENT</td>
<td>0.908</td>
</tr>
<tr>
<td>BUSINESS STRATEGY -&gt; INNOVATION</td>
<td>0.857</td>
</tr>
<tr>
<td>BUSINESS STRATEGY -&gt; COMPETITIVE ADVANTAGE</td>
<td>0.910</td>
</tr>
<tr>
<td>DIGITAL TECHNOLOGY -&gt; EFFICIENCY</td>
<td>1.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hubungan</th>
<th>Path Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUSINESS STRATEGY -&gt; MSME PERFORMANCE</td>
<td>0.086</td>
</tr>
<tr>
<td>BUSINESS STRATEGY -&gt; DIGITAL TECHNOLOGY</td>
<td>0.489</td>
</tr>
<tr>
<td>DIGITAL TECHNOLOGY -&gt; PERFORMANCE OF MSMES</td>
<td>0.768</td>
</tr>
</tbody>
</table>
### Table 7: The Effect of Business Strategy on MSME Performance

| Variabel                      | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values | Description |
|-------------------------------|---------------------|----------------|---------------------------|----------------|----------|-------------|
| BUSINESS STRATEGY -> MSME PERFORMANCE | 0.457               | 0.468          | 0.108                     | 4.225          | 0.000    | Significant |

![Figure 2](image.png)

**Figure 2**
Results of structural model analysis

### Table 8: The Effect of Business Strategy on MSME Performance Mediated by Digital Technology

| Variable                              | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P values | Description |
|---------------------------------------|---------------------|----------------|---------------------------|----------------|----------|-------------|
| (Direct Effects)                      |                      |                |                           |                |          |             |
| BUSINESS STRATEGY -> MSME PERFORMANCE | 0.513               | 0.550          | 0.135                     | 3.796          | 0.000    | Significant |
| BUSINESS STRATEGY -> DIGITAL TECHNOLOGY | 0.582               | 0.609          | 0.117                     | 4.983          | 0.000    | Significant |
| DIGITAL TECHNOLOGY -> PERFORMANCE OF MSMEES | 0.785               | 0.770          | 0.108                     | 7.289          | 0.000    | Significant |
| (Indirect Effects)                    |                      |                |                           |                |          |             |
| BUSINESS STRATEGY -> MSME PERFORMANCE | 0.457               | 0.468          | 0.108                     | 4.225          | 0.000    | Significant |
| (Total Effects)                       |                      |                |                           |                |          |             |
| BUSINESS STRATEGY -> DIGITAL TECHNOLOGY | 0.582               | 0.609          | 0.117                     | 4.983          | 0.000    | Significant |
Testing the hypothesis of digital technology variables mediates business strategies on MSME performance, by testing direct and indirect effects on business strategies on MSME performance. This can be seen in figure 2 and table 8.

**Direct Influence**

Business strategy affects the performance of MSMEs. Based on Figure 2 and Table 8, the results of business strategy testing have a positive effect on MSME performance. At the level of a significant level of 5% of 3.796 > 1.96) and P Values of 0.000. The path coefficient value of 0.513 indicates that the relationship of business strategy to MSME performance is positive. A standard deviation value of 0.135 indicates that the collected data has a small variation (homogeneous), meaning that this hypothesis is accepted.

Business strategy has an effect on digital technology

Based on Figure 2 and Table 8, the results of business strategy testing have a positive effect on digital technology. At the level of significant levels of 5% of 4.983 > 1.96 and P Values of 0.000. The path coefficient value of 0.582 indicates that the relationship of business strategy to digital technology is positive. A standard deviation value of 0.135 indicates that the collected data has a small variation (homogeneous), meaning that this hypothesis is accepted.

Digital technology affects the performance of MSMEs

Based on Figure 2 and Table 8, the results of digital technology testing have a positive effect on MSME performance. At a significant level of 5% of 7.289 > 1.96 and P Values of 0.000. The path coefficient value of 0.785 indicates that the relationship of digital technology to MSME Performance is positive. A standard deviation value of 0.108 indicates that the data collected has a small (homogeneous) variation, meaning that this hypothesis is accepted.

**Indirect Influence**

Table 8 shows the results of testing the indirect effect between business strategy variables on MSME performance mediated by digital technology. At the level of significant levels of 5% of 4.255 > 1.96 and P Values of 0.000. The path coefficient value of 0.457 indicates that the relationship of business strategy to MSME performance is mediated by digital technology. This shows that the higher or tighter the implementation and determination of business strategies through the use of digital technology optimally and on target, it will lead to improving company performance. A standard deviation value of 0.108 indicates that the collected data has a small (homogeneous) variation, meaning that this hypothesis is accepted.

**Total Influence**

Based on Tables 7 and 8, it shows that the coefficient of business strategy path affects the performance of MSMEs significantly and positively by 0.457. While Table 8 coefficient of business strategy path affects the performance of MSMEs significantly and positively by 0.513. These results show that related to the effect of business strategy mediation on MSME performance with the influence of the total business strategy.
path coefficient affecting MSME performance of 0.582, which means that the hypothesis of the mediation effect in terms of the partial mediation model in this study is accepted.

The results of direct effects, indirect effects and total effects from this study, it can be concluded that all variables studied have significant value and positive influence. So that hypothesis 1 proposed is accepted.

The next analysis process is with the Variance Accounted For (VAF) method on the influence of business strategy on MSME performance mediated by digital technology, it can be explained that business strategy has a direct and significant effect on company performance, so that it meets the criteria to be continued at the VAF value calculation stage. The mediating effect of the VAF method with criteria; No mediation (0%-19%), partial mediation (20%-80%), and full mediation (81%-100%) namely;

- Digital Technology mediates the influence of business strategy on MSME performance.

\[
VAF = \frac{\text{Indirect influence}}{\text{Total influence}} \times 100\% \\
VAF = \frac{0.4570.582}{0.582} \times 100\% \\
VAF = 78.52\%
\]

VAF calculations show that the results reach 78.52% that digital technology mediates partially mediation on the influence of business strategy on MSME performance, meaning that digital technology is not the only variable that can mediate the influence of business strategy on MSME performance, but there are still other variables and opportunities for further researchers. So that in this study, it shows that digital technology is able to mediate the influence of business strategies on MSME performance which proves that the hypothesis is accepted.

**Discussion**

The results of this study show that the application of digitalization skills of business actors mediates in a partial mediation manner the impact of business on MSME performance. The application of digitalization skills becomes an intermediary (mediation) so that business actors are able to compete in the global market. From the results of this study, there are still many business actors who have not penetrated into the digitalization era due to the lack of knowledge and application of skills about digitalization, however, there are also some business actors who have implemented digitalization in their businesses.

The results of the analysis obtained when business actors who have applied their digitalization skills feel the ease of managing their business with the help of digital platforms that are widely available in today’s technological era. In addition to the application of digitalization skills, business actors should also develop their business by collaborating with distributors, open resellers so as to make it easier for business actors to develop their business.

However, there are some business actors who lack confidence and lack the level of human resources who understand the era of technology, so business actors need to have skills to be able to follow the era in order to compete competently with other business competitors and also be able to develop business according to the needs and desires of consumers.

Business actors who have applied or have skills have a more dominant
advantage than business actors who lack skills. This is because business competition is very tight so that when business actors do not develop skills, they will experience lagging behind because good skills are needed to build a business. In this case, it proves that the application of digitalization skills is able to mediate the impact of business on MSME performance.

CONCLUSION

The results of the study prove that the application of digitalization skills of business actors mediates the impact of business on the performance of MSMEs in Kaliwulu Village, Kec. Plered, can be concluded as follows;

The business strategy adopted by product MSME players is a business strategy that is more effective in determining market targets and selling prices; Determining the business strategy applied by MSME players appropriately in accordance with the products produced can improve MSME performance.

MSME performance (both financial performance and non-financial performance) has increased, non-financial performance has increased in terms of; service quality, product quality, and achievement of production targets.

This research contributes to the field of strategy-based management accounting and contributes to MSME actors in Kaliwulu Village, namely in adopting the right strategy, utilizing digital technology to improve MSME performance.

REFERENCES


