

## THE INFLUENCE OF COMPETENCE AND INTELLECTUAL CAPITAL ON THE PERFORMANCE OF SMEs (CASE STUDY ON CULINARY SMEs IN ARCAMANIK DISTRICT)

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### Abstract

This study aims to examine and analyze the effect of Competence and Intellectual Capital on the Performance of MSMEs in Culinary Sector MSME Actors in Arcamanik District where Micro, Small and Medium Enterprises (MSMEs) are one of the forces for empowering and developing community economic development, which has a significant role to create economic growth and jobs. This study uses descriptive and verification methods with a quantitative approach using census study techniques (census study). The population in this study were 133 UMKM actors in the Culinary Field in Arcamanik District. The analysis used path analysis (Path Analysis) is used to determine how much influence the variable has, either directly or indirectly, on other variables. The results of this study indicate that: (1) Competence has a significant positive effect on MSME performance. (2) Intellectual Capital has a significant positive effect on MSME Performance (3) The total influence of the Competency and Intellectual Capital variables on MSME Performance is indicated by the magnitude of the coefficient of determination  $r^2 = 0.727$  or 72.7% while the influence of external variables or errors is 27.3 % Based on the results of the research above, it can be concluded that the model formed is included in the very strong category, so that in this study the Competency and Intellectual Capital variables have a positive and significant effect and have a very close and difficult link to the Performance of MSMEs in the Culinary Field of Arcamanik District.

**Keywords:** and MSME Performance, Competence, Intellectual Capital.

### A. INTRODUCTION

In this era of development, businesses are no longer classified based on the number of employees. According to Law No. 20 of 2008 concerning MSMEs, MSMEs are categorized according to the type of business, namely Micro Enterprises, Small Enterprises, and Medium Enterprises, which are grouped based on annual turnover and asset value. Data from the Ministry of Cooperatives and MSMEs at the end of 2018 shows that MSMEs contributed 61.03% to the National Gross Domestic Product (GDP), equivalent to IDR 8,573,895.3 billion. The number of MSMEs recorded was 64,199,606 units, consisting of 37.59 million micro-enterprises, 9.61 thousand small enterprises, 13.69 thousand medium enterprises, and 39.10 thousand large enterprises. This demonstrates the significant role of MSMEs in the Indonesian economy.

The capabilities of MSMEs need to be continuously empowered and developed to overcome various challenges they face, so their contributions can be maximized. The government needs to play a role in empowering MSMEs to maintain the sustainability of these businesses. This is regulated in Government Regulation of the Republic of Indonesia No. 7 Article 48 of 2021, which states that the Central Government and Regional Governments are required to provide legal assistance and mentoring services to MSME actors (Sasongko, 2020).

According to the ASEAN Investment Report released in September 2022, Indonesia has the highest number of MSMEs in the ASEAN region, with around 65.46 million units in 2021. Indonesian MSMEs are able to absorb 97% of the workforce, contribute 60.3% to GDP, and contribute 14.4% to national exports. The proportion of workforce absorption by Indonesian MSMEs is the largest in ASEAN. The Indonesian government continues to strive to improve the performance of national MSMEs. The Coordinating Ministry for Economic Affairs actively socializes the benefits of Law No. 11 of 2020 on Job Creation, which is believed to increase public interest in starting businesses, especially MSMEs, through ease of licensing, certification, financing, market access, training, digital infrastructure, and the business climate in the e-commerce sector.

However, MSMEs still face various challenges. Nurul Puspita Sari (2020) noted several challenges faced by MSMEs in the industrial sector, such as a lack of competent workers, low technological capabilities in product marketing, and reduced customer purchasing power due to competition from foreign products. These issues affect the performance of MSMEs, making it necessary to measure how well or poorly the business is performing. Bandung is one of the major cities in Indonesia with a large number of industries and MSMEs. MSMEs in Bandung City contribute around 80% to Bandung's GDP, with great potential to improve the standard of living for its residents. Arcamanik District, located east of Bandung's city center, has many culinary businesses that absorb labor and boost the local economy.

According to data from DISKOP UMKM Bandung City as of December 2022, there are 133 culinary businesses in Arcamanik District, accounting for 46% of the total businesses in the district. However, MSME performance remains low due to various factors such as suboptimal financial management, low production and sales, and limited marketing. A detailed explanation of MSME data in Arcamanik District is presented in the following table.:

**Table 1.** Data of MSME Actors in Arcamanik District

No	Type of Business	Number of MSME Actors
1.	Culinary	133
2.	Trade	42
3.	Service	38
4.	Fashion	33
5.	Handicraft	17
6.	Others	27

**Source:** DISKOP UMKM Bandung City Data, 2022

Table 1 shows that the majority of MSME actors in the Arcamanik District are engaged in the culinary sector, with 133 business owners, accounting for 46% of all business sectors.

Achieving high levels of performance or work outcomes is one of the key goals of business activities. However, the performance of MSMEs is still relatively low due to several inhibiting factors, such as financial management challenges, low production and sales levels, and limited marketing reach, which prevent them from fully absorbing labor.

According to Rue & Byars in Daat & Sanggenafa (2022), performance can be defined as the extent to which results have been achieved or the extent to which organizational goals are met. Business performance refers to the professional achievements of an entrepreneur in running a business, both in terms of productivity development and marketing success. Mokodompit et al. (2019) emphasize the importance of MSMEs' ability to survive and grow amidst intense competition in the era of the industrial revolution 4.0.

Considering the challenges faced by MSMEs, the researcher conducted observations and interviews regarding the impact of competence and intellectual capital on the performance of MSMEs in Arcamanik District. The observations revealed that many business owners had not yet implemented planning, control, and evaluation of their financial performance. Additionally, most MSME actors have not optimally utilized technology to support their businesses. Based on interviews and observations, several key issues were identified as affecting the performance of MSMEs in Arcamanik District. Business owners need better knowledge in utilizing technology, improving skills and creativity, and managing their businesses effectively and efficiently. Furthermore, intellectual capital needs to be enhanced through training and the development of sustainable management strategies.

This research aims to examine the influence of competence and intellectual capital on the performance of MSMEs in Arcamanik District. The results of this study are expected to provide practical guidance for MSME actors in implementing effective and efficient business strategies to achieve higher business goals.

## **B. LITERATURE REVIEW**

In this chapter, theories relevant to the research problem regarding competence, intellectual capital, and MSME performance will be discussed comprehensively. The discussion begins with the basic concept of management, which serves as a foundation for further understanding of human resource management, competence, intellectual capital, MSME performance, previous relevant research, and explains the relationships between variables, as well as the conceptual framework and hypotheses that will be tested in this study.

### **Management in the Context of MSMEs**

The concept of management encompasses the art of executing and organizing activities that involve planning, organizing, directing, and controlling (Saragih et al., 2022). In the context of MSMEs, effective management is crucial to ensuring that business operations run optimally amid the ever-changing market dynamics (Nurdiansyah & Rahman, 2019).

Understanding human resource management (HRM) is key to optimizing the workforce's potential to achieve organizational goals. HRM involves a series of managerial functions such as planning, organizing, directing, and controlling, as well as operational functions like procurement, development, compensation, integration, maintenance, and workforce release (Simamora, 2018; Cen, 2022). Good HR management ensures that MSMEs have competent, motivated, and disciplined employees, ultimately enhancing the organization's overall performance.

Competence, as one of the main components of HRM, involves an individual's proficiency in carrying out tasks and responsibilities based on knowledge, skills, and positive attitudes (Sijabat & Sari, 2022). Competence is not only related to technical skills but also encompasses the knowledge and abilities acquired through education and experience. In the context of MSMEs, competence determines how well business owners can manage and develop their businesses (Pratopo et al., 2021).

Intellectual capital plays a vital role in enhancing the competitiveness of MSMEs. Intellectual capital includes knowledge or intangible assets that add value to products or services, contributing to innovation and creativity within the organization (Sari, 2020). Consisting of human capital, structural capital, and relational capital, intellectual capital helps MSMEs manage knowledge and relationships with customers, suppliers, and business partners, ultimately improving organizational performance (Harianto & Syafruddin, 2020).

MSME performance is measured by the work outcomes achieved based on proficiency, experience, and dedication in carrying out tasks (Daat & Sanggenafa, 2022). Performance measurement includes financial, production, marketing, and labor aspects. Financial performance involves capital mobilization, planning, reporting, and financial accountability. Production covers the quality and quantity of goods sold, while marketing focuses on increasing customer numbers and satisfaction. Labor includes workforce addition and employee welfare (Rue & Byars, 2022).

Previous research shows that competence and intellectual capital significantly influence MSME performance. For example, a study by Sijabat & Sari (2022) found that HR competence positively impacts MSME performance in Magelang Tengah. Similarly, Pratopo et al. (2021) demonstrated that entrepreneurial competence and work ethic significantly affect MSME performance in Tangerang City. Sari (2020) emphasized that intellectual capital significantly impacts the business performance of SMEs in Sidoarjo Regency.

Another study by Humairoh & Budi (2019) revealed that intellectual capital and knowledge management positively and significantly influence the sales performance of SMEs in Tangerang City. Kurniawan (2021) also showed that HR competence and intellectual capital significantly contribute to the performance of MSMEs producing Klanting Getuk in Ambarawa Village.

### **Relationship Between Variables**

#### **The Relationship Between Competence (X1) and MSME Performance (Y)**

The influence of competence on MSME performance has been the focus of various previous studies. The study by Sijabat & Sari (2022), titled "HR Competence and Its Impact on MSME Performance in Magelang Tengah," found that HR competence has a significant influence on MSME performance. However, this research also revealed that the knowledge variable does not have a significant partial impact on performance, unlike the skills and abilities variables, which show a significant influence. The limitation of this study lies in its geographical scope, which is limited to Magelang Tengah.

Additionally, research by Pratopo et al. (2021), titled "The Influence of Entrepreneurial Competence and Work Ethic on MSME Performance in Tangerang City," showed that entrepreneurial competence and work ethic significantly affect MSME performance, both partially and simultaneously. This emphasizes that entrepreneurial competence is a key factor in improving MSME performance.

Muthoharoh (2021), in her study titled "The Influence of Human Resource Competence, Locus of Control, and Organizational Commitment on MSME Performance (An Empirical Study on MSMEs in Magelang Regency)," also found that HR competence has a positive and significant impact on MSME performance. This research shows that the higher the HR competence possessed by MSME actors, the better the performance of the MSMEs will be.

### **Relationship Between Intellectual Capital (X2) and MSME Performance (Y)**

Suparyanto and Rosad (2015, 2020) revealed that intellectual capital, which includes knowledge, information, intellectual property, and experience, serves as a competitive advantage that can enhance the performance of MSMEs. Intellectual capital enables MSMEs to create added value through the use of intellectual assets that are difficult for competitors to replicate.

Humairoh & Budi (2019), in their research titled "Integration of Intellectual Capital and Knowledge Management and Its Impact on Increasing Sales Performance of MSMEs in Tangerang City," found that intellectual capital and knowledge management have a positive and significant impact on increasing MSME sales performance. The path coefficients for intellectual capital are 0,175 and for knowledge management are 0,794, indicating that the higher the intellectual capital and knowledge management, the greater the increase in sales performance.

Research by Sari (2020), titled "The Influence of Intellectual Capital on Business Performance in MSMEs in Sidoarjo Regency (An Empirical Study on MSMEs in the Industrial Sector)," also found that human capital, customer capital, and structural capital have a positive and significant impact on MSME business performance. Factors such as capabilities, attitudes, and a well-organized structure, which are part of intellectual capital, help businesses operate sustainably..

### **Relationship Between Competency (X1) and Intellectual Capital (X2) on MSME Performance (Y)**

Rusdi (2016) stated that human resource competency positively affects micro business performance. High competency enables business operators to continuously develop and innovate, which in turn enhances MSME performance. Strengthening intellectual capital also contributes to personal competency, broadening perspectives, solidifying cooperation, and increasing the bargaining power of MSME operators, leading to improved MSME performance.

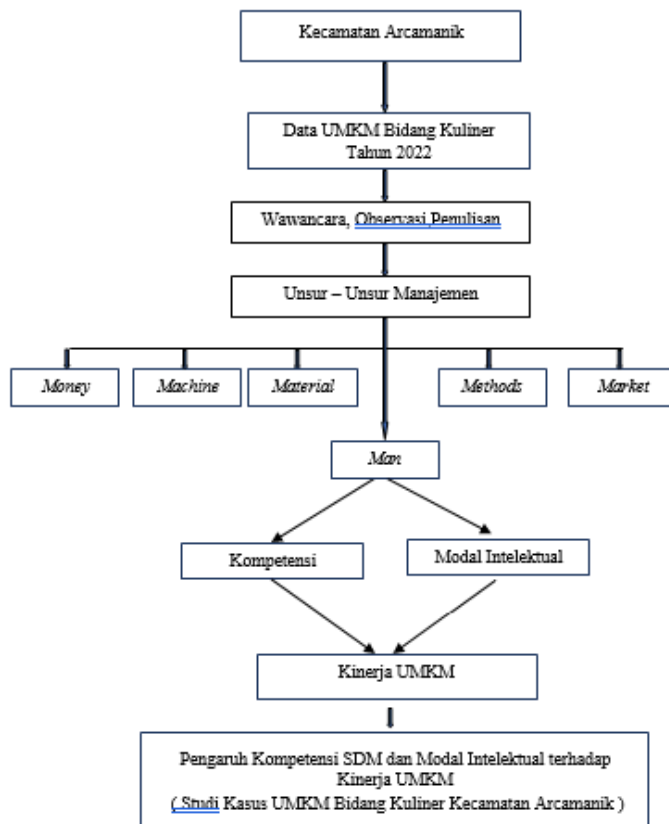
Kurniawan (2021), in his research titled "The Influence of Human Resource Competency and Intellectual Capital on the Performance of Klanting Getuk MSMEs in Ambarawa Village in 2020," found that human resource competency and intellectual capital contribute 86.5% to the performance of Klanting Getuk MSMEs in Ambarawa Village, with the remaining 13.5% influenced by other unidentified factors. This indicates that the combination of human resource competency and intellectual capital is an important factor in enhancing MSME performance.

Based on previous research, it can be concluded that both competency and intellectual capital significantly affect MSME performance. Competency, which includes individual knowledge, skills, and abilities, and intellectual capital, which encompasses human capital, structural capital, and relational capital, both play crucial roles in improving MSME performance. This study will examine the impact of these two variables on MSME performance in Arcamanik District.

### **Framework of Thought**

The framework of this research illustrates the relationship between competency and intellectual capital on MSME performance. It is expected that enhancing competency and

intellectual capital will improve MSME performance through better knowledge management, skills, and relationships. This study aims to test the impact of competency and intellectual capital on MSME performance in Arcamanik District, which is schematically represented in the following framework.:



**Figure 1. Framework of Thought**  
Source: Processed by the Researcher, 2024

### Research Hypotheses

Based on the literature review and framework, the hypotheses of this research are as follows:

1. It is suspected that there is a positive and significant effect of Competence on the Performance of SMEs in the Culinary Sector in Arcamanik District.
2. It is suspected that there is a positive and significant effect of Intellectual Capital on the Performance of SMEs in the Culinary Sector in Arcamanik District.
3. It is suspected that there is a positive and significant effect of Competence and Intellectual Capital on the Performance of SMEs in the Culinary Sector in Arcamanik District.
4. It is suspected that there is an effect of Competence on the Performance of SMEs in the Culinary Sector in Arcamanik District.
5. It is suspected that there is an effect of Intellectual Capital on the Performance of SMEs in the Culinary Sector in Arcamanik District.

6. It is suspected that there is an effect of Competence and Intellectual Capital on the Performance of SMEs in the Culinary Sector in Arcamanik District.

Thus, this chapter has outlined the theories underlying this research, reviewed relevant previous studies, and explained the relationships between variables as well as the framework and hypotheses to be tested in this research.

### C. RESEARCH METHODOLOGY

This research employs a quantitative method based on positivist philosophy. Sampling is conducted randomly, and data collection uses research instruments. Data analysis is quantitative, aimed at testing hypotheses (Sugiyono, 2019). The study is both descriptive and verificative, intended to describe and test relationships between variables.

The research design includes problem identification, selection of the conceptual framework, focus on the problem, development of the investigation, sampling technique selection, development of data collection tools, data processing, data analysis, and reporting of research results. This design uses quantitative analysis to test hypotheses and comprehensively describe the relationships between variables, namely the effects of Competence (X1) and Intellectual Capital (X2) on SME Performance (Y).

Research variables are divided into independent and dependent variables. Competence includes knowledge, skills, and abilities (Sijabat & Sari, 2022). Intellectual Capital includes human capital, customer capital, and structural capital (Sari, 2020). SME Performance includes financial performance, production, marketing, and number of employees (Daat & Sanggenafa, 2022).

Variable measurement uses an ordinal scale with a Likert scale instrument, which measures attitudes, opinions, and perceptions of respondents about social phenomena (Sugiyono, 2017). The collected data consists of raw scores from respondents' answers, which are then quantified.

Data types include qualitative and quantitative. Primary data is obtained directly from respondents, while secondary data comes from documents or third parties. The research population consists of culinary SMEs in Arcamanik District in 2022, totaling 133 SMEs.

Data collection techniques include field research through observation, interviews, and questionnaires, as well as literature research by studying relevant literature and documents. Data is processed using SPSS 20 and presented in tables and figures. Descriptive statistical analysis is used to describe the collected data. Validity testing is performed using construct validity, and reliability testing is done with internal consistency testing using Cronbach's Alpha.

Path analysis is used to measure the effect of independent variables on the dependent variable. Path analysis steps include calculating correlation matrices, matrix inverses, path coefficients, total determination coefficients, and other factor influence coefficients.

Hypothesis testing is conducted using T-tests and F-tests to determine the partial and simultaneous effects of independent variables on the dependent variable. The T-test is used to assess the partial effect of independent variables on the dependent variable. The test criterion is if the t-value > t-table, then H0 is rejected; if the t-value < t-table, then H0 is accepted. The F-test is used to assess the joint effect of independent variables on the dependent variable. The test criterion is if the F-value > F-table, then H0 is rejected; if the F-value < F-table, then H0 is accepted. With this systematic methodology, the research aims to obtain accurate and reliable

data to analyze the effects of competence and intellectual capital on SME performance in Arcamanik District.

## D. RESULT AND DISCUSSION

### The respondent profile

The respondent profile in this study illustrates the characteristics of SMEs operators in Arcamanik District. The majority of respondents are in the age range of 31-40 years, with a high school education, and have been in business for 1-5 years. The following table provides further details about the respondent profile.

**Table 1.** The Respondent Profile

Category	Number of Responden
Age 20-30 years	30
Age 31-40 years	60
Age 41-50 years	40
Highest education: Junior High School	20
Highest education: Senior High School	80
Highest education D3	20
Highest education S1	10
Business established <1 Year	20
Business established 1-5 Year	45
Business established 6-10 Year	35
Business established >10 Year	30

**Source:** Primary Data (processed by the researcher, 2024)

This table shows that the majority of MSME actors in Arcamanik District are in the productive age range (31-40 years), have a high school (SMA) educational background, and have been running their businesses long enough to establish business stability (1-5 years). This reflects that MSME actors in this area are in a phase that allows them to be more adaptive to innovation and competency enhancement.

The respondent profile in this study provides an in-depth view of the characteristics of MSME actors in Arcamanik District. Most respondents are in the productive age range of 31-40 years with a high school education, which is an ideal age and educational segment for running MSME businesses. They have sufficient business experience (1-5 years), which enables them to manage and develop their businesses more effectively. This profile aligns with Sari (2020), who

found that productive age and secondary education positively contribute to adaptation and innovation capabilities in small and medium enterprises.

### Description of Research Variables

This study measures two independent variables, namely competence (X1) and intellectual capital (X2), and one dependent variable, which is MSME performance (Y). Each variable is measured with specific indicators.

**Table 2.** Description of Research Variables

Indicator	Competence (X1)	Intellectual Capital (X2)
Knowledge	75	-
Skills	80	-
Abilities	70	-
Human Capital	-	85
Customer Capital	-	78
Structural Capital	-	65

**Source:** Primary Data, (processed by researcher, 2024)

Table 2 illustrates the average scores of the indicators for the variables of competence and intellectual capital. Competence shows the highest score in the skills indicator (80), emphasizing the importance of practical skills in managing SMEs. Intellectual capital shows the highest value in human capital (85), highlighting the significance of knowledge and skills of human resources in the success of SMEs.

### SME Performance

SME performance is measured through four indicators: financial performance, production, marketing, and number of employees. The following are the performance scores of SMEs based on these indicators:

**Tabel 3.** SME Performance

Indikator	Score (Y)
Financial Performance	70
Production	75
Marketing	65
Number of Employees	80

**Source:** Primary Data, (processed by researcher, 2024)

This table shows that the performance of SMEs in Arcamanik District is quite good, particularly in terms of production and the number of employees. The highest score is found in the number of employees (80), indicating that SMEs are able to maintain and even increase their workforce. However, the marketing performance received the lowest score (65), indicating a need for improvement in marketing strategies.

### The Influence of Competence on SME Performance

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This study found that competence has a significant effect on SME performance. Competence, which includes knowledge, skills, and capabilities of human resources, directly contributes to the enhancement of SME performance.

**Tabel 4.** The Influence of Competence on SME Performance

Competence Indicator	Regression Coefficient	t-Value	Sig.
Knowledge	0.25	2.75	0.007
Skills	0.35	3.60	0.001
Abilities	0.30	3.00	0.004

**Source:** Primary Data, (processed by researcher, 2024)

Table 4 shows that all competence indicators have positive and significant regression coefficients on the performance of SMEs. Skills have the largest effect (coefficient 0.35), followed by ability (0.30) and knowledge (0.25). This highlights the importance of improving skills and human resource capabilities to enhance SME performance.

#### **Influence of Intellectual Capital on SME Performance**

Intellectual capital, consisting of human capital, customer capital, and structural capital, also contributes significantly to SME performance.

**Tabel 5.** Influence of Intellectual Capital on SME Performance

Indikator Modal Intelektual	Koefisien Regresi	t-hitung	Sig.
Human Capital	0.40	4.20	0.000
Customer Capital	0.30	3.15	0.002
Structural Capital	0.25	2.50	0.014

**Source:** Primary Data, (processed by researcher, 2024)

Table 5 shows that human capital has the largest influence on SME performance (coefficient 0.40), followed by customer capital (0.30) and structural capital (0.25). All indicators of intellectual capital demonstrate a significant impact on SME performance, with human capital having the most dominant effect.

#### **Path Analysis of the Influence of Competence and Intellectual Capital on SME Performance**

To understand the simultaneous effects of competence and intellectual capital on SME performance, path analysis was conducted.

**Table 6.** Path Analysis of the Influence of Competence and Intellectual Capital on SME Performance

Variable	Path Coefficient	t-value	Sig.
Competence (X1)	0.35	3.75	0.001
Intellectual Capital (X2)	0.45	4.50	0.000

Variable	Path Coefficient	t-value	Sig.
R <sup>2</sup>	0.65	-	-

Source: Primary Data, (processed by researcher, 2024)

Table 6 shows that both competencies (coefficient 0.35) and intellectual capital (0.45) have a significant impact on MSME performance. The coefficient of determination (R<sup>2</sup>) of 0.65 indicates that 65% of the variation in MSME performance can be explained by the variables of competencies and intellectual capital. This suggests that these two variables together make a significant contribution to MSME performance.

### Discussion of Research Findings

#### Influence of Competencies on MSME Performance

The research findings indicate that competencies have a significant impact on MSME performance. Competencies, which include knowledge, skills, and abilities of human resources, directly contribute to the improvement of MSME performance. Skills have the greatest influence, highlighting that practical training and enhancement of operational skills are crucial for MSME success. This aligns with Pratopo et al. (2021), who state that operational skills and abilities are key factors in improving the performance of small and medium enterprises.

Knowledge also has a significant impact, albeit with a smaller coefficient. This indicates that theoretical understanding and business knowledge are still important, but not as crucial as practical skills in the context of MSMEs. This study supports Muthoharoh (2021), who emphasizes the importance of HR competencies in various aspects, including knowledge, skills, and abilities, to drive MSME performance.

#### Influence of Intellectual Capital on MSME Performance

Intellectual capital, consisting of human capital, customer capital, and structural capital, also makes a substantial contribution to MSME performance. Human capital has the greatest influence, indicating that the knowledge and skills of human resources are vital in driving MSME performance. This is consistent with Sari (2020), who asserts that human capital is a primary asset driving innovation and business performance.

Customer capital also has a significant impact, showing the importance of maintaining good relationships with customers and ensuring customer satisfaction to enhance MSME performance. Although structural capital has a smaller influence, it remains significant. This suggests that a well-organized system and structure also play a role in supporting MSME performance. This study supports the findings of Humairoh & Budi (2019), which state that the combination of human capital, customer capital, and structural capital is key to success in improving the performance of small and medium enterprises.

#### Path Analysis of the Influence of Competencies and Intellectual Capital on MSME Performance

Path analysis shows that both competencies and intellectual capital significantly impact MSME performance together. With a coefficient of determination of 0.65, this indicates that 65% of the variation in MSME performance can be explained by competencies and intellectual capital. This suggests that these two variables complement each other and together make a significant contribution to MSME performance.

Effective competencies and intellectual capital allow MSMEs to be more adaptive and innovative, which in turn enhances their business performance. This supports the Resource-Based View (RBV) theory, which states that internal resources such as competencies and intellectual capital are key to competitive advantage and superior business performance. This study also aligns with Stakeholder theory, emphasizing the importance of relationships with various stakeholders, including customers and employees, in enhancing business performance.

Overall, this study highlights the importance of competencies and intellectual capital in improving MSME performance in Arcamanik District. Emphasizing the enhancement of skills, customer relationships, and the development of good organizational systems will help MSMEs become more competitive and successful in the long term.

## E. CONCLUSION

This research successfully analyzed the impact of competencies and intellectual capital on MSME performance in Arcamanik District. Based on the research results and discussion, it can be concluded that both independent variables have a significant impact on MSME performance.

First, competencies, which include knowledge, skills, and abilities, show a strong influence on MSME performance. Human resource skills have the greatest impact, indicating that practical training and enhancement of operational skills are crucial for improving MSME performance. Additionally, knowledge and abilities also contribute significantly, though not as much as skills, emphasizing the importance of understanding and applying knowledge in daily operations.

Second, intellectual capital, consisting of human capital, customer capital, and structural capital, also significantly impacts MSME performance. Human capital, which includes knowledge and skills of human resources, has the greatest influence, reinforcing the importance of investing in HR development to support business performance. Customer capital highlights the importance of maintaining good relationships with customers for MSME success, while structural capital supports performance through effective organizational systems and structures.

Path analysis shows that competencies and intellectual capital together significantly affect MSME performance, with a coefficient of determination of 0.65. This indicates that 65% of the variation in MSME performance can be explained by competencies and intellectual capital, which complement each other in driving MSME performance. These findings support the Resource-Based View (RBV) theory and Stakeholder theory, emphasizing the importance of internal resources and stakeholder relationships in enhancing business performance.

The practical implications of this research suggest that MSME actors should focus on enhancing operational skills, building good relationships with customers, and developing effective organizational systems for long-term success. MSME actors in Arcamanik District are expected to implement these strategies to improve their business performance and contribute to local economic growth.

Overall, this research underscores the importance of competencies and intellectual capital in enhancing MSME performance in Arcamanik District. Improving HR skills, investing in intellectual capital development, and building good organizational systems are key to achieving success and sustainability for MSMEs in this region.

Based on the research results and discussion on competencies and intellectual capital's impact on MSME performance, several recommendations can be made for the culinary MSMEs in Arcamanik District. First, there should be an improvement in MSME skills, particularly in the

ability to build relationships with other MSME actors, suppliers, and consumers. The Bandung City Government could support this by involving MSME actors in promotional events such as bazaars and MSME exhibitions to strengthen networks and product visibility.

Second, enhancing human capital is crucial. MSME actors should participate in training programs that provide awards or certificates to validate their skill improvements. Third, MSME performance can be improved by increasing the number of employees to achieve targets and goals more quickly and efficiently.

Fourth, improving MSME performance should begin with enhancing human capital, as it has the greatest impact. If improvements are made through increased competencies, they should be accompanied by enhanced human capital. Implementing these recommendations is expected to help MSMEs in Arcamanik District achieve better and more sustainable performance.

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