

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in driving Indonesia's economic growth, contributing over 50% to GDP and absorbing 97% of the workforce. Improved MSME performance is vital for achieving the economic growth targets of Indonesia's Vision 2045. West Java, home to the largest number of MSMEs in the country, has the sector contributing 57.14% to its regional GDP. Strategic partnerships are key to enhancing MSME performance by strengthening business networks, improving production quality and capacity, and ensuring sustainability. However, partnership levels in West Java remain low, at 11%, compared to Central Java's 13%, despite a higher number of MSMEs. Reports on corporate social responsibility (CSR) implementation in West Java indicate that most activities involving MSMEs are donation-based rather than focused on economic empowerment.

This research introduces a model that elaborates on the variables of digital competence and sustainable value creation in relation to partnership programs and MSME performance. Its novelty lies in adding community involvement and development as a mediating variable between partnership programs and MSME performance. Using SmartPLS and ISM methodologies, the study analyzes data from 97 MSMEs in West Java that have operated for at least three years and have prior experience collaborating with industrial companies. The respondents, representing 66.6% of West Java's regions, primarily operate in the food and beverage sector, with most having 6-10 years of business experience.

Findings reveal that digital competence (38%) and sustainable value creation (48%) significantly influence partnership programs, with sustainable value creation having a more substantial impact. Partnership programs significantly affect MSME performance (46.1%) and community involvement and development (76.4%). However, community involvement and development do not significantly impact MSME performance (18.6%) or serve as an effective mediating variable (14.2%). While partnership programs can enhance community involvement, these activities are not directly effective in improving MSME performance. To boost MSME performance, the government should prioritize sustainable value creation within partnership programs rather than focusing on community involvement and development.

The study recommends that provincial and municipal governments, supported by the Regional Development Planning (Bappeda) and relevant departments, lead and monitor programs emphasizing sustainable value creation. CSR initiatives in West Java should aim at empowering MSMEs by addressing business legality, access to formal financing, and technology adoption to improve productivity. Industrial companies can contribute by selling functional used machinery to MSMEs, while the government facilitates training and policies to encourage sustainable value creation. Future research should explore new dimensions within community involvement and development to enhance its influence on MSME performance.

Keywords: SEM, ISM, MSMEs, Partnerships, Sustainable Value Creation