

# Assessing the Impact of Competency and Intellectual Capital on MSMEs' Performance: Insights from Banjarmasin City

Siti Mardah<sup>1\*</sup>, Muthia Harnida<sup>2</sup>, Apriya Santi<sup>3</sup>, Fathurrohman<sup>4</sup>, Nida Pratiwi.A<sup>5</sup>

<sup>1,2,3,4,5</sup>Management Study Program, Faculty of Economics, Universitas Islam Kalimantan (UNISKA)  
Muhammad Arsyad Al Banjari Banjarmasin, South Kalimantan, Indonesia.

\*Corresponding Author:

Email: [muthiaharnida@gmail.com](mailto:muthiaharnida@gmail.com)

---

## Abstract.

*This research examines the impact of competency and intellectual capital on the performance of micro, small, and medium-sized enterprises (MSMEs) in Banjarmasin City. This research used a quantitative approach. Data were collected via an online questionnaire with 51 MSME actors as respondents. Data were analyzed using multiple linear regression methods. The results indicate that intellectual capital, encompassing knowledge, expertise, and innovation, significantly influences performance. However, competency does not show a significant impact on MSMEs' performance. These findings provide insight into the condition of MSMEs in Banjarmasin City and can provide additional empirical evidence on the effect of intellectual capital. Additionally, this result can serve as a reference for policymakers to help MSMEs improve their performance through targeted training, mentorship, and collaborative networks. The implications of this research emphasize the importance of developing intellectual capital for MSMEs to enhance their performance. The finding that competency has an insignificant impact on performance warrants further investigation.*

**Keywords:** Competency; Intellectual Capital; MSMEs; Performance and Resource-based view.

---

## I. INTRODUCTION

In the face of rapid business dynamics in the digital era, Micro, small, and medium enterprises (MSMEs) play an important role in economic growth. Despite having limited resources compared to large companies, MSMEs have flexibility and speed of adaptation advantages. One of the factors contributing to the success of MSMEs is their ability to manage competencies and intellectual capital to enhance performance. Resource-Based View (RBV) theory emphasizes that a company's competitive advantage depends on its ability to manage unique, hard-to-imitate resources. These resources include physical assets, human capital, technology, and intellectual capital. RBV theory explains that organizations that achieve competitive advantage can manage their internal resources effectively. RBV offers the perspective that company strategy should focus on external market conditions and the effective utilization and management of internal resources to compete in the market. Resource-based view (RBV) provides a deep understanding of how internal resources, such as competency and intellectual capital, can create competitive advantage and influence organizational performance. [4] Focused extensively on developing the RBV concept and framework. In the face of rapid business dynamics in the digital era, Micro, small, and medium enterprises (MSMEs) play an important role in economic growth. Despite having limited resources compared to large companies, MSMEs have flexibility and speed of adaptation advantages.

One of the factors contributing to the success of MSMEs is their ability to manage competencies and intellectual capital to enhance performance. Competencies can be viewed as valuable resources, and MSME competencies, such as managerial skills and product or service competitiveness, can be considered valuable resources that improve performance. Meanwhile, intellectual capital can be viewed as a rare resource because the knowledge and expertise contained in MSME intellectual capital can be considered a rare resource. After all, not all MSMEs have similar access or capabilities. Intellectual capital, in this context, involves utilizing the knowledge, expertise, and relationships owned by MSMEs. Understanding and developing these competencies can enhance competitive advantage in the increasingly tight and complex market competition. Competency is the collaboration of knowledge, skills, and personal attributes necessary to work effectively. Competency involves technical abilities (hard skills), interpersonal abilities (soft skills), and educational qualifications. Competency can also be measured and evaluated through a person's

performance or performance in the work context. According to [16], competency is defined as the fundamental characteristics of individuals that directly influence performance, which include motivation, traits, self-concept, knowledge, and skills. According to [14], human resources competency impacts performance in the garment sector. The increased capability development through managerial and leadership aspects can improve performance to achieve business development. Research conducted by [9] also found that increasing HR competency can enhance the performance of MSMEs. [12] Found that HR competency influences performance. The performance level of MSMEs will improve through human resource competencies. Hence, there is a need to focus on HR competencies in developing the resources of MSMEs to remain relevant and competitive in the ever-evolving market. Aspects such as knowledge, skills, and entrepreneurial abilities are necessary aspects to improve HR competency. Referring to several explanations and findings of previous research, the hypothesis of this study is:

H1: Competency positively impacts MSME performance.

Intellectual capital refers to knowledge and skills that can provide an edge and are of value that could be essential for a company. Intellectual Capital is designed and utilized to generate high-value assets. Intellectual capital is the aggregate of intangible assets, including knowledge, skills, experience, and innovative potential of individuals or organizations used to create value and gain a competitive edge. Intellectual capital is an intangible asset. This asset is difficult to measure and understand [15]. Intellectual capital includes various components that are not physically visible but are very important in driving productivity and the long-term success of an organization. Human, customer, and structural capital are proxies for intellectual capital in this research. Competitive advantage and value creation to support performance are influenced by intellectual capital [18]. The existence of intellectual capital can create added value and innovation, support decision-making, and influence organizational performance. Performance is the outcome of work or output produced by an individual or organization in achieving predetermined goals. [10] Describe performance as the extent to which individual competencies, together with intellectual resources, contribute to the organization's overall results, with a focus on efficiency and innovation.

Previous studies have shown that intellectual capital directly influences business unit performance, as evidenced by research conducted by [6] [8] highlight the importance of human resources and relational capital, like intellectual capital, in supporting the growth of MSME businesses in developing countries. The results of his research show that both human resources and relational capital significantly contribute to business sustainability and profitability. Research by [19] focuses on the role of intellectual capital in business innovation and MSME performance. The result shows that proper intellectual capital can increase a company's competitiveness and productivity. [2] Also examined how intellectual capital, especially structural capital, impacts operational efficiency and business performance in MSMEs. The results show that strong structural capital contributes to the improvement of performance. A good management of a firm's intellectual capital will increase its performance in the market. [3]. Referring to several explanations and findings of previous research, a hypothesis can be developed as follows:

H2: Intellectual capital positively impacts MSME performance.

This research aims to evaluate the impact of competencies and intellectual capital on MSME performance in a dynamic and competitive market environment. Focusing on these internal resources, the study intends to identify how MSMEs can strengthen organizational performance, adapt to evolving business landscapes, and maintain a competitive advantage. Additionally, the research seeks to provide evidence that enhancing human-resource competencies and intellectual capital directly contributes to MSME performance, thus establishing a framework for effective resource management in small-scale enterprises. This research brings novelty by emphasizing the impact of competency and intellectual capital in the context of MSMEs. This sector often lack the robust resource management systems found in larger firms. Unlike traditional studies that broadly address firm resources, this study specifically examines the synergy between competencies (both hard and soft skills) and intellectual capital in driving performance within MSMEs. This research also offers a nuanced application of RBV theory in small-scale business contexts, examining competencies as a valuable and accessible resource and intellectual capital as a rare resource that only a few MSMEs can fully leverage.

## II. METHODS

The research used a quantitative approach by collecting a data sample of 55 respondents from MSME actors in Banjarmasin City through an online questionnaire. However, after identifying and removing outliers to ensure data accuracy and reliability, the final dataset consisted of 51 respondents.

The data is analyzed using multiple linear regression, evaluating the influence of competency and intellectual capital variables on MSME performance.

## III. RESULT AND DISCUSSION

### 1. Characteristic of Respondents

**Table 1.** Characteristics of Respondents

Characteristics of Respondents		Frequency	Percentage
<b>Gender</b>	Male	30	58.8
	Female	21	41.2
	<b>Sum</b>	51	100.0
<b>Age</b>	17 - 25 years	20	39.2
	26 - 35 years	11	21.6
	36 – 45 years	14	27.4
	46 – 55 years	5	9.8
	56 – 65 years	1	2.0
	> 65 years	0	0
	<b>Sum</b>	51	100.0
<b>Education</b>	Primary School	1	2.0
	Junior School	2	3.9
	High School	20	39.2
	Diploma	1	2.0
	Bachelor Degree	13	25.5
	Master Degree	12	23.5
	Doctorate Degree	2	3.9
	<b>Sum</b>	51	100.0
<b>Types of MSME Business</b>	Micro	21	41.2
	Small	21	41.2
	Medium	9	17.6
	<b>Sum</b>	51	100.0
<b>Length of Business Operation</b>	< 1 year	9	17.7
	1 – 5 years	20	39.2
	6 – 10 years	12	23.5
	10 – 15 years	5	9.8
	> 15 years	5	9.8
	<b>Sum</b>	51	100.0

*Source: Data Processing (2024)*

**Table 2.** The result of Multiple Linier Regression Analysis

	Unstandardized B	Coefficients Std. Error	t	P-Value
Constant	2.810		.566	.574
Competency (X1)	.098	.107	.732	.468
Intellectual Capital (X2)	.808	.660	4.531	.000

*Source: SPSS results (2024)*

From the table above, the Multiple Linear Regression equation is as follows:  $PERFORMANCE = 2.810 + 0.098.X1Comp + 0.808.X2Int.Cap + e$

**Table 3.** Result of Determination Coefficient Test

<i>Model Summary</i>						
Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	of the F-statistic	P-Value
1	.743 <sup>a</sup>	.552	.533	4.01310	29.547	.000 <sup>b</sup>

Source: SPSS results (2024)

#### 1. The Impact of Competency on MSMEs' Performance

Competency in MSMEs is the managerial abilities, technical skills, and expertise of employees or owners in running a business. The p-value of 0.468 indicates that competency in the performance of MSME is not significant. Competency is often assumed to be the main factor in the success of MSMEs, but these results show that competency has no significant effect in this model. One possible reason for the insignificant competency may be a lack of training and development. Competencies may not have been fully utilized because MSME owners or employees have not received adequate training. According to [13], unstructured or irrelevant training often reduces the effectiveness of competencies in driving performance. Even though competencies exist, without sufficient financial or intellectual capital support, these competencies cannot be implemented optimally. MSMEs in Indonesia still face limitations in accessing capital to optimize their skills. It also happens to MSMEs in Banjarmasin City. Prior research by [21] also emphasized that competency requires synergy with other capital, such as intellectual and financial capital, to influence performance. The challenges MSMEs face, such as resource constraints, limited market access, and competitive pressures, might overshadow the influence of individual competencies. External factors like economic conditions, government policies, or market dynamics could dilute the role of competency.

#### 2. The impact of Intellectual Capital on MSMEs' performance

The intellectual capital of MSMEs includes knowledge, skills, experience, networks, and other non-physical assets owned by owners and employees. Based on the regression results, the coefficient for intellectual capital ( $X2\_Int.Cap$ ) = 0.808. This means that a one (1) unit increase in intellectual capital will increase MSME performance by 0.808 components. The very significant P-value ( $p = 0.000$ ) explains that intellectual capital significantly affects the performance of MSMEs. Intellectual capital includes employee knowledge, business documentation and processes, relationship networks, and innovation and development. According to research by [5] intellectual capital is often the main differentiator between developing and stagnant MSMEs. Access to market information, product innovation, and business strategy enables MSMEs to compete and grow faster, though they have less financial capital or physical resources. Intellectual capital development in SMEs drives better innovative performance and increases global competitiveness ([11])

This finding is supported by [20], who found that MSMEs with good intellectual capital can innovate and adapt to market changes to become more productive and competitive. In the Indonesian context, intellectual capital is often more important than physical assets, especially due to the resource constraints that many MSMEs face. [22] Found that the importance of intellectual capital in encouraging innovation will increase the competitiveness and performance of companies, including in the context of MSMEs. Intellectual capital contributes significantly to organizational performance, especially in technology-based companies, including MSMEs in Indonesia [17]. Research conducted by [1] also emphasizes the importance of intellectual capital in improving innovation performance in MSMEs, with an entrepreneurial orientation as a mediator. [7] Also found a positive relationship between intellectual capital and organizational performance in MSMEs, especially in increasing innovation and adaptation to market changes.

## IV. CONCLUSION

This study has proven the significant impact of intellectual capital on MSME performance. However, a competency does not significantly impact performance in this model. These results emphasize the need for MSMEs to prioritize the development of intellectual capital, such as innovation, knowledge management, and relational networks, as a strategic resource for enhancing competitiveness and sustainability.

Policymakers should focus on providing programs that enable MSMEs to build their intellectual capital, such as facilitating access to training, mentorship, and collaborative networks. Meanwhile, the non-significance of competency should be explored further to find evidence of how skills and managerial abilities can be better integrated with other resources to drive performance. Future research can reexamine the relationship between intellectual capital and competency and explore additional factors, such as access to financing, social capital, and government support, which may further enhance MSME performance with larger sample sizes.

## V. ACKNOWLEDGMENTS

The authors would like to express our sincere gratitude to Universitas Islam Kalimantan (UNISKA) Muhammad Arsyad Al Banjari Banjarmasin for the support and facilities provided throughout this research. Special thanks are also extended to the micro, small, and medium enterprise (MSME) actors in Banjarmasin City who willingly participated and provided valuable data for this study. The authors also acknowledge the contribution of colleagues and academic advisors who offered critical insights and guidance that significantly enriched the quality of this research.

## REFERENCES

- [1] Adel, M., & Mahmoud, A. (2020). Intellectual capital and innovation performance in SMEs: The role of entrepreneurial orientation. *Journal of Small Business and Enterprise Development*, 27(3), 427–455.
- [2] Ahmed, I., Nawaz, M. M., & Ramzan, M. (2019). Impact of intellectual capital on firm performance. *Journal of Intellectual Capital*, 20(1), 176–199.
- [3] Al-Kwafi, O. S., & Hani, H. (2020). Intellectual capital and its impact on firm performance. *Journal of Business Research*, 107, 42–57.
- [4] Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120.
- [5] Bontis, N., Ciambotti, M., Palazzi, F., & Sgro, F. (2018). Intellectual capital and performance in emerging markets: An empirical study of Italian SMEs. *Journal of Intellectual Capital*, 19(4), 654–669.
- [6] Cahyaningati, R., Muttaqien, F., Sulistyan, R. B., Daniar Paramita, R. W., & Roos Ana, S. (2022). Intellectual capital, knowledge management, and MSME performance: The speed and quality of innovation as mediating variables. *Accounting E-Journal*, 32(8), 2227. <https://doi.org/10.24843/eja.2022.v32.i08.p20>
- [7] Gogan, L. M., Artene, A., Sarca, I., & Draghici, A. (2016). **The impact of intellectual capital on organizational performance**. *Procedia - Social and Behavioral Sciences*, 221, 194–202.
- [8] Ismail, M., Yussof, I., & Khamis, N. (2020). Intellectual capital and performance: A comparative study of SMEs in Malaysia. *Journal of Small Business and Enterprise Development*, 27(3), 420–435.
- [9] Kurnianty, et al. (2023). The Influence of Capital, Government Support, HR Competency, and Work Productivity on MSME Performance. *JIMF*, 6(3), 260. <https://doi.org/10.32493/frkm.v6i3.29009>
- [10] Kuvaas, B., Buch, R., & Dysvik, A. (2020). Individual competence, intellectual capital, and organizational performance. *Human Resource Management Review*, 30(2), 100709.
- [11] Martín-de Castro, G. (2015). Knowledge management and innovation in knowledge-based economies. *Journal of Intellectual Capital*, 16(3), 587–618.
- [12] Muthoharoh, A. A. (2021). **The Influence of Human Resource Competency on the Performance of Micro, Small and Medium Enterprises (MSMEs)**. Universitas Muhammadiyah Magelang. <https://ejournal.unsrat.ac.id/index.php/jab/article/view/12258/11837>
- [13] Pietrobelli, C., & Rabellotti, R. (2011). **Global value chains meet innovation systems**. *World Development*, 39(7), 1261–1269.
- [14] Rapih. (2015). Analysis of the Influence of Human Resources Competency on MSMEs in the Garment Sector. *Assets: Journal of Accounting and Education*, 4(2), 168.
- [15] Ristiani & Wati. (2021). The Influence of Intellectual Capital on Financial Performance. *Journal of Accounting Science and Research*, 10(1), 1–18.
- [16] Spencer, L. M., & Spencer, S. M. (1993). *Competence at Work: Models for Superior Performance*. John Wiley & Sons.
- [17] Salim, I. M., & Sulaiman, M. (2016). Intellectual capital and organizational performance. *Asia Pacific Journal of Innovation and Entrepreneurship*, 10(2), 215–231.
- [18] Shabiya, T. (2022). **The Influence of Intellectual Capital and Innovation on Financial Performance in MSMEs**. *Sultan Agung Islamic University*.

- [19] Secundo, G., Dumay, J., Schiuma, G., & Passiante, G. (2017). Managing intellectual capital through a collective intelligence approach. *Journal of Intellectual Capital*, 18(3), 648–669.
- [20] Subramaniam, M., & Youndt, M. A. (2005). The influence of intellectual capital on the types of innovative capabilities. *Academy of Management Journal*, 48(3), 450–463.
- [21] Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533.
- [22] Yaseen, S. G., Dajani, D., & Hasan, Y. (2016). The impact of intellectual capital on the competitive advantage. *Journal of Intellectual Capital*, 17(4), 701–722.