

ABSTRACT

MSMEs in Bandung City have experienced significant growth. However, amid increasingly intense market competition, they face significant challenges in enhancing their business performance. These challenges are further exacerbated by environmental changes driven by rapid advancements in digital technology. To address these issues, MSMEs are encouraged to undergo digital transformation. Despite this, many struggle to understand and implement effective digital strategies.

This study aims to examine the impact of digital transformation on the performance of MSMEs in Bandung City by exploring the roles of digital strategy and market competition. A quantitative approach was employed using a survey of at least 154 MSMEs, selected through stratified random sampling. Data were analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method.

The results indicate that both digital strategy and market competition positively influence digital transformation. However, digital strategy does not directly affect MSME performance. In contrast, both market competition and digital transformation have a significant positive impact on performance. Furthermore, digital strategy and market competition are found to indirectly enhance MSME performance through the mediating role of digital transformation.

Keyword: Digital Strategy, Market Competition, Digital Transformation, MSMEs Performance