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Empowering Small Business Owners: The Role of Digital Transformation in Fostering Entrepreneurial Motivation

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ABSTRACT: This study explores the role of digital transformation in enhancing entrepreneurial motivation among students and small business actors, with a particular focus on Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. Grounded in the Resource-Based View (RBV) theory, the research highlights the strategic importance of internal capabilities—such as innovation, knowledge, and adaptability—as critical drivers of sustained competitive advantage. The community engagement program was implemented at High School 6 Depok through a series of interactive sessions aimed at cultivating entrepreneurial interest and practical business skills among high school students. Findings reveal that limited access to capital, underdeveloped digital literacy, and insufficient exposure to entrepreneurial ecosystems remain persistent barriers for both students and MSME actors. The program addressed these challenges by integrating digital tools, educational workshops, and mentorship support to empower participants with actionable strategies for business development. The outcomes suggest that digital platforms not only enhance entrepreneurial learning but also serve as catalysts for bridging resource gaps. By fostering localized, technology-supported entrepreneurship, the initiative contributes to strengthening economic resilience and preparing youth for participation in the digital economy.

KEYWORDS: entrepreneurial motivation, MSMEs, digital transformation, RBV theory, community engagement

A. INTRODUCTION

In the era of globalization and ever-evolving economic dynamics, entrepreneurial motivation within Micro, Small, and Medium Enterprises (MSMEs) plays a vital role in the global economy. It fosters a productive and sustainable business environment, contributes significantly to national economic growth, job creation, innovation, economic diversification, and drives the development of related sectors while also aiding in poverty alleviation. However, the success of MSMEs is not solely determined by external factors such as government policies or market conditions; it is also profoundly influenced by the individual motivation of business actors. Therefore, enhancing entrepreneurial motivation in the MSME sector is of critical importance (Chiarini et al., 2020).

Motivation is the driving force behind an individual's decision to start and grow a business. In the context of MSMEs, strong motivation serves as a catalyst for business growth, increased competitiveness, and the ability to adapt to emerging challenges. As such, understanding the factors that influence entrepreneurial motivation is essential to unlocking the full potential of the MSME sector and ensuring its sustained contribution to the economy (Amyulianthy et al., 2022; Astuti et al., 2022). According to economic statistics from August 2018, MSMEs contributed approximately 60% to Indonesia's GDP and absorbed nearly 95% of the labour force. Despite there being around 60 million MSMEs, only about 16 million have access to credit from banks, leaving more than 40 million MSMEs underserved. Assuming each MSME requires a minimum working capital of IDR 25 million per year, at least IDR 1,000 trillion in additional funding is still needed to meet the financial demands of those who have not yet received credit support.

The legal foundation for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia is regulated under Law No. 20 of 2008 concerning MSMEs. MSMEs are characterized by self-managed operations, self-funded capital, a localized market reach, limited company assets, and a small number of employees. The principles underlying the implementation of MSMEs include mutual cooperation, economic democracy, independence, balanced progress, sustainability, efficiency, fairness, and the integration of the national economy (Mandagie et al., 2018). Micro Enterprises are defined as productive businesses owned by individuals and/or individual business entities that meet the micro-enterprise criteria, which include an annual turnover of up to IDR 300 million and capital of up to IDR 50 million. These enterprises operate independently and cater primarily to local markets, often serving as a starting point for entrepreneurs with limited resources. Small Enterprises are self-standing economic activities conducted by individuals or business entities that are not subsidiaries or branches of medium or large enterprises. They have an annual turnover ranging from IDR 300 million to IDR 2.5 billion and capital between IDR 50 million and IDR 500 million. Meanwhile, Medium Enterprises are also independent and not affiliated with larger businesses. They are defined by an annual turnover between IDR 2.5 billion and IDR 50 billion and capital ranging from IDR 500 million to IDR 10 billion. These classifications serve as a legal and economic framework for supporting the growth and development of MSMEs in Indonesia (Reskino et al., 2024).

B. RESOURCE-BASED VIEW (RBV) THEORY AND SMALL, AND MEDIUM ENTERPRISES

The Resource-Based View (RBV) theory, initially articulated by Jay Barney in 1991, offers a robust theoretical foundation for analyzing how firms can attain and maintain a competitive advantage by effectively managing their internal resources. RBV emphasizes the strategic importance of resources that are valuable, rare, inimitable, and organizationally embedded—collectively referred to as the VRIO framework (Madhani, 2010). This perspective is especially pertinent to Small and Medium Enterprises (SMEs), which often operate with limited external influence compared to larger corporations. Rather than competing solely through market positioning or external conditions, the RBV suggests that SMEs can derive sustainable advantage by cultivating distinctive internal capabilities such as entrepreneurial orientation, local market knowledge, innovation capacity, and personalized customer relationships (Nawasiah et al., 2019).

For SMEs, whose access to capital, technology, and large-scale infrastructure may be constrained, the ability to identify, develop, and deploy intangible resources—such as tacit knowledge, leadership agility, strong community networks, and adaptive organizational culture—becomes critical. These internal assets, though often overlooked in traditional strategy models, can serve as powerful levers for differentiation and long-term success. Moreover, the RBV framework aligns closely with entrepreneurial processes by underscoring the role of internal resource orchestration in recognizing market gaps, exploiting niche opportunities, and responding to environmental changes with agility (Prakoso et al., 2023).

Therefore, under the RBV lens, the success of SMEs lies not in mimicking the strategies of larger firms, but in leveraging their unique resource endowments to create value in ways that are difficult for competitors to replicate. This theory reframes competitive advantage as an internally driven, resource-led journey—one that is highly relevant for SMEs navigating dynamic and resource-constrained environments.

C. PROBLEM STATEMENTS

The Resource-Based View (RBV) theory posits that a firm's competitive advantage originates from its ability to effectively leverage internal resources and capabilities that are valuable, rare, inimitable, and well-organized (Barney, 1991). However, many Small and Medium Enterprises (SMEs/UMKM) often encounter significant structural and contextual constraints that hinder their ability to develop and capitalize on such strategic resources. While the RBV framework emphasizes the potential of internal assets—such as entrepreneurial motivation, innovative capacity, managerial competence, and organizational learning—many SMEs struggle to cultivate these due to limited access to financial capital, lack of formal education and skills, and insufficient strategic guidance. For instance, difficulties in accessing startup or working capital reduce SMEs' capacity to invest in innovation and process improvement, while inadequate knowledge in scaling a business limits the transformation of resources into sustained value creation.

Moreover, the absence of brand development, lack of customer engagement strategies such as loyalty programs, reliance on manual bookkeeping, and the underutilization of digital marketing platforms further illustrate how SMEs fail to fully exploit the resource base they might possess. From an RBV perspective, these underdeveloped or misaligned resources constrain the firms' ability to achieve a competitive position in the market, especially when external institutional support is weak or fragmented. Similarly, in the context of educational institutions, such as senior high schools (SMA), the promotion of sustainable entrepreneurship is also hampered by limited financial and human capital, lack of supportive curriculum, and weak integration of sustainability principles into learning (Amyulianthy et al., 2023). These barriers prevent students and school communities from recognizing, acquiring, and deploying entrepreneurial competencies that could evolve into long-term capabilities aligned with the VRIO criteria.

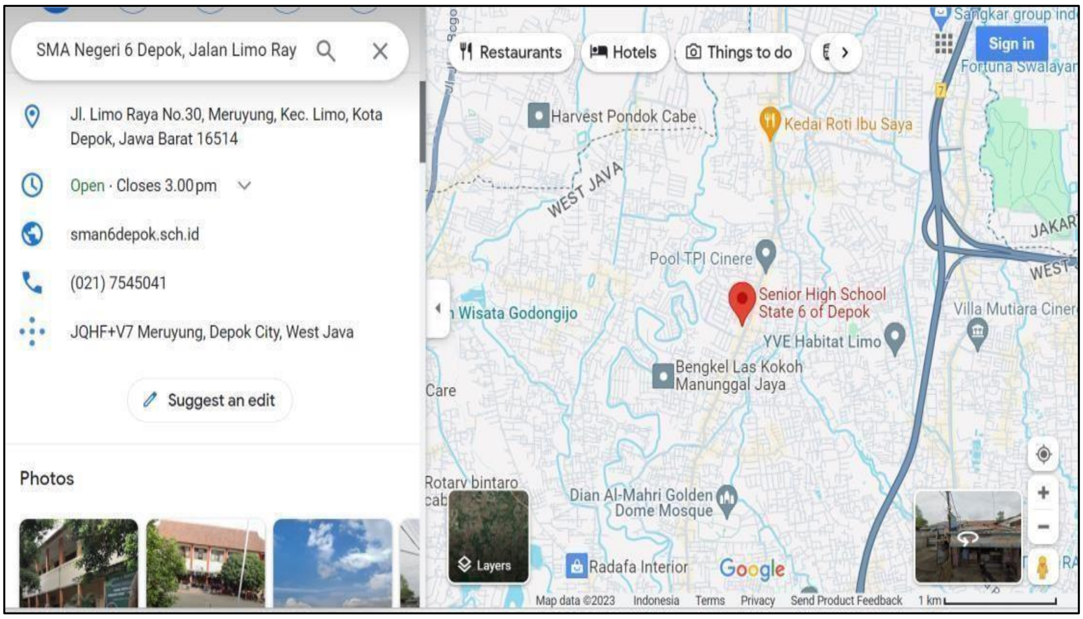
Therefore, aligning RBV with these practical constraints reveals a critical insight: without strategic intervention and ecosystem support—such as mentorship, government facilitation, access to formal markets, and educational redesign—SMEs and school-based entrepreneurial initiatives are unlikely to transform potential resources into a sustainable advantage. Addressing these gaps requires a holistic approach that not only enhances resource availability but also focuses on strengthening organizational capacity to recognize, develop, and mobilize them effectively.

D. METHODS

The community engagement initiative was initially planned to be conducted through presentations and interactive discussions between December 2023 and January 2024. However, due to the teaching and research obligations of the lecturers and students involved, the program was implemented on December 13, 2023. The primary participants in this program were 12th-grade students from SMA 6 Depok, who were actively involved in the educational sessions delivered by the implementing team. Their participation was crucial in achieving the intended objectives of raising awareness and enhancing understanding of sustainable entrepreneurship practices among high school students.

The community service activities took place at SMA 6 Depok, located at Jl. Limo Raya No. 30, Meruyung, Limo District, Depok City, West Java, 16514. The distance between the school and the Faculty of Economics and Business, Universitas Pancasila—as the proposing institution—is approximately 12 kilometers, allowing for efficient coordination and execution of the program.

The program was executed in several systematic stages to ensure its effectiveness and relevance to the participants: (a). Preliminary Survey: An initial assessment was conducted through site visits and discussions with the principal and guidance/public relations teachers to identify needs and align program objectives; (b). Proposal Preparation: A structured proposal outlining the objectives, methodology, and expected outcomes of the community service initiative was developed; (c). Internal Review: The proposal underwent a review process by designated internal reviewers to ensure academic and practical feasibility; (d). Program Delivery: The core activity involved an interactive presentation by invited speakers to the students of SMA 6 Depok, focusing on entrepreneurship and practical business knowledge; (e). Reporting: A comprehensive final report was compiled, documenting the implementation process, participant responses, and program outcomes; (f). Publication: As part of academic dissemination, the outcomes and insights gained from the program were prepared for publication in a peer-reviewed international journal.



Source: *Google Earth*

Figure 1. Location of Activities

E. RESULTS AND DISCUSSION

Prior to executing the community service program, representatives from the implementation team conducted a preliminary site visit to SMA 6 Depok. This engagement involved a direct consultation with the school principal to determine a mutually agreeable schedule for the activities. The main session was subsequently held on December 13, 2023. A total of 37 students from grade 12 participated in the session, supported by the school principal, four vice principals, five staff members, and four guidance and counselling teachers.

The program aimed to enhance students' entrepreneurial motivation, particularly in relation to the micro, small, and medium enterprise (MSME) sector amid the increasing digitalization of economic activity. The educational session consisted of an interactive presentation designed to stimulate curiosity and self-reflection, culminating in a question-and-answer segment where students received small incentives for active participation. The students displayed a high level of enthusiasm, demonstrating a promising response to experiential, incentive-driven learning models.

Throughout the session, various key topics were addressed. These included identifying motivational barriers to entrepreneurship, understanding the characteristics of successful entrepreneurs, mapping personal goals and dreams, exploring pathways to start a business with minimal financial resources, and introducing the concept of entrepreneurial identity. In addition, the students were guided through a self-discovery process using personal SWOT analysis, alongside exercises in opportunity recognition, risk tolerance, and emotional resilience—skills crucial for entrepreneurial readiness.

During the needs assessment stage, it became evident that SMA 6 Depok faced several structural and contextual limitations that impeded efforts to foster sustainable entrepreneurship. These challenges included a general lack of awareness regarding the value of sustainable entrepreneurship among both staff and students, limited financial and infrastructural resources, and a shortage of dedicated instructional personnel. Moreover, difficulties in securing external investment and stakeholder support were compounded by curriculum structures that failed to incorporate entrepreneurial themes in a meaningful way. The integration of sustainability principles into daily learning activities proved particularly difficult, and the absence of effective project management frameworks for student-led initiatives further exacerbated the issue. A recurring concern also emerged around the low level of student interest, highlighting the need for more engaging and relevant educational approaches.

In order to address these multifaceted challenges, the implementation team collaborated closely with school administrators and stakeholders to formulate a comprehensive intervention strategy. This strategy was designed to align with the broader objectives of the community empowerment program while promoting long-term educational impact. The proposed interventions emphasized inclusive stakeholder involvement, recognizing that participation from educators, students, parents, local entrepreneurs, and government agencies is vital to sustaining any meaningful change. A supplemental curriculum component was introduced to integrate sustainable entrepreneurship concepts into existing academic content, supported by practical workshops and training sessions facilitated by external experts.

In parallel with school-based engagement, the program also reflected on broader constraints faced by MSMEs in Indonesia. Among the most pressing challenges were limited access to credit, a lack of business development skills, and inadequate innovation in both product and process design. These barriers were compounded by limited market access, poor branding, and a general underutilization of digital platforms. Additionally, many MSMEs continued to rely on manual bookkeeping systems, lacked formal business registration, and operated without mentorship or strategic guidance.

Mitigating these challenges, the community service initiative proposed several pathways for improvement. These included strengthening financial literacy, increasing exposure to digital marketing strategies, and offering hands-on training in business planning and innovation management. The program also introduced alternative financing mechanisms such as peer-to-peer lending and profit-sharing models, while highlighting the potential of bootstrapping, pre-payment arrangements, and partnership-based business models as viable starting points for aspiring entrepreneurs. A unique feature of the session was a segment dedicated to launching a business without capital, where students explored non-traditional strategies such as acting as intermediaries, leveraging personal networks, exchanging services or goods through barter, and developing proposals to attract external investment.

By embedding these strategies within an educational context, the program sought not only to raise awareness but also to equip students and MSME stakeholders with actionable knowledge and confidence to pursue entrepreneurial endeavours. In doing so, it bridged the theoretical dimensions of entrepreneurship with practical, context-sensitive tools tailored to the realities faced by young individuals and small business operators in Indonesia.

F. CONCLUSION

The community service activities conducted at SMA 6 Depok yielded several important insights into student engagement and entrepreneurial readiness. A key outcome observed was the enthusiasm demonstrated by students in exploring the idea of starting a business using online marketing strategies. This preference reflects a practical approach among students to circumvent the need for physical business spaces by leveraging digital platforms. Most students expressed interest in beginning their entrepreneurial journey with basic manual bookkeeping practices, indicating both a readiness to learn and a realistic assessment of their starting point.

Through the motivational entrepreneurship program, students were introduced to the foundational principles of business development, sparking early-stage interest and curiosity. Even if full-scale business implementation was not immediately pursued, the exposure was instrumental in cultivating an entrepreneurial mindset. The students showed a growing awareness of the importance of innovation, both in terms of product development and process design, which in turn enhances the competitiveness and appeal of micro, small, and medium enterprises (MSMEs) in today’s dynamic market environment.

In terms of broader implications, science and technology (abbreviated as IPTEK in the local context) were identified as pivotal enablers in advancing entrepreneurial motivation and MSME capacity-building. Within the partner environment of SMA 6 Depok, technology offers multiple avenues to support and amplify student engagement in entrepreneurship. The integration of e-learning platforms presents a valuable tool for delivering entrepreneurial education covering key topics such as business management, online marketing, and financial literacy. These platforms can be used to provide students with flexible and accessible learning opportunities that align with contemporary industry needs.

In addition, leveraging digital tools to foster collaboration between students and business practitioners opens pathways for mutual learning. Virtual meetings and online forums serve as accessible formats for sharing insights into market dynamics and customer behavior, while also nurturing potential mentorship relationships. Technological innovation in teaching methods—such as the use of virtual or augmented reality—can further enhance the student learning experience by simulating real-world business operations and decision-making environments.

The development of digital marketing competencies was also highlighted as essential for improving the market presence and branding of MSME partners. Training in this area enables students and local entrepreneurs to build a stronger online footprint and respond to the growing digitalization of consumer behavior. Complementing this, the establishment of a market research laboratory equipped with data analysis tools would provide students with the opportunity to analyze trends and design evidence-based business strategies.

Beyond learning, technology also enables students to contribute to MSME operational improvement through application development. Training sessions in software development or mobile app design can empower students to build innovative solutions tailored to local business needs. Furthermore, partnerships with financial technology (fintech) companies offer a viable channel for expanding access to financial services and capital for MSME stakeholders. By connecting with fintech providers, local enterprises may overcome traditional financing barriers that often impede growth. To reinforce these efforts, the creation of an online collaborative platform is proposed to connect students, alumni, and local business actors. Such a network would facilitate the exchange of experiences, support co-innovation, and strengthen community-based entrepreneurship ecosystems. Hosting online forums focused on local business development could further promote peer learning and increase exposure to diverse entrepreneurial pathways.

To ensure the sustainability of these initiatives, a robust monitoring and evaluation system should be implemented. Digital tools that track the performance of MSME partners will support continuous assessment, identify developmental bottlenecks, and uncover new growth opportunities. In doing so, SMA 6 Depok can position itself as a catalyst for fostering entrepreneurial motivation among students while simultaneously supporting the economic growth of its surrounding community.

In conclusion, technology serves not merely as a tool for knowledge transfer but as a transformative enabler of youth entrepreneurship. By aligning educational strategies with digital innovation and local business engagement, schools like SMA 6 Depok can play a strategic role in preparing the next generation for active participation in the entrepreneurial economy.

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