

Empowering Fashion MSMEs: The Role of Intellectual Capital and Sharia Financial Technology in Enhancing Adaptability and Competitive Advantage

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ABSTRACT

This study aims to investigate the impact of intellectual capital and Sharia financial technology (fintech) on adaptability and competitive advantage. The research is conducted using a quantitative approach, with purposive and convenience sampling technique, targeting MSME fashion businesses in two Indonesian cities (Bandung and Cimahi), and two regencies (Bandung and West Bandung Regency), that have been operating for more than a year and use Sharia banking services in business management. Data analysis techniques used Partial Least Squares and utilized the Smart PLS 3.0 application. The research findings indicate that intellectual capital does not influence adaptability, while Sharia fintech has a positive along with significant impact on adaptability. Conversely, intellectual capital significantly drives the achievement of competitive advantage, while Sharia fintech does not have a great effect on competitive advantage. Adaptability is proved have a crucial role in strengthening the competitive advantage of MSMEs. Therefore, to achieve sustainable competitive advantage, the utilization of Sharia fintech must be accompanied by an enhancement of organizational adaptability. The result of this study emphasize the urgent of strengthening intellectual capital (human capital, structural capital, and relational capital) and adaptability in facing the dynamic changes in the business environment to empowering fashion MSMEs.



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INTRODUCTION

The role of micro, small, and medium enterprises (MSMEs) today cannot be overlooked.

According to data from Statistics Indonesia (BPS) in 2023, the MSME sector contributed approximately 61% of Indonesia's total Gross

Domestic Product (GDP), equivalent to IDR 9,580 trillion. The number of MSME actors reached 66 million business units, accounting for about 99.99% of all business entities operating in Indonesia, and absorbed around 97% of the total workforce (Kementrian Keuangan RI, 2023). Despite their significant contribution, MSMEs still face major challenges in maintaining competitiveness. One of the main challenges emerged following the implementation of the China-ASEAN Free Trade Agreement (CAFTA), which allows products from member countries to enter the Indonesian market with zero import tariffs. This has raised concerns, as Indonesian MSMEs generally still have low competitiveness, particularly in terms of human resource quality, innovation capability, knowledge management, technology adoption, and access to market information (Indriastuti & Arifah, 2024). Within the scope of ASEAN region, the competitiveness of Indonesian MSMEs ranks fourth, behind Singapore, Malaysia, and Thailand (see Figure 1).

Four provinces consisting of West Java, East Java, Central Java, and DKI Jakarta are among the top four provinces in Indonesia with the highest Regional Competitiveness Index (IDSD), according to statistical data released by the National Research and Innovation Agency (BRIN). West Java's economic sectors still account for a small portion of the IDSD (3.43), still lower than DKI Jakarta (4.01), East Java (3.74), and Central Java (3.63) (Nurlaila et al., 2024). Ironically, West Java has the highest number of MSMEs in Indonesia, reaching 1,494,723 units in 2022. This indicates that there are obstacles hindering the optimization of the role of MSMEs in regional economic growth and competitiveness. Data from 2020 shows that the industrial

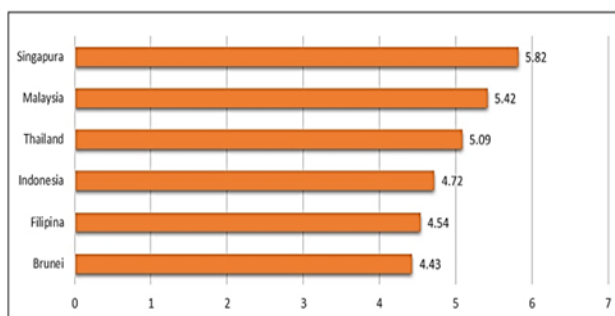


Figure 1 Competitiveness Ranking of Indonesian MSMEs in the ASEAN
(Source: Economic Research Institute for ASEAN and East Asia, 2024)

sector in West Java is dominated by the food industry (38.62%), the ready-made clothing industry (21.85%), and the wood industry (16.34%). The focus of the research on the ready-made clothing industry/fashion is based on Indonesia's position as one of the top 10 textile producers in the world and a major exporter in ASEAN (Joeliaty et al., 2023). As part of the creative economy, the fashion industry plays an important role in non-oil and gas exports, job creation, and makes a crucial contribution to the national economy, with fashion MSMEs dominated by women entrepreneurs (60%) who play a major role in innovation and adaptation.

Competitiveness is formed through competitive advantage. Within the framework of the resource-based view (RBV), knowledge management and human resource competencies are considered strategic for creating value and competitive advantage (Tran & Vo, 2022). These intangible resources have been shown to contribute significantly to the competitive advantage of large companies (Alshahrani et al., 2024), and it is now increasingly adopted by MSMEs in developing countries due to its impact on long-term success (Alshahrani et al., 2024; Beltramino et al., 2020). One method used to manage these assets is through the concept of intellectual capital, which refers to knowledge-based resources capable of creating added value for products and services (Ahmad et al., 2022; Alshahrani et al., 2024). According to Stewart (1997), intellectual capital encompasses knowledge, information, experience, and intellectual property rights, which are divided into three main components: human capital, structural capital, and relational capital. Previous studies by Fabrizio et al. (2022); Alshahrani et al. (2024); Ahmad et al. (2022) have showed a significant positive influence of intellectual capital on competitive advantage. Meanwhile, study by Yaseen et al. (2016) showed no significant influence.

Competitive advantage does not always come directly from intellectual capital, but also from the company's ability to create new capabilities (adaptability) continuously (Teece et al., 1997). The resources-based view (RBV) emphasizes the importance of combining intangible resources with adaptability (a part of dynamic capability) to improve company performance. Adaptability enable MSMEs to make changes to achieve a competitive

advantage because it functions as a transformational process that converts resources into organizational outputs, with adaptability being a key element in dealing with changing situations and market dynamics (Hsu & Wang, 2012; Al-Khatib et al., 2023; Chen et al., 2024). Human capital, as part of intellectual capital, encompasses valuable, rare, and difficult-to-imitate individual knowledge and skills, making it the primary driver of adaptability that enable companies to respond to change quickly and effectively (Bari et al., 2022). Research findings that prove the positive and significant influence of intellectual capital on adaptability include those by Alshahrani et al. (2024); Hu et al. (2024). Meanwhile, the finding of Singh & Rao (2016) did not prove any significant influence.

In the digital age, financial technology (fintech) has become a strategic factor in driving the competitive advantage of MSMEs through easy access to financial services, technology-based financing, and efficient financial management in accordance with Sharia principles such as transparency and fairness. The rapid growth of Sharia financial institutions' assets from IDR 1,468.12 trillion in 2019 to IDR 2,582.25 trillion in 2023 signifies the increasing role of Sharia fintech in supporting MSMEs (OJK, 2023). The integration of fintech with digital marketing strategies has also proven to expand markets, drive innovation, and enhance customer experience (Altin & Wahyudin, 2024). Given that MSMEs are the mainstay of the economy in developing countries, including Indonesia, the utilization of intellectual capital and technology is key to creating sustainable value added (Bank Indonesia, 2020). However, studies directly linking Sharia fintech with the competitive advantage of MSMEs remain limited. Most research on fintech focuses more on its impact on MSME sustainability (Kisin & Setyahuni, 2023; Mufrodah et al., 2024), banking performance (Dilla et al., 2024; Tsakila et al., 2024), and banking sustainability (Abdul-Rahim et al., 2022). One study examining the direct impact of fintech on the competitive advantage of MSMEs in Indonesia by Sianipar et al. (2024) found a positive and significant impact.

As an integration of information technology and financial services, fintech offers efficient and flexible digital solutions (Zhang, 2023). Previous studies have also shown that information technology significantly impacts

the adaptability of MSMEs across various sectors and regions, such as multi-sector MSMEs in Mexico (Valdez-Juárez & Castillo-Vergara, 2021) and Italy (Matarazzo et al., 2021), and the fisheries and agriculture sectors in Indonesia (Pentury, 2023). However, no specific research has been found regarding the influence of Sharia fintech on adaptability. A study by Amailiya et al. (2024) showed that Sharia fintech directly contributes to improving the performance and sustainability of MSMEs by providing easier access to financial services, streamlining operational processes, and optimizing financial management.

This study is conducted to re-examine the differences in results and fill in the gaps from previous studies. This study seeks to construct a comprehensive and integrative conceptual model to strengthen the competitive advantage of fashion MSMEs by optimizing the use of strategic organizational resources. The model synergizes three critical elements intellectual capital (Beltramino et al., 2020; Truong et al., 2023), Sharia fintech (Sianipar et al., 2024), and adaptability (Fabrizio et al., 2022) to explore their interconnected influence on enhancing the overall competitive advantage of fashion MSMEs.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Theory of The Firm and Resource-Based View (RBV)

The theory of the firm explains the behavior of firms in economic activities, particularly in their efforts to maximize profit through the management and organization of resources to produce goods or services that meet consumer needs (Spulber, 2009). One practical application of this theory is the Resource-Based View (RBV), which emphasizes that a firm's internal resources directly contribute to value creation and profitability. As the knowledge-based economy has evolved, this theory has further developed into the Knowledge-Based View (KBV), which positions knowledge as a key strategic asset in achieving competitive advantage through the processes of knowledge creation, storage, and utilization within organizations (Grant, 1996). This theoretical framework serves as a foundation for building and sustaining a firm's long-term competitive advantage.

Intellectual Capital and Adaptability

Intellectual capital plays an important role in improving the adaptability of MSMEs, particularly in responding to rapid and dynamic changes in the business environment. The adaptability perspective emphasizes the importance of continuous development and adjustment of resources to maintain competitive advantage (Wang et al., 2021). In this context, the management of intangible assets such as knowledge, skills, and relationships becomes crucial. Alshahrani et al. (2024); Hu et al. (2024) found that intellectual capital helps MSMEs respond quickly to changes through innovative strategies, such as developing product designs that align with current trends. This reflects an organization's ability to coordinate internal and external resources dynamically. Therefore, the following hypothesis is proposed:

H₁: Intellectual capital has a positive effect on adaptability.

Intellectual Capital and Competitive Advantage

Intellectual capital, which includes human capital, structural capital, and relational capital, plays an important role in creating sustainable competitive advantage. Human capital provides knowledge, skills, and experience that are sources of innovation and adaptation to market trends (Afshari & Nasab, 2021), structural capital helps codify knowledge into systems and procedures that enhance efficiency and consistency (Beltramino et al., 2020), while relational capital strengthens external networks with business partners, customers, and suppliers to capitalize on market opportunities (Laghi et al., 2022). The combination of these three elements enables SMEs to enhance their competitiveness, as evidenced by the findings of Fabrizio et al. (2022); Alshahrani et al. (2024); Ahmad et al. (2022). Thus, the following hypothesis is proposed:

H₂: Intellectual capital has a positive effect on competitive advantage.

Sharia Financial Technology and Adaptability

The application of Sharia fintech contributes significantly to improving the adaptability of MSMEs, through financial services that comply with Sharia principles, such as the avoidance of usury and transparency, thereby

expanding financial inclusion (Muzdalifa et al., 2018). The number of Sharia financial institutions, Sharia fintech services, and the use of Sharia fintech by MSMEs is increasing. Access to digital Sharia financing enables MSMEs to be more flexible in managing their finances and responding to market dynamics. Adaptability, which reflects MSMEs' ability to reconfigure resources to cope with change (Teece et al., 1997), has been shown to increase through the use of technology and digital transformation, as demonstrated by studies in Mexico (Valdez-Juárez & Castillo-Vergara, 2021), Italy (Matarazzo et al., 2021), and the fisheries and agriculture sectors in Indonesia (Pentury, 2023). Thus, the hypothesis proposed is as follows:

H₃: Intellectual capital has a positive effect on adaptability.

Sharia Financial Technology and Competitive Advantage

The use of Sharia fintech by MSMEs is a strategic potential in increasing competitive advantage through access to financial services that are in accordance with Sharia economic principles, such as the avoidance of usury, transparency, and fairness in transactions. Previous studies, such as those by Al-Qararah (2023); Widyanti & Mahfudz (2020); Subanidja et al., (2021) indicate a positive influence of fintech on the competitive advantage of SMEs. Sianipar et al. (2024) also confirm that fintech can boost the competitiveness of MSMEs through the efficiency and convenience of financial services, although the study has not yet integrated Sharia aspects. Therefore, the following hypothesis is proposed:

H₄: Financial technology Sharia has a positive effect on competitive advantage.

Adaptability and Competitive Advantage

Adaptability which is part of dynamic capability is a key competency that enables companies to respond quickly to market changes through the revitalization and integration of their resources (Fabrizio et al., 2022). This capability creates competitive advantage by forming valuable, rare, difficult to imitate, and irreplaceable resources (Chirumalla et al., 2023; Shepherd & Williams, 2023). In the context of MSMEs, adaptability is crucial for maintaining competitiveness amid market dynamics. Study by Fabrizio et al. (2022) indicates that adapta-

bility positively influences competitive advantage. Thus, the following hypothesis is formulated:

H₅: Adaptability positively influences competitive advantage

RESEARCH METHOD

This study applies a quantitative approach using a field survey. The instrument is developed based on indicators of four variables, which are measured by referring to the relevant previous studies and theories (Khalique et al., 2015; Amailiya et al., 2024; Sianipar et al., 2024; Dewi, 2019; Porter, 1998). Intellectual capital consists of dimensions of structural capital (seven indicators), human capital (seven indicators), and relational capital (four indicators). Sharia fintech consists of dimensions of ease of use, effectiveness, and interest in transacting using Sharia fintech, with three indicators each. Adaptability with dimensions of market response to products (two indicators), marketing activities (four indicators), and speed in responding to the market (five indicators). Competitive advantage with indicators of cost leadership, differentiation, and focus. Primary data collected using Google Forms questionnaire to support efficiency and reach a wide range of respondents. A five-point Likert scale is used to capture respondents' perceptions from "strongly disagree" to "strongly agree."

All fashion MSMEs in the Greater Bandung area (Bandung City, Cimahi City, Bandung Regency, and West Bandung Regency), a total of 294 MSMEs, become the population of this study. Using the Krejcie and Morgan formula, the sample size is determined to be 167. The sample is selected using purposive and convenience sampling. Owners/managers of fashion MSMEs who actively use Sharia banking services to manage their businesses, are easily accessible, and are willing to participate, were selected as respondents.

The data analysis technique is multiple regression analysis with Partial Least Squares and Structural Equation Modeling (PLS-SEM). Data processing using the SmartPLS 3.0 application.

RESULTS AND DISCUSSIONS

Results

Out of the 175 questionnaires distributed, 167 were fully completed and used as the basis

for the analysis, in accordance with the determined sample size. The respondents profile including gender, age, educational background, business turnover, business age, number of employees, position within the business, and business location is described in Table 1.

Based on Table 1, the majority of respondents are female (65.87%). The respondents are predominantly from the productive age group, namely 27-35 years old (48.50%) and 36-43 years old (38.32%), with the highest level of education being senior high school or equivalent (51.50%) and D4/S1 (32.34%). The majority of businesses operate in the women fashion (75.45%), with monthly business turnover mostly above Rp100 million (62.28%). The businesses have been in operation for an average of over 5 years (85.63%) and employ more than 20 employees (47.90%), with the majority of respondents being direct business owners (82.04%). Their businesses are predominantly located in Bandung City (58.68%), and all respondents use Sharia digital financial services (those who do not use it are excluded from the sample).

Next, convergent validity testing was conducted on reflective indicators using the SmartPLS 3.0 program by looking at the loading factor value of each indicator against its construct. An indicator is considered to have adequate validity if the outer loading value exceeds 0.7. Table 2 shows that the loading factor values for each indicator are >0.7, meaning that the data meets the convergent validity requirements and further analysis can be conducted.

Table 3 shows that the composite reliability and Cronbach's Alpha values for the variables of intellectual capital, Sharia fintech, dynamic capability, and competitive advantage are very good, with Composite Reliability ranging from 0.838 to 0.930 and Cronbach's Alpha ranging from 0.826 to 0.905. These values exceed the recommended minimum thresholds, which are >0.60 for Cronbach's Alpha and >0.7 for composite reliability. Therefore, it can be concluded that all variables meet the reliability criteria. Additionally, AVE values greater than 0.50 for each variable support good convergent and discriminant validity.

Based on these results, the research instrument is deemed valid and reliable in measuring the investigated constructs, thereby ensuring that the data obtained can be trusted for subsequent analysis.

Discussions

Intellectual Capital and Adaptability

The first result of this study reveals that intellectual capital does not have a significant effect on the adaptability of fashion MSMEs in Greater Bandung. This result does not support the findings of previous studies by Alshahrani et al. (2024); Hu et al. (2024) which stated that intellectual capital plays a crucial role in helping SMEs respond to rapid environmental changes. However, this finding align with Dewi

(2019), who found that in the batik industry in Central Java, intellectual capital only influences innovation and competitive advantage and does not directly affect adaptability, unless mediated by an entrepreneurial orientation or responsive managerial processes. This is in line with the opinion of Oliveira et al. (2020), who state that new knowledge-based resources will have a significant impact if managed through an organizational system capable of directing knowledge into strategic action.

Referring to the respondents profile, alt-

Table 1 Respondents Profile

Profile	Category	Frequency	Percentage
Gender	Male	57	34.13%
	Female	110	65.87%
Age	18-26	5	2.99%
	27-35	81	48.50%
	36-43	64	38.32%
	> 43	17	10.19%
Owner's Education	< Senior high school or equivalen	1	0.60%
	Senior high school or equivalen	86	51.50%
	Diploma 3	26	15.56%
	Bachelor's degree (D4/S1)	54	32.34%
	Master's degree (S2)	0	0.00%
Products Produced and Sale	Women fashion	126	75.45%
	Men fashion	21	12.58%
	Women and men fashion	6	3.59%
	Kids fashion	5	2.99%
	Hajj fashion	1	0.60%
	Ethnic and batik fashion	8	4.79%
Monthly Business Revenue	< Rp20.000.000	8	4.79%
	Rp20.000.000 - Rp50.000.000	20	11.97%
	Rp50.000.000 - Rp100.000.000	35	20.96%
	> Rp100.000.000	104	62.28%
Business Age	< 1 year	0	0.00%
	1-3 year	10	5.99%
	3-5 year	14	8.38%
	> 5 year	143	85.63%
Number of Employees	< 4	30	17.96%
	5-19	57	34.14%
	> 20	80	47.90%
Position in Business	Owner	137	82.04%
	Manager	30	17.96%
Business Location	Bandung City	98	58.68%
	Cimahi City	24	14.37%
	Bandung Regency	24	14.37%
	West Bandung Regency	21	12.58%
Have you ever or are you currently using digital financial Sharia services?	Yes	167	100%
	No	0	0.00%

Source: Result of Questionnaire Data Processing (2025)

though the majority of fashion MSMEs in Greater Bandung (85.63%) have been established for a long time (more than 5 years), the educational background of the owner-managers is predominantly high school graduates (51.50%). It causes these businesses to still operate conventionally, relying on intuition and experience without being supported by analytical data or planned collaboration strategies. As a result, the lack of

consistency in managing intellectual capital has become the main obstacle to enhancing adaptability to technological advancements, consumer preferences, and market changes. Therefore, human capital, structural capital, and relational capital in the form of knowledge, skills, organization culture, and external networks are not sufficient to drive their ability to adapt to the dynamics of the business environment.

Table 2 Results of Convergent Validity Test

	Intellectual Capital	Sharia Financial Technology	Adaptability	Competitive Advantage	Remarks
IC1	0.721				Valid
IC2	0.739				Valid
IC3	0.755				Valid
IC4	0.786				Valid
ShaFin1		0.783			Valid
ShaFin2		0.795			Valid
ShaFin3		0.823			Valid
Adapt1			0.717		Valid
Adapt2			0.813		Valid
Adapt3			0.814		Valid
Adapt4			0.823		Valid
Adapt5			0.735		Valid
CA1				0.899	Valid
CA2				0.779	Valid
CA3				0.905	Valid

Source: Output of data analysis using Smart PLS 3.0 (2025)

Table 3 Reliability Test Results and Average Variance Extracted (AVE)

Variabel	Cronbach's Alpha (CA)	Rho_A	Composite Reliability (CR)	AVE	Remarks
Intellectual Capital	0.905	0.908	0.930	0.728	Reliable
Sharia Fintech	0.801	0.883	0.883	0.715	Reliable
Adaptability	0.884	0.897	0.915	0.684	Reliable
Competitive Advantage	0.826	0.838	0.897	0.745	Reliable

Source: Output of data analysis using Smart PLS 3.0 (2025)

Table 4 Hypothesis Testing Results

Relationship/Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	P Values	Remarks
IC → Adapt	0.127	0.128	0.082	1.539	0.126	H1 Rejected
IC → CA	0.252	0.253	0.059	4.258	0.000	H2 Accepted
ShaFin → Adapt	0.418	0.420	0.072	5.808	0.000	H3 Accepted
ShaFin → CA	0.135	0.130	0.072	1.876	0.062	H4 Rejected
Adapt → CA	0.393	0.402	0.081	4.482	0.000	H5 Accepted

Source: Output of data analysis using Smart PLS 3.0 (2025)

Intellectual Capital and Competitive Advantage

This study shows that competitive advantage is positively and significantly influenced by intellectual capital in fashion MSMEs in Greater Bandung. This finding confirms the knowledge-based view (KBV) and resource-based view (RBV) theories, which state that intellectual capital is a scarce, valuable, difficult-to-imitate, and non-substitutable knowledge-based resource that can create sustainable competitive advantage (Chirumalla et al., 2023; Shepherd & Williams, 2023). Intellectual capital creates value-added through the integration of structural, human, and relational capital as drivers of competitive advantage (Pablos, 2023; Suryantini et al., 2023). These results align with previous studies by Alshahrani et al. (2024); Fabrizio et al. (2022); Widyanti & Mahfudz (2020).

In detail, human capital contributes through unique and rare creative skills, such as the ability to design and select fashion color combinations that cannot be replicated by competitors (Buallay et al., 2020). Structural capital in the fashion MSMEs of Greater Bandung is manifested in informal systems that support collective learning and family-based work relationships, thereby promoting operational efficiency and consistency (Suryantini et al., 2023). The distinctive “*someah*” culture, a polite, friendly, and hospitable attitude, is a value upheld in internal interactions with employees as well as external interactions with customers and other external parties, strengthening a harmonious and collaborative work environment. Relational capital is reinforced through the collaborative nature of Greater Bandung MSMEs, such as organizing joint events between fashion MSMEs, fellow MSME communities, and relevant government agencies. Relationships with suppliers, customers, competitors, and the government are built on trust and integrity, supporting supply chain efficiency, synergy among business actors, and customer loyalty—key factors in maintaining and enhancing competitive advantage (Al-Omoush & Alsmadi, 2024; Pablos, 2023).

Sharia Fintech and Adaptability

This study found that the use of Sharia fintech has a positive and significant effect on the adaptability of fashion MSMEs in Greater

Bandung. This result indicates that the use of Sharia-based financial technology, such as digital wallets, peer-to-peer lending, and Sharia crowdfunding, can enhance the agility of MSMEs in responding to market changes, including in terms of financial transactions, cash management, and the integration of digital marketing strategies.

This finding supports Valdez-Juárez & Castillo-Vergara (2021); Matarazzo et al. (2021); Pentury (2023); Valdez-Juárez & Castillo-Vergara (2021) state that the adoption of financial technology and open innovation strengthens organizational resilience in the face of external pressures. In line with this, Matarazzo et al. (2021) emphasize that digitalization enables SMEs to respond quickly to supply disruptions, shifts in consumer preferences, and other operational challenges. In the Greater Bandung area, these practices are beginning to be adopted by fashion MSMEs to finance seasonal production and expand their online markets. This reinforces the theory of adaptability/dynamic capabilities (Teece et al., 1997), which states that technology is key to reorganizing and mobilizing resources sustainably. Thus, Sharia fintech has become a strategic factor in shaping the adaptability of MSMEs amid digital challenges and market fluctuations.

Sharia Fintech and Competitive Advantage

This study reveals that the use of Sharia fintech does not have a significant effect on the competitive advantage of fashion MSMEs in Greater Bandung. This result indicates that Sharia fintech has not been able to function as a strategic element in strengthening the position of MSMEs amid market competition. This finding does not confirm Sianipar et al. (2024); Al-Qararah (2023); Widyanti & Mahfudz (2020); Subanidja et al. (2021), which indicate a significant positive influence of fintech on competitive advantage.

Sianipar et al. (2024) explain that the utilization of financial technology among SMEs still faces challenges, particularly due to low digital literacy and understanding of fintech systems. This aligns with the OJK (2023) report, which indicates that while the number of fintech users has increased, MSMEs tend to use it transactionally and have not yet tapped into strategic functions such as customer data integration, consumer behavior analysis, or

supply chain digitization.

The result of further data exploration through interview shows that most fashion MSMEs in the Greater Bandung area are known to still use fintech only for payment transactions, without processing customer data as a database that can be used for strategic decision-making based on information. A widely used feature is QRIS (Quick Response Code Indonesian Standard), a national QR code standard to facilitate digital payment transactions in Indonesia. QRIS was developed by Bank Indonesia (BI) and the Indonesian Payment Systems Association (ASPI). Widyanti & Mahfudz (2020) emphasize that information technology only has a positive impact on competitive advantage if accompanied by an entrepreneurial orientation and adaptability. Additionally, new fintech infrastructure can only create competitive advantages if supported by internal technological readiness and organizational capabilities to absorb and optimize technology (Al-Qararah, 2023). This condition is reflected in many fashion MSMEs in the Great Bandung area that have not integrated digital Sharia payment systems into their marketing strategies and customer service. Therefore, the current presence of Sharia fintech is insufficient to support the achievement of differentiation or cost efficiency, which are the main pillars of competitive advantage.

Adaptability and Competitive Advantage

The latest finding of this study suggests that competitive advantage is significantly positively influenced by adaptability in fashion MSMEs in Greater Bandung. The result of this study supports and expands the resource-based view (RBV) that emphasizes the importance of managing diverse resources as a combination of organizational assets and capabilities to achieve competitive advantage (Chirumalla et al., 2023; Shepherd & Williams, 2023). In line with Danneels' opinion in Jafari-Sadeghi et al. (2022), this finding underscores that RBV requires a dynamic perspective, as businesses must continuously update and reconfigure their resources to survive in a changing business environment. Therefore, this result also reinforce the dynamic capability view perspective, which emphasizes that to gain competitive advantage, an organization must be able to adapt and reconfigure its resources in

response to change (Ferreira et al., 2024).

Fashion MSMEs in Greater Bandung demonstrate their adaptability through concrete strategies such as launching new products, expanding markets, monitoring customers and competitors, and responding quickly to external environmental dynamics. These strategies are implemented consistently in order to maintain a competitive position amid market changes. Praditya & Purwanto (2024) emphasize that in a dynamic environment, competitive advantage does not solely depend on existing assets but also on a company's ability to continuously develop new capabilities. The findings of this study indicate that a deep understanding of customers and competitors is a crucial element in developing adaptability. A lack of understanding of customer needs and weak responses to competitive pressures are indicators of weakened adaptability. Thus, strong adaptability enable MSMEs to proactively reorganize their resources to remain relevant and competitive in an ever-changing market.

CONCLUSIONS

This study concludes that intellectual capital has a significant positive effect on competitive advantage, but does not significantly affect the adaptability of fashion MSMEs in Greater Bandung. Meanwhile, Sharia financial technology (fintech) has a significant positive effect on adaptability, but does not affect competitive advantage. Adaptability has been proven to play a crucial role in driving competitive advantage, particularly in addressing the rapidly changing dynamics of the fashion industry through innovation, market responsiveness, and efficiency improvements. These findings reinforce the relevance of the resource-based view (RBV), knowledge-based view (KBV), and dynamic capability view (DCV) theories in the context of local MSMEs. Specifically, fashion MSMEs in the Greater Bandung area are characterized by their adaptability to trends, with the ability to keep up with current fashion styles and become a favorite shopping destination for tourists, making the area one of the most competitive local fashion hubs. Therefore, MSME owners/managers are advised to enhance trust and training for employees, standardize strategic knowledge to prevent its loss, and adopt digital marketing to

expand market reach. On the other hand, the Cooperative and MSME Agency should incorporate intellectual capital as a key indicator in empowerment programs, enhance their role as strategic partners, provide digital training, and collaborate with third parties to build digital fashion markets in each regional cluster as concrete steps to strengthen the sustainable competitiveness of SMEs.

This study developed a conceptual model aimed at building competitive advantage in the MSME sector. However, the sample used in this study was limited to MSMEs in the fashion industry and only in the Greater Bandung area. Therefore, it is recommended that future studies expand the scope of the study and include various types of MSMEs in other and/or wider areas of Indonesia, so that the findings can be generalized as a competitive advantage strategy for MSMEs more comprehensively. Qualitative research that explores in depth the factors that can influence the competitive advantage of MSMEs will be very useful in enriching the literature and business practices of MSMEs.

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