

Digital Transformation, Human Resource Capacity and Government Support As a Factor That Influences Success of Internationalization MSME Tourism Industry in Bali's

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ABSTRACT

Internationalization of micro, small, and medium enterprises (MSMEs) is something that most of the MSMEs and governments want to achieve because it has been proven that MSMEs can improve the GDP of a country, it result in nowadays they are try to expand in the international markets. Despite this, local MSMEs still faced some obstacles and barriers as a result of intense competition in the economy. The objective of this research is to examine the factor that influences the success of Internationalization MSME tourism in Bali by highlighting the importance of digital transformation, human resource capacity and government support. This research uses a quantitative approach to identify what factors determine the MSMEs success in the international market. Includes the utilization level of new digital technologies, digital marketing strategies, well-skilled workforce and government policies that may support small businesses. This research also provides a practical recommendation for both business owners and policy makers who are looking to support MSMEs in long-term growth and help local business expand globally. Through embracing digital transformation and improving workers capacity and ability, we are convinced that all MSMEs can achieve long-term growth and maintain competitive advantage in the global economy.

KEYWORDS: Internationalization, Digital Transformation, Digital Marketing, E-commerce, Government support

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1. INTRODUCTION

The internationalization of micro, small, and medium enterprises (MSMEs) has appeared as one of the major topics of research study. Regions that are highly dependent on tourism, such as Bali, have many MSMEs business in various fields of the tourism industry. Those MSMEs play a vital role in Bali's economy, with tourism contributing a significant part of revenue in Bali (Mautang & Surasmi, 2023). However, while Bali's tourism sector is globally recognized, many local MSMEs face notable challenges in extending their reach to international markets. These challenges arise primarily due to a limited adoption of digital technologies, lack of comprehensive digital strategies tailored to the unique needs of the tourism industry, and the lack of preparedness in preparing human capital, also limited government support that can raise MSMEs performance (Lei et al., 2023).

There's several studies that are already explored about the internationalization of MSMEs that focus on challenges and the influences of global market expansion. Previous literature highlights several key factors that influence the global competitiveness of MSMEs through digital transformation, such as access to international markets, the ability to adapt products to meet foreign consumer preferences, and effective handling of competition from established global players (Hariyanti & Kristanti, 2024).

Digital Transformation can affect other influence factors of internationalization MSMEs such as raising human capital factors. Innovation and the integration of digital transformation are essential things for small businesses to scale up then compete to international level, through support of digital technologies it can empower human resources by enhancing worker productivity and efficiency, makes MSMEs mark in the global market, driving sales, visibility of the brand and increase customer engagement (Zaborovskaia et al., 2020). On the other hand, Government support also influences the internationalization of MSMEs. Previous research examines that governments can promote the internationalization of MSMEs in developing countries. Bali, Indonesia as a developing country should gain beneficial support from the government. In the process of internationalization of MSMEs, the government acts by lending some financial resources to MSMEs, and by making bilateral agreements that have a function to facilitate the internationalization of state-owned enterprises (Silva & Dias, 2022).

The focus of this study is to explore how digital transformation, utilization of human resource capacity and government support can be a critical driver for the internationalization of tourism MSMEs in Bali. Bali as a region that has a strong tourism sector that is already known worldwide make this study become more unique and interesting to search in depth information about how the MSME tourism in Bali can be successfully internationalized.

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This study aims to identify the specific digital strategies that work as the most effective for businesses, such as the utilization of e-commerce, social media marketing, and customer relationship management (CRM) tools (Jingjing, 2024). It also identified what strategies are needed for Bali MSMEs tourism that can enhance their capacity and capability of human resources that effectively can boost employee performance, satisfaction, motivation and employee engagement. Those strategies are critical for MSMEs because better performance of employees also results in better output of the business (Iskandar et al., 2023). It examines how the government also plays a vital role in internationalizing tourism in Bali, such as what policy that government gives to MSMEs that can support MSMEs in Bali to expand globally and what acts that MSMEs should do so they can optimize the utility of government support (Silva & Dias, 2022). Additionally, this research can serve as a valuable resource for policymakers, who play a crucial role in creating an enabling environment for MSMEs to adopt digital technologies.

There's several research studies that already discuss the factors that influence internationalization of MSMEs, but there are limitations in the current studies. The existing studies often discuss factors that influence internationalization in a larger firm with a different sector, leaving a gap of research regarding MSMEs business and tourism sector. In digital transformation factors, according to previous studies by Yuliantari and Pramuki (2021), that address the relationship between digital transformation and MSMEs performance, the studies emphasize digital innovation but the concept is not sufficiently linked to internationalization efforts. Furthermore, recent studies like those conducted by Nurchayaa et al (2024) that highlight the importance of entrepreneurial orientation and sustainable tourism practices, fail to explore how these elements can synergize with digital transformation to enhance international market competitiveness. Additionally, the challenges that tourism MSMEs face, such as limited access to technology and resistance to change, have not been sufficiently examined in relation to MSMEs internationalization strategies. In factor of human resource capacity, a previous study by Satriani et al (2022) discussed the human resources readiness and human resources strategy in the MSMEs broadly, making the recent study still lacking focused research on how human resources readiness strategies specifically can impact MSMEs in the tourism sector.

Most research tends to find various sectors without addressing the unique challenges faced by tourism-related enterprises, such as seasonality and fluctuating demand of international tourism that the tourism sector has. Lastly, the other important factor is government support, linked to the previous study by Zulpardisyah (2022) examine that there's still many of MSMEs manager that having difficulties in access the government support, indicates that there's a limited research regarding how the infrastructure development that government held can enhance the internationalization effort of MSMEs tourism in Bali, leaving a gap in understanding the specific challenge for MSMEs to maximize the utilizing government support for internationalization. Overall, the gap highlights the need for targeted research that investigates how digital marketing strategies, human resource capacity, and supportive policies of the government can empower tourism MSMEs in Bali to effectively navigate the complexities of the global market and ensure sustainable growth.

LITERATURE REVIEW

Small Medium Enterprises (SME)

Small and Medium Enterprises (SMEs) are one of the key drivers of economic expansion, because SMEs are providing employment through open new job opportunities for all human-being, fostering innovation, and generating GDP. In Indonesia, SMEs are defined by Law Number 20 of 2008, categorizing firms into micro, small, and medium-sized enterprises (MSMEs). Micro enterprises have annual revenue up to IDR 300 million and net assets up to IDR 50 million, while medium enterprises contribute up to IDR 50 billion annually (Sinha et al., 2024). This classification impacts policymaking and access to government support schemes. Research by Wahyudi et al. (2024) finds the contribution of MSME to the GDP and employment in Indonesia, they explain that MSMEs provide an entrance for economic resilience that potentially adds Indonesia GDP and decreases unemployment.

Theoretical frames (Resource-Based View RBV) for example internal resources (human and nature) and competences are a key to competitive advantage. Recent literature highlights human capital, technological competences, and organizational dynamics as assets of success in turbulent environments. Until recently, the source of competitive advantage for Indonesian SMEs is tapping on the internal resources, such as the innovation capability (Komakech et al., 2024). Entrepreneurs, while SMEs have little financing, lack of collateral which makes it difficult to grow SMEs. The financial exclusion and digital transformation are one of the prominent issues, as given the limited financial resources and the absence of digital skills among MSMEs, adoption to new technologies, the MSMEs face a significant struggle (Simba et al., 2023).

Collaboration among SMEs can enhance resilience and competitiveness. Partnerships allow SMEs to access new markets and resources while distributing risks associated with new activities. Cooperative efforts promote innovation and strengthen industry competitiveness by exploiting synergies among companies. These collaborations can transfer knowledge and develop capacities, reinforcing market share (Tambunan, 2024).

Internationalization

Internationalization is defined as the process of organization, firms, and businesses to enter a new market or international market through international trade or international investment, that proven can lead business to growth and gain competitive advantage (Cavusgil & Knight, 2015). There is a popular model in process of internationalization called Uppsala Model, in that theoretical framework is very notable that companies can gradually increase their internationalization through additional steps, start from low-risk entry mode; export to a high-risk entry mode such joint ventures and foreign direct investment (Arvidsson & Arvidsson, 2019). The Uppsala Model underscored the importance of experiential learning and knowledge of the market in order to reduce uncertainty in this unstable economy. Current research mention that role of digital transformation can give a facilitate to a faster internalization process through broaden information exchange (Vadana et al., 2021).

Empirical research has found various factors that can influence the internationalization process. For example, resources such as well capabilities of managerial and expertise of technological practices can influence the faster success of internationalization (Lamb et

al., 2022). Businesses that have a better internal resource are proven to be able to overcome challenges and easily adapt to local market cultures and conditions. Otherwise, external resources such as relationships and networks between workers and partnership play a vital role in the success of internationalization. businesses can expand their ability to compete in global markets with a strategic partnership that can access valuable resources and knowledge (Kahiya, 2020).

Market entry strategies and cultural adaptation as a dimension of internationalization of MSMEs are discussed as factors for driving internationalization. Market entry strategies are essential for MSMEs who seek to upgrade their businesses to compete worldwide. There are several strategies to know a better market entry strategy such as exporting, joint ventures, franchising and owning a subsidiary, each strategy has unique advantages and disadvantages that can adjust based on the preferences of market conditions (V.P.S. et al., 2020). Exporting is the most low-risk strategy in market entry strategy because export allows businesses to offer their products/services abroad without having a large investment first, but still there is a disadvantage of export. export may have a limited control to brand representatives and customer satisfaction. Joint Ventures allow business to collaborate with local enterprises, that have significant benefit because both of businesses partners can share their ideas and resources that can reduce risk and improve the understanding of local markets, but the disadvantage of joint ventures is it may lead to a conflict between partners who have a different managements styles and differ goals (Moreira et al., 2024). Franchising allows businesses to have a rapid expansion through allowing local businesses to operate their business under some company name, franchise can reduce expenses of investment but it also may result in multifaces service quality between locations, meaning that service quality may differ in each area. However, market entry strategy is necessary for capital investment and can carry additional risks because it enter an unfamiliar market (Oliveira et al., 2023).

Cultural adaptation is critical for tourist SMEs because it requires changing company processes to match with the cultural norms and preferences of the target market. This includes customizing marketing techniques to reflect local values, utilizing culturally appropriate imagery, and teaching personnel to respect local customs (Aulianda et al., 2024). Market research can help businesses identify consumer behaviors and customize their goods and services to meet local demand or consideration of traditions, such as regional food or customs. When culturally adapted well, customer satisfaction and loyalty is achieved as it creates a strong emotional bond between the brand and its customers. When customers feel understood and respected, they are more inclined to return and promote the company to others (Ljunggren et al., 2022)

Tourism

Tourism is a multifaceted industry that includes and involves travel for leisure, business, or other purposes, highlighting its role as a global economic driver (UNWTO, 2021). Tourism has been proven as one of the biggest contributors to economic growth, cultural exchange, and community development. One of changes in tourism sectors is adaptation and enhancement in digital transformation, destinations with strong safety protocols and flexible booking options such online website and social media have shown faster recoveries, emphasizing the importance of strategic marketing and communication (Catherine et al., 2023).

The changes and dynamic of consumer behavior are reshaping the tourism landscape, with a growing emphasis on health and safety, one of the biggest factors is the awareness that it raises customer daily life. Additionally, the existence of wellness tourism, incorporating activities that promote health benefits, is on the rise (Karn, 2017). This trend drives tourism providers to adapt and innovate their offerings to meet evolving preferences and changes in consumer behavior. For the health-conscious traveler, service providers must demonstrate flexibility and innovation in the delivery of their services. The concept of sustainability has become a hot topic, concerning addressing the adverse impact mass tourism has to the local communities and environment (Mihalic, 2024).

However, some challenges like over tourism can cause worrying conditions for environmental degradation and cultural erosion because there's a new culture and behavior that enters the current environment (Kapoor & Wangdus, 2022). In order to face those challenges, it is necessary to have an integrated policy framework that can promote sustainable tourism practices. Development of tourism must consider the environment but still stimulating the economy, the success indicator relies on collaboration between stakeholders. Flexibility, adaptability and forward-thinking are vital to provide long term sustainability for the tourism industry (Dimanche & Andrades, 2024).

Digital Transformation

Digital Transformation is vital for the success of micro, small, and medium enterprises (MSMEs). Digital transformation includes digitizing business activities and also a design of interaction process between enterprises, customers, stakeholders, and service providers (Tandafatu et al., 2024). Digital tools such as online platforms for online booking, applications, and digital data analytics can enhance customer experience and operational efficiency. These transformations enable businesses to be flexible and play a reactive role to market, not only that but businesses also can get benefit because digital transformation provides personalized services, streamline operations through automation, and support innovative offerings using tools like artificial intelligence and virtual reality. Digital transformation significantly contributes to overall profitability of business performance (Widagdo et al., 2024).

Model by Tornatzky and Fleischer (199) called Technology-Organization-Environment (TOE), this model emphasizes the relationship between innovation of technology, the readiness of organizations and pressure from external factors in using a digital adaptation. But, must be underscore for MSMEs that implement digital transformation, they need to consider many things such societal technology levels, organizational culture, and regulation (Abdurrahman, 2024). Research has found that companies that integrate technology proven can facilitate workflows and gain critical insight and information that can guide decision making, enable those organizations to adapt to evolving market conditions and deliver tailored services (Colin et al., 2021). Additionally, an earlier empirical study supports the statement that the role of digital transformation can increase efficiency and maintain staff commitment (Kmecová et al., 2021).

However, despite the potential benefits of digital transformation, MSMEs still face obstacles in implementing digital technology, their still lacking resources and capabilities of using digital tools (Khaund & Nath, 2023). Besides, resistance to change also arises

among some personnel. To overcome these challenges, MSMEs must improve and hold activities such as teaching and training to empower employees with IT literacy. Besides, government support also can make programs that can enhance employee soft skill and hard skill toward adoption of digital technology. It needs a synchronized action between government and enterprise to create a conducive environment that is ready for digitalization (Lopes et al., 2023).

Otherwise, digital transformation also impacts marketing strategies. through digital marketing enterprises can expand their audience through platforms like social media and search engine marketing (SEO). enterprises can engage more potential customers and market their services/product using digital platforms. Furthermore, technology can provide data analytics that can help businesses to get better understanding of customer preferences and behavior, allowing them to filter marketing strategies so it can be delivered to the right targeted campaigns. In conclusion, digital transformation can increase their brand awareness, brand visibility, ensure personalized experience and attract more customers that align with dynamic customer expectations (Ismagilova et al., 2021; Talukder et al., 2024)

Human Resource

While natural resources are important for the tourism industry, human resources are also crucial, they are the people that directly impact on the operational effectiveness and maintenance of customer satisfaction. Definition of human resource itself means that HR is a strategic approach to manage all of the employees, enhance development, engagement for both customer and employee, and all things that align with organizational goals (Agustian et al., 2023). So, it is very necessary for MSMEs to have a high quality of human resource, so the services can be delivered in appropriate ways. Quality of services depends on the employee skills and practices of human resource strategy (Arokiasamy et al., 2024). Theory by Barney (1991) called The Resource-Based View (RBV) emphasize that human resource is a key drivers of success in business and competitive advantage (Wujarso et al., 2021).

Training programs are important to hold in order to upgrade employee skills. Training programs not only complement the skill of employees but also contribute to improvisation of job satisfaction and retention. Research indicates that organizations investing in employee training see improved customer experiences and overall service quality, which is vital in the competitive tourism sector (Waqanimaravu & Arasanmi, 2020). Training programs allow employees to stay and update the current trends and innovations, ensuring that later on they can handle the shifting client expectation. Additionally, training programs and development significantly can boost employee engagement, enhance motivation, and reduce turnover (Singh & Kumar, 2023).

Human resource practice needs to be effective, because it leads to a higher level of employee satisfaction and lower turnover that can expand quality of services (Paniran et al., 2024). Organizations that prioritize employee well-being through supportive practices commonly result in a positive work environment that directly gives impact to a better service delivery and morale (Kitta & Z, 2024). Additionally, the earlier research has found that businesses or enterprises that have a high level of employee engagement and satisfaction often outperform rivals and competitors in customer satisfaction and overall performance of the business (Singh & Kumar, 2023).

Human resource policies that design carefully and appropriately can attract and retain the full skilled employee (Shrestha & Prajapati, 2023). while poor human resource policies result in high levels of employee turnover and arise in recruitment challenges in tourism (Supardi, 2022). to encounter those challenges, needs broader policies of human resource that prioritize employee well-being (Saks, 2021). Additionally, training programs that are held by the government can enhance employees skills, enabling them to confront industry challenges effectively (Arjawa & Laksmi, 2024).

Digital transformation is also crucial in improving human resource capabilities, for instance by adopting digital technology in recruitment and training processes it can enhance efficiency and effectiveness (Hamraia & B Prasad, 2024). Digital tools are essential in the dynamic tourism industry, allowing better data management and better decision making (Chorna et al., 2024) .

Government Support

Besides digital transformation and human resource capacity, the other contribution for internationalization of MSMEs tourism is through government support. Government support includes financial assistance, training programs, investor of infrastructure and all of the support that can help MSME to build capability to overcome barriers in entering the global market and enhance competitiveness (Chen et al., 2022). For instance, there is one of the program that held by government called People Business Credit (KUR) that provide an essential financial funds that allow MSME to improve and innovate their operational process, these program contributes increases of growth in tourism economy (Kurniawan et al., 2023)

The perspective of institutional theory is characterized by the theoretical background of government support to MSMEs; this perspective emphasizes the role of external factors in shaping an organizational behaviour (Ashford & Hall, 2021). Profitable policies and regulatory framework from the government can provide a foundation for MSMEs to access initial resources such financing, training and advancement of technology. These instruments not only strengthen the resilience of MSMEs tourism but can increase the environment of innovation and efficiency. For example, government-supported training programs can significantly improve workforce skills, enabling companies to better meet market needs and enhance service delivery (Khaund & Nath, 2016).

Financial support such as government aid also provides beyond monetary assistance to embrace critical development of infrastructure. The improvement of transportation and IT infrastructure can significantly boost operational efficiency for MSMEs tourism (Nguyen, 2021). Particularly, investment of IT infrastructure can provide MSMEs to access e-commerce platforms and digital marketing, enabling them to expand in the broader market, specifically in the highly competitive and rapidly changing Bali tourism industry where customers preferences and behavior may shift quickly. Through upgrading an infrastructure, MSMEs can shorten their operational expenses and process, but still deliver a superior service for maintaining customer experiences (Khaund & Nath, 2023). Those dimensions; financial support and infrastructure development emphasize the critical role of government support for the growth and sustainability of MSMEs tourism industry. Business Performance Definition of business performance in the context of small medium enterprises (SME) means that a business can manage

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the efficiency and effectiveness of their operational process and can result in the effectiveness of reaching their target customers. all of it includes of a wide range of index that is include of profitability, satisfaction of customer, market share, and the overall increases percentage in the business that indicating a improvement of business performance (Mahmudova & Kovacs, 2018). Manufacturing process of SME tourism is very important to focus on, because that process contributes significant key drivers to the local economy and employment rates. Additionally, it is important to develop strategies to improve competitiveness and sustainability in this unstable economy, it is very necessary to get the information of what factors that can influence business performance.

In the context of MSMEs in tourism, resources may include human capital, financial assets, and technological capabilities. In accordance with the RBV, MSMEs can improve operational efficiency and quality of service through proper utilization of the aforementioned resources (Nagano, 2020). Supporting this theory is the demonstration that effectively allocated resources induce positive spillover effects on performance outcomes in the tourism industry. Previous experimental studies have shown that both internal and external factors contribute to the performance of SMEs in the tourism industry. For example, Barbosa et al. (2019) argued that good network ties with formal and informal institutions can help companies do well because they help secure access to markets and the means of production.

In addition, the seniority and firm size of a company are, in essence, correlated to its performance in a competitive environment. Older companies will fare well with mature networks and experience, and bigger companies will exploit the economies of scale. The innovation of SMEs is also considered another critical factor that influences business performance. Innovation is not just about product designs, but also about process and service design innovations (Dorin, 2018). Businesses (SMEs) that venture by innovating are, for this reason, strategically positioned to respond to evolving customers' demands and market dynamics.

For instance, using Internet technology, it may be possible to administer online promotions or carry out sustainable actions in a competitive business environment. Those things have been proven through earlier research, they confirm that innovative practices that have a positive influence can affect the performance of business across all sectors in the tourism industry (Seow et al., 2020). Business performance in the context of SMEs is described as the efficiency and effectiveness of business operations, as well as the efficacy with which they achieve their objectives. It covers a wide range of metrics, including profitability, market share, customer satisfaction, and total percentage increase. The success of manufacturing SMEs in the tourism industry is critical since it contributes significantly to the local economy and job creation in Bali.

2. METHODOLOGY

Research Design

This research is using a quantitative method approach that utilized a structured questionnaire to collect data from MSMEs operating in the Bali tourism sector. The questionnaires are designed to measure the relationship between the independent variables (digital transformation, human resource capacity, and government support) and the dependent variable (internationalization success of MSMEs). The questionnaire is prepared to obtain numerical data from respondents that can be analyzed statistically to find patterns or correlations. The objective of using quantitative methods is to minimize researcher bias by relying on numerical data and statistical analysis. In other words, statistical methods allow us to discover which relationships among variables are important enough to be of interest and guide policy and practice. The research will adopt a cross-sectional design, with data being collected at one point in time. This method is appropriate to understand the current state of MSMEs in Bali and their experience of internationalization, digital transformation, human resource management, and government support.

Research Method

The data that we used is primary data, data will be collected through a structured questionnaire consisting of 20 questions or statements that correlate with the conceptual framework model. The questionnaire will be divided into five sections, each section corresponding to one of the key factors being studied, it include of; Digital Transformation; Human Resource Capacity; Government Support; Internationalization of MSMEs in the tourism industry; and Business Performance. The questions in the google forms are using a 1-4 likert scale, starting from (1) very disagree, (2) disagree, (3) very agree, and (4) agree, we put numbers in even numbers, which can prevent participants from answering neutrally, this is done so that the data results obtained can be more in line with our questions and hypotheses. Emphasize on assessing the level of agreement or satisfaction with respect to various statements on each factor. The scale has provided a nuanced understanding of perceptions and experiences of respondents (Tanujaya et al., 2023). The questionnaires are distributed online to ensure accessibility for all MSMEs, we conduct a distributed survey through the email address and social network sites. A supporting letter will be attached to the questionnaire explaining the purpose of the study and the privacy concerns.

Sample and Population

The target population for this research consists of MSMEs operating within Bali's tourism industry, including hotels and accommodations, Restaurants and cafes, Travel agencies and tour operators, Souvenir shops and local artisans, Transportation services (e.g., taxis, shuttle services) and other related services. A sample size of approximately 30 MSMEs will be targeted to ensure a representative distribution across different types of businesses and geographical locations within Bali.

The sampling method is done in convenience sampling, a non-probability method that is based on the availability and willingness of respondents to take part in this research. In so doing, a proper attempt should be made to ensure the sampled MSMEs reflect the variety of experiences and perspectives in their views on internationalization, digital transformation, human resource capacity, and government support.

Data Analysis

The analysis will be conducted using statistical software, which is SPSS. The first step that we conduct is preparing and gathering the data that has been obtained through google forms, all of the data is combined in the spreadsheet as form on the csv, in order that later on the SPSS software can analyze the data. Then, The cleaned and coded data will be entered into the statistical software called

SMARTPLS for further analysis. The internal reliability of the questionnaire will be assessed using Cronbach's alpha. We use a Cronbach's alpha value of at least 0.60 to indicate acceptable reliability, and therefore, the statements of each section measure the same construct. The relationships between constructs was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4.0. Path coefficients, t-values, and p-values were obtained to evaluate the strength and significance of the hypothesized relationships. The PLS-SEM analysis will yield path coefficients that quantify the strength and direction of the relationships between constructs. The significance of these coefficients will be assessed through bootstrapping, with p-values ($p < 0.05$) and t-values ($t > 1.96$) indicating statistically significant relationships (Sarstedt et al., 2021).

The results will be presented through tables and graphs to present the key results. A comprehensive discussion linking the results to the literature review will provide actionable recommendations for enhancing the internationalization efforts of MSMEs in the tourism sector in Bali.

3. RESULTS AND DISCUSSION

In this section, we will discuss the detailed interpretation of each hypothesis result then compare it with existing literature. The objective of this research is to examine how digital transformation, human resource, and government support can influence the internationalization of MSME in the tourism industry, and the last objective is to explore how internationalization can influence business performance. Bali MSME is known as one of backbone in island economy especially in tourism industry, it is characterized by the creativity of the human and also the ability to offer an authentic experience of Bali culture. However, Bali MSME still faced some barriers such limited human resources, inconsistent policy support, and uneven technological adoption that challenged their global competitiveness.

This study will test the hypotheses that are already shown in the literature. There are four hypotheses developed that we tested by using SPSS software. The following hypotheses are include of H1: Human Resources has a positive influence on the Internationalization of Tourism SMEs; H2: Digital Transformation has a positive influence on the Internationalization of Tourism SMEs; H3: Government Support has a positive influence on the Internationalization of Tourism SMEs; and H4: The Internationalization of Tourism SMEs has a positive influence on Business Performance. Those hypotheses were developed to give insight on how the internal factors (digital transformation and human resource) and external factors (government support) can influence the ability of MSME to enter and expand globally. Otherwise hypotheses also give insight on how Internationalization may impact and enhance the overall business performance.

Based on the findings from our research data, it is revealed that Hypothesis 1 is having a significant positive relationship between human resource and internationalization of the tourism industry in Bali. means that human resource is truly one of the success factors of how the MSME tourism industry in Bali can expand internationally. Workers and owners that have the right skills, knowledge, and culture sensibility are crucial for navigating MSMEs to enter the global market, both workers and owners must understand the diversity and needs of customers, they must adapt their services in different cultural contexts. This result is consistent and aligns with the previous study which examined that human resource with the right skilled is the key to achieve global success (Agustian et al., 2023). Especially in Bali, where the tourism industry thrives on hospitality and personal experience, it is important for MSME to have well trained human resources to ensure that their business can deliver high quality services and gain customer satisfaction. For instance, workers who are capable in many languages and aware of cultural differences can deliver a better experience for international tourists. MSME must invest in their employees, through training programs that focus on cross-cultural communication, services, and digital skills. These findings align with earlier studies that examine the relation between human resource development and the success of internationalization. The study highlights employee training can enhance the ability to expand internationally (Arulsamy et al., 2023). Employees that are engaged will be more likely to be motivated, committed, and active in delivering high quality services. In MSME Bali, it reflects employees playing a role as cultural ambassadors who build a strong relationship with international tourists. This aligns with previous studies which mention that engaged employees are one of the contributions to enhance business to expand globally and gain customer satisfaction (Celestin et al., 2024).

Hypothesis 2 is having a significant positive relationship between digital transformation and internationalization of the tourism industry in Bali. Digital transformation provides some digital platforms such as social media, online e-commerce websites, and online travel agencies. In nowadays era where technology plays a vital role in daily life, it is crucial for all MSME and business to provide digital platforms in order to compete in the market and also global market. For MSME Bali, social media can be used to showcase their offerings such as promoting new products/services and platforms to make a promotion or as a digital marketing. Digital platforms also can utilize things to engage with customers and facilitate seamless booking for the tourism industry. Digital tools can lower the business expenses and the complexity to enter a new international market. For Instance, an MSME that offers their product through Airbnb or Agoda can make their operation more efficient because that platform allows customers to automate booking, track and suggest the customer preferences, and process international transactions easily, enabling MSME to attract, retain international visitors, and gain customer satisfaction. It aligns with previous study which mentions that adopting digital transformations can increase efficiency of operational processes for small businesses entering the international market (Vats, 2024). MSME that utilize digital marketing through social media such facebook, instagram and TripAdvisor can give an effective marketing to international audiences by making an visual content that showcase Bali cultural heritage, such photo of panoramic view of Bali and video that show a daily cultural habit like traditional dance, handicraft and ritual can attract tourist globally. It needs a capability to know SEO strategies and advertised targeted to the online audience, that allow small businesses to compete with larger enterprises in the international market. These findings align with previous studies which mention that digital marketing significantly can reduce entry barriers for small businesses in global markets by enhancing visibility and accessibility (Yendra et al., 2024).

Hypothesis 3 shows a not significant relationship between government support and the internationalization of the tourism industry in Bali. According to data hypothesis test results shown that hypothesis 3 is not supported ($\beta = 0.205$, $p > 0.05$ or $p=0.157$), it

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indicates that current government initiatives and support may not successfully and effectively address the need of MSME Bali tourism that strives to reach the international market. Despite the existence of a program by the government called "Wonderful Indonesia", it suggests that these programs may lack the specificity required to benefit small-scale enterprises. Despite the presence of government aid, there are still many MSME that rely on community-driven initiatives or self-funding rather than accessing formal government support. These things can happen because of many possible reasons such as inefficiency of bureaucracy, mismatch in policy, lack of tailored financial aid, limited accessibility to government schemes and insufficient promotion of local MSMEs in global tourism forums. The other reason may be because the owner and employees of MSME itself doesn't have an appropriate knowledge on how to achieve government aid and support, there is also a hoax in social media that is on behalf of the government but in reality is just a scam that may lead to bankruptcy of MSME businesses. Government support plays a crucial role in other contexts; this research highlights the need for more tailored policies that focus on the unique demands and characteristics of Bali's tourism industry. Although government support may influence other fundings activities, government aids also may fail to reach certain benefits, this aligns with previous findings that mention financial programs in Indonesia often struggle to reach their intended beneficiaries (Hayfaza, 2023).

Meanwhile, the other dimension of government support is government training programs and infrastructure development resulting in a positive significant relationship with internationalization of MSME with $p < 0.005$. The improvement of infrastructure in Bali has resulted in enhancing the economic opportunities for MSME, especially in the tourism industry. For instance, The G20 summit held in Bali highlighted the importance of infrastructure in improving the local economy and enhancing Bali's image as an international tourist destination. Through that event, it not only results in an increased total number of tourist visitors, but also provides exposure for local MSMEs to be involved in various sectors such as crafts, food, and hospitality (Yuniarto et al., 2022). The practical implementation that the government can do is policymakers need to tailor financial and training programs that focus on tourism MSMEs, in order to ensure streamlined access to grants, export subsidies, and digital infrastructure development. The last implementation that needs to be done is partnerships with international organizations that may strengthen the reach and effectiveness of these initiatives.

Hypothesis 4 is having a significant positive relationship between business internationalization of the tourism industry and business performance. These findings suggest that MSME tourism in Bali that has been successful in entering the international market is experiencing an improved profitability, enhanced customer bases, and increased brand recognition. For instance, an MSME that promotes and markets their product and services as a cultural heritage of Bali often attracts international tourists who are willing to pay a premium for authentic experiences. By diversifying their customers beyond the domestic market, it can reduce dependency of local customers and local markets. These businesses can achieve greater financial resilience and stability, especially during periods of economic uncertainty or a decline in domestic tourism (Seppi, 2020).

Efficiency can directly impact the ability of MSMEs to engage effectively in international markets. Operational efficiencies ranging from efficient processes to effective resource management can enable small businesses to lower costs and improve service quality. These operational efficiencies are essential to maintaining competitiveness in international markets where consumers expect high-quality experiences and sellers expect lower costs but high sales (Handoyo et al., 2023).

4. CONCLUSION

This paper confirms the important role of internationalization for micro, small and medium enterprises (MSMEs) in Bali's tourism sector, highlighting the challenges they face and the factors that can push their success in the global market. The paper understands three key components that are critical to MSME growth: digital transformation, human resource development, and government support. Digital transformation is critical because it sustains MSMEs to adopt new technologies such as ecommerce platforms and social media marketing, which improve operational efficiency and consumer engagement. Businesses can use these digital technologies to achieve a wider audience and increase their competitiveness around the world. Human resource development is also important; continued investment in employee training helps build a skilled staff that is able to adapt to technological changes and improve service quality.

A culture that grows employee creativity and innovation can lead to better company results and more adaptability in changing markets. Government support is serious to the internationalization of MSMEs. The report proposes that local governments prepare financial assistance, legislation, infrastructure development, and resources to help companies expand overseas. This involves campaigning for tax breaks and lowering bureaucratic barriers that could slow expansion. However, the implementation of government support in the form of finance is still not evenly distributed in Bali, due to a lack of awareness and knowledge of MSME owners regarding receiving financial assistance from the government. The findings of this study suggest that by focusing on these three areas, namely embracing digital technology, investing in human resource capacity, and leveraging government support, Bali tourism MSMEs can improve their prospects for entering and succeeding in the international market. The ultimate goal of this study is to provide practical advice to business owners and the government to drive long-term growth and competitiveness in the global tourism arena.

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