Ability to Network with Government Support as a Driver of MSME Performance Growth in Kendari City

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Abstract

This study aims to analyze the role of networking skills and government support in improving the performance of MSMEs in Kendari City through a mixed methods approach. The results of PLS-SEM showed that the entire relationship between variables was significant ($p<0.001$). Networking ability has a positive effect on the performance of MSMEs ($\beta=0.409$) and is the main determinant of access to government support ($\beta=0.716$). Government support has also been proven to improve the performance of MSMEs ($\beta=0.423$). In addition, networking ability partially mediated the relationship between government support and MSME performance ($\beta=0.303$). Qualitative findings confirm that business networking accelerates access to program information, licensing, financing, and digital marketing training, and cross-sector collaboration opportunities. The research confirms that improving the performance of MSMEs does not only depend on government support, but on network capacity that is able to convert external resources into competitive advantages. This study recommends strengthening the collaborative ecosystem through business forums, digital integration, and integrated information platforms to expand business networks and increase the competitiveness of MSMEs in a sustainable manner.

Keywords: Networking Capability; Government Support; MSME Performance; PLS-SEM; Mixed Methods.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) are an important pillar of the world economy. The OECD (2024) states that MSMEs represent more than 90 percent of global business units, absorb more than half of the workforce, and contribute about 40 percent to the GDP of developing countries. However, access to business networks needed to obtain funding, technology, and innovation is still a serious obstacle that hinders strengthening the competitiveness of this sector (OECD, 2024). In Indonesia itself, MSMEs play a significant role in absorbing labor and supporting national economic growth, even though a number of structural challenges such as technological limitations and managerial competence are still faced by MSME actors (Budikirana, 2024). Although BPS (2024) recorded a decrease in the unemployment rate, the number of unemployed remains high, thus strengthening the urgency of strengthening MSMEs as an economic engine.

At the regional level, Kendari City is still dealing with quite challenging economic issues. BPS (2023) recorded an open unemployment rate of 6.02 percent and a poverty rate of 7.87 percent, a figure that is still higher than the national average. Even though Kendari has great economic potential in the fisheries, agriculture, trade, and creative industries sectors. The challenges of MSMEs in this area include limited capital, low technology adoption, weak business management capacity, and lack of access to a wider market network (Ministry of Cooperatives and SMEs, 2023). On the other hand, some forms of government support have not been able to answer all the strategic needs of MSME actors as a whole, so their effectiveness still needs to be improved (Putri, 2023).

Networking ability is one of the important factors that affect the success of MSMEs in facing competition. Fernando and Almunawar (2021) emphasized that business networks open up wider

opportunities for MSME actors to access information, build collaboration, and increase innovation. International research also shows that trust, collaboration, and information exchange in business networks have a direct influence on innovation and business performance (Naushad, 2021; Saravanan and Prasanna, 2022). In the Indonesian context, business networks have been proven to expand MSME opportunities to reach the digital market, thereby increasing adaptation and marketing capacity (Widiartanto, 2023).

From a public policy perspective, the government plays a major role in strengthening the capacity of MSMEs through training, mentoring, financing, legality facilitation, and digitalization programs (Yanti et al., 2022; Suryani, 2021). The Kendari City Government has held various trainings on digital capability development and product quality improvement (Kendari SME Diskop, 2022). However, out of a total of 41,939 MSMEs in the period 2019 to 2022, only 982 have business legality, showing that the licensing and regulatory mechanisms still need improvement to make them more accessible to MSME actors (Kendari SME Diskop, 2022).

Data from Simdata Sulawesi (2024) places Kendari City as the area with the largest number of MSMEs in Southeast Sulawesi Province, which is 42,210 units. However, the increase in the number has not been accompanied by an improvement in the quality of innovation, competitiveness, and product downstreaming. Field findings show that MSME actors still face capital constraints, limited innovation, marketing obstacles, and weak business networks (Interview Results, 2024). This shows that the effectiveness of government support and the strength of business networks are not fully optimal in encouraging the improvement of MSME performance.

Departing from these conditions, this research is directed to gain a comprehensive understanding of how government support plays a role in strengthening the networking ability of MSME actors and how these two factors contribute to improving business performance. This study aims to analyze the influence of government support on networking skills, assess the influence of government support on the performance of MSMEs, identify the extent to which networking

skills contribute to improving business performance, and examine the role of networking ability mediation in the relationship between government support and MSME performance in Kendari City.

State of the Art
Research on MSMEs consistently shows that networking skills play a strategic role in expanding market access, acquiring resources, and strengthening competitiveness. Studies in different countries (Veronica et al., 2020; Alkahtani et al., 2020; Tariq et al., 2024) emphasized that a strong network allows MSMEs to obtain critical information, collaboration opportunities, and access digital innovations and international markets. In Indonesia, the network-based empowerment approach has also been proven to be able to increase the capacity of MSMEs even though they still face implementation challenges (Ridwan Maksum et al., 2020; Widiartanto, 2023).

Government support is an external variable that determines the success of MSMEs, especially through training, mentoring, financing, business legality, and digital infrastructure. Research by Ramadhona et al. (2023) shows that financial and non-financial support simultaneously have a significant impact on the performance of MSMEs, while Zaato et al. (2020) emphasize that government policies strengthen the use of social capital and business networks. However, the effectiveness of government support is highly dependent on the ability of MSMEs to utilize networks as a tool to convert external resources into competitive advantages.

However, previous studies have shown that there are prominent research gaps, especially the lack of research that simultaneously examines the relationship between networking ability and government support for MSME performance in the context of specific regions, including Kendari. In addition, most of the research still uses a single method so that it has not comprehensively captured network dynamics and policies. Thus, this research becomes relevant to build a new empirical understanding through the integration of quantitative analysis (PLS-SEM) and qualitative deepening (NVivo) in seeing how networks and

government support synergize to improve the performance of MSMEs in a sustainable manner.

Based on the background description, research objectives, and findings from previous studies, this study is directed to produce empirical evidence that can be used in formulating MSME empowerment strategies that are more targeted, synergistic, and sustainable in supporting regional economic strengthening. Taking into account the relationships between the variables that have been identified, the hypotheses proposed in this study are as follows:

1. Governmentsupportissuspectedtohave a positiveandsignificantinfluenceonthenetworkingabilityof MSME actors in Kendari City.
2. Governmentsupportissuspectedtohave a positiveandsignificanteffectontheperformanceofMSMEs in Kendari City with a strong level ofinfluence.
3. NetworkingAbilityisestimatedtohave a positiveandsignificanteffectontheperformanceofMSMEs in Kendari City with a strongeffect.
4. NetworkingAbilityissuspectedtoplay a positiveandsignificant mediator role in therelationshipbetweenGovernmentSupport and MSME Performance in Kendari City (partialmediation).

Research Methods
This study uses a Mixed Method with a Sequential Explanatory design (Sugiyono, 2017). The first stage was a quantitative analysis using PLS-SEM on MSME actors in Kendari City to test the influence of networking skills and government support on business performance (Hair et al., 2021). The second stage is in the form of qualitative analysis through interviews, FGDs, observations, and document studies with MSME actors, officials of related agencies, and banks. Qualitative data were analyzed using NVivo to explore network dynamics, support effectiveness, and socioeconomic implications (Jackson & Bazeley, 2019). Validity was strengthened through triangulation, member checking, and peer debriefing (Creswell & Plano Clark, 2018), while the integration of the two data was carried out through joint display to see common points,

differences, and reinforcement of findings (Fetters et al., 2013).

The research implementation lasted for 2 months in Kendari City, starting from the preparation stage, data collection, to the preparation of initial findings. The research population includes 42,210 active MSMEs (Kendari City Trade, Cooperatives, and SMEs Office, 2024), with a sample of 203 respondents calculated using the Slovin formula at an error rate of 7 percent (Sugiyono, 2017) and taken through proportional random sampling. Qualitative informants were purposively selected consisting of MSME actors, officials of the Trade/Cooperatives and SMEs Office, and banking representatives (Creswell & Poth, 2018). Quantitative analysis was conducted using PLS-SEM (Hair et al., 2021) and qualitative analysis using NVivo (Jackson & Bazeley, 2019), which was then combined through joint display to produce a comprehensive understanding of the factors that affect the performance of MSMEs (Fetters et al., 2013).

Results and Discussion
The results of the study show that networking ability is the main factor that determines the success of MSMEs in utilizing government support and turning it into a real performance improvement. The PLS SEM analysis confirms that all relationships between variables have a significant effect, while the results of NVivo analysis provide reinforcement of these findings through mapping the most dominant network clusters in MSME activities. The five main clusters that emerged from the NVivo analysis include access to program information, ease of licensing, financing support, strengthening digital marketing, and cross-sector collaboration. This cluster functions as a strategic node that flows information, resources, and market opportunities that have a direct impact on turnover growth, market expansion, innovation, operational efficiency, and increased competitiveness. This integration of quantitative and qualitative results confirms that the performance of MSMEs is not only determined by the amount of government support, but rather by their ability to build effective networks to navigate, absorb, and optimize the entire policy ecosystem adaptively.

The description of the results of the quantitative analysis can be described as follows: Structural Model Drawing of the Influence of Networking

Ability on MSME Performance with Government Support as a Mediation Variable
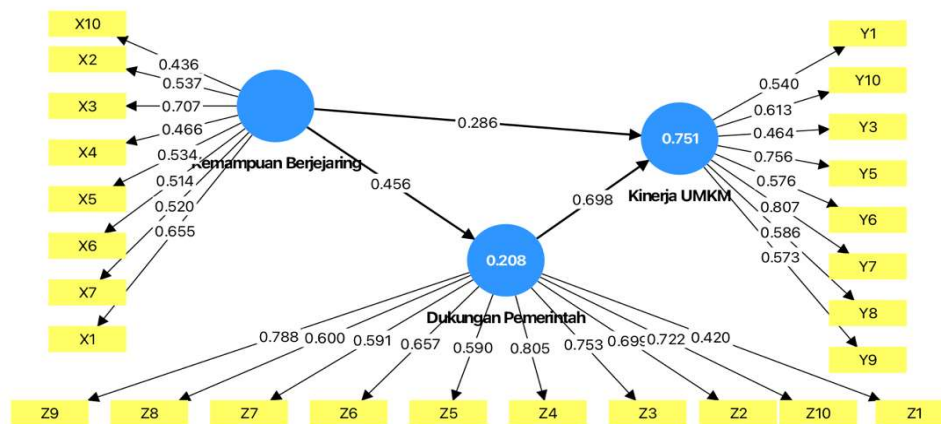
1. TestMeasurement Model (Outer Model)
Table 1. ConvergentReliability&Validitytestresults

a. Reliabilitas & Validitas Konvergen

Variabel	A	CR	AVE	Status
Government Support	0,859	0,889	0,451	Reliabel, AVE < 0,50
Networking Ability	0,681	0,775	0,305	Reliable margin
MSME Performance	0,772	0,831	0,388	Reliable, low AVE

The test results showed that the three variables in the model had adequate reliability, as evidenced by a Composite Reliability value above 0.70 so that the internal consistency of the construct was considered quite strong. However, the validity of the convergence has not been optimally fulfilled because the Average Variance Extracted (AVE) value is still below 0.50, especially in the variables of Networking Ability and MSME Performance. These findings indicate that the ability of indicators to explain construct variance is still limited. However, all statement items are still maintained considering their strong relevance to the theoretical concept and the substance of the research, so that the measurements are considered to still reflect the construct to be studied. This decision is in line with the guidance of Fornell and Larcker (1981) which states that a construct can still be rated reliable

even if the AVE < 0.50 as long as the Composite Reliability is above 0.60, as well as a reference to Hair et al. (2019) who affirm that the elimination of indicators is not solely determined by statistical considerations, but must also take into account the validity of the content and theoretical relevance. Thus, the measurement model can still be used, while recommending strengthening the formulation of indicators in subsequent studies or the development of more comprehensive instruments.

b. Validitas Diskriminan
Based on the Fornell–Larcker criteria, the validity of discrimination has not been met in two constructive relationships, namely between Government Support and Micro, Small, and Medium Business Performance, as well as the relationship between Networking

Ability and Micro, Small, and Medium Business Performance which is still marginal. Meanwhile, the results of the evaluation using the Heterotrait-Monotrait Ratio of Correlation (HTMT) showed that the construct pairs of Government Support – Networking Ability (HTMT = 0.550) and Networking Ability – Performance of Micro, Small, and Medium Enterprises (HTMT = 0.778) were declared valid because they were below the threshold limit of 0.85. However, the Government Support – Micro, Small, and Medium Enterprises Performance pair did not meet the discriminant validity (HTMT = 0.983), indicating a very strong correlation and potential overlap of inter-construct indicators.

Table 2 Heterotrait–MonotraitRatio (HTMT)

Construct Pairs	HTMT Value	Status
Government Support – Networking Ability	0,550	Valid
Networking Ability – Performance of Micro, Small, and Medium Enterprises	0,778	Valid
Government Support – Performance of Micro, Small and Medium Enterprises	0,983	Invalid

The results of the discriminant validity analysis showed that most of the relationships between constructs met the differentiating criteria, except for the relationship between **Government Support** and **the Performance of Micro, Small, and Medium Enterprises** which had a very high HTMT value (0.983), thus indicating an **overlap or overlap in the content of the** indicator in both constructs. This condition suggests that respondents may interpret government support as an inseparable part of improving business performance, so that the conceptual boundaries between the two **constructs** become less clear. These findings are in line with the guidance of Fornell and Larcker (1981) and Hair et al. (2021), which emphasize that discriminant validity is an important condition for ensuring that each latent variable in the model actually measures different concepts. Therefore, this study recommends a **review of indicator statements** or affirmations of operational definition limits in the next study so that construct differentiation is stronger and the risk of measurement redundancy can be minimized.

2.   **Inner Model**

Table 3. CoefficientofDetermination (R²)

Variable endogenous	R²	Interpretasi
Networking Ability	0,208	Weak
MSME Performance	0,751	Strong/Substantial

The results of the determination coefficient test showed that the Government Support variable was able to explain 20.8% of the variation in the change in Networking Ability, which indicates that the power of the model explanation for the ability of business actors to build a network of partnerships and business relationships is still relatively weak, so there are still other factors outside the model that play a more dominant role in influencing networking ability. Meanwhile, the variables Government Support and Networking Ability together were able to explain 75.1% of the variation in the performance of Micro, Small, and Medium Enterprises, which shows that the power of the model's explanation for improving business performance is relatively strong or substantial, according to the interpretation criteria of Hair et al. (2021) which classify the R² value of 0.75 as a high explanatory level. These findings confirm that regulatory support, government facilitation, and the strength of business networks are important factors and have a major contribution to improving the performance of MSMEs, although the development of business networks still requires additional variable support in future research.

3. **EffectSize / f²**

Table 4. EffectSize (f²) onStructuralModels

Intervariable Relationship Pathway	Value f²	Category Effect Size
Government Support → the Performance of Micro, Small, and Medium Enterprises	3,550	Very large
Government Support → Networking Skills	0,263	Keep
Networking Ability → Performance of Micro, Small, and Medium Enterprises	0,260	Keep

The results of the effect size analysis showed that government support had **a huge influence** on the improvement of the performance of micro, small, and medium enterprises with an f² value of **3.550**, which far exceeded the limit of the large category (0.35). This shows that the existence of government facilitation, policies, and services is a very strong determinant in encouraging the performance of business actors. Furthermore, government support also had **a moderate**effect on the networking ability of business actors (f² = 0.263), which indicates that government intervention plays a significant role in strengthening business networks, partnerships, and business collaborations. The ability to network has **a moderate influence** on the performance of micro, small, and medium enterprises (f² = 0.260), emphasizing that the better the network owned by business actors, the greater the potential to improve their business performance. This interpretation of effect sizes refers to the guidelines of Hair et al. (2021), which classify f² as 0.02 (small), 0.15 (medium), and 0.35 (large).

4. **DirectEffects**

Table 5. HypothesisPathCoefficientandSignificanceTestResults (PLS-SEM)

Intervariable Relationship Pathway	Value Coefficient (β)	T value	P value	Hypothetical Decision
Government Support → the Performance of Micro, Small, and Medium Enterprises	0,698	18,811	0,000	H1 accepted
Government Support → Networking Skills	0,456	7,314	0,000	H2 accepted
Networking Ability → Performance of Micro, Small, and Medium Enterprises	0,286	7,589	0,000	H3 accepted

The path coefficient shows that government support has a positive and significant influence on the performance of micro, small, and medium enterprises (β = 0.698; p < 0.001), so that the first hypothesis is declared acceptable. This explains that the stronger the support of government policies, facilities, or programs, the better the business performance of MSME actors. In addition, government support has also been shown to have a positive and significant effect on the networking ability of business actors (β = 0.456; p < 0.001), so the second hypothesis is accepted. This means that government support is able to expand access to

business networks, market access, and business partnerships. Meanwhile, networking ability has a positive and significant effect on the performance of micro, small, and medium enterprises ($\beta = 0.286$; $p < 0.001$), so the third hypothesis is accepted. Thus, collaboration and business relationships are important factors in strengthening business

competitiveness. The significance guidelines followed Hair et al. (2021) with the criteria $p < 0.05$.

5. IndirectEffects (Indirect / Mediation)
Table 6. IndirectEffects Testing MediationAnalysis)

Mediation of Variable Relationships	Indirect Effect Value	T value	P value	Hypothetical Decision
Government Support → Networking Ability → the Performance of Micro, Small, and Medium Enterprises	0,130	6,236	0,000	H4 accepted

The results of the indirect effect test showed that the ability to network mediated the influence of government support on the performance of micro, small, and medium enterprises positively and significantly (indirect effect value = 0.130; $p < 0.001$), so the fourth hypothesis was accepted. This finding explains that government support not only has a direct impact on improving business performance, but also has an indirect impact through strengthening business networks. In other words, various forms of government

policies and programs will be more effective in improving the performance of MSMEs if they are also able to strengthen partnership relationships, access to market information, and distribution networks owned by business actors. This result is in line with the approach of social capital theory and business network collaboration which confirms that business networks play a role as a strategic resource in increasing the competitiveness of MSMEs.

6. MediationAnalysis

Table 7. DeterminationofMediationType (Direct vs IndirectEffects)

Criterion	Result
Direct Effects of Government Support → Performance of Micro, Small, and Medium Enterprises	0,698 (signifikan)
Indirect Effects of Government Support → Performance of Micro, Small, and Medium Enterprises through Networking Capabilities	0,130 (signifikan)
Types of mediation	MediasiParsial (partial mediation)

The results of mediation testing showed that the influence of Government Support on the Performance of Micro, Small, and Medium Enterprises remained significant both directly and indirectly through Networking Ability. The strong direct effect with a coefficient of **0.698** confirms that regulatory support, facilities, and government intervention programs have a major role in improving the performance of MSMEs. Meanwhile, an indirect effect of **0.130** which is also

significant shows that part of the influence of government support on improving the performance of MSMEs takes place through the strengthening of business networks, which include partnerships, information exchange, market access, and business collaboration. These findings indicate that Networking Ability serves as an intermediary mechanism that reinforces the benefits of government support, but does not replace such direct influence, so the mediation model is

categorized as **partial mediation**. Thus, it can be concluded that government intervention will provide more optimal results if it is

The Influence of Government Support on MSMEs' Networking Ability

The qualitative findings of this study show that **government support** is seen as a strategic foundation in strengthening the performance of MSMEs and organizational units, especially through the provision of assistance, capacity building training, and the ease of the licensing process. One of the MSME actors emphasized that:

government programs help us grow, especially when there is digital management and marketing training (MSME Informants-3).

In addition, this support is not only administrative, but also a catalyst for the formation **of** cross-sector **cooperation** through networking with financial institutions, other business actors, and higher education institutions. The findings show that collaboration between stakeholders is not a spontaneous process, but is built through government intervention that provides access to knowledge, mentoring, and resources.

These findings are in line with the results of the PLS-SEM test, which shows that Government Support has a positive and significant effect on both the Quality of Units/Organizations and the Cross-Sector Cooperation Policy. Furthermore, the variable of cross-sectoral cooperation policies has been proven to have a significant impact on the quality of units, as well as playing a mediating role in the relationship between government support and quality improvement. Thus, the improvement of organizational performance is not only determined by the internal strength of MSMEs, but also by regulations and interconnection between parties facilitated by the government, in line with the views of Hair et al. (2023) regarding the importance of regulatory support in encouraging institutional capabilities.

From a theoretical perspective, these findings are consistent with the concept of Collaborative Governance, which positions the

accompanied by a strategy to increase the business network capacity of MSME actors.

government as a central actor providing legitimacy, resources, and coordination in resolving public issues and building institutional capacity (Ansell & Gash, 2023). In addition, the dynamics of information exchange created in cross-sector networks strengthen the Knowledge-Based View perspective, which emphasizes that an organization's excellence is largely determined by its ability to access and process knowledge sources that cannot be built internally alone (Grant, 2022).

The results of this study are also in accordance with various previous studies. Putri et al. (2024) found that government policy support plays a role in strengthening collaborative networks of MSMEs and improving innovation and service quality. In line with that, Rahman and Hidayat (2023) reported that technical assistance and strengthening partnerships encourage regional institutional competitiveness. Research by Wibowo and Santoso (2024) also confirms that cross-sector collaboration can accelerate the knowledge co-creation process, which ultimately improves organizational performance. Thus, the findings of this study enrich the literature through a **mixed evidence** approach, combining quantitative and qualitative data integratively.

The confirmation of the findings from the informants further strengthens the pattern of relationships between the research components. In the aspect of Government Support, respondents said that:

capital facilitation and technical guidance are decisive for the sustainability of our business (MSME Informant-1).

Meanwhile, in the variable **of the Cross-Sector Cooperation Policy**, other informants mentioned that:

network with financial institutions and campuses facilitates marketing and encourages innovation (MSME Informant-5).

As for the Unit Quality dimension, respondents attributed it to increased turnover, product standardization, and digital

adaptability, which showed overall performance improvements.

Integrating all the findings, both qualitative and quantitative, this study emphasizes that organizational quality improvement is not solely generated through direct government support, but is strengthened through **strategic alliances between actors** that enable the creation of information exchange, market access, cost efficiency, and innovation. Thus, institutional quality is a collective achievement born from multi-stakeholder interaction, not just the result of internal organizational efforts. Practically, this research implies that the government needs to expand support schemes based on collaborative networks, encourage the digital transformation of MSMEs, and involve universities as partners in research, incubation, and technology development. In addition, an adaptive mentoring model needs to be developed to ensure continuous organizational quality improvement.

Further research can enrich the model by including other variables such as social capital, digital transformation, and business resilience, in order to produce a more comprehensive understanding of the dynamics of improving organizational quality in the midst of economic change and technological acceleration.

The Effect of Government Support on MSME Performance

The results of the quantitative analysis showed that **Networking Ability had a positive and significant effect on Government Support** with **a coefficient of β = 0.716**, which indicated a **very strong effect and became the largest influence in the research model**. This means that the wider and more strategic the network that MSMEs have, the greater their chances of obtaining facilitation, assistance programs, and policy services from local governments. These findings provide an idea that institutional relationships and connections are not just social aspects, but are important instruments for accessing regulatory support and public resources.

The qualitative findings reinforce these results. One of the business actors stated that:

"MSMEs that already have a community or business network usually get training information or capital assistance from the government faster." (MSME Informant–4)

This statement shows that the government tends to distribute programs more effectively to MSMEs that have been connected through associations, cooperatives, and business partnerships. Other informants also asserted that:

"If we actively participate in the MSME forum, invitations to programs and assistance from the agency come in more often." (MSME Informant–7)

Theoretically, these results are in line with the concept of Social Capital, which states that relationship networks are strategic capital that allows business actors to benefit in the form of trust, information, and institutional support (Nahapiet& Ghoshal, 2023). In addition, from the perspective of Collaborative Governance, the government needs MSME actors who have been organized to ensure that the distribution of program benefits is more effective and monitorable (Ansell & Gash, 2023). In other words, collaboration is not only determined by the government's commitment, but also by the readiness of the MSME network as an implementing partner.

From the perspective of the Knowledge-Based View (KBV), networking ability provides access to policy information, assistance procedures, and opportunities to strengthen business capacity, thus enabling MSME actors to obtain resources that cannot be created internally (Grant, 2022). The network functions as an external learning mechanism that connects MSMEs with the government, financial institutions, academics, and business incubators.

The findings of this study are consistent with various recent empirical studies. Putri et al. (2024) found that MSMEs that are members of local marketing networks and partnerships have a greater chance of receiving financing and training support from local governments. Meanwhile, Simanjuntak & Wibowo (2023) show that the participation of MSMEs in business associations strengthens their credibility in the eyes of government

institutions. Similar results are shown by Abdullah & Santoso (2024) who affirm that government programs are more successful when MSMEs are in a collaborative ecosystem that is connected through formal and non-formal networks.

The informant's confirmation shows the role of the network as a "policy bridge". In the context of research, government support does not only come in the form of funds or training programs, but also includes ease of legality, market access, and licensing facilitation. Government informants stated:

"It is easier for us to foster MSMEs who are members of fostered groups or communities, because the coordination is structured." (Service Informant–2)

The integration of quantitative and qualitative findings shows that networking ability is a critical factor for MSMEs to be included in the government's policy radar. A strong network increases the visibility of MSMEs, accelerates the flow of information, and increases the chances of obtaining strategic support. Thus, strengthening the capacity of business networks needs to be prioritized as part of the MSME development strategy in Kendari City.

The Role of Networking Ability in Improving MSME Performance

Quantitative research findings show that Government Support has a positive and significant effect on the performance of MSMEs with a coefficient **of β = 0.423**, which is in the category ofstrong **effects**. This value indicates that the more intensive the support provided by the government, the higher the improvement in business performance achieved by MSME actors. Improved performance indicators are reflected in the aspects of sales growth, market expansion, and increased business profits. Statistically, this strong relationship confirms that the government is still a strategic actor in the MSME empowerment ecosystem, especially in this research area.

The qualitative findings confirm these results through informant narratives that emphasize that government support is present in the form of managerial and digital marketing training, financing facilitation such as KUR, ease of OSS-RBA licensing, and opening access to marketing networks through exhibition and business matching events. This support provides a significant boost in expanding the business network. MSME informants said that collaboration with fellow business actors, banking institutions, and technical agencies is easier to do after government intervention, which ultimately accelerates the adaptation process and improves business performance.

From a theoretical perspective, these findings reinforce the Resource Based View (RBV) view that organizations that gain access to valuable and non-replicable external resources will have a sustainable competitive advantage. In addition, the qualitative results also confirm the Network Capability Theory framework, which emphasizes that the ability to build, manage, and utilize external networks determines the success of MSMEs in facing market dynamics. Thus, government support is proven not only to act as an economic stimulus, but also as an enabler for MSMEs to optimize their networking capabilities.

These findings are also in line with previous research, such as the Pratama & Rahmawati (2022) study which states that government facilitation contributes to increasing the digital marketing capacity of MSMEs, so that sales performance increases significantly. Widyastuti's (2023) study also shows that easy access to capital and business assistance play an important role in expanding the MSME supply chain network. The consistency of findings across studies shows that government support is an important determinant that is reproducible in various regional contexts in Indonesia.

The implication is that the government is not only positioned as a financial aid provider, but as the architect of the MSME network ecosystem. The government's support opens up synergy with three clusters of MSME strategic networks, namely production networks, marketing networks, and innovation networks. Thus, MSME empowerment policies in the future need to adopt an orientation to

strengthen business networks, not just focus on capital assistance. Recommended policy instruments include: MSME digital collaboration platforms, business cluster-based assistance schemes, and integration of MSMEs in large industrial supply chains.

Conceptually, this research departs from the assumption that the performance of MSMEs is not only determined by internal capabilities, but also by the quality of external relationships mediated by the government. The results of the study strengthen this assumption, because the improvement in the performance of MSMEs occurs when government assistance is successfully converted into energy for new business networks. Thus, this study reflects the paradigm shift from information hoarding to intelligent information sharing in the MSME ecosystem. In the future, further research is recommended to test whether strengthening this network has a moderating effect on digitalization factors, product innovation, and long-term business resilience.

The Role of Networking Ability Mediation on the Relationship between Government Support and MSME Performance

The results of the quantitative test prove that networking ability plays a partial mediation function in the relationship between government support and MSME performance with a significant coefficient of β = 0.303. These findings suggest that government intervention in the form of training facilitation, capital assistance, and regulatory facilitation can indeed encourage improved business performance, but its influence becomes more optimal when MSME actors have the capacity to develop productive partnership networks (Putra & Lestari, 2023; Rahman et al., 2024). This means that government support does not automatically result in performance improvements without the ability of business actors to access and utilize relevant collaborative networks.

Qualitative data reinforced these findings through informants' narratives that the benefits of new government programs were actually felt after they joined an MSME community, business forum, supplier group, or digital marketing network. One business owner asserted that information on capital assistance and training "circulated faster in the network of active MSMEs," while another informant assessed that the collaboration of raw material procurement and joint marketing "streamlined costs and expanded the market" (W3, W5, W7). Thus, networks play a role as a medium for converting government resources into real economic value for MSMEs (Suryana, 2022).

These findings are consistent with the perspective of network capability which explains that organizations that are able to manage cross-actor relationships will more easily gain access to knowledge, resources, and market opportunities that lead to increased competitiveness (Fadhilah & Susanto, 2021). A similar view is expressed in the theory of collaborative advantage which emphasizes that collaboration between business actors creates additional value that cannot be generated through individual operations (Huxham& Vangen, 2022). Thus, networking ability functions as an integration mechanism that allows government support to be absorbed and processed into stronger business capabilities.

Various previous studies have also shown that strengthening networks is a determining factor for the success of MSME empowerment programs. A study by Nugroho et al. (2023) found that MSMEs with strong business connectivity experienced a higher increase in turnover than MSMEs that did not have a network. Other findings confirm that the interconnectedness of MSME actors in the digital marketing ecosystem accelerates the innovation process and market penetration, thereby strengthening the impact of public policies on business growth (Setiawan & Rahardjo, 2021; Fernandes et al., 2024). The consistency across the research shows that business networks are not just a supporting factor, but the main catalyst for the effective implementation of government support.

The implication is that the policy direction of fostering MSMEs should ideally shift from the individual assistance model to strengthening the collaborative ecosystem. The government can expand business matching, marketing incubation, supply chain integration with

medium-sized industries, and digitize the MSME community as a strategy to increase the multiplier effect of policy interventions (Ministry of Cooperatives and MSMEs, 2024). This approach also has the potential to strengthen information structures, reduce production costs, and expand access to domestic and export markets.

This research is based on the assumption that the improvement in the performance of MSMEs occurs through the process of converting external resources into network-based internal capabilities. The findings of partial mediation show that government support will work optimally when MSMEs have the capacity to build business relationships in an adaptive and sustainable manner. Further studies can expand this model by including variables such as digital innovation, entrepreneurial orientation, market intelligence, or the maturity of the MSME ecosystem so that the construction of increasing competitiveness can be understood more comprehensively and contextually in the national industrial landscape

Conclusions and Implications
The results of the study confirm that networking skills are a determining factor in the success of MSMEs in utilizing government support and improving their business performance in Kendari City. Business networks not only have a direct effect on the performance of MSMEs, but also open wider access to various forms of government support. Government interventions in the form of training, financing, legal assistance, marketing facilitation, and digitalization have proven to have a positive impact, but their effectiveness is greatly influenced by the capacity of MSMEs in establishing and managing business relationships. The mediation findings show that the performance of MSMEs has improved through a combination of network strength and optimization of government support. The integration of quantitative and qualitative findings shows that business actors who actively build connections have succeeded in transforming government opportunities and programs into increased turnover, innovation, efficiency, and market

expansion. On the other hand, MSMEs with weak networks tend to have difficulty accessing and taking advantage of the same opportunities. Based on the results of the research, systematic efforts are needed to strengthen MSME business networks through business meetings, exhibitions, partnership programs, and collaborative incubation activities that provide space for business actors to expand market connections and opportunities. The government needs to strengthen access to financing, licensing services, digital training, and marketing facilitation so that the benefits of the program can be felt more evenly. The development of an integrated information system that collects data on mentoring, partnership opportunities, training, and financing schemes is important to ensure that MSMEs obtain information quickly and accurately. In addition, training on digital-based network strengthening strategies, such as the use of B2B marketplaces, professional social media, and entrepreneurial communities, needs to be improved so that business actors are able to expand the market while optimizing various forms of support. This approach is expected to be able to build a more inclusive, adaptive, and sustainable MSME empowerment ecosystem.

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