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Go-Digital Adaptation and Transformational Leadership in MSME Competitive Strategies that Impact Performance

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Abstract

Lake Toba tourism is one of the five super-priority destinations. Lake Toba has a very rich creative economic potential and this product must be developed to complement the tourism potential in the Lake Toba. Lake Toba tourism can compete with other tourist areas by taking advantage of the development of digitalization. Go-digitalization can also increase opportunities for business actors to develop markets that will affect economic revival and the creation of sustainable businesses. The role of HR in optimizing business performance is also important in today's transformational era. This research was conducted with the aim of how tourism sector business actors in the Lake Toba area can apply go-digital to their businesses and how business actors understand transformational as a competitive strategy so that business performance will also increase. The research method uses field research, and the primary source of data is questionnaires. The sample in this study comprised 150 respondents, namely businesses in the tourism sector. The results of this study show that go-digital technology contributes to competitive strategies and has a significant influence on business performance.

Keywords: *Go_Digitalization, Transformational_Leadership, Competitive_Strategy, MSME Performance.*

Introduction

Tourism is an important component of the modern service industry and contributes to the global economy. The tourism sector provides significant opportunities for opening new businesses, employment, and increasing incomes (Deng, Xu and Wei, 2021). Tourism sector development activities are very important for changing economic activities in traditional tourism areas to become more modern through the use of technology and human resources that can innovate and be creative (Steiger et al., 2020).

Promoting tourism development is important for changing the economic development model in accordance with changes in the manufacturing and service industries to expand domestic and international markets. Promotional activities aim to determine how individuals and groups respond to the development of the tourism sector in accordance with the needs and desires of visitors (Van Cranenburgh, Chorus and Van Wee, 2014).

Tourism activities also provide opportunities for business actors, especially MSMEs, to increase income, create local jobs, and contribute to regional economic growth. MSMEs can take

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advantage of the local market to sell service products to tourists visiting tourist destinations. Thus, the growth of local businesses increases. MSMEs can also establish partnerships with tourism industry players such as hotels, restaurants, and travel agents to provide additional products or services to tourists.

The economic recovery in Indonesia is also reflected in activities in the tourism sector. In 2022, the contribution of tourism activities to GDP increased by 4.13% which came from domestic tourist visits and tourism foreign exchange (Statistic Central Agency, 2022)

Currently, tourism development policy in Indonesia not only focuses on pursuing tourist arrivals but also shifts to realizing sustainable tourism that balances economic, social, and environmental factors for the present and the future. Sustainable tourism programs, such as protecting animal ecosystems, marine wealth, waste management, and the use of renewable energy and nature conservation, www.kemenparekraf.go.id.

Lake Toba attracts local, national and international tourists. For this reason, Lake Toba also needs to develop tourism into Smart Tourism, through quality service in building tourist trust so that loyalty will also increase (Lie and Sudirman, 2019). Second: Tourism soft intelligence organizational skills and modalities, including collaboration and partnership, innovation, and leadership. Third, Hard intelligence which refers to the overall technological infrastructure (Archi et al., 2023) (Sembiring, Lubis and Syaifuddin, 2023).

The sustainability of Lake Toba tourism also focuses on how all parties who support sustainability can overcome several problems, such as the search for tourist attractions, culinary, accommodation, and transportation. In this era of digitalization, people's trends are changing very quickly owing to easy access to information. The field of tourism, as one of the industries that is developing rapidly, continues to change following ongoing trends, (Hanum et al., 2020).

The role of digitalization as a competitive strategy aims to understand more deeply how the application of digitalization can facilitate promotional activities of a tourism sector business (Shivanata and Dewi, 2023). The use of technology to support tourism activities is significant in helping the tourism process and marketing strategies, such as promoting various destinations and Indonesia's tourism potential, especially in Lake Toba tourist area. Digital tourism can increase information transfer activities for both domestic and foreign tourists. (Hanum et al., 2020).

Tourist destination actors have also carried out a number of transformations in managing their tourism businesses to be more efficient (Buhalis et al., 2021). The interaction between tourists and the technological environment, both software and hardware, is a digital tourism ecosystem that helps the tourism management process more efficiently by facilitating the process of obtaining information about the tourism sector. (Gelter, Lexhagen and Fuchs, 2021)

Samosir is an island resulting from the expansion of the Toba-Samosir Regency in 2003 and has become destination for domestic and foreign tourists. The parotourism sector in Samosir contributes significantly to business opportunities, creates jobs, and encourages foreign exchange inflows. Promotion is a major component driving an increase in the number of visitors, and the most efficient, cheap, and easy style of promotion is to drive social media.

However, the promotion of tourist attractions in Samosir is still lacking, because there is no integration between business actors and, in this case, MSMEs with the private sector or influencers in intensifying tourism activities around Samosir Island (Wahyuni, Batubara and

Mendalin, 2021). Previous research emphasizes advertising rather than tourism products as part of the service, and travel leads to experience rather than previous tours (Zdunić et al., 2016).

Go digitalization is can increase the competitive strategy of MSMEs in the Lake Toba tourism sector and improve business performance so that local and international tourists are interested in visiting the area, this is also emphasized in research (Filo, Lock and Karg, 2015). That prospective tourists will decide to travel is influenced by the information on their social media. Rapid changes in technology and the global environment cause businesses in the tourism sector to experience obstacles so that they are unable to adapt to technological changes making it difficult to identify transportation, accommodation, and restaurant information when visiting tourist destinations in the area (Lie et al., 2023).

The purpose of this study is to provide insight into MSME and the government of the Lake Toba region about the importance of utilizing go-digitalization and transformational leadership to support their business competitive strategies so that business performance can also be improved. This study also aims as a reference to the government in the Lake Toba Region to take policies in terms of increasing tourism areas into smart tourism.

Literature Review

Go-Digitization

In today's digital era, business activities are highly dependent on the use of technology. The MSME Go-Digitalization program includes: digital skills and mindsets, digital presence, digital marketing, and digital operations (Bank Indonesia, 2022). The growth of MSMEs is currently supported by the use of digitalization to add value to products both in terms of speed and convenience and can expand the desired target market. Digitalization is expected to offer benefits in terms of sustainable business development (Pencarelli, 2020).

(Elijah, Margherita and Passiante, 2020) explain that consistent use of social media and communication in the digital era will have an impact on every individual. Strengthening the use of social networks in the sales process to consumers through existing social media, will have a positive impact on MSME players and enable them to compete (Galindo-Inga et al., 2022).

In today's digital era, understanding digital technology has an impact on company growth. Current e-business activities involve several components of digitalization such as WhatsApp, Instagram, and Twitter applications to increase business performance (Ayala-Soto, Meneses-Claudio and Zarate-Ruiz, 2022).

H1: Go-Digitalization affects Competitive Strategy

H2: Go-Digitalization affects MSME Performance

Transformational leadership

Style Leadership which is able to direct, encourage and motivate HR to be able to utilize all the resources owned by the organization in order to produce performance as expected by the organization, one of which is transformational leadership (Asqari et al., 2008), This leadership is able to adapt to changes that may occur when running its business, the ability of leaders to transform into the main capital so that their business activities can run and achieve organizational goals (Chang, Octoyuda and Arisanti, 2023).

Another opinion about this leadership style is seen from a leader who is able to encourage

someone to change their thinking at work so that performance is in accordance with the situation that occurs in the organization and is able to survive for a last in the long term (Jaén, Reficco and Berger, 2021).

(Robbins and Judge, 2017), transformational leadership traits include:

1. Idealized influence is leaders who can encourage individuals to have a vision and mission at work, are able to create a sense of pride in subordinates while working in the organization so that their subordinates can respect and trust the leader.
2. Inspirational motivation is Leaders who are able to interact with subordinates so as to increase positive expectations during work and generate inspiration to support the achievement of goals and organizational progress
3. Intellectual stimulation is behavior possessed by leaders who are able to encourage subordinates to be creative, innovative, rational and able to solve problems
4. Individualized consideration is Individual consideration is the behavior of a leader who treats each subordinate as an individual with different needs, abilities, and aspirations, as well as training and providing direction

The ability of Business owners to adapt to change is also the cause of transformation that cannot be implemented to increase business competitiveness due to education and age factors. The implementation of effective competitive strategies in the digital age requires adequate digital knowledge and skill. If MSMEs in the tourism sector lack knowledge or skills, the impact of transformational leadership in changing their competitive strategies may be limited (Park et al., 2013).

Style Transformational leadership also focuses on how the development of HR increases productivity through training to make employees more professional at work. With this HR development program, MSMEs in the tourism sector can adapt to environmental changes that occur (Faruqi, 2019).

H3: Transformational Leadership Influences Competitive Strategy

H4: Go-Digitalization Transformational Leadership Affects MSME Performance

Competitive Strategy

Deep activities to meet the needs, desires and purchasing power of consumers and businesses also have a good marketing strategy so that the products offered can be utilized by consumers (Tjiptono, 2019).

Strategy marketing is a system involving in product planning and determination, product marketing, and market management. An effective marketing strategy will consider factors such as market segmentation, target market determination, brand positioning, and the marketing mix. Marketing strategy segmentation helps companies divide the market into smaller identifiable segments. By segmenting the market, companies can identify existing opportunities and challenges and formulate appropriate strategies to enter or expand their market share (Gunardi, Agus Rahayu, 2020).

Strategy marketing helps companies establish clear and measurable marketing goals. Good marketing goals should be specific, measurable, achievable, relevant, and time limited. Marketing strategies also aim to introduce and increase brand awareness, which helps increase

In marketing strategies, companies must analyze the market, understand customer needs and adapt to changing market trends and customer needs to remain relevant. Leaders in tourism marketing strategies must develop effective and appropriate strategies and adapt to technological development and environmental changes.

A competitive strategy is an effort to find a profitable competitive position in one industry, the fundamental arena where competitors take place. A competitive strategy involves a choice of generic strategies that are low cost, differentiation, and focus on achieving and maintaining an advantage compete. In business competition, people are required to choose the best product strategy and competitive pricing in accordance with the quality of the products offered. (Sushchenko, Dekhtyar and Chernysh, 2020) the product distribution selection process is also more effective and the selection of promotional media in accordance with market conditions (Lovelock, Wirtz and Mussry, 2010).

Choosing the right strategy gives business actors an opportunity to compete. The ability to produce different products, competitive pricing, and improving service quality is also very important so that the business being run can compete with other business actors. (Ibrahim and Mahmood, 2016). In the current era of transformation, every MSME needs to pay attention to its competitive advantages in order to improve its business performance (Sunargo, 2022).

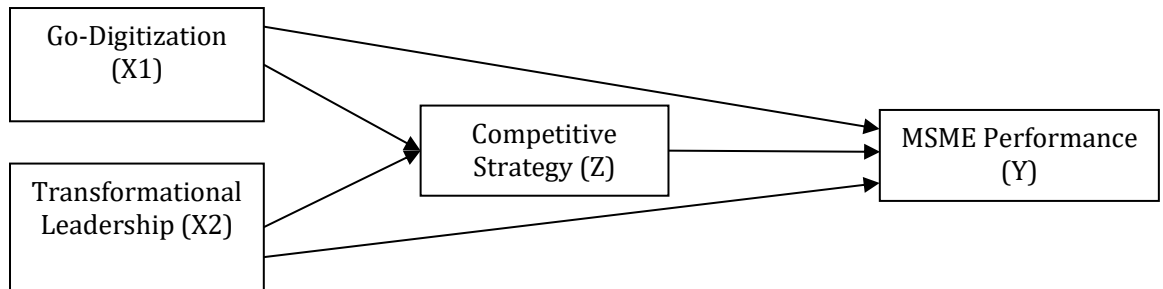
In the process of determining strategy, it is necessary to pay attention to several factors, such as the scale of the business being run and the time needed to formulate the mission and determine programs so that they are superior to the competition (Gelderen, Frese and Thurik, 2000). Competitive strategies include product, pricing, distribution strategies (locations), promotional strategies, human resources, processes, and physical evidence (Chandra, Tjiptono and Chandra, 2004).

H5: Competitive Strategy Affects MSME Performance

MSME Performance

Performance MSMEs refer to how well or poorly the sector achieve various economic and social goals. MSMEs need adequate access to financial resources and income growth factors, such as profitability, return on investment, and sales turnover, to be a measure of business performance success (Fried and Tauer, 2015). Financial indicators are among the factors that determine whether financial performance is good in business (Krishna et al., 2012). MSMEs need to expand their networks and access to local, regional, and global markets through e-commerce platforms and partnerships with other companies. MSMEs must encourage innovation in products and production processes to increase competitiveness and meet changing market needs (Iskamto et al., 2020). The sustainability of a business is also determined by how much opportunity it has to expand, which is also determined by the company's financial capabilities and factors such as non-financial factors (Nautical et al., 2018). Thus, the performance of MSMEs can be seen in indicators such as sales growth, sales level, profit level, job creation, contribution to GDP, product and process innovation.

Conceptual Framework



Based on the theoretical study described earlier, the author describes the conceptual framework of this research, as follows:

Figure 2. Conceptual Framework

Based on the figure 2, this model explains likewise, how can competitive strategy variables indirectly affect go-digitalization and transformational leadership on MSME performance

The novelty of this study is that it combines the fields of technology studies, marketing, HR management, and entrepreneurship, as well as the aspects of go-digitalization factors and transformational leadership, competitive strategies and performance of MSMEs.

Research Method

The nature of verifiable research is to test the correctness of a hypothesis that is carried out through data collection in the field, where this study will test how go-digitalization and transformational leadership affect the performance of MSMEs through competitive strategies. This study uses primary data sources. Primary data is sourced from surveys carried out through questionnaires, interviews and observations to the field. The respondents in this study were 150 MSMEs in the Tourism and Creative Economy sector in Samosir Regency who were included in the purposive sampling criteria. The data used in this study were analyzed using structural equation modelling (SEM) with SmartPLS software.

Findings and Discussion

Test Validity.

This validity is intended to determine the extent to which the compiled questionnaire items can represent the variable being measured. Validity testing using the Loading Factor from PLS calculation and the Value Loading Factor from the results of smart-PLS processing are shown in Table 1. The Value Outer Model is highly recommended by looking at the value of Convergent Validity, which is measured based on the correlation value with the variable measured by a loading factor value of > 0.70 is highly recommended but the value of $> 0.50 - 0.60$ can still be tolerated as long as the model is still under development (Ghozali and Latan,

	Go-Digitalisasi (GD=X1)	Transformational Leadership (TL=X2)	Performance (P=Y)	Competitive Strategies (CS=Z)
GD1	0.833			
GD10	0.854			
GD11	0.836			
GD12	0.804			
GD13	0.909			
GD14	0.891			
GD15	0.799			
GD16	0.849			
GD2	0.788			
GD3	0.795			
GD4	0.704			
GD5	0.795			
GD6	0.843			
GD7	0.821			
GD8	0.749			
GD9	0.853			
TL1		0.921		
TL10		0.950		
TL11		0.896		
TL12		0.928		
TL13		0.938		
TL14		0.919		
TL15		0.899		
TL16		0.948		
TL2		0.946		
TL3		0.921		
TL4		0.896		
TL5		0.942		
TL6		0.947		
TL7		0.933		
TL8		0.946		
TL9		0.930		
P1			0.750	
P2			0.777	
P3			0.604	
P5			0.566	
P6			0.645	
P7			0.686	
CS1				0.584
CS10				0.617

CS11				0.684
CS12				0.728
CS2				0.734
CS3				0.585
CS4				0.630
CS6				0.609
CS7				0.665
CS8				0.661
CS9				0.695

Table 1 Loading Factor

Source: data processing results, 2024

Reliability Test.

Test Reliability Data (reliability test) were performed to measure the consistency and stability of the score (measurement scale) of an instrument in measuring certain concepts and assisting the value of a measurement instrument. Value Cronbach Alpha value above 0.70 (Ghozali and Latan, 2015). The reliability test results for all variables studied are presented in the following table:

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Go-Digitization (X1)	0.968	0.969	0.971	0.675
Transformational Leadership (X2)	0.989	0.990	0.990	0.863
Competitive Strategy (Z)	0.866	0.869	0.892	0.500
MSME Performance (Y)	0.757	0.767	0.833	0.500

Table 2. Reliability Test

Source: data processing results, 2024

Based on the reliability test results above the value of Cronbach’s alpha, the composite reliability and Average Variance Extracted met the required values.

Measuring the Value of the Inner Model and Structural Model

The inner model or structural model was tested to determine the relationship between variables, significance values and the R-square of the research model. The structural model was evaluated using the R-square for the dependent variable.

	R Square	R Square Adjusted
MSME Performance (Y)	0.321	0.307
Competitive Strategy (Z)	0.087	0.075

Table 3. R Square

In table 3, the contribution given by go-digitalization and transformational leadership to the performance of MSMEs was 32.1% and the contribution to the competitive strategy was 8.7%. From these results, it can be explained that go-digitalization and transformational leadership are still low, contributing to improving the competitive strategy and performance of MSMEs.

Hypothesis Testing

The value of hypothesis testing is that the t-value of the factor loadings is greater than the critical value (≥ 1.96). The hypothesis measurement based on the structural model and the significance level of the path coefficient are as follows:

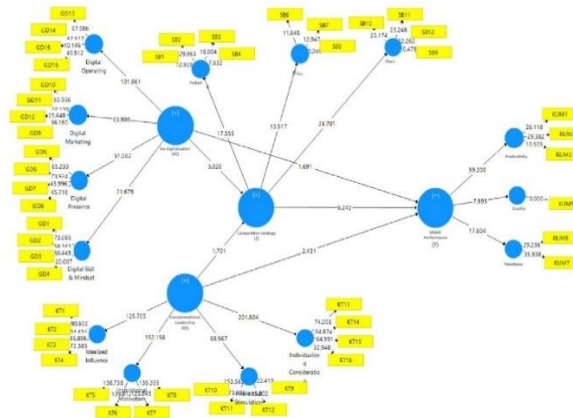


Figure 3. Path Coefficient Model

Source: data processing, 2024

Based on the results of testing the inner or structural model, Go-digitalization has four dimensions, namely digital operation, digital marketing, digital presence, and digital influence. Transformational leadership consists of three dimensions, namely idealized influence, inspiration motivation, intellectual stimulation, the dimension of competitive strategy including products, price, and place, and the performance dimension of MSMEs including productivity, quality, and timelessness. the influence of exogenous, intervening and exogenous variables can be explained as follows:

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Go-Digitalization (X1) -> MSME Performance (Y)	-0.173	-0.182	0.102	1.691	0.092
Go-Digitalization (X1) -> Competitive Strategy (Z)	0.349	0.367	0.115	3.020	0.003

Transformational Leadership (X2) -> MSME Performance (Y)	-0.278	-0.263	0.114	2.431	0.015
Transformational Leadership (X2) -> Competitive Strategy (Z)	-0.252	-0.273	0.148	1.701	0.090
Competitive Strategy (Z) -> MSME Performance (Y)	0.420	0.432	0.067	6.242	0.000

Table 4. Path Coefficient

Source: data processing, 2024

The results of the hypothesis test, it was obtained that go-digitalisasi did not significantly affect performance but go-digitalization positively and significantly affected the competitive strategy of MSMEs, and transformational leadership had a positive and significant effect on the performance of MSMEs. However, transformational leadership does not directly have a significant influence on the competitive strategy of MSMEs. Competitive strategies have a positive and significant effect on the performance of MSMEs. From the test, it can be concluded that the competitive strategy is able to mediate the indirect influence between go-digitalization and transformational leadership.

H1: Go-digitalization Affects MSME Performance

From the test results path coefficient $t_{value_{count}}$ of 1.691 with a p-value of 0.092 means H_0 is rejected. Go-digitalization does not significantly affect the performance of MSMEs in the Tourism sector or the creative economy of Lake Toba. Based on the results of interviews, it is known that the adoption of digital technology (go-digital) for MSME activities does not always directly improve business performance due to the limited human resources, capital and technological literacy needed to adopt digital technology effectively (Archi et al., 2023). The cause of go-digitalization does not significantly affect the performance of MSMEs because some locations in the Lake Toba Area still have difficulty accessing the Internet quickly, limiting the ability of MSMEs to carry out their digital operations. Problems in terms of business model changes. Where not all MSMEs are able to adjust their business models to the changes brought by digital technology, so in terms of price adjustments, marketing strategies, and distribution networks with digital business models cannot be implemented optimally (Zhang, Feng and Wang, 2022).

H2: Go-Digitalization Affects MSME Competitive Strategy

From the test results path coefficient $t_{value_{count}}$ is 3.020 with a p-value of 0.003 means H_2 is accepted. Digital technology has become accessible in a wider market. MSME players can access a wider market online, both domestic and international, through websites, online booking platforms, and social media (Pencarelli, 2020). This allowed MSMEs to reach potential tourists at various locations. Through social media, information search engines, and online booking platforms (Castle et al., 2023). MSMEs in Lake Toba can promote their products and services efficiently to potential tourists through the appearance of attractive information so that the interest in visiting domestic and international tourists is also increasing. The implementation of digitalization will improve the operational efficiency of tourism sector business actors, such as the implementation of online reservation systems and digital payments, so that MSMEs can

reduce time, administrative costs, accuracy, and employee productivity. Technology in the development of product innovation also plays an important role so that it opens up opportunities to always innovate in the development of tourism service products and additional products such as tourist destinations, travel agents and marketing labor-intensive products (Archi et al., 2023).

H3: Transformational Leadership Affects MSME Performance

From the test results path coefficient t value_{count} is 2.431 with a p-value of 0.015 means H3 is accepted. In the current era of transformation, MSME owners also play an active role in encouraging an innovative culture for each of their employees to stimulate creativity, critical thinking, and dare to do something new so that MSMEs in Lake Toba are able to improve the quality of their product services. The transformational leadership style also pays attention to how the development of human resources increases productivity through training with the aim that employees are more professional at work. With this HR development program, MSMEs in the tourism sector can adapt to environmental changes (Faruqi, 2019).

H4: Transformational Leadership Affects MSME Competitive Strategy

From the test results path coefficient t value_{count} is 1.701 with a p-value of 0.090 means H4 is rejected. There are several causes, facing limited resources of time, money, and labor, even though MSME actors provide stimulation to increase competitiveness. However, if the resources needed are not available, then the business will not be able to compete. The ability of business owners to adapt to change is also a cause of transformation that cannot be implemented to increase business competitiveness due to education and age factors. The implementation of effective competitive strategies in the digital age requires adequate digital knowledge and skill. If MSMEs in the tourism sector lack knowledge or skills, the impact of transformational leadership in changing their competitive strategies may be limited (Park et al., 2013).

H5: Competitive Strategy Affects MSME Performance

From the test results, the path coefficient t value_{count} is 6.242 with a p-value of 0.000, which means H3 is accepted. The competitive strategy of MSMEs in the Tourism sector significantly on the performance of MSMEs can be seen through the differentiation of products and services. MSMEs need to develop competitive strategies by differentiating products and services from MSMEs in other regions. The implementation of effective marketing strategies will increase the number of tourists and their sales volume through the utilization of digital distribution channels. Tourism MSMEs that compete in competitive strategies are able can provide superior customer experiences. By providing high-quality services and meeting tourist expectations, MSMEs can gain a good reputation to increase customer satisfaction and obtain positive recommendations, which can affect their business performance. Effective competitive strategies include the ability to innovate and adapt to changes in the business environment and customer preference. Tourism MSMEs that can identify emerging market trends, develop new products and adjust their strategies quickly can maintain their competitiveness and improve their performance in a highly dynamic market (Tucker, 2017).

Conclusion

From the results, it can be concluded that digitalization in the tourism sector is important to accelerate development and remind the MSME sector and regional tourism. Digitalization can facilitate online transactions, reduce operational costs, increase productivity, and improve services. The use of digital technology can help business actors optimize transaction processes,

financial management, and internal communication (Pencarelli, 2020). Digital socialization and training can also help younger generations to understand the importance of digitalization and marketing in the tourism sector. Innovation in the digitalization of the MSME and tourism sector ecosystem can also be an effort to develop the MSME ecosystem in the tourism of Lake Toba. Digital payment platforms and innovative applications can simplify transactions, increase revenue sources, and open opportunities for business stakeholders and consumers, (Tucker, 2017) With digitalization, it will help increase competitiveness for MSME players in the Lake Toba tourism sector both in the transaction process, operational cost savings so that productivity can also be increased. Digitalization plays an important role in opening up new opportunities for marketing and communication, such as the use of social media and the web. The Lake Toba tourism sector can also develop the progress of tourist areas so that domestic and foreign tourists will also increase the number of visits to the Lake Toba Area through the use of innovative application platforms. The application of digitalization to the tourism sector can build the trust of tourists who are interested in visiting through the use of digital identities and booking applications that are easily accessible to tourists (Hanum et al., 2020).

Human resources also play an important role in improving the performance of MSMEs in the tourism sector. The role is as a driver of the tourism industry, the creation of tourism industry products, and a determinant of the competitiveness of the tourism industry. Based on the results of the research, it was found that transformational leadership significantly affects the performance of MSMEs in the tourism sector. MSME players with new innovations in the field of tourism will affect their business performance. Thus, the business management process is more efficient. Transformational leadership will also build a culture of innovation so that it is easy to implement innovation and develop higher quality products and services. Business actors who have a transformational style will make more effective decisions because of the latest business literacy, and understanding technology makes it easier for business actors to make quality decisions based on the needs and situations experienced in their business. The importance of transformational leadership in building synergy between business actors and the community. MSMEs in the tourism sector can be more easily developed if supported by stakeholders, namely, the community, government, and business partners.

Limitation and Further Research

Research limitations, one of which is access to data on tourism activities such as tourist visits, travel patterns and consumer preferences are often difficult to obtain owing to commercial sensitivity or limited data collection infrastructure. A limited sample where research is constrained during the survey MSME actors are still not fully willing to provide the information needed by researchers related to the problems discussed. Another limitation is that research results in the tourism sector are often difficult to generalize widely due to limited geographical, cultural and economic conditions between tourism destinations, so what applies in one place may not apply in another place.

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Authors Contribution

Lora Ekana Nainggolan: Concept development, literature review, methodology, and discussion.

Nana Triapnita Nainggolan: Proof-reading, discussion, and conclusion

Darwin Lie: Conceptualization, methodology.

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