

The Effect of Digital Competencies on MSME Performance through Social Media Capability in Sumbawa Regency

Ria Alvina Rasani¹, Agus Santoso²

Sumbawa University of Technology
Corresponding Author: rhiyavinus@gmail.com

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Abstract

This study aims to analyze the influence of digital competencies on the performance of MSMEs with social media capability as a mediating variable in Sumbawa Regency, Indonesia. The research investigates how internal resources are converted into strategic capabilities to sustain business existence amid the dynamics of the digital economy. A quantitative approach with an explanatory research design was utilized in this research. Primary data were collected through online and offline questionnaires, using a non-probability purposive sampling technique, involving 170 respondents from MSMEs on social media. Data analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. The results showed that digital competency positively and significantly affects social media capability and directly impacts MSME performance. Social media capability played a strong mediating role in connecting technical competency with business outcomes. Conversely, mastery of technology without supported strategic- social media management capabilities will not provide maximum impact on business profitability. The dominance of respondents in the culinary sector (73.7%) and the use of visual platforms such as Instagram (39.4%) highlight that the success of MSMEs in Sumbawa Regency greatly depends on responsive digital interaction capabilities. These findings reinforce the application of the Resource-Based View (RBV), in which digital competencies serve as a crucial intangible asset in creating competitive advantage. In practice, this research provides policymakers with guidance on prioritizing the strengthening of digital capacity to enhance the sustainable performance of MSMEs in the era of digital transformation.

Keywords: Digital Competence, Social Media Capability, MSME Performance, Resource-Based View, Indonesia

Jel Codes: O33; M31; L26

1. Introduction

The acceleration of digital transformation in recent years has fundamentally changed how business actors create value, interact with the market, and maintain competitive advantage. In this context, the use of digital technology is no longer optional but a primary prerequisite for business sustainability, especially for Micro, Small, and Medium Enterprises (MSMEs).

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Figure 1. Number of MSMEs in Indonesia

Source: (Ahdiat, 2025)

According to data released by Databoks, the number of MSMEs in Indonesia has remained relatively stable from 2020 to 2023, rising from approximately 64 million units in 2020 to around 66 million in 2023. However, in 2024, the number of recorded MSMEs declined to about 30 million business units. This data indicates that MSMEs remain a highly dominant sector in the Indonesian economy. The dominance also reflects the fact that most business actors operate at the micro scale and generally still face resource, market access, and technological adaptation limitations. Therefore, strengthening the capacity of MSME actors becomes an important aspect, especially in utilizing digital technology to support business sustainability and development.

In the digital economy era, one competency deemed essential for supporting MSME development is digital competence. Digital competence is defined as an individual's ability to use digital technology effectively, critically, and productively to support work activities and decision-making (Vuorikari et al., 2022). Research by Chen (2024) shows that the digital competencies of business managers are strongly correlated with business performance. These findings confirm that digital skills are not merely supplementary but rather a strategic resource that directly influences performance achievements.

At the MSME level, Aulia (2023) found that digital competencies significantly affect MSME performance. The higher the business actors' capability to utilize social media, e-commerce, digital communication, and business applications, the greater the increase in sales, customer volume, profits, and business image.

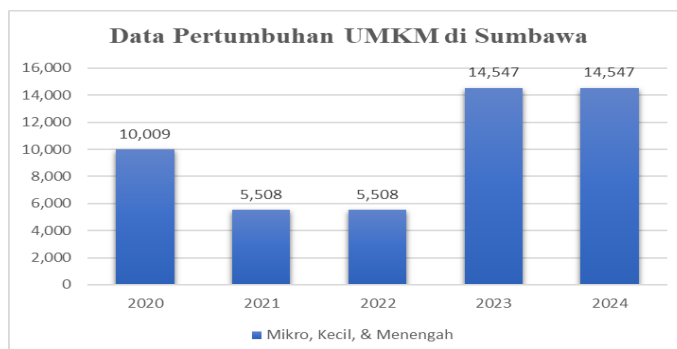


Figure 2. (Dinas Komunikasi, Informatika dan Statistik Provinsi Nusa Tenggara Barat, n.d.)

Source: Satu Data NTB

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When contextualized within Sumbawa Regency, data from the Satu Data NTB dataset since 2020 indicate a consistent increase in the number of micro, small, and medium enterprises (MSMEs). This upward trend reflects the growing economic activity within the community, particularly in the MSME sector. Recent developments also show that many MSMEs have adopted social media as a tool for promotion and sales. However, in practice, not all MSMEs can effectively optimize their use of social media platforms. Therefore, social media marketing capabilities are required, extending beyond mere ownership of social media accounts to include strategic management and leveraging of these platforms ([Laradi et al., 2024](#)).

A study by [Sapthiarsyah and Junita \(2024\)](#) demonstrates that social media use significantly affects business performance. Nevertheless, most prior studies have focused primarily on the direct impact of social media use or digital marketing on MSME performance, without providing an in-depth explanation of the underlying mechanisms driving this relationship. In fact, to fully leverage social media, business actors must possess adequate digital competence, a fundamental capability that enables effective technology use to enhance business performance. Furthermore, existing studies are largely concentrated in urban contexts or specific sectors, leaving a research gap for explicitly testing mediation models in regional contexts such as Sumbawa Regency.

Currently, Sumbawa Regency is actively promoting the development of MSMEs. This is reflected in various forms of government support, including the organization of car-free day and car-free night events, MSME bazaars, and empowerment programs such as Bale Berdaya. In addition, the government facilitates halal product certification, provides financial assistance, and supports business operations by distributing equipment through the Department of Cooperatives and Trade. These initiatives demonstrate the local government's strong commitment to enhancing the competitiveness and performance of MSMEs in the region.

Problem Statement

Despite extensive support from the local government, the substantial growth in the number of MSMEs has not been fully matched by sustainable performance improvements in the digital era. The decline in the number of business units at the national level in 2024 highlights that an increase in business quantity does not necessarily guarantee long-term sustainability without strong digital competitiveness. The main issue identified in this study is the gap between social media ownership and MSME actors in Sumbawa Regency's ability to optimize these platforms strategically. Although social media adoption is widespread, its use often remains basic and fails to have a significant impact on business performance.

Low levels of digital competence among business actors lead to suboptimal use of technology, where digital tools are not effectively leveraged to improve profitability. Moreover, a theoretical gap exists in the literature: most studies emphasize the direct relationship between technology use and performance while overlooking the internal mechanisms by which individual competencies are transformed into organizational capabilities. In particular, the role of social media capability as a mediating variable in the relationship between digital competence and MSME performance remains underexplored. The limited empirical evidence on mediation models in regional contexts, such as Sumbawa Regency, further creates uncertainty for policymakers in designing targeted training and development programs to strengthen MSME competitiveness in the digital economy.

2. Literature Review

It is essential to understand how internal resources and digital capabilities can serve as key drivers of competitiveness for micro, small, and medium enterprises (MSMEs), particularly in developing regions such as Sumbawa Regency. In this study, the literature review is structured into four main sections: (1) the grand theory of the Resource-Based View (RBV), (2) Digital Competencies, (3) Social Media Capability, and (4) MSME Performance.

2.1 Grand theory Resource-Based View (RBV)

The Resource-Based View (RBV) is a strategic perspective that positions a firm's internal strengths as the primary determinant of organizational success in a dynamic and competitive market environment. Originally developed by ([Wernerfelt, 1984](#)) and ([Barney, 1991](#)), this theory posits that competitive advantage and firm performance are driven by the ability to manage internal resources that possess valuable, rare, inimitable, and non-substitutable (VRIN) characteristics. Resources that meet these criteria enable firms to create value and sustain long-term competitive advantage. From the RBV perspective, business performance is not merely influenced by external factors but is largely determined by how organizations strategically optimize their internal assets.

This study conceptualizes digital competencies as an intangible resource grounded in the knowledge and skills of MSME actors in utilizing digital technologies. At the same time, social media capability is viewed as an organizational capability for integrating and managing digital resources to support marketing activities and customer relationships. RBV emphasizes that competitive advantage stems not only from resource ownership but also from the ability to deploy and leverage these resources effectively ([Barney, 1991](#)). Therefore, the combination of digital competencies as a human capital resource and social media capability as an organizational capability is expected to generate strategic value that enhances MSME performance.

Furthermore, within the context of a disruptive digital economy, the relevance of RBV has shifted toward dynamic resource capabilities. Physical assets are no longer the primary guarantee of business sustainability for MSMEs; instead, intellectual and technical capacities embedded within human resources have become critical. When MSME actors in Sumbawa Regency possess strong digital competencies, these serve as foundational resources that are difficult for competitors to imitate, particularly when transformed into unique social media marketing capabilities. Thus, RBV provides a logical framework in which superior performance is viewed as the outcome of transforming competent human resources into effective operational capabilities that respond to the demands of the digital market.

2.2 Digital Competencies

Digital competencies are the ability of business actors to effectively use digital technologies to support business activities, communication, and decision-making in the era of digital transformation. These competencies extend beyond mere technical skills in operating digital devices, encompassing the ability to manage information, generate business value, and integrate technology into both operational and marketing processes. This study adopts the DigiComp Framework developed by ([Vuorikari et al., 2022](#)), which classifies digital competencies into five key dimensions: information and data literacy, communication and collaboration, digital content creation, digital safety, and problem solving.

2.3 Social Media Capability

Social media capability refers to firms' or business actors' ability to strategically use social media platforms to support marketing activities, communication, and business value creation. This capability extends beyond mere technological usage, encompassing how organizations manage customer interactions, disseminate information, and build long-term relationships through social media platforms ([Alalwan et al., 2017](#)).

Referring to the concept of Social Media Marketing Capabilities proposed by [Laradi et al. \(2023\)](#), this capability is not limited to account ownership. However, it emphasizes activity-based effectiveness in managing social media. The indicators employed in this study include posting, interaction, and monitoring capabilities.

2.4 MSME Performance

The performance of micro, small, and medium enterprises (MSMEs) refers to the extent to which they achieve organizational objectives, as reflected in improved business outcomes and the ability to sustain long-term operations. MSME performance is a crucial indicator for evaluating the effectiveness of business strategies, particularly in responding to the evolving dynamics of the digital business environment ([Sapthiarsyah & Junita, 2024](#)).

The performance measurement in this study adopts a managerial perception-based approach developed by [Chen \(2024\)](#), integrating financial and non-financial dimensions through five key indicators: sales growth, customer satisfaction, operational efficiency, competitiveness, and order accuracy.

3. Research Method

This study was conducted among micro, small, and medium enterprises (MSMEs) located in Sumbawa Regency, West Nusa Tenggara Province. A quantitative research approach was employed in this study. The data were analyzed using the Partial Least Squares (PLS) method within the Structural Equation Modeling (SEM) framework. The independent variable in this study is digital competencies (X), the intervening variable is social media capability (Z), and the dependent variable is MSME performance (Y). The sample consists of 170 respondents, determined based on the recommendation of Joseph F. [Hair Jr. et al. \(2019\)](#), which suggests a minimum sample size of 5–10 times the number of indicators in the PLS-SEM model. Therefore, this sample size is considered sufficient to produce stable and reliable estimates.

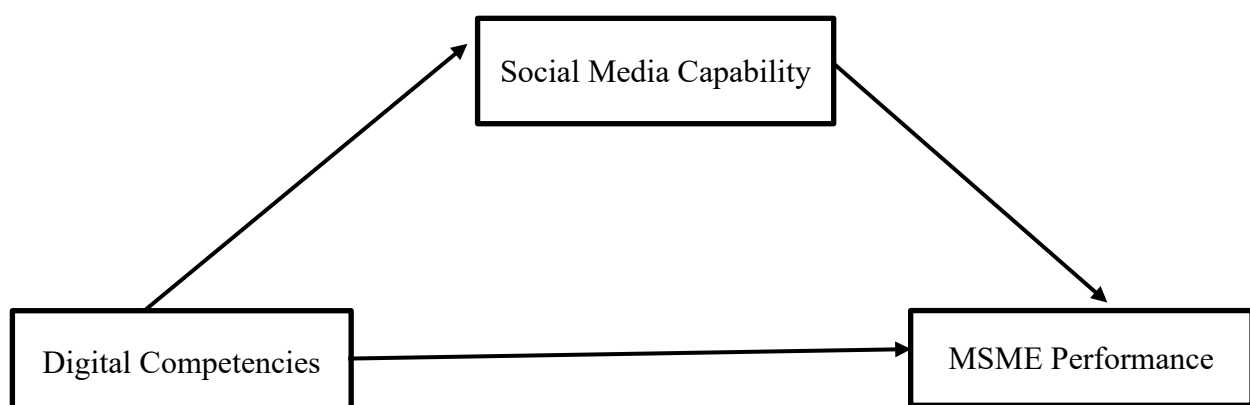


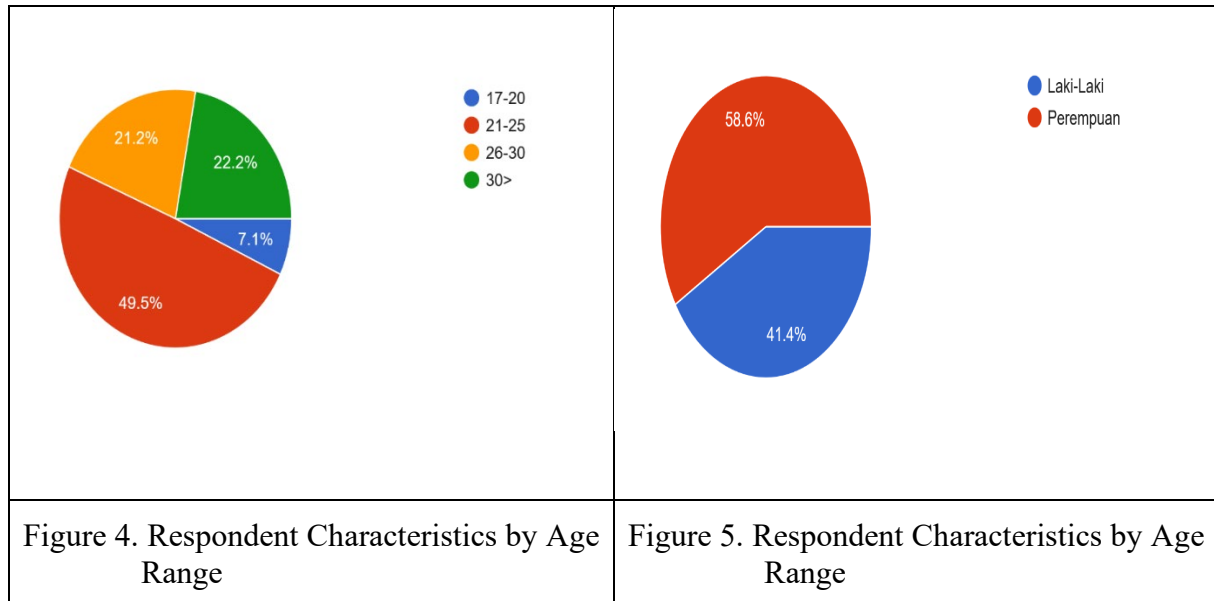
Figure 3. Structural Equation Modeling (SEM) Model

The relationships among variables in this model consist of:
 The direct effect of digital competencies on social media capability
 The direct effect of social media capability on MSME performance
 The direct effect of digital competencies on MSME performance

4. Results and Discussion

4.1. Characteristic respondents

The general profile of respondents in this study is illustrated in the following figure:

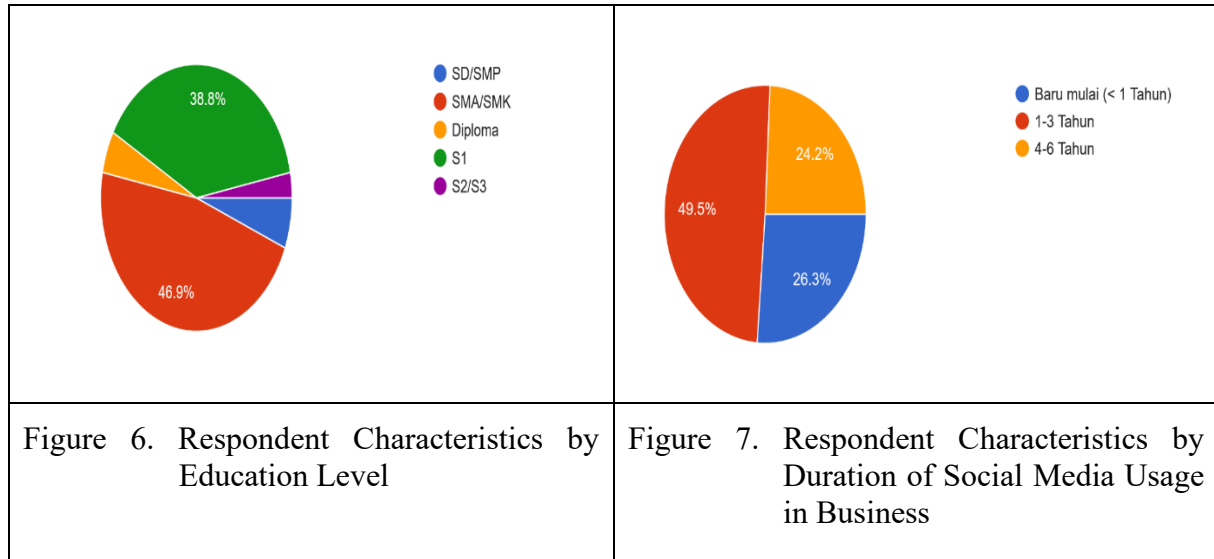


Based on the age distribution of respondents, the majority of MSME actors in Sumbawa Regency fall within the productive age group. The largest proportion is dominated by individuals aged 21–25 years, accounting for 49.5%. This is followed by respondents aged 30+ at 22.2% and those aged 26–30 at 21.2%. Meanwhile, the youngest age group, 17–20 years, represents the smallest proportion at 7.1%. The dominance of respondents aged 21–25 indicates that digital economic activities in Sumbawa Regency are largely driven by young adults, who demonstrate a high level of adaptability to advances in information technology. This finding aligns with the strategic need for MSMEs to undergo digital transformation to remain competitive. On the other hand, the presence of respondents from older age groups suggests that the utilization of digital technology has begun to transcend generational boundaries, serving as an essential instrument for supporting business sustainability and growth in the current era.

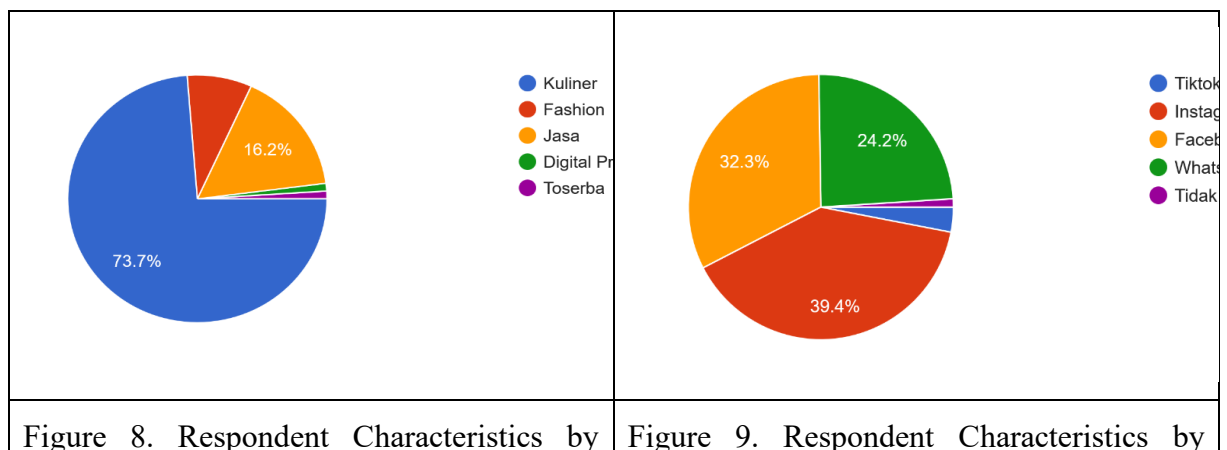
Based on the distribution of respondents' characteristics by gender, the majority are female (58.6%), while males account for 41.4%. This indicates that women play a dominant role in the utilization of digital technology, particularly in actively managing social media capabilities as a tool for marketing MSME products.

Based on Table 6, the respondent profile, the sample is dominated by MSME actors whose highest educational attainment is Senior High School or Vocational High School (SMA/SMK), accounting for 46.9%, followed by bachelor's degree (S1) graduates at 38.8%. The remaining respondents consist of diploma holders (5.1%), primary and junior secondary education (SD/SMP) graduates (6.1%), and postgraduate (S2/S3) degree holders (3.1%). This distribution

indicates that the majority of MSME actors in Sumbawa Regency possess a relatively adequate level of upper-secondary education. This condition serves as an important foundation for absorbing information and adopting new digital technologies. The relatively high proportion of Senior High School or Vocational High School (SMA/SMK) and undergraduate (S1) graduates also suggests that business actors have sufficient digital literacy to develop social media capabilities that support their business performance.



Based on Table 7, data on the duration of social media use in business activities, the majority of MSME actors in Sumbawa Regency have used social media for 1–3 years, accounting for 49.5%. This is followed by respondents who have only recently adopted social media for business purposes, with less than 1 year of usage at 26.3%, and those who have been using it for 4–6 years at 24.2%. This duration reflects the level of adaptation and maturity of business actors in exploring digital features to support their operations. The dominance of the 1–3-year range indicates that digitalization via social media has become a crucial component of MSME operational strategies in recent years, particularly for expanding market reach. On the other hand, the emergence of new users with less than one year of experience suggests that awareness of the importance of social media capability continues to grow as a strategic instrument for enhancing business performance amid increasing competition in the digital marketplace.



Type of MSME Busines	Social Media Accounts
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Based on Table 8, the distribution of MSME business types indicates a significant dominance of the culinary sector (73.7%) and the service sector (16.2%) among respondents in Sumbawa Regency. The high proportion of these two sectors reflects that culinary products largely drive consumer preferences in Sumbawa.

Based on Table 9, MSME actors in Sumbawa Regency use a variety of social media platforms to support their business activities. Social media usage is dominated by Instagram at 39.4%, followed by Facebook at 32.3%, and WhatsApp at 24.2%. A small proportion of respondents use TikTok, accounting for 3%. The heavy use of Instagram and Facebook suggests that MSME actors tend to prefer visually oriented platforms with extensive social networking features to promote their products. Meanwhile, the substantial use of WhatsApp, representing nearly one-quarter of respondents, suggests that direct communication and personalized customer service remain critical components of MSME operations. The diversity of platforms used reflects that business actors are increasingly integrating social media capabilities into their marketing strategies to reach a broader target market and enhance business performance.

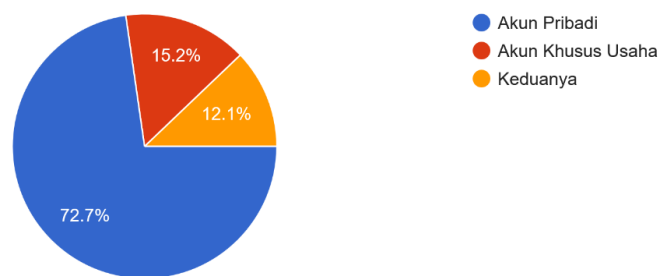


Figure 8. Types of Social Media Accounts

Source. Processed Data

Based on the distribution of social media account types used, the majority of MSME actors in Sumbawa Regency still rely on personal accounts for their business activities, accounting for 72.7%. Meanwhile, respondents with dedicated business accounts account for 15.2%, and the remaining 12.1% use both personal and business accounts to manage their operations. The heavy reliance on personal accounts suggests that most business actors continue to integrate their personal identities into digital marketing practices, likely driven by ease of access and by efforts to build customer trust through a more personalized, relational approach. On the other hand, the presence of MSME actors who have begun adopting dedicated business accounts or combining both types reflects an increasing awareness of the importance of professionalism and the strategic management of social media capabilities, particularly in separating business content management from personal activities.

Table 1. Geographic Distribution of Respondents

No	District Name	Number of Respondents	Percentage (%)
1	Sumbawa District (Urban Area)	71	41.8%
2	Unter Iwes District	22	12.9%
3	Moyo Hulu & Moyo Utara Districts	16	9.4%
4	Lape District	14	8.2%

5	Utan District	11	6.5%
6	Alas District	11	6.5%
7	Plampang District	8	4.7%
8	Other Districts (10 Districts)	17	10.0%
Total	17 Districts	170	100%

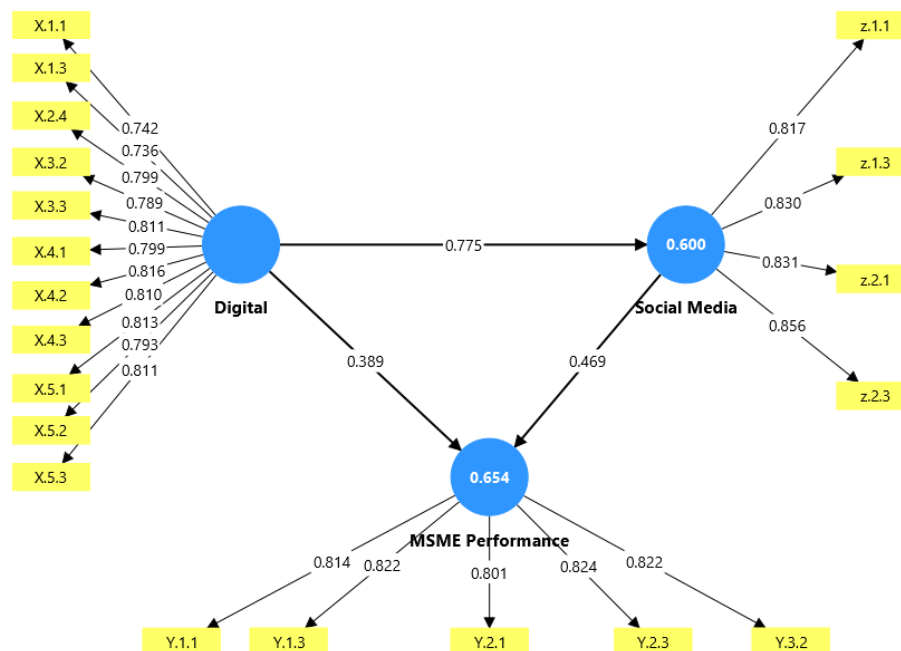
Source. Processed Data

Based on the regional distribution data above, the respondents in this study are representatively distributed across 17 out of 24 districts in Sumbawa Regency, with a strong concentration in Sumbawa District (urban area) at 41.8%, followed by Unter Iwes District (12.9%) and the Moyo area (9.4%). Respondents are also drawn from Lape District (8.2%), Utan District (6.5%), Alas District (6.5%), Plampang District (4.7%), and 10 other districts collectively accounting for 10.0% of the sample.

This distribution indicates that although digital economic activities remain concentrated in urban areas with better infrastructure access, digitalization efforts through social media capabilities have been widely adopted by MSME actors across diverse geographic zones, enabling them to overcome the physical limitations of traditional markets throughout Sumbawa Regency.

4.2. SEM Result

This analysis examined each construct individually to validate the measurement model through construct validity and reliability assessments. In this study, the terms "competency" (digital competencies), "capability" (social media capability), and "performance" (MSME performance) are operationalized.



Source. SmartPLS Report

4.2. Outer Model Evaluation

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4.2.1 Convergent Validity Test

The convergent validity test is conducted to ensure that each indicator within a construct correlates highly with the others, thereby accurately measuring the intended latent variable. This assessment evaluates the loading factor for each indicator and the Average Variance Extracted (AVE) for each construct; an indicator is considered valid if it demonstrates a strong correlation with its respective construct. The results of the convergent validity test in this study are presented in the following table:

Table 2. Convergent Validity Test (Outer Loadings)

Constructs	Indicator Code	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Description
Digital	X.1.1	0.742	0.735	0.054	13.731	0.000	Valid
	X.1.3	0.736	0.735	0.044	16.677	0.000	Valid
	X.2.4	0.799	0.797	0.033	24.059	0.000	Valid
	X.3.2	0.789	0.785	0.043	18.324	0.000	Valid
	X.3.3	0.811	0.809	0.035	23.211	0.000	Valid
	X.4.1	0.799	0.793	0.040	19.793	0.000	Valid
	X.4.2	0.816	0.811	0.038	21.286	0.000	Valid
	X.4.3	0.810	0.805	0.040	20.333	0.000	Valid
	X.5.1	0.813	0.808	0.037	21.868	0.000	Valid
	X.5.2	0.793	0.788	0.036	22.232	0.000	Valid
	X.5.3	0.811	0.807	0.037	21.890	0.000	Valid
Social Media	z.1.1	0.817	0.814	0.037	21.798	0.000	Valid
	z.1.3	0.830	0.827	0.030	28.061	0.000	Valid
	z.2.1	0.831	0.828	0.032	25.813	0.000	Valid
	z.2.3	0.856	0.853	0.029	29.724	0.000	Valid
							Valid
MSME Performance	Y.1.1	0.814	0.811	0.036	22.703	0.000	Valid
	Y.1.3	0.822	0.818	0.037	22.415	0.000	Valid
	Y.2.1	0.801	0.796	0.043	18.630	0.000	Valid
	Y.2.3	0.824	0.820	0.036	23.075	0.000	Valid
	Y.3.2	0.822	0.818	0.037	22.345	0.000	Valid

Source: Olah Data SmartPLS

Based on Table 2, the results of the convergent validity test using outer loadings and the bootstrapping technique in SmartPLS indicate that all indicators in this research model meet the criteria for convergent validity ([Hair Jr. et al., 2019](#)). The primary criteria applied are a minimum outer loading value of 0.70 and statistical significance ($p\text{-value} < 0.05$). The results show that all indicators across the three constructs, Digital Competencies (11 indicators), Social

Media Capability (4 indicators), and MSME Performance (5 indicators), have outer loading values ranging from 0.736 to 0.856, all exceeding the required threshold. Furthermore, all indicators are statistically significant at the 95% confidence level (p -values = 0.000), with t -statistics ranging from 13.731 to 29.724, all substantially higher than the critical value of 1.96. Therefore, the measurement model (outer model) in this study fully meets the requirements for convergent validity and is appropriate for further analysis.

4.2.2 Discriminant Validity Test

The discriminant validity test is conducted to ensure that each indicator in the study has a stronger ability to represent its own latent construct compared to other constructs within the model. This assessment is performed by analyzing cross-loadings: an indicator is considered valid if its loading on the intended construct exceeds its loadings on other constructs. The results of the cross-loading analysis for discriminant validity in this study are presented as follows:

Table 3. Cross-Loading Results for Discriminant Validity Test (Stage 1)

Constructs	Digital (X)	MSME Performance (Y)	Social Media (Z)	Description
X.1.1	0.744	0.655	0.652	Valid
X.1.2	0.769	0.681	0.700	Valid
X.1.3	0.734	0.592	0.648	Valid
X.2.1	0.731	0.605	0.656	Valid
X.2.2	0.767	0.688	0.690	Valid
X.2.3	0.769	0.684	0.682	Valid
X.2.4	0.796	0.654	0.686	Valid
X.3.1	0.732	0.700	0.709	Valid
X.3.2	0.783	0.661	0.670	Valid
X.3.3	0.795	0.657	0.709	Valid
X.4.1	0.760	0.597	0.577	Valid
X.4.2	0.808	0.664	0.670	Valid
X.4.3	0.800	0.692	0.684	Valid
X.5.1	0.783	0.575	0.605	Valid
X.5.2	0.752	0.547	0.586	Valid
X.5.3	0.797	0.609	0.657	Valid
z.1.1	0.638	0.665	0.781	Valid
z.1.2	0.594	0.645	0.724	Valid
z.1.3	0.686	0.662	0.760	Valid
z.2.1	0.677	0.651	0.775	Valid
z.2.2	0.666	0.739	0.771	Valid
z.2.3	0.696	0.702	0.828	Valid
z.3.1	0.731	0.723	0.804	Valid
z.3.2	0.601	0.676	0.746	Valid
z.3.3	0.680	0.689	0.747	Valid
Y.1.1	0.668	0.801	0.708	Valid

Y.1.2	0.644	0.772	0.713	Valid
Y.1.3	0.666	0.780	0.688	Valid
Y.2.1	0.602	0.763	0.674	Valid
Y.2.2	0.641	0.786	0.710	Valid
Y.2.3	0.651	0.793	0.690	Valid
Y.3.1	0.711	0.804	0.716	Valid
Y.3.2	0.677	0.806	0.712	Valid
Y.3.3	0.649	0.767	0.661	Valid

Source: Data diolah 2026.

Based on the initial discriminant validity test, several indicators failed to meet the validity criteria, as evidenced by both cross-loadings and Heterotrait–Monotrait Ratio (HTMT) values. In general, most indicators for the variables Digital Competencies (X), MSME Performance (Y), and Social Media Capability (Z) exhibit the highest loadings on their respective constructs. However, some indicators show only marginal differences in loading values or even higher loadings on other constructs, such as indicators Z.1.2 (0.724) and X.3.1 (0.732), indicating that these items lack sufficient specificity in representing their intended constructs.

This validity issue is further confirmed by the HTMT results, which exceed the acceptable threshold, highlighted in red in the table. Specifically, the correlation between Social Media Capability and Digital Competencies is 0.918, while that between Social Media Capability and MSME Performance is 0.965. Since these values exceed the commonly accepted threshold of 0.90, it can be concluded that the constructs are empirically too highly correlated, indicating potential multicollinearity and a lack of discriminant distinction between them. Therefore, as a corrective measure, the problematic indicators should be removed from the measurement model to ensure that the requirements of discriminant validity are satisfied in subsequent analyses.

Table 4. Cross-Loading Results for Discriminant Validity Test (Stage 2)

Constructs	Digital (X)	MSME Performance (Y)	Social Media (Z)	Description
X.1.1	0.742	0.605	0.577	Valid
X.1.3	0.736	0.585	0.632	Valid
X.2.4	0.799	0.623	0.654	Valid
X.3.2	0.789	0.633	0.599	Valid
X.3.3	0.811	0.644	0.684	Valid
X.4.1	0.799	0.552	0.554	Valid
X.4.2	0.816	0.629	0.635	Valid
X.4.3	0.810	0.658	0.620	Valid
X.5.1	0.813	0.524	0.557	Valid
X.5.2	0.793	0.503	0.589	Valid
X.5.3	0.811	0.571	0.631	Valid
z.1.1	0.618	0.653	0.817	Valid
z.1.3	0.663	0.634	0.830	Valid

z.2.1	0.656	0.607	0.831	Valid
z.2.3	0.645	0.673	0.856	Valid
Y.1.1	0.621	0.814	0.637	Valid
Y.1.3	0.607	0.822	0.616	Valid
Y.2.1	0.579	0.801	0.618	Valid
Y.2.3	0.624	0.824	0.658	Valid
Y.3.2	0.639	0.822	0.615	Valid

Source: Data diolah 2026.

Based on the results after removing several indicators that did not meet the required criteria namely **X.1.2**, **X.2.1**, **X.2.2**, **X.2.3**, and **X.3.1** for the Digital Competencies variable; **Y.1.2**, **Y.2.2**, **Y.3.1**, and **Y.3.3** for MSME Performance; as well as **Z.1.2**, **Z.2.2**, **Z.3.1**, **Z.3.2**, and **Z.3.3** for Social Media Capability all remaining indicators demonstrate the highest loading on their respective constructs compared to other constructs. This is evident from the cross-loadings, which show that each indicator consistently correlates more strongly with its original construct than with any other construct in the model.

Thus, it can be concluded that all indicators retained after the purification process meet the criteria for discriminant validity. This finding confirms that each construct in this study is empirically distinct from the others, indicating that the measurement model (outer model) is valid and suitable for subsequent structural model (inner model) analysis.

4.2.3 Reliability Test

The reliability test is conducted to ensure that the research instrument demonstrates high consistency and stability in measuring latent variables across repeated measurements. This assessment evaluates Cronbach's Alpha and Composite Reliability; a construct is considered reliable if it meets the established thresholds. The results of the reliability test in this study are presented in the following table:

Table 5. Reliability Test Results of Latent Variables

Konstrukt	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Digital MSME	0.941	0.942	0.949	0.629
Performance	0.875	0.876	0.909	0.667
Social Media	0.853	0.854	0.901	0.694

Source: Data diolah 2026.

The reliability of latent variables is considered satisfactory if the composite reliability and Cronbach's alpha values exceed 0.70 (Hair et al., 2019). Table 4 shows that all measured latent variables have composite reliability (rho_c) and Cronbach's alpha values greater than 0.70, indicating that all constructs are reliable (Hair et al., 2019). The highest composite reliability and Cronbach's alpha are found in the Digital Competencies variable, with a composite reliability of 0.949 and a Cronbach's alpha of 0.941. Meanwhile, the lowest values are observed

in the Social Media Capability variable, with a Cronbach's alpha of 0.853 and a composite reliability of 0.901. In addition, the Average Variance Extracted (AVE) values for all variables exceed the required threshold of 0.50.

4.2.4 Structural Model Evaluation

The structural model in PLS-SEM is evaluated using the coefficient of determination (R^2) and significance testing of path coefficients.

a. R-square (R^2) Test

The following are the R^2 values from SmartPLS 4.

Table 6. Output R^2

	R-square	R-square adjusted
MSME Performance	0.654	0.650
Social Media	0.600	0.598

Source: Data diolah 2026.

Table 6 presents the coefficient of determination, revealing an Adjusted value of 0.650 for the MSME Performance variable. This indicates that Digital Competencies and Social Media Capability jointly explain 65.0% of the variance in MSME Performance, while the remaining 35.0% is attributed to other factors outside the scope of this model. Similarly, the Social Media Capability variable yielded an adjusted R^2 of 0.598, signifying that Digital Competencies account for 59.8% of the variance in Social Media Capability.

b. Significance Test

The final stage involves significance testing to determine the effect of exogenous variables on endogenous variables. In PLS-SEM, the significance of latent variables can be assessed using the bootstrapping procedure in SmartPLS 4. The following are the results of the bootstrapping process conducted using SmartPLS 4.

Table 7. Bootstrapping Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Digital → MSME Performance	0.389	0.391	0.078	4.998	0.000
Digital → Social Media	0.775	0.774	0.046	16.928	0.000
Social Media → MSME Performance	0.469	0.463	0.079	5.911	0.000

Source: Data diolah 2026.

Based on Table 7, the significance test results indicate that all structural paths have T-statistics greater than 1.96 and p-values less than 0.05. This demonstrates that Digital Competencies have a significant effect on Social Media Capability and MSME Performance, and that Social Media Capability also significantly affects MSME Performance. The Original Sample (O) column further indicates the direction of the relationships. Since all coefficients are positive (0.389,

0.775, 0.469), the effects are both positive and significant. This implies that an increase in the independent variable leads to an increase in the dependent variable. Therefore, all hypotheses proposed in this study are empirically supported.

4.2.5 Model Fit Evaluation (Goodness of Fit)

Model fit evaluation assesses the extent to which the proposed model fits the empirical data. In SmartPLS, this assessment is examined through Model Fit indicators, primarily the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI). The results of this evaluation are presented in Table 8.

Table 8. Model Fit Test Results

	Saturated model	Estimated model
SRMR	0.055	0.055
d_ ULS	0.625	0.625
d_ G	0.382	0.382
Chi-square	355.063	355.063
NFI	0.858	0.858

Source: Data diolah 2026

Based on the table above, the SRMR value is 0.055. This value meets the model fit criterion (good fit) because it is below the 0.08 threshold. Meanwhile, the NFI value of 0.858 indicates an acceptable level of fit, as it exceeds the minimum threshold of 0.80. Therefore, the proposed research model provides a good fit to the empirical data, enabling reliable hypothesis testing.

4.2.6 Hypothesis Testing

Hypothesis testing is conducted to examine the significance of the relationships among latent variables as formulated in the research hypotheses.

Table 8. Hypothesis Testing Results

Hypothesis	Relationship Between Constructs	T statistics (O/STDEV)	P values
H1	Digital → MSME Performance	4.998	0.000
H2	Digital → Social Media	16.928	0.000
H3	Social Media → MSME Performance	5.911	0.000

Source: Data diolah 2026

Based on the results of the hypothesis testing in Table 8, all structural paths have p-values of 0.000 (< 0.05) and T-statistics greater than 1.96. This indicates that Digital Competencies have a positive and significant effect on Social Media Capability and MSME Performance, and that Social Media Capability also has a positive and significant effect on MSME Performance. Therefore, all three hypotheses proposed in this study are empirically supported.

4.3. Discussion

The results of this study indicate that digital competencies have a significant direct effect on MSME performance in Sumbawa Regency. This finding is consistent with [\(Chen, 2025\)](#) study, which highlights a strong relationship between digital competencies and business performance, and it also reinforces [\(Aulia, 2023\)](#), findings in the MSME context. Empirically, this result

suggests that improvements in individuals' capacity to utilize digital technologies directly contribute to increased sales, customer acquisition, and business image. This finding becomes even more relevant when linked to respondents' demographic characteristics, in which the majority of MSME actors fall within the productive age groups of 21–25 years (49.5%) and 26–30 years (21.2%), reflecting a high level of technological adaptability.

From a theoretical perspective, these findings provide strong support for the Resource-Based View (RBV), which posits that digital competencies are strategic intangible assets that are valuable, rare, and difficult to imitate. Referring to Jay ([Barney, 1991](#)), sustainable competitive advantage arises from an organization's ability to manage its internal resources effectively. The dominance of respondents with senior high school/vocational (SMA/SMK) and undergraduate (S1) educational backgrounds indicates that MSME actors possess sufficient human capital to transform digital competencies into tangible business value. However, ownership of these resources does not fully guarantee the creation of a competitive advantage without proper management capabilities.

The findings also reveal that digital competencies have a very strong influence on social media capability. Within the RBV perspective, organizational capabilities emerge from the integration and orchestration of available resources. Digital competencies such as content design, message management, and audience understanding serve as the foundation for building effective social media capability. This aligns with ([Laradi et al., 2024](#)), who emphasize that social media capability encompasses strategic dimensions rather than merely operational activities. This is further supported by the high level of social media use among MSME actors in this study, with most respondents having used it for 1–3 years (49.5%) and 4–6 years (24.2%). This indicates that business actors are no longer at the initial adoption stage but have entered the utilization stage. However, this condition reveals a gap between the frequency of social media usage and the depth of its strategic utilization. The dominant use of platforms such as Instagram (39.4%) and Facebook (32.3%) remains largely limited to basic promotional activities rather than integrated marketing strategies. This implies that existing digital competencies remain primarily technical and have yet to fully evolve into strategic capabilities that generate sustainable added value.

Furthermore, social media capability has been shown to positively affect MSME performance, supporting the findings of ([Sapthiarsyah & Junita, 2024](#)). This is particularly relevant given the culinary sector's dominance (73.7%) and its heavy reliance on product visualization to attract consumers. The use of visually oriented platforms such as Instagram becomes highly relevant, as it enhances interaction and product appeal. Visual aesthetics play a crucial role in increasing user engagement and purchase intention, as highlighted by ([Casales-Garcia et al., 2025](#)). In addition, the use of WhatsApp (24.2%) indicates that direct communication with customers remains an essential strategy for managing orders, offering discounts, and improving customer satisfaction. This reinforces that social media capability is not only about content creation but also about building and maintaining customer relationships. This suggests that the success of MSMEs is predicated not merely on the ability to capture consumer attention, but more pivotally on the capacity to cultivate and sustain long-term customer relationships.

This study also confirms that social media capability partially mediates the relationship between digital competencies and MSME performance. Digital competencies influence MSME performance by enabling effective use of social media ([Akbar & Zein, 2025](#); [Khaliq et al., 2025](#)). This finding is further supported by the characteristics of respondents, who are mostly

within the productive age group and possess adequate educational backgrounds, enabling them to integrate their individual digital competencies to enhance business performance.

Conceptually, these findings strengthen and extend the Resource-Based View literature by demonstrating that the relationship between resources and performance is not purely direct, but mediated by organizational capabilities. Referring to data on social media usage duration, 26.3% of MSMEs in Sumbawa Regency have only recently adopted social media, indicating that a substantial proportion of business actors are still in the transition phase toward digital maturity. This condition underscores both an opportunity and a challenge, in which interventions such as digital training and mentorship are crucial to accelerating the transformation of MSMEs toward more strategic and sustainable technology use.

5. Conclusion

Based on the SEM-PLS analysis, MSME performance in Sumbawa Regency is significantly influenced by digital competencies and social media capability. From the perspective of the Resource-Based View (RBV), these two variables function as strategic resources that drive competitive advantage. MSME actors with strong digital competencies are more adaptive, enabling them to improve efficiency, profitability, and business image.

This study confirms that digital competencies serve as the primary foundation for developing social media capabilities. However, its effectiveness heavily relies on entrepreneurs' ability to strategically manage social media, including platform selection, content management, and customer interactions, all of which are supported by a conducive business environment. In Sumbawa Regency, the regular implementation of programs such as *Car Free Day* and *Car Free Night* further strengthens the digital ecosystem for MSMEs. These programs are not only promoted by business owners themselves but also supported by micro-influencers and local government figures, thereby enhancing the effectiveness of MSMEs' social media campaigns. For future research, it is recommended to incorporate additional variables such as managerial capabilities, customer orientation, market expansion, and product innovation to gain a more comprehensive understanding of the factors influencing MSME performance.

Overall, social media capability acts as a mediating variable linking digital competencies to MSME performance. This indicates that technological proficiency alone is insufficient; it must be accompanied by effective digital management in order to achieve sustainable business growth.

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