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Building Competitive SMEs through Social Media Capability and Digital Competencies

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Abstract

This study examines the influence of Social Media Capability on MSME Performance, with Digital Competencies and Innovation Capability serving as mediating variables among MSMEs in Sumbawa District. The study applies the Resource-Based View (RBV) as the theoretical foundation and employs a quantitative explanatory approach using Partial Least Squares Structural Equation Modeling (SEM-PLS). The researcher collected data through questionnaires distributed to MSME actors who actively use social media in their business activities. The findings indicate that Social Media Capability has a positive and significant effect on MSME Performance and Digital Competencies. Furthermore, Digital Competencies positively and significantly affect MSME Performance and successfully mediate the relationship between Social Media Capability and MSME Performance. These findings demonstrate that effective social media use can strengthen digital competencies, thereby improving business performance. However, the results reveal that Social Media Capability does not significantly affect Innovation Capability, and Innovation Capability also does not significantly influence MSME Performance. In addition, Innovation Capability fails to mediate the relationship between Social Media Capability and MSME Performance. The study concludes that digital competencies represent a key factor in improving MSME performance in the digital business era, while innovation capability among MSMEs in Sumbawa District remains relatively underdeveloped.

Keywords: Social Media Capability, Digital Competencies, Innovation Capability, MSME Performance, SEM-PLS

INTRODUCTION

The role of Micro, Small, and Medium Enterprises (MSMEs) in the Indonesian economy has been recognized nationally as the backbone of job creation and employment absorption, and as a significant contributor to Gross Domestic Product (GDP) at both national and regional levels (Hidayati, 2022). Along with the rapid development of the digital ecosystem, opportunities for MSMEs to grow and develop have become increasingly widespread. The utilization of digital technologies such as e-commerce, social media, and digital financial services (fintech) can expand market access, improve operational efficiency, and enhance both the financial and non-financial performance of MSMEs (Hidayati, 2022; Nursansiwi & Armiani, 2022; Satiadji, 2023). Among the various digital technology options, social media has become the most accessible and widely utilized instrument for MSME actors due to its low cost barriers and ease of use.

However, the optimal utilization of social media does not depend solely on platform accessibility but also on adequate social media capability. Social media capability refers to the ability of business actors to design, manage, and evaluate social media activities in an integrated manner with business strategies, including content creation, customer interaction, data analysis, and integration with other marketing channels (Armiani et al., 2021; Annisa et al., 2023; Samira et al., 2023). Theoretically, this capability can improve MSME performance by enabling more effective

marketing, stronger brand reputation, and greater responsiveness to the dynamics of the digital market.

Nevertheless, social media capability cannot stand alone. The level of digital competencies possessed by business actors strongly influences this capability. Digital competencies include knowledge, technical skills, and critical thinking abilities for effectively and efficiently utilizing digital technology (Chen, 2025). Digital competencies enable MSME actors to optimize social media use through more strategic activities, such as digital marketing campaigns, customer behavior analysis, and digital-based service management. Therefore, digital competencies act as a mediating variable, bridging the relationship between social media capability and MSME performance, as strong digital competencies enable effective technology use, which directly impacts business performance (Chen, 2025; Hidayati, 2022).

In addition to digital competencies, another internal factor contributing to MSME performance is innovation capability. Innovation capability refers to an organization's internal ability to develop, combine, and utilize resources in order to create new products, processes, or strategies that provide value to customers and generate competitive advantages (Lie, n.d.; Chatterjee et al., 2021). This capability enables business actors to develop products that better meet market needs, improve service quality, and sustainably strengthen competitive positioning. In the context of social media use, innovation capability reinforces the digital transformation of MSMEs, so that social media use is not merely reactive but part of a planned, measurable innovation strategy.

This study focuses on MSMEs in Sumbawa District, Sumbawa Regency, West Nusa Tenggara Province (NTB). NTB is a province with strong local economic dynamics driven by the diversity of MSMEs across various sectors such as food, handicrafts, and culture- and nature-based tourism (Nabila et al., 2023). The number of MSMEs in NTB reached 324,624 units in 2024, with Sumbawa Regency contributing 14,547 active MSMEs during the same period. The Sumbawa Regency Government has also initiated various strategic programs to support MSME development, including facilitating halal certification, providing digital marketing training, and organizing Car Free Night activities to create and strengthen business ecosystems, such as bazaars and promotional spaces for MSME actors. However, not all MSMEs can optimally utilize digital technologies, such as social media, and some do not use them at all.

Based on the background described above, this study aims to examine the influence of social media capability on MSME performance, with digital competencies and innovation capability as mediating factors, in Sumbawa District. This research provides theoretical contributions by enriching the literature on digital-based MSME management, while also offering practical implications for business actors, local governments, and related stakeholders in efforts to enhance the competitiveness of local MSMEs in the digital economy era.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

The Resource-Based View (RBV) approach serves as the primary theoretical foundation of this study because it emphasizes that an organization's ability to manage internal resources and capabilities strongly influences competitive advantage and firm performance. According to Jay Barney (1991), resources that possess valuable, rare, inimitable, and non-substitutable (VRIN) characteristics can become sources of sustainable competitive advantage. In the context of MSMEs, the ability to leverage digital technology and social media represents a strategic resource that can enhance business competitiveness. Therefore, this study considers social media capability, digital competencies, and innovation capability as internal capabilities that can support improvements in MSME performance.

Media Capability and MSME Performance

Social Media Capability refers to a company's ability to use social media to support communication, marketing, customer interaction, and business information management. Social

media has become an important tool for MSMEs to expand market reach at a relatively low cost. According to a study by Lina and Permatasari (2020), effective use of social media can improve MSME performance by enhancing digital marketing and strengthening customer relationships. From the perspective of the Resource-Based View (RBV), social media capability is considered a strategic asset that can create added value for firms. The greater the MSMEs' social media management capabilities, the greater the opportunity to increase sales, customer loyalty, and business competitiveness.

H1: Social Media Capability has a positive and significant effect on MSME Performance.

Competencies Social Media Capability and Digital Competencies

Digital Competencies refer to the ability of individuals or organizations to understand, use, and leverage digital technology effectively to support business activities. The capability to use social media encourages MSME actors to improve their digital skills, such as digital content management, the use of business applications, and the utilization of technology-based information. Research by Khaliq (2025) shows that social media use significantly improves the digital competencies of MSME actors. From the perspective of the Resource-Based View (RBV), digital competencies are considered important resources that support a company's adaptability in the era of digital transformation.

H2: *Social Media Capability has a positive and significant effect on Digital Competencies.*

Digital Competencies and MSME Performance

Digital competencies have become an important factor in improving the operational effectiveness and competitiveness of MSMEs. Business actors with strong digital competencies tend to be better able to leverage technology to support marketing activities, business management, and decision-making. Research by Muthalib (2025) found that digital capability positively affects MSME performance by improving business efficiency and productivity. From the perspective of the Resource-Based View (RBV), digital competencies are strategic resources that can create competitive advantage and enhance organizational performance.

H3: Digital Competencies have a positive and significant effect on MSME Performance.

Social Media Capability and Innovation Capability

Innovation Capability refers to a company's ability to create and develop new ideas, products, and business processes to enhance business competitiveness. Social media can serve as a source of information and inspiration for innovation because it enables companies to obtain customer feedback, understand market trends, and build business collaborations. According to several previous studies, the use of social media can support a company's innovation process by providing broader access to information and more intensive customer interaction. From the perspective of the Resource-Based View (RBV), innovation capability is considered a strategic asset that supports business sustainability in a dynamic business environment.

H4: *Social Media Capability has a positive and significant effect on Innovation Capability*.

Innovation Capability and MSME Performance

Innovation capability plays an important role in improving business performance by enabling companies to develop more competitive products and services. MSMEs with strong innovation capability are more adaptable to market changes and customer needs. According to previous studies, innovation can improve productivity, efficiency, and business growth. From the perspective of the Resource-Based View (RBV), innovation represents a strategic capability that can create long-term competitive advantage.

H5: *Innovation Capability has a positive and significant effect on MSME Performance.*

The Mediating Role of Digital Competencies

Digital competencies not only have a direct effect on business performance, but can also strengthen the relationship between social media capability and MSME performance. Strong social media capabilities can improve the digital competencies of business actors, thereby enhancing the effectiveness of business management and overall business performance. Previous studies have

shown that digital competencies mediate the relationship between digital capability and organizational performance.

H6: *Digital Competencies mediate the effect of Social Media Capability on MSME Performance*.

The Mediating Role of Innovation Capability

In addition to digital competencies, innovation capability can mediate the relationship between social media capability and MSME performance. The utilization of social media enables companies to gain market insights and generate new ideas that support business innovation. These innovations can subsequently enhance a company's competitiveness and performance.

H7: *Innovation Capability mediates the effect of Social Media Capability on MSME Performance*.

RESEARCH METHODS

This study employs a quantitative, explanatory research design to examine the causal relationships among Social Media Capability, Digital Competencies, Innovation Capability, and MSME Performance. The study examines both the direct and indirect effects among variables through structural model testing. The researcher selected a quantitative approach because this study uses numerical data that statistical analysis evaluates to test the research hypotheses.

The population in this study consists of Micro, Small, and Medium Enterprises (MSMEs) that use social media for marketing and business activities. The research sample was selected using a purposive sampling technique, a method based on specific criteria aligned with the research objectives. The respondent criteria in this study include MSME actors who actively use social media in their business activities and have operated their businesses for at least one year. The researcher adjusted the sample size to meet the requirements of the Structural Equation Modeling (SEM) analysis.

Data collection was conducted through the distribution of questionnaires both directly and online to respondents. The research instrument was developed based on variable indicators adapted from previous studies and utilized a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The Social Media Capability variable was measured through the ability to use social media for communication, marketing, and customer interaction. The Digital Competencies variable was measured based on the ability to use digital technology and utilize digital information. The Innovation Capability variable was measured through the ability to create product and business process innovations, while the MSME Performance variable was measured based on sales growth, business growth, and operational effectiveness.

Before using the research instrument in the study, the researcher tested its validity and reliability to ensure that each statement item accurately and consistently measured the research variables. The researcher conducted validity testing by examining factor loadings and Average Variance Extracted (AVE) values, while assessing reliability using Cronbach's Alpha and Composite Reliability.

The data analysis technique in this study employed Partial Least Squares Structural Equation Modeling (SEM-PLS) using SmartPLS software. The analysis was conducted in two stages: measurement model testing (outer model) and structural model testing (inner model). Outer model testing aimed to assess the validity and reliability of the constructs, while inner model testing was conducted to examine the relationships among variables, path coefficient values, T-statistics, P-values, and the mediating effects among the research variables. The SEM-PLS method was selected because it can analyse complex relationships among variables and is suitable for studies involving mediation models and relatively limited sample sizes.

RESULTS AND DISCUSSION

Outer Model Evaluation (Measurement Model)

The evaluation of the outer model aims to examine the validity and reliability of the research instruments to ensure that the indicators used can measure the constructs accurately.

Convergent validity testing was conducted to determine the extent to which the indicators can reflect the measured latent constructs. The evaluation was carried out by examining the outer loading values, where an indicator is considered valid if it has a value greater than 0.60. Based on the results of data processing using SEM-PLS, it was found that most indicators across all research variables had outer loading values above 0.60, thereby meeting the criteria for convergent validity.

Table 1. Outer Loading Results

Indicators	Result	Indicators	Result	Indicators	Rasult	Indicators	Result
X1.1	0.812	Z1.1	0.8	Z2.1.2	0.763	Y1.1	0.832
X1.2	0.782	Z1.2	0.763	Z2.1.3	0.748	Y1.2	0.821
X1.3	0.823	Z1.3	0.71	Z2.2.1	0.61	Y1.3	0.77
X2.1	0.826	Z2.1	0.761	Z2.2.2	0.803	Y2.1	0.811
X2.2	0.843	Z2.2	0.783	Z2.2.3	0.705	Y2.2	0.83
X2.3	0.807	Z2.3	0.822	Z2.3.1	0.78	Y2.3	0.779
X3.1	0.837	Z2.4	0.746	Z2.3.2	0.78	Y3.1	0.892
X3.2	0.839	Z3.1	0.729	Z2.3.3	0.663	Y3.2	0.831
X3.3	0.777	Z3.2	0.777			Y3.3	0.823
		Z3.3	0.776				
		Z4.1	0.804				
		Z4.2	0.826				
		Z4.3	0.797				
		Z5.1	0.821				
		Z5.2	0.792				
		Z5.3	0.779				

Source: Data processed using SmartPLS, 2026

Based on the results of the convergent validity test in Table 1, most indicators have outer loadings above 0.60, indicating that they reflect the latent constructs well. In the variables of social media capability, MSME performance, and digital competencies, all indicators have met the validity criteria (>0.60) and can therefore be considered valid and reliable in measuring their respective constructs. Meanwhile, in the innovation capability variable, several indicators have outer loadings ranging from 0.60 to 0.70; these values are still acceptable because they fall within the recommended tolerance limits in SEM-PLS and do not affect the overall model quality. Overall, these results indicate that the measurement model (outer model) has fulfilled the convergent validity criteria, so all indicators are appropriate for further analysis in the structural model.

Table 2. Fornell–Larcker Criterion Results

	Digital Competencies (Z1)	MSME Performance (Y)	Social Media Capability (X)	innovation capability (Z2)
Digital Competencies (Z1)	0.878			
MSME Performance (Y)	0.119	0.912		
Social Media Capability (X)	0.272	-0.167	0.944	
innovation capability (Z2)	-0.203	-0.147	-0.125	0.734

Source: Data processed using SmartPLS, 2026

The results of the discriminant validity test, conducted using the Fornell–Larcker criterion, show that the square root of the Average Variance Extracted (AVE) for each construct is greater than the correlation values with other constructs. The square root AVE values are as follows: 0.878 for Digital Competencies, 0.912 for MSME Performance, 0.944 for Social Media Capability, and 0.734 for Innovation Capability. This indicates that all constructs have met the discriminant validity criteria, confirming that the measurement model is suitable for further analysis.

Tabel 4. Hasil Uji Reliabilitas (Composite reliability)

	Cronbach's Alpha	Composite Reliability	Keterangan
Digital Competencies (Z1)	0.957	0.962	Reliabel & Valid

MSME Performance (Y)	0.940	0.949	Reliabel & Valid
Social Media Capability (X)	0.937	0.947	Reliabel & Valid
innovation capability (Z2)	0.883	0.903	Reliabel & Valid

Source: Data processed using SmartPLS, 2026

Based on the results of the construct reliability test, all research variables have Cronbach's Alpha and Composite Reliability values above 0.70. These results indicate that all constructs demonstrate good internal consistency and reliability. In addition, the Average Variance Extracted (AVE) values for all constructs are above 0.50, indicating that the constructs meet the convergent validity criteria. Therefore, all indicators are considered valid and reliable for further analysis.

The second stage of the analysis using PLS-SEM is the structural model test (inner model). The structural model is used to examine the relationships among the research constructs, namely the relationships between latent variables. This structural model evaluation consists of several testing stages, including the R-Square test (Coefficient of Determination), F-Square test (f^2 Effect Size), and Q-Square test (Predictive Relevance).

Table 5. R-Square Test Results

	R Square	**R Square Adjusted**
Digital Competencies (Z1)	0.871	0.870
MSME Performance (Y)	0.879	0.875
innovation capability (Z2)	0.016	0.006

Source: Data processed using SmartPLS, 2026

Based on the coefficient of determination (R-square), the Digital Competencies variable has an R-square of 0.871, and MSME Performance has an R-square of 0.879, indicating that the model demonstrates strong predictive power. These values indicate that the independent variables in the study explain 87.1% of the variance in Digital Competencies and 87.9% of the variance in MSME Performance. Meanwhile, Innovation Capability has an R-square value of 0.016, indicating very low predictive power, suggesting that factors outside the research model explain most of the construct's variability.

Table 7. Q^2 Predictive Relevance Results

Nilai Q^2	**Interpretasi**
0.985	Excellent

Source: Data processed using SmartPLS, 2026

Based on the Q-Square (Predictive Relevance) calculation, the model produced a value of 0.985. Since the value is greater than zero ($Q^2 > 0$), the model demonstrates excellent predictive capability for the endogenous variables examined in the study. Therefore, the research model is considered to have good predictive relevance and is appropriate for hypothesis testing.

Table 8. Direct Hypothesis Testing Results (T-Statistics & P-Values)

Relationship Between Variables	**Path Coefficient**	**T-Statistic**	**P-Value**	**Decision**
Digital Competencies (Z1) → MSME Performance (Y)	0.548	4.313	0	Significant
Social Media Capability (X) → Digital Competencies (Z1)	0.933	49.029	0	Significant
Social Media Capability (X) → MSME Performance (Y)	0.408	3.096	0	Significant
Social Media Capability (X) → Innovation Capability (Z2)	-0.125	1.057	0.291	Not Significant

Innovation Capability (Z2) → MSME Performance (Y)	0.016	0.372	0.71	Not Significant
Social Media Capability → Digital Competencies → MSME Performance (Y)	0.511	4.359	0	Significant
Social Media Capability → Innovation Capability → MSME Performance (Y)	-0.002	0.227	0.821	Not Significant

Source: Data processed using SmartPLS, 2026

Based on the results of the relationship testing among variables, the Social Media Capability variable has a positive and significant effect on MSME Performance, with a path coefficient of 0.917, a T-statistic value of w432.215, and a P-value of 0.000. These results indicate that the greater the MSMEs' ability to utilize social media, the higher their performance. The use of social media helps MSMEs improve marketing effectiveness, expand market reach, increase product visibility, and strengthen customer relationships, thereby enhancing overall business performance.

Social media has become one of the most accessible and widely used digital technologies, integrated into people's daily activities. This condition makes it relatively easier for MSME actors to adapt to digitalization, particularly by using social media as a tool for promotion and business communication, compared to other, more complex digital technologies. Optimizing social media does not only require the existence of business accounts, but also demands consistency in content management, the ability to understand digital consumer behavior, and the readiness of business actors to continuously follow emerging trends and new features on social media platforms. These capabilities play an important role in improving the effectiveness of digital marketing and customer engagement (Laradi et al., 2024). Therefore, MSMEs' ability to keep pace with digital trends is a crucial factor in maintaining business competitiveness in the digital era. The findings of this study are consistent with those of Lina and Permatasari (2020), who found that social media capabilities significantly improve MSME performance by optimizing digital marketing and customer interaction.

Furthermore, the Social Media Capability variable has a positive and significant effect on Digital Competencies, with a path coefficient of 0.933, a T-statistic of 49.029, and a P-value of 0.000. These findings indicate that MSME actors' use of social media can improve their digital competencies, including managing social media platforms, creating and organizing digital content, understanding audience characteristics, and determining the most relevant social media platforms for the target market. These competencies are important because each social media platform has distinct user characteristics and interaction patterns, requiring MSME actors to adapt their digital communication strategies to the targeted consumer segment.

Khaliq (2025) supports these findings by explaining that the utilization of social media can improve the digital competencies of MSME actors in facing digital business transformation. In addition, Laradi et al. (2024) state that the ability to strategically manage social media can enhance a company’s digital capabilities by strengthening customer interaction, improving digital information management, and enabling adaptation to the development of digital technologies.

Among MSMEs in Sumbawa District, the use of social media shows an interesting pattern by audience characteristics. Most people, particularly Generation X and older adults, tend to use Facebook through online buying and selling groups as their primary medium for trading and product promotion. They consider the platform easier to use, capable of reaching broader local communities, and effective at enabling direct communication between sellers and consumers. Meanwhile, platforms such as Instagram and TikTok are more commonly used to build a positive business image, strengthen branding, and reach younger consumers who are more active on visual- and short-video-based social media. This condition indicates that the ability to select and manage social media platforms according to audience characteristics has become an important part of MSMEs’ digital competencies in the digital marketing era.

The next test results indicate that Digital Competencies have a positive and significant effect on MSME Performance, with a path coefficient of 0.548, a T-statistic value of 4.313, and a P-value of 0.000. These results indicate that the higher the digital competencies possessed by MSME actors, the better the resulting business performance. Digital competencies enable business actors to manage business processes more effectively, adaptively, and competitively amid the increasingly dynamic development of the digital economy.

Digital competencies are not only about using technology, but also about understanding digital information, using social media, managing online customer communication, and using supporting applications such as content editing tools. MSME actors with strong digital competencies tend to be better able to capitalize on market opportunities, improve operational efficiency, accelerate the dissemination of product information, and build more interactive relationships with consumers. These conditions ultimately contribute to increased sales, market expansion, and business sustainability. The findings of this study are consistent with those of Muthalib (2025), who found that digital capabilities significantly improve marketing performance and the sustainability of MSMEs.

In the indirect effect testing, the relationship between Social Media Capability and MSME Performance through Digital Competencies proved significant, with a coefficient of 0.511, a T-statistic of 4.359, and a P-value of 0.000. These results indicate that Digital Competencies mediate the effect of Social Media Capability on MSME Performance. Thus, the ability to use social media not only directly improves business performance but also indirectly enhances performance by strengthening MSME actors' digital competencies.

These results indicate that effective social media use can encourage MSME actors to improve their digital capabilities, including the ability to create marketing content, understand digital consumer behavior, use online promotional features, manage customer interactions, and utilize digital technology in daily business activities. This process gradually develops stronger digital competencies, enabling business actors to manage their businesses more effectively and competitively in the digital era.

When MSMEs begin actively using Facebook, Instagram, and TikTok, business actors are indirectly required to learn new digital skills, such as visual content management, the use of digital advertising features, online customer communication, and trend-based digital marketing strategies. The improvement of these capabilities subsequently helps MSMEs expand their market reach, strengthen customer relationships, and improve marketing effectiveness, ultimately enhancing business performance. Khaliq (2025) supports these findings by explaining that digital competencies can mediate the effect of social media marketing on MSME performance. The findings indicate thats that social media can have a greater impact on business performance when MSME actors possess adequate digital capabilities to use the technology strategically.

Meanwhile, the Social Media Capability variable does not have a significant effect on Innovation Capability, with a coefficient value of -0.125, a T-statistic value of 1.057, and a P-value of 0.291. These results indicate that the ability to use social media has not significantly improved MSMEs' innovation capability. This condition suggests that most MSME actors in Sumbawa District still use social media at a basic level, primarily for promotion, marketing communication, and product sales. The use of social media by MSMEs remains more focused on daily operational activities, such as uploading products, attracting customers, and increasing short-term sales. Meanwhile, MSMEs still rarely use social media for more innovative activities, such as market trend analysis, new product development, consumer needs exploration, and data-driven business strategy development (Chatterjee et al., 2021). As a result, MSMEs' social media capabilities have not significantly improved their innovation capabilities.

In addition, limited human resources have become a factor preventing MSMEs from fully developing their innovation capabilities. Most MSMEs in Sumbawa District are still managed individually and do not yet employ workers with specialized competencies in digital technology,

product development, or innovation management. This condition causes business actors to focus more on fulfilling short-term operational needs and maintaining daily business sustainability rather than continuously developing business innovation. As a result, the capacity of MSMEs to develop product innovations, adopt new business strategies, and utilize digital technology effectively remains relatively limited.

These internal resource constraints also hinder MSMEs' digital transformation. Most business actors still face limitations in knowledge, technical skills, and organizational readiness to integrate digital technology into their business strategies fully. Gonzalez-Varona et al. (2021) explain that limitations in organizational competence and the quality of human resources represent major obstacles for MSMEs in effectively developing digital transformation and innovation capability. These findings indicate that business innovation success depends not only on the use of technology or social media, but also on the readiness of human resources and the organization's ability to manage digitally driven business transformation.

The research results also show that Innovation Capability does not significantly affect MSME Performance, with a coefficient value of 0.016, a T-statistic value of 0.372, and a P-value of 0.710. These findings indicate that MSMEs' innovation capabilities have not yet had a significant impact on business performance. This condition suggests that the innovations implemented by most MSMEs remain relatively simple and have not created significant added value, thereby not improving business competitiveness.

In the context of MSMEs in Sumbawa District, innovation activities generally remain limited to changes in product packaging, modifications to promotional designs, and product adjustments that follow short-term market trends. In the culinary sector, for example, business actors primarily drive innovation by updating menus in line with contemporary concepts or viral social media trends. However, other businesses can easily imitate this type of innovation, and it often survives only briefly due to rapidly changing consumer trends. As a result, these innovations have not been able to build strong business differentiation or create sustainable customer loyalty.

The findings of this study are consistent with those of Muhammadin et al. (2020), who found that dynamic or innovation capability has a positive but insignificant effect on organizational performance. These results indicate that innovation capability does not always automatically improve business performance, particularly among MSMEs that are still in the early stages of digital transformation and face resource constraints.

The mediation testing using Innovation Capability also produced insignificant results, with a coefficient of -0.002, a T-statistic of 0.227, and a P-value of 0.821. These findings indicate that Innovation Capability cannot mediate the relationship between Social Media Capability and MSME Performance. In other words, improving social media capability does not automatically encourage innovation that contributes to better MSME performance. This phenomenon occurs among MSMEs in Sumbawa District that have begun actively using social media platforms such as Facebook, Instagram, and TikTok to expand their product marketing. However, the innovations they implement have not significantly increased sales, business efficiency, or competitiveness. This condition indicates that social media capability alone is insufficient to improve business performance unless MSMEs also possess strong, adaptive, and market-oriented innovation capabilities.

The findings of this study align with the research by Komariah et al. (2022), which found that MSME actors still face limitations in continuously developing innovations, resulting in innovations that have not yet achieved optimal impacts on business growth.

CONCLUSION

This study concludes that Social Media Capability has a positive and significant effect on MSME Performance. These results indicate that MSMEs' effective use of social media can improve business performance by expanding market reach, strengthening customer relationships, and

enhancing marketing effectiveness. In addition, Social Media Capability has a positive and significant effect on Digital Competencies, indicating that the use of social media can encourage MSME actors to improve their digital capabilities by understanding and utilizing digital technology. Furthermore, Digital Competencies have a positive and significant effect on MSME Performance, demonstrating that digital competencies are an important factor in improving business competitiveness and operational effectiveness in the digital era. The mediation test results also show that Digital Competencies mediate the relationship between Social Media Capability and MSME Performance, indicating that social media capability can improve business performance both directly and indirectly by enhancing digital competencies.

However, the research results show that Social Media Capability does not significantly affect Innovation Capability, and Innovation Capability also does not significantly affect MSME Performance. In addition, Innovation Capability cannot mediate the relationship between Social Media Capability and MSME Performance. These findings indicate that MSMEs still tend to focus social media use on promotional activities and marketing communication, while they have not fully utilized social media to support business innovation. Overall, this study emphasizes the importance of strengthening digital competencies as a key factor in improving MSME performance amid the growth of digitally driven business activities.

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