

The Effect of Digital Literacy and Social Media Utilization on MSME Performance in Klungkung Regency, Bali

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Abstract

This study is grounded in the increasing importance of digital transformation among Micro and Small Enterprises (MSMEs) in Indonesia, particularly in tourism-based regions where competitiveness is closely tied to digital capability. Despite the rapid growth in digital adoption, many MSMEs still face challenges in effectively utilizing digital tools to enhance business performance, especially due to limited digital literacy and suboptimal use of social media. This research aims to examine the effect of digital literacy and social media utilization on MSME performance in Klungkung Regency, Bali. Using a quantitative explanatory approach, data were collected from 53 MSMEs across culinary, fashion, and craft sectors through purposive sampling. The data were analyzed using multiple linear regression with SPSS. The results indicate that digital literacy has a positive and significant effect on MSME performance, while social media utilization demonstrates a stronger and more dominant influence. Simultaneously, both variables significantly explain 59.2% of the variance in MSME performance. These findings highlight the critical role of digital capability, particularly social media optimization, in improving competitiveness and sustainability of MSMEs in tourism-based regions. This study contributes by providing empirical evidence in a relatively underexplored regional context and offers practical implications for policymakers in designing targeted digital empowerment programs.

Keywords: Digital Literacy, Digital Transformation, Klungkung Regency, MSME Performance, Social Media Utilization.

1. Introduction

Regarded Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of Indonesia's national economy, playing a vital role in employment creation, income distribution, and economic resilience. According to the Ministry of Cooperatives and SMEs (2024), MSMEs account for more than 35 million business units in non-agricultural sectors, with the trade, accommodation, and food service sectors dominating the structure. This highlights the strategic position of MSMEs as key drivers of inclusive economic development in Indonesia.

Alongside this, the government has intensified digital transformation initiatives to enhance MSME competitiveness. Digital literacy has become a critical capability, encompassing not only the technical ability to use digital devices but also the competence to manage information, create digital content, and utilize online platforms strategically (Falloon, 2020). Despite the increasing adoption of digital tools, many MSMEs still face limitations in optimizing these technologies for business performance improvement. This indicates that digital adoption alone is insufficient without adequate internal capabilities.

Recent international studies further emphasize that digital capability is not merely a matter of technology adoption but is strongly shaped by user competencies and contextual



conditions. A study by Perdana and Gultom (2026) shows that technological and functional affordances significantly influence user engagement in digital platforms, particularly in emerging economies. The findings suggest that digital platforms provide “action possibilities” that can only be realized when users possess sufficient digital capabilities. Interestingly, the study also reveals a paradoxical role of literacy, where higher literacy may lead to more selective and cautious engagement rather than increased participation. This implies that digital literacy does not automatically translate into higher performance outcomes, but depends on how it is enacted within specific contexts.

From a broader perspective, Fan (2025) explains that digital technology fundamentally reshapes economic structures by enhancing the efficiency of financial capital allocation and enabling the emergence of platform-based ecosystems. The integration of digital technology and financial systems facilitates more efficient resource distribution, strengthens business processes, and expands market access (Leni et al., 2026). For MSMEs, this transformation opens opportunities to leverage digital platforms not only for marketing but also for value creation and competitive positioning within increasingly digitalized economies (Jurnalita, 2024)

At the provincial level, Bali presents a distinctive economic structure where MSMEs are closely intertwined with the tourism industry. The region’s economy is heavily driven by cultural tourism, creative industries, and experience-based services, requiring MSMEs to adopt more sophisticated digital strategies (Sari & Umam, 2025). In this context, digital capabilities—particularly those related to visual content creation, branding, and online engagement which become increasingly important. MSMEs in Bali are therefore not only expected to adopt digital platforms but also to integrate local cultural values into their digital marketing strategies to remain competitive in the tourism market (Widiastini et al., 2023).

Within Bali, Klungkung Regency represents a unique case as a cultural tourism-based region with strong potential in creative MSME sectors such as handicrafts, culinary products, and traditional arts. However, despite this potential, MSMEs in Klungkung face specific challenges related to limited digital literacy and suboptimal use of social media for business purposes. These challenges are particularly critical given the reliance of tourism-oriented businesses on digital promotion and customer engagement.

Previous empirical studies have consistently demonstrated the importance of digital capabilities in improving MSME performance. For instance, Farhan et al. (2022) found that digital literacy enhances business efficiency and supports entrepreneurial orientation in MSMEs. Similarly, (Huda et al., 2023) reported that firms with higher digital literacy levels exhibit better operational performance and innovation capacity. In the context of digital marketing, Widagdo and Lestari (2023) showed that social media utilization enables MSMEs to maintain performance stability and expand market reach, while Hartanto (2022) emphasized its role in increasing customer engagement and sales growth.

Despite these contributions, most existing studies are conducted in urban or generalized business environments, where market structures, consumer behavior, and technological infrastructure differ significantly from tourism-based regional economies. These studies primarily focus on the direct relationship between digital variables and performance outcomes but provide limited attention to how contextual factors such as tourism dependency, cultural product characteristics, and visual marketing demands shape these relationships.

Moreover, prior research rarely integrates a strong theoretical lens, such as the Resource-Based View (RBV), to explain how digital literacy and social media utilization function as strategic internal capabilities in specific regional contexts. As a result, there

remains a lack of empirical evidence that examines the role of digital capabilities within tourism-driven MSME ecosystems, particularly at the local level.

Therefore, this study addresses these gaps by focusing on MSMEs in Klungkung Regency, Bali, a cultural tourism-based region where digital marketing strategies are closely linked to visual representation and cultural value integration. Unlike previous studies, this research not only examines the effects of digital literacy and social media utilization on MSME performance but also situates these relationships within a tourism-specific context and interprets them through the lens of the Resource-Based View. In doing so, this study provides a more contextually grounded and theoretically informed understanding of digital capability and MSME performance.

2. Literature Review

2.1. Resource-Based View

The Resource-Based View posits that competitive advantage derives from internal organizational resources characterized by value and inimitability. For micro and small businesses specifically, digital technology management capabilities constitute a form of strategic intangible resource. Digital capabilities enable businesses to improve operational efficiency, expand market access, and create business differentiation (Wielgos et al., 2021). The problem in this research relates to the gap between digital adoption and improved business performance. Based on the Resource-Based View, technology adoption does not automatically improve performance if it is not supported by adequate internal capabilities. Therefore, digital literacy and social media utilization are positioned as strategic capabilities with the potential to impact business performance.

2.2. MSME Performance

The performance of micro and small businesses can be understood as their ability to achieve specific goals, evaluated through both financial and non-financial metrics. Financial metrics involve increases in profit, growth in sales, and cost-effectiveness. Non-financial metrics, on the other hand, focus on aspects such as customer loyalty, consumer satisfaction, business reputation, and long-term sustainability (Warsiyah, 2023). Overall, performance illustrates how well a business can adapt and thrive in a competitive landscape.

From a Resource-Based View perspective, a business's performance heavily depends on how effectively it manages its internal resources. These resources include not just tangible assets, but also intangible elements like skilled personnel and technological capabilities. Dahman et al. (2023) point out that proficiency in technology and digital tools is essential for enhancing business operations, especially in terms of gathering market insights, streamlining processes, and boosting distribution efficiency. Additionally, Yuswono et al. (2024) stress that digital marketing is crucial for enhancing the performance of micro, small, and medium enterprises (MSMEs) by broadening their market access and lowering advertising expenses. This highlights the importance of incorporating technology within business strategies to effectively boost overall performance.

Thus, MSME performance is shaped by a blend of internal factors, notably digital capabilities, and external factors such as government policies and the availability of infrastructure (Dahman et al., 2023). In this study, MSME performance in Klungkung Regency is defined as the outcome of business owners successfully leveraging digital literacy and social media for sustainable growth. Key performance indicators include increased

revenue, customer expansion, sales volume, customer satisfaction, and long-term sustainability of the business.

2.3. Digital Literacy

The capacity of an individual to comprehend, assess, and deploy information technology in a manner that is simultaneously critical and ethical constitutes the essence of digital literacy. According to UNESCO (2021), this construct encompasses not merely the technical competencies required for device operation, but extends further to encompass analytical reasoning proficiency, efficacy in online communication, and cognizance of data security protocols alongside digital ethical standards. In the realm of entrepreneurship, digital literacy serves as the foundation for technology-driven business transformation (Aloamaka, 2025; Lado, 2025). Companies with strong digital literacy can better use technology for marketing, finance, customer service, and data-driven decisions.

Research by Bidasari et al. (2023) indicates that digital literacy has a positive effect on business efficiency and product innovation. Huda et al. (2023) found that businesses skilled in using digital applications, social media, and online marketplaces perform better than those that have not fully embraced technology. Additionally, Riptiono (2023) emphasized that digital literacy enhances the marketing capabilities and competitiveness of micro, small, and medium-sized enterprises (MSMEs) in the digital marketplace.

Based on these studies, digital literacy can be considered an internal capability that has the potential to enhance business performance. In this research, digital literacy was assessed through indicators such as the ability to use digital applications and devices, manage online businesses, utilize marketplaces and social media, create digital content, and understand digital security and ethics in business practices (Bidasari et al., 2023).

2.4. Social Media Utilization

Social media is a digital platform that facilitates two-way interaction between businesses and consumers. In the context of digital marketing, social media is used for promotion, communication, brand building, and strengthening relationships with customers. Widagdo and Lestari (2023) revealed that social media usage helps micro, small, and medium enterprises (MSMEs) maintain their business performance, especially during crises like the pandemic. Its effectiveness is attributed to its relatively low costs and ability to reach a broader market. Hartanto (2022) found that the intensity and consistency of social media use are significantly linked to sales growth and customer loyalty. Engaging actively with consumers through digital content can build trust and enhance a business's reputation.

Conceptually, social media is beyond a passive promotional tool; it is also a strategic instrument that supports business visibility and fosters long-term relationships with customers. In this study, social media utilization was evaluated using indicators such as the intensity of customer interaction, content quality and creativity, use of marketing features, promotional consistency, and market reach expansion (Hartanto, 2022).

2.5. Conceptual Framework

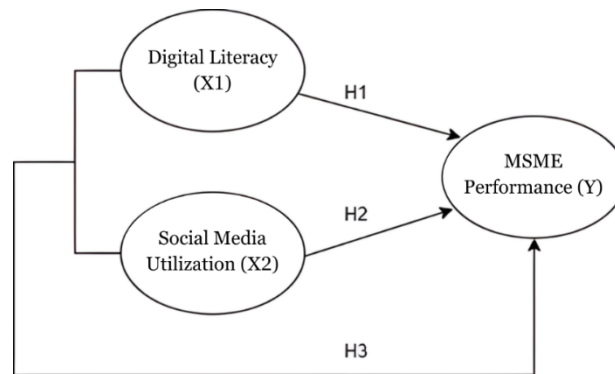


Figure 3. Conceptual Framework

The Resource-Based View states that digital literacy and social media utilization are key internal capabilities that enhance a business's competitive advantage. The performance of micro, small, and medium enterprises (MSMEs) depends on the effective management of these capabilities. Digital literacy provides the necessary understanding of technology, while social media utilization enables business actors to develop strategic marketing and communication skills. Therefore, both factors are expected to influence MSME performance. Based on the conceptual framework that has been outlined as shown in figure 3, the hypotheses in this study are formulated as follows:

H1: Digital literacy has a positive and significant effect on MSME performance.

H2: Social media utilization has a positive and significant effect on MSME performance.

H3: Digital literacy and social media utilization simultaneously have a positive and significant effect on MSME performance.

3. Methods

3.1. Type and Research Approach

This study uses an explanatory quantitative approach, which is an approach aimed at explaining causal relationships between variables through statistical analysis. According to Sugiyono (2018), explanatory research is used to systematically and measurably determine the influence of one variable on another. This method is used because the research is directed at testing the level of contribution of digital literacy utilization and social media utilization to the performance of MSME actors in Klungkung Regency. The quantitative approach is considered appropriate to provide objective and measurable empirical evidence regarding the influence between the variables studied.

3.2. Research Location and Time

The research was conducted in Klungkung Regency, Bali Province, which is one of the areas with rapid development in the creative tourism and digital economic sector. The location was selected based on the relevance of the characteristics of MSMEs that have adopted social media in their business activities, thus aligning with the research variables. Data collection took place on 30 November, 2025.

3.3. Population and Sample

The study population comprises every MSME actor whose participation was registered in the 2025 Semarapura Festival events held in Klungkung Regency. Based on the official

report of the festival’s organization, the number of MSMEs participating in the exhibition consisted of 78 culinary sector MSMEs and 34 craft sector MSMEs, so the total population in this study is 112 business units.

Table 2. Classification of MSME Participants in the 2025 Semarang Festival

Characteristics	Category	Number of MSMEs
Type of Business	Culinary	78
	Craft	34
Total		112 MSMEs

Source: Mirayani et al. (2025)

The selection of respondents proceeded through purposive sampling, a method predicated upon the application of particular criteria. This technique was chosen because the study required respondents with experience in social media and digital activities, and therefore, not the entire population met the research criteria. The respondent criteria for this study included:

- 1) MSMEs have been actively operating for at least one year.
- 2) Utilizing social media for promotional or business communication activities.
- 3) Willing to become research respondents.
- 4) Has business legality at minimum in the form of a Business Identification Number (NIB).

Based on these criteria, 53 respondents were recruited. This number was considered adequate for a small-scale explanatory study because all respondents met the characteristics relevant to the variables studied: digital literacy, social media utilization, and MSME performance.

3.4. Data Collection and Analysis Techniques

3.4.1. Data Collection Techniques

This study employed primary data gathered directly from respondents through the administration of a closed-ended questionnaire. According to (Bougie & Sekaran, 2016), primary data is obtained directly from primary sources to specifically address research questions. The research instrument was developed based on indicators developed in theoretical studies and previous research. The instrument was developed by adapting indicators from previous research to establish a strong conceptual basis and relevance to the research variables.

Measurements were made using a five-point Likert scale. The Likert scale was chosen because it can quantitatively measure respondents' perceptions and attitudes and facilitate statistical analysis (Sugiyono, 2018). The data collection process was carried out chronologically as follows:

- 1) Formulating variables and indicators.
- 2) Developing and adapting questionnaire items from previous research.
- 3) Conducting a limited pilot test to ensure the clarity and appropriateness of the instrument.
- 4) Distributing the questionnaire directly to respondents who met the criteria.
- 5) Checking the completeness of respondents' responses.
- 6) Coding and tabulating the data prior to statistical analysis.

3.4.2. Data Analysis

SPSS (Statistical Product and Service Solutions) software was utilized for data analysis, selected on the basis of its capacity to execute regression analysis, validity testing, reliability testing, and classical assumption testing in a systematic manner (Ghozali, 2021). The analysis stages were carried out systematically as follows:

- 1) Validity test to ensure each statement item accurately measures the variable construct.
- 2) The assessment of instrument reliability proceeded through Cronbach's Alpha, utilized to verify internal consistency.
- 3) Normality test using the Shapiro-Wilk method, given the study sample size of less than one hundred respondents.
- 4) The examination of classical assumptions, comprising tests for multicollinearity and heteroscedasticity, ensured the data's conformity with regression analysis requirements.
- 5) The examination of digital literacy (X_1) and social media utilization (X_2) effects on MSME performance (Y) proceeded through multiple linear regression analysis. This analytical approach operationalized the variable relationships via the regression equation formulated as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

where:

Y = MSME Performance

X_1 = Digital Literacy

X_2 = Social Media Utilization

a = Constant

b_1, b_2 = Regression coefficients of each variable

e = Error term

- 6) t-test (Partial) is used to determine the influence of each independent variable on MSME performance.
- 7) F-test (Simultaneous) is used to test the combined influence of digital literacy and social media utilization variables on MSME performance.
- 8) The Coefficient of Determination (Adjusted R^2) measured the degree of variation in MSME performance explained by the two independent variables.

3.5. Evaluation of Result

The research results are measured based on significance values, regression coefficient, and coefficients of determination. The hypothesis is accepted if the significance value is less than a five percent margin of error. Evaluation of the results is conducted by comparing the empirical findings with the theoretical foundations of the Resource-Based View and previous research to assess the consistency of the result and the research's contribution to the development of digital based MSME management literature.

4. Results and Discussion

4.1. Research Results

Multiple linear regression, t-test, and F-test analyses indicate that the research model meets established feasibility and significance thresholds, while simultaneously offering empirical insight into the relationship between digital literacy, social media utilization, and MSME performance. The ensuing discussion will elaborate upon these findings with particular attention to MSME evolution in the contemporary digital landscape.

4.1.1. Validity Test

Validity testing confirmed that all items for Digital Literacy, Social Media Utilization, and MSME Performance had r value below 0.05. Therefore, every item is valid and suitable for this research.

Table 3. Instrument Validity Test Results

Variable	Item	r value	r table	Status
Digital Literacy (X1)	X1.1	0.783	0.266	Valid
	X1.2	0.788	0.266	Valid
	X1.3	0.831	0.266	Valid
	X1.4	0.855	0.266	Valid
	X1.5	0.818	0.266	Valid
	X1.6	0.869	0.266	Valid
	X1.7	0.741	0.266	Valid
	X1.8	0.780	0.266	Valid
	X1.9	0.819	0.266	Valid
	X1.10	0.784	0.266	Valid
Social Media Utilization (X2)	X2.1	0.742	0.266	Valid
	X2.2	0.618	0.266	Valid
	X2.3	0.842	0.266	Valid
	X2.4	0.787	0.266	Valid
	X2.5	0.617	0.266	Valid
	X2.6	0.759	0.266	Valid
	X2.7	0.719	0.266	Valid
	X2.8	0.683	0.266	Valid
	X2.9	0.777	0.266	Valid
	X2.10	0.737	0.266	Valid
MSME Performance (Y)	Y1	0.807	0.266	Valid
	Y2	0.886	0.266	Valid
	Y3	0.919	0.266	Valid
	Y4	0.927	0.266	Valid
	Y5	0.893	0.266	Valid
	Y6	0.891	0.266	Valid
	Y7	0.900	0.266	Valid
	Y8	0.801	0.266	Valid
	Y9	0.876	0.266	Valid
	Y10	0.774	0.266	Valid

4.1.2. Reliability Test

Exceeding the 0.70 threshold, Cronbach's Alpha values of 0.937 for Digital Literacy, 0.879 for Social Media Utilization, and 0.961 for MSME Performance confirmed strong reliability across all variables. The Digital Literacy and MSME Performance variables proved particularly notable, with alpha coefficients surpassing 0.90 and thereby demonstrating very high internal consistency.

Table 4. Instrument Reliability Test Results

Variable	Cronbach's Alpha	Status
Digital Literacy	>0.937	Reliable
Social Media Utilization	>0.879	Reliable
MSME Performance	>0.961	Reliable

4.1.3. Multiple Linear Regression

Based on the calculation results, the following equation is obtained:

$$Y = 12.076 + 0.333X_1 + 0.440X_2$$

The interpretation of the previous equation is as follows:

- 1) Constant (12.076) indicates that when digital literacy and social media utilization are considered constant or zero, then MSME performance is at a value of 12.076.
- 2) Digital Literacy Coefficient (0.333) indicates that every increase of one unit in digital literacy will increase MSME performance by 0.333 units.
- 3) Social Media Utilization Coefficient (0.440) indicates that every increase of one unit in social media utilization will increase MSME performance by 0.440 units.

These results indicate that an increase in the digital capacity of MSME actors contributes to an improvement in business performance. Digital literacy plays a role in improving the ability to expand market access and increase interaction with consumers. Thus, digital transformation becomes a strategic factor in improving the competitiveness and performance of MSMEs.

Table 5. Multiple Linear Regression Test Results

Model	Coefficients			T	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1 (Constant)	12.076	3.903		3.094	.003
Digital Literacy	.333	.123	.349	2.698	.009
Social Media Utilization	.440	.117	.488	3.776	.000

4.1.4. Coefficient of Determination Test

The analysis yielded an Adjusted R Square value of 0.592, signifying that digital literacy and social media utilization explain 59.2% of the variation in Micro and Small Enterprise performance in Klungkung Regency. Factors external to the studied variables account for the remaining 40.8%. This finding indicates that digital literacy and social media utilization have a fairly strong contribution in explaining the increase in business performance, so that the research model used is considered to have adequate explanatory power in the context of social research and small business management.

Table 5. Coefficient of Determination Test Results

Model	Model Summary			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779 ^a	.607	.592	3.733

^a Predictors: Digital Literacy (X1), Social Media Utilization (X2)

4.1.5. T-test (Partial)

The statistical analysis yielded a t-value of 2.698 and significance level of 0.009 (<0.05) for variable (X1), confirming that digital literacy significantly and positively affects MSME performance. The hypothesis regarding digital literacy's positive effect on MSME performance is therefore accepted. Variable (X2), furthermore, registered a t-value of 3.776 at a significance level below 0.001. These results indicate that social media utilization also has a positive and significant effect on MSME performance. Therefore, the hypothesis that social media utilization influences MSME performance is accepted. These findings indicate that

individually, both independent variables have a significant contribution to improving MSME performance in Klungkung Regency.

Table 6. T-test Results (partial)

T	Sig.	Collinearity Statistics	
		Tolerance	VIF
3.094	.003		
2.698	.009	.470	2.127
3.776	.000	.470	2.127

Table 7. Hypothesis Testing Results

Hypothesis	Variable	Sig.	Status
H1	Digital Literacy (X1) → MSME Performance (Y)	0.009	Accepted
H2	Social Media Utilization (X2) → MSME Performance (Y)	0.000	Accepted

4.1.6. F-test Results

The simultaneous significant effect of Digital Literacy and Social Media Utilization on MSME Performance is confirmed by an F-value of 38.685 and significance value of 0.000 (<0.05). This statistical evidence establishes the regression model's feasibility and appropriateness for explaining inter-variable relationships.

Table 8. F-test Results

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1078.338	2	539.169	38.685	.000 ^b
Residual	696.870	50	13.937		
Total	1775.208	52			

^a Dependent Variable: MSME Performance (Y)

^b Predictors: Digital Literacy (X1), Social Media Utilization (X2)

4.2. Discussion

The findings of this study indicate that digital literacy has a positive and significant effect on MSME performance. This result suggests that the ability of business actors to understand and utilize digital technologies enhances operational efficiency, supports data-driven decision-making, and facilitates market access. MSMEs with higher digital literacy are better positioned to adapt to digital transformation and optimize their business processes.

This finding is consistent with prior studies in developing economies. Farhan et al. (2022) and Huda et al. (2023) demonstrated that digital literacy improves efficiency and innovation capacity in MSMEs, while (Bidasari et al. 2023) emphasized its role in strengthening productivity and competitiveness. In line with international evidence, Perdana and Gultom (2026) highlights that digital capabilities influence user engagement through the realization of technological affordances, meaning that the benefits of digital technology depend on users' ability to interpret and utilize available features effectively. This reinforces the argument that digital literacy is not merely a technical skill but a strategic capability that shapes how MSMEs leverage digital platforms for performance improvement.

However, the relatively smaller coefficient of digital literacy compared to social media utilization suggests that its impact is more indirect. From a Resource-Based View (RBV) perspective, digital literacy represents a foundational capability that enables firms to develop higher-order digital competencies. In the context of Klungkung's tourism economy, this

capability is particularly relevant in facilitating tourism-specific digital skills, such as visual content creation, storytelling, and cultural branding. These competencies do not directly generate performance outcomes but instead function as enabling mechanisms that enhance the effectiveness of digital marketing strategies.

In social media utilization demonstrates a stronger and more direct effect on MSME performance. This indicates that the practical application of digital tools, particularly for marketing and customer interaction, has a more immediate impact on business outcomes. Social media enables MSMEs to expand their market reach, increase brand visibility, and build interactive relationships with consumers at relatively low cost.

This finding aligns with Widagdo and Lestari (2023) and Hartanto (2022), who found that social media usage significantly improves MSME performance through enhanced marketing effectiveness and customer engagement. Furthermore, studies in ASEAN, such as Indonesia and similar developing economies, highlight that social media serves as a primary digital channel for SMEs due to its accessibility and cost efficiency. From a broader perspective, Fan (2025) explains that digital technology enables the formation of platform-based ecosystems that enhance resource allocation efficiency and business scalability. This supports the argument that social media, as part of the digital platform ecosystem, provides MSMEs with direct access to markets and customers, thereby accelerating performance outcomes.

Importantly, the stronger effect of social media utilization in this study can be explained by the specific characteristics of Klungkung as a cultural tourism-based economy. MSMEs operating in tourism-dependent sectors rely heavily on visual appeal, experiential marketing, and cultural representation to attract consumers. In such contexts, social media platforms function not only as marketing tools but also as channels for delivering visual narratives and showcasing cultural value. As a result, the magnitude of social media's effect on performance becomes more pronounced compared to non-tourism contexts.

Further, the tourism context also shapes the mechanism through which digital literacy influences performance. Rather than exerting a direct effect, digital literacy enables MSMEs to develop relevant digital content and manage online interactions effectively. For example, the ability to produce visually appealing content, communicate cultural uniqueness, and engage with tourists online serves as a mediating pathway between digital literacy and business performance. This explains why social media utilization emerges as the more dominant variable, as it represents the applied dimension of digital capability.

Simultaneously, the results show that digital literacy and social media utilization jointly explain 59.2% of the variance in MSME performance. This indicates that digital capability, when viewed as a combination of knowledge and application, plays a substantial role in determining business success. However, the remaining variance suggests the influence of other factors such as financial resources, managerial capability, innovation, and external support systems.

5. Conclusion

This study demonstrates that both digital literacy and social media utilization positively and significantly influence MSME performance in Klungkung Regency, Bali, both individually and simultaneously. Grounded in the Resource-Based View, these two dimensions of digital capability function as strategic intangible resources that collectively drive competitive advantage. Critically, the stronger effect of social media utilization over digital literacy is not incidental, it reflects the inherent character of tourism-dependent markets, where success

hinges on visual communication, cultural branding, and the ability to create experiential appeal for prospective visitors and consumers. In Klungkung's creative economy, MSMEs do not merely sell products; they communicate cultural identity and heritage through digital platforms, making social media an especially powerful vehicle for market engagement. Digital literacy, while foundational, derives its value in this context from its capacity to enable tourism-specific competencies, content creation, cultural storytelling, and online interaction, rather than from general technological proficiency alone. This distinction constitutes the study's most original contribution: in tourism-dependent MSME ecosystems, the effectiveness of digital capability is inseparable from the cultural and promotional logic of the market it serves.

Future research and practice should build on these findings with the tourism context held firmly in view. Policymakers and training institutions should move beyond generic digital literacy programs and develop curricula that are specifically calibrated to the needs of cultural tourism MSMEs, emphasizing visual content production, destination storytelling, and platform strategies aligned with how tourists discover and evaluate experiences. Local governments in regions like Klungkung should leverage their cultural economy identity as a framework for digital capacity building, ensuring that MSMEs are equipped not only to use digital tools, but to use them in ways that authentically represent and amplify local cultural value. From a research perspective, future studies should incorporate additional variables such as digital innovation, entrepreneurial orientation, and institutional support, while expanding sample size and geographic diversity to strengthen generalizability. Most valuably, comparative studies between tourism-based and non-tourism MSMEs would directly test whether the dominance of social media utilization observed here is a product of the tourism context, and in doing so, would further establish the theoretical importance of market-specific conditions in shaping how digital capabilities translate into business performance.

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