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# Improving Business Performance: The Influence of Entrepreneurial Characteristics and Digital Literacy through Marketing Capability

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## Abstract

This study aims to analyze the effect of entrepreneurial characteristics and digital literacy on the performance of culinary small businesses through marketing capabilities as mediation in Padang City. The existence of MSMEs is very important in creating economic stability, especially in the culinary sector, which is one of the main pillars of the regional economy. The method used in this research is quantitative with a survey approach, where the population studied includes all culinary MSME players in Padang City. The sample taken amounted to 170 culinary small business owners registered in various associations and entrepreneurial communities. The results show that entrepreneurial characteristics have a positive and significant influence on marketability. These entrepreneurial characteristics include innovative attitude, risk-taking courage, and skills in managing the business, which increase marketing effectiveness. Marketing capability is proven to have a positive and significant effect on business performance, because the right marketing strategy can increase sales and business competitiveness. Meanwhile, digital literacy has a positive influence on marketing ability and business performance, but the effect is not significant. This suggests that although digital literacy is important, the implementation of technology in marketing and business performance has not been fully optimized. This study also confirms that entrepreneurial characteristics have a positive influence on business performance through marketing ability as a mediator, while digital literacy does not have a significant influence on business performance through marketing ability as a mediator.

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## INTRODUCTION

Micro, small and medium enterprises (MSMEs) are one of the businesses that advance the Indonesian economy because of their great potential in driving community economic activities as

well as being a source of income for the majority of society in improving their welfare (Eniola & Entebang, 2015; Semrau et al., 2016). MSMEs have also proven to be resilient to crises because when Indonesia was hit by a crisis in 1998, many large-scale companies were unable to survive, while MSMEs were able to survive the turmoil of the crisis, and MSMEs were even able to support the Indonesian economy (Rabie et al., 2024). Apart from that, MSMEs also have a fairly large contribution to GDP. Based on data from the Indonesian Ministry of Finance, MSMEs have a labor absorption rate of 97% and contribute to Gross Domestic Product (GDP) of 61.1%. Apart from that, SMEs have supported as much as 14.7% of export value. Currently, MSMEs are an important pillar in the Indonesian economy (Irawati et al., 2021; Lakoro, 2021).

MSMEs have attracted attention from researchers and practitioners in various scientific disciplines. Issues related to MSMEs, ranging from challenges to opportunities, from marketing strategies to regulatory issues, have become the focus of cross-sector research. With a deeper understanding of the dynamics and impact of MSMEs, society can move towards sustainable economic development (Susanto et al., 2021). Data from the Coordinating Ministry for the Economy for 2020 states that the role and contribution of Micro, Small and Medium Enterprises (MSMEs) is quite large in the Indonesian economy in 2020. MSMEs are the largest providers of employment, namely 96.7%. MSMEs also contribute around 61.41% of Gross Domestic Product (GDP). Not only that, MSMEs also contributed 56.2% to investment. This shows that this sector is an important pillar in our economy in Indonesia. In data BPS Sumbar, 2022) regarding the number of businesses, workforce and value in district/city MSMEs in West Sumatra Province, 2020 Business units reached a total of (38,174), labor (123,119), investment (92,8184,500), production (11,364,083,559), and raw materials reached a total of (5,732,602,643). Meanwhile in 2021 Business units reached a total of (40,653), labor (116,441), investment (1,652,729,439), production (20,927,655,133), and raw materials reached a total of (11,273,379,446) BPS Sumbar, 2022).

Seeing this reality, it can be said that the existence of MSMEs is very important and necessary in creating economic stability (Anwar, 2018; Tehseen et al., 2023; Zahari et al., 2024). However, due to the many problems experienced by MSMEs in carrying out their activities, this has had an impact on profitability or the ability to generate income or profits from their production activities (Putra et al., 2022). Among the current problems for MSMEs are the low capability or competitiveness of MSME products both on a national and international scale, low product and service innovation and limited working capital resulting in low ability to improve business performance.

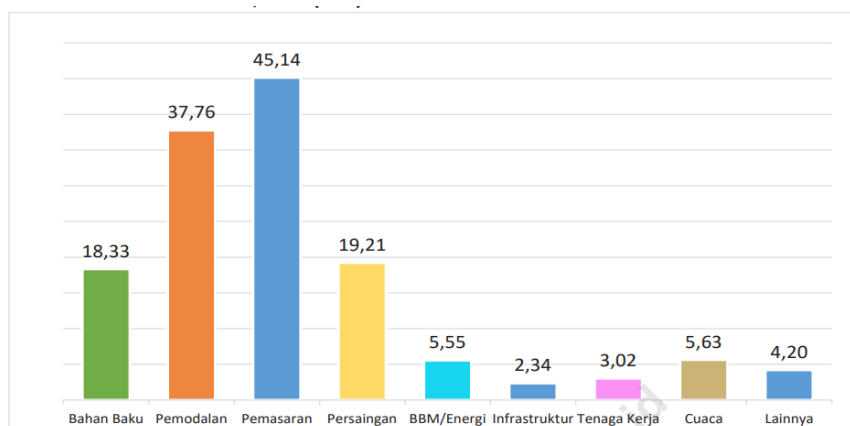


Figure 1. Picture. 1 MSME Performance Problems

Based on information from the census results conducted by BPS in 2021, it is stated that MSMEs in Padang City are faced with various problems, including slow growth, limited raw materials, limited capital, low quality of human resources and minimal mastery of science and technology (Statistik, 2021). Domestic industry's dependence on imported raw materials will be a threat, because global economic conditions are not yet stable, resulting in expensive raw material prices, which will affect price policies and impact the level of profits obtained (Fitryani, 2022; Kilay et al., 2022). The various problems and obstacles faced have resulted in small and medium industries having low performance. Seeing this fact, real efforts and support from the government are really needed for micro, small and medium enterprises (MSMEs) in increasing their productivity and performance, both in terms of deregulation and support for working capital which is currently a problem in increasing their productivity (Indrawati, 2012).

The growth of micro and small businesses is one of the main focuses of Padang City's economic development. The majority of people in Padang City depend on micro and small businesses as their source of income, and they have demonstrated their ability to drive the city's economy (Ernawati, 2021). Thus, the majority of micro and small food businesses are unable to increase their income to a more appropriate level to meet their living and business needs. One of the recent MSMEs is related to culinary. The culinary industry is growing, especially in Padang. Culinary appears as a different type of food, the existence of culinary tourism, and a trend as a style and business model that is sought after by many business people and society (Qalati et al., 2020). So it is hoped that MSMEs can continue to contribute to the country's economy, micro, small and medium enterprises.

In particular, if you look at the two main categories of MSMEs in the culinary industry, they are food-service culinary MSMEs and packaged culinary SMEs. The first is the type of food processing business that serves customers directly, such as restaurants, ampera and meatballs. The second is the type of food processing business that is served or offered already packaged, such as souvenirs.

**Table 2. Types of MSMEs in Padang City in 2021 Based on Sector**

No	Type of Business	Amount
1	Culinary Serves	121356
2	Culinary Packaging	5284
3	Others (agriculture, fisheries, plantations, etcFarm)	666
4	Work	2286
5	Retail	1860
6	Service	4467
Amount		135919

If you look at table 2, it shows that the number of MSMEs in various sectors exists. Data from the Padang City Cooperatives and MSMES Service in 2021 shows that the culinary food sector has a quite significant proportion compared to other sectors. Meanwhile, packaged culinary has a proportion of 5284 business units. High number of MSMEs Saji's culinary delights are thought to be because Relatively Small Initial Capital, compared to other types of business, food and beverage businesses have relatively small initial capital to start (Yildiz et al., 2013). Like a street food or food truck business with small capital. high level of demand: because food is a basic need, demand for ready-to-eat food tends to be stable or increasing, especially in busy cities. potential for quick profits, if the food product is high quality and cheap, there is usually the potential to make a profit in a short time (Marsedia & Safitri, 2023).

However, if we look at the culinary sector, 5284 business units are the lowest number. This is the impact of the complex business planning that must be made, including management and distribution patterns in the business. So this will have an impact on the complex procedures that

will be faced to start a business in the culinary packaging sector (Lindayani et al., 2024). This type of MSME is required to be able to respond to dynamic market conditions and utilize their understanding of the raw material market to improve their performance (Sari et al., 2024). It is hoped that this business unit can also develop quickly. Basically, this shows that in general the condition of MSMEs, especially in the Culinary sector, is experiencing a slowdown in achieving good growth as an illustration of superior performance.

Good performance is an important factor that can influence the process of progress and decline of an MSME, both in the business sector in general and in the culinary sector, so that increasing performance means improving the welfare and quality of life of employees. Various information is collected so that the work carried out can be controlled and accounted for (Nursini, 2020). This is done in order to achieve efficiency and effectiveness in an MSME business process. The results of a company's performance can be obtained from two sources, namely financial information and non-financial information (Buhaerah et al., 2016). Carrying out performance measurements related to supporting aspects of the company's running is important. By knowing the results of company performance measurements, company managers will know how the company's development is increasing or decreasing (Suliswanto & Rofik, 2019).

The next aspect that influences the performance of MSMEs is Digital Literacy. Digital literacy is crucial in the industrial era 4.0 because mastery of information technology is an important element for cultural, economic, political and social transformation. Technology can make a big contribution if people have good skills and understanding of the use of technology. Thus, this condition leads to every MSME having literacy in the use of digital media (Fisabilillah et al., 2021; Mata et al., 2023). According to research conducted by (Hartini et al., 2022) and (Kaleka & Morgan, 2019) digital literacy influences the performance of MSMEs. The use of digital technology-based marketing concepts (digital marketing) gives hope for MSMEs to develop into economic powerhouses. Digital marketing strategies have an influence of up to 78% on the competitive advantage of MSMEs in marketing their products. Apart from that, the rapid development process of digitalization creates big opportunities and big threats, those who are left behind will leave the business and MSMEs that are not involved in digital are in an increasingly vulnerable position. However, this research is not in line with research conducted by (Setyawati & Rosiana, 2018) which states that digital literacy does not affect the ability and performance of MSME actors.

Based on previous research, there are other variables that influence the performance of MSMEs, namely the marketing capability variable as a mediating variable. Marketing capabilities are a set of capabilities possessed by MSMEs in designing, implementing and measuring various marketing activities carried out (Tariq et al., 2022). This concept involves a series of important tasks that include in-depth understanding of the target market segment, in-depth analysis of competitors in the industry, development of marketing strategies relevant to business objectives, and implementation of effective marketing campaigns. According to (Holey, 2019). Marketing Capability also has several dimensions, namely marketing culture capability, strategic capability, and operational capability. This means that culture in each region always has differences (Cosa et al., 2024). By knowing the cultural differences in each region or area, the company can determine a suitable strategy and apply this strategy through the company's operational activities (Yuliantari & Pramuki, 2022).

Something that is no less important in the success of a business in carrying out a business process is related to things that originate from the individual running the business, generally known as the trait model, concentrating on adapted entrepreneurial qualities (Macedo et al., 2020). Several research studies reveal characteristic models that focus on basic questions such as; who becomes an

entrepreneur, why people think about becoming an entrepreneur, and what qualities successful entrepreneurs possess (Islami et al., 2021; Purwanti et al., 2022)

According to research (Falola et al., 2018) entrepreneurial characteristics are very important for business establishment because individuals combine their characteristics with the company's innovative capabilities to achieve success. This needs to be identified further considering the characteristics of entrepreneurship and studying the impact of each individual characteristic on performance is a very important aspect (Xie et al., 2021). Entrepreneurial characteristics play an important role in determining individual behavior individu (Tran & Von Korfflesch, 2016). Previous researchers concluded that there is a positive relationship between the characteristics of entrepreneurs and their intentions. So this research facilitates a review of this matter to further identify the role of entrepreneurial characteristics and the impact on performance, especially for MSMEs. This research will emphasize how important it is for culinary SMEs to prepare themselves to face the uncertainty that accompanies business operations. The success of culinary companies in managing this uncertainty is very dependent on shaping performance.

## METHODS

This research uses a quantitative type of research, Quantitative itself is a research process that uses research methods in the form of statistical formulas using numbers, from the stages of data collection, data analysis and data management in identifying and processing variables that arise from the problem to be answered to obtain results (Arikunto, 2006). The population in the research is the total number of MSME actors in the city of Padang. In sampling, the sampling method is carried out using techniques purposive sampling namely sampling with certain considerations, questionnaires are given to MSME players who have certain criteria, this technique is used if there are only a few people who have expertise in the field being researched. According to (Sugiyono, 2019a) sampling is taken depending on how many indicators are multiplied by 5 to 10. In this study the number of indicators used was 17. The number of samples in this study is as follows:

$$\begin{aligned} \text{Sample} &= \text{Number of Indicators} \times 10 \\ &= 17 \times 10 \\ &= 170 \end{aligned}$$

This research uses an instrument in the form of a questionnaire or questionnaire which is arranged using a Likert scale. Then analyze the data using PLS-SEM. Partial Least Squares (PLS) is a variance-based alternative approach to S tructural Equation Modeling (SEM) (Variance Based-SEM, VB-SEM). When dealing with data characteristics such as small data size, missing values, atypical data distribution patterns, and symptoms of multicollinearity, you can use PLS which aims to overcome the limitations of regression analysis with the OLS (Ordinary Least Square) technique (Sugiyono, 2019b). PLS analysis is divided into two sub-models: the structural model, also known as the inner model, and the measurement model, often known as the outer model.

## RESULT AND DISCUSSION

### Respondent Characteristics

This research involves MSEs in Padang City. The number of potential samples is 170 questionnaire results that will be studied. The distribution of questionnaires was carried out by directly visiting Small Business actors at each place where they lived. The characteristics of research respondents can be seen as follows:

**Table 2. Characteristics of small business respondents in the city of Padang.**

Characteristics		Presentation
Department Status	Business Manager	69%
	Business Owner	31%

Gender	Man	67%
	Woman	33%
Generation	Baby Boomer	2%
	Generation X	17%
	Generation Y	34%
	Generation Z	47%
Total Workforce	1 to 4 people	71%
	5 to 19 people	28%
	20 to 99 people	1%

Small MSMEs in the culinary sector in Padang City have characteristics that reflect the dynamics of small businesses in this region. Most of these businesses are managed by business managers, who account for 69% of all actors. The remaining 31% is run directly by the business owner who often doubles as the manager. In terms of gender, business actors are dominated by men at 67%, while women contribute 33%. In terms of generation, the majority of actors come from Generation Z (47%) and Generation Y (34%), showing the high involvement of the younger generation in the world of culinary business. Generation X accounts for 17%, while Baby Boomers only 2%, reflecting the regeneration process taking place in this sector. Most of the small culinary MSMEs in Padang operate with a very limited workforce. About 71% of businesses employ between 1 and 4 people, 28% have 5 to 19 workers, and only 1% are able to employ 20 to 99 people. Overall, small MSMEs in the culinary sector in Padang City are dominated by micro businesses with a small workforce scale, which are managed by the young generation with a high entrepreneurial spirit. This shows the potential for large business development in the culinary sector, especially with the support of more modern and innovative management.

### Descriptive Analysis of Variables

In this context, the variables reviewed include entrepreneurial characteristics, digital literacy, marketing capabilities and business performance.

**Table 3. Respondents' Achievement Level**

No	Variable	Average	TCR	Criteria
1	Business Performance	4,2	84	Strong
2	Characteristics of Entrepreneurship	4,1	81	Very strong
3	Digital Literacy	3,96	79	Strong
4	Marketing Capabilities	4.10	82	Very strong

The results of the Respondent Achievement Level (TCR) data show variations between the variables measured. Business Performance has the highest TCR of 84 with an average of 4.2, classified as "Strong." This shows target achievement as well as good competitiveness and stability in the culinary sector. Entrepreneurial Characteristics achieved a TCR of 81 with an average of 4.1, in the "Very Strong" category, reflecting initiative, creativity, and the courage to take risks as important foundations of business. Marketing Ability demonstrated a TCR of 82 and an average of 4.10, also "Very Strong," indicating an understanding of effective marketing strategies. The variable with the lowest TCR was Digital Literacy, at 79 and a mean of 3.96, although it remained "Strong." This indicates the adequacy of utilizing digital technology, but there is still room for improvement to optimize operations and marketing. In conclusion, Business Performance is the strongest variable, while Digital Literacy, although strong, requires further development.

**Table 4. AVE value (Average Variance Extract)**

Variable	Average variance extracted (AVE)
Characteristics of Entrepreneurship	0,590
Marketing Capabilities	0,685

Business Performance	0,772
Digital Literacy	0,584

The Average Variance Extracted (AVE) value for each variable in the model meets the convergent validity criteria with a value > 0.5. Entrepreneurship characteristics have an AVE of 0.590, indicating that the indicators are valid in explaining construct variance. Marketing Capability has an AVE of 0.685, indicating good consistency and relevance. Business Performance obtained the highest AVE, namely 0.772, indicating a very strong level of convergent validity. Digital Literacy with an AVE of 0.584, even though it is close to the minimum limit, is still considered valid. Overall, the AVE value shows that the measurement model meets convergent validity, so that all constructs in the model are valid and reliable.

In PLS-SEM with the SmartPLS application, to measure the reliability of a latent variable, two methods are used, namely Cronbach's Alpha and Composite Reliability. However, assessments using Cronbach's Alpha often provide lower values, therefore it is recommended to use Composite Reliability (Haryono, 2017). SmartPLS output results for composite reliability values can be shown in the table below:

**Table 5. Composite Reliability Values**

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Characteristics of Entrepreneurship	0,901	0,906	0,920
Marketing Capabilities	0,923	0,926	0,938
Business Performance	0,958	0,961	0,964
Digital Literacy	0,952	0,959	0,957

The results of the reliability test show that all variables in the model have Cronbach's alpha, rho\_a, and rho\_c values above 0.7, meeting the reliability requirements. Entrepreneurship characteristics have a Cronbach's alpha value of 0.901, rho\_a 0.906, and rho\_c 0.920, indicating excellent consistency and stability. Marketing Ability with Cronbach's alpha 0.923, rho\_a 0.926, and rho\_c 0.938 shows very strong reliability. Business Performance has the highest values: Cronbach's alpha 0.958, rho\_a 0.961, and rho\_c 0.964, indicating an optimal level of reliability. Digital Literacy also has high reliability with Cronbach's alpha 0.952, rho\_a 0.959, and rho\_c 0.957. All constructs are valid and reliable.

### Inner Model

After completing the outer model testing that meets the requirements, the next step is to test the inner model (structural model). The inner model can be evaluated by considering the R-square value (indicator reliability) for the dependent variable. The higher the R-square value indicates that the prediction model of the research model has better quality (Hair et al., 2017).

**Table 6. R-Square Value**

Varaibel	R-square	R-square adjusted
Marketing Capabilities	0,528	0,522
Business Performance	0,450	0,440

*Source: Processed Primary Data, 2024*

Based on the R-Square value listed in the table, it can be explained that for the Marketing Capability variable, the R-square value is 0.528. This means that around 52.8% of the variance in the Marketing Capability variable can be explained by the independent variables in the model. Meanwhile, for the Business Performance variable, the R-square value was recorded at 0.450. This indicates that the independent variables in the model explain approximately 45.0% of the variance

in Business Performance. Overall, these R-square values indicate that the model can explain more than half of the variance in Marketing Capability and almost half of the variance in Business Performance, which can be interpreted as adequate predictive power for both constructs in the context of this model. Apart from looking at the R-square value, the PLS model is also evaluated by looking at the Goodness of fit index used in research to determine the overall accuracy of a model from the inner model and outer model.

**Table 7. Goodness of Fit Model Values**

	Average Variance Extracted (AVE)	R Square
Characteristics of Entrepreneurship	0,590	
Marketing Capabilities	0,685	0,528
Business Performance	0,772	0,450
Digital Literacy	0,584	
Rate-rate	0,658	0,489

Calculations for Goodness of Fit values are as follows:

$$GoF = \sqrt{0,658 * 0,489}$$

$$GoF = 0,567$$

Based on the R2 and Q2 tests above, it shows that the model in this study has a GoF > 0.36 so **it's good**, and then testing **hypothesis can be made**.

By using the bootstrapping procedure and t-values, researchers can assess whether the relationship between variables in the PLS-SEM model is significant or not. Statistical testing is carried out using the bootstrapping method as follows:

**Table 8. Testing Direct and Indirect Effects**

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
Entrepreneurial Characteristics -> Marketing Ability	0,587	0,576	0,100	5,894	0,000
Entrepreneurship Characteristics -> Business Performance	0,253	0,257	0,123	2,055	0,040
Marketing Capabilities -> Business Performance	0,386	0,378	0,104	3,710	0,000
Digital Literacy -> Marketing Skills	0,170	0,185	0,109	1,568	0,117
Digital Literacy -> Business Performance	0,100	0,102	0,086	1,155	0,248
Entrepreneurship Characteristics -> Marketing Ability -> Business Performance	0,227	0,218	0,072	3,161	0,002
Digital Literacy -> Marketing Ability -> Business Performance	0,066	0,072	0,050	1,317	0,188

Based on the results of the analysis that has been presented, the following hypothesis statement is tested in this research: H1: Entrepreneurial characteristics have a positive and significant influence on marketing capabilities. H2: Entrepreneurial characteristics have a positive and significant influence on business performance. H3: Marketing capabilities have a positive and significant influence on business performance. H4: Digital literacy has a positive but not significant influence on marketing ability. H5: Digital literacy has a positive but not significant influence on business performance. H6: Entrepreneurial characteristics have a positive and significant influence on business performance through marketing capabilities as a mediator. H7: Digital literacy has a

positive but not significant influence on business performance through marketing capabilities as a mediator.

## **Discussion**

### **The Influence of Entrepreneurial Characteristics on Marketing Ability**

Entrepreneurial characteristics, especially in terms of adaptability, have an important role in strengthening the marketing capabilities of small businesses in the culinary sector. The findings show that entrepreneurs' ability to respond quickly to market changes provides significant competitive advantages. This adaptability allows small businesses to meet evolving customer expectations and increase their competitiveness through bolder marketing initiatives. Additional training for marketing teams is expected to increase responsiveness to market changes, allowing businesses to grow and attract more customers. Previous research, such as that conducted by (Hultman et al., 2023), revealed that entrepreneurial characteristics such as proactivity and the courage to take risks have a positive impact on marketing innovation and competitiveness. Likewise, (Kusrini et al., 2019) found that entrepreneurial characteristics, such as the need for achievement and the ability to take risks, contributed to increased marketing performance (Model, 2019). However, these findings provide a new contribution by highlighting the importance of adaptability in facing market changes, in contrast to the focus of previous research which emphasized marketing innovation (Sauka & Chepurensko, 2017). Rapid adaptation to market trends and consumer needs has been proven to strengthen marketing effectiveness and provide a competitive advantage in a dynamic market (Andriani et al., 2018).

### **The Influence of Entrepreneurial Characteristics on Business Performance**

Entrepreneurial characteristics including innovation, adaptability, and social networks have a significant influence on small business performance, especially in the culinary sector. Successful entrepreneurs tend to offer unique and high-quality products, which are difficult for competitors to imitate, and are quicker to introduce new innovations (Hamdani & Wirawan, 2012). Adaptability is also key, because the ability to adapt to changing market needs increases the attractiveness of a business. The ability to adapt quickly to differences in cultural values and global market behavior is an important factor in business performance, especially in competitive markets (Köhr et al., 2018). Strong social networks make it easier for entrepreneurs to access new resources and opportunities, and help them navigate the risks of uncertainty and rapid technological change. This research is in line with previous studies which show that entrepreneurial characteristics such as proactivity, innovation and the courage to take risks contribute to business success (Ajani & Oluyemi, 2016). The adaptability of entrepreneurs in responding to market changes is a key factor that distinguishes these findings, providing a competitive advantage for small businesses. Innovation and social networks have also been proven to increase competitiveness and business performance, opening up new opportunities in dynamic markets (Ohene Afriyie et al., 2024).

### **Marketing Capabilities on Business Performance**

Marketing capabilities play a crucial role in determining business performance, especially in facing competition and dynamic market changes. Based on the Resource-Based View (RBV) theory, marketing capabilities are considered a strategic resource that can provide a competitive advantage for the company. With strong marketing capabilities, companies can identify the right market, design innovative strategies, and manage resources effectively, which in turn has a positive impact on business performance (Mathews et al., 2016). Marketing capabilities consist of skills and resources acquired through the accumulation of knowledge and integration with organizational values (Ejrami et al., 2016). Several studies, such as those conducted by (Pfajfar et al., 2024),

shows that marketing capabilities significantly influence company performance. (Zhou et al., 2021) also argue that marketing capabilities have a positive relationship with company performance, having a direct impact on revenue growth, profit margins and return on investment (Martin et al., 2017). This research supports the findings of (Mikalef et al., 2020) who emphasize the positive relationship between customer-focused marketing capabilities and company performance. In the context of small businesses in the culinary sector, strong marketing capabilities enable business actors to increase product attractiveness, build competitive advantages, and design marketing strategies that are innovative, adaptive, and customer-oriented. Effective marketing capabilities are proven to have a direct impact on a company's financial and operational performance.

### **Digital Literacy towards Marketing Capabilities**

The Baby Boomer and Generation This hinders the optimal use of digital marketing potential. To overcome this obstacle, digital literacy training can help improve technological understanding and operational efficiency, while utilizing digital platforms for marketing strategies. However, research shows that digital literacy does not have a significant influence on marketing abilities. According to (Hanaysha et al., 2022) and (Oduro & Mensah-Williams, 2023) factors such as practical experience, market understanding, and marketing strategy have a greater impact. Digital literacy needs to be balanced with the ability to design relevant marketing strategies to be effective. Strategic steps include basic training in the use of digital technology, assistance in implementing technology in business, as well as developing data-based marketing strategies. With this approach, business actors can increase their competitiveness and business performance in the digital era. The combination of digital literacy and a good marketing strategy will help maximize marketing potential and business operations.

### **Digital Literacy on Business Performance**

The findings show that digital literacy does not have a significant influence on business performance. Even though business people have access to technology, limited understanding of digital marketing concepts often hinders the implementation of effective strategies. The use of digital tools such as social media also tends to be suboptimal due to a lack of careful planning. Apart from that, external factors such as market conditions, competition and consumer behavior also influence business performance. The lack of resources, both time and funds, is another obstacle that limits business actors from applying digital knowledge to the maximum. Previous research (Zahara et al., 2023) consistently shows that digital literacy alone is not enough to improve business performance. Therefore, a holistic approach that includes business strategy development, market understanding and adequate investment is needed to optimally exploit the potential of digital technology.

### **Characteristics of Entrepreneurship on Business Performance Through Marketing Capabilities**

Entrepreneurial characteristics, such as the courage to take risks, innovation, and resource management, have an important role in determining business success. Its influence on company performance is strengthened by marketing's ability as a mediator. Entrepreneurs with good marketing skills can formulate appropriate strategies, understand customer needs, create attractive value propositions, and utilize marketing channels effectively (Yang et al., 2023). These marketing capabilities increase sales opportunities and company performance. Research shows that innovative entrepreneurial characteristics encourage the effectiveness of marketing strategies, for example through campaigns that are relevant and attract consumer attention (Chen et al., 2023; Yunis et al., 2018). Overall, the combination of positive entrepreneurial characteristics and strong marketing capabilities strengthens business competitiveness, enabling entrepreneurs to be more adaptive, take

advantage of opportunities, and achieve better performance in a competitive business environment (Forliano et al., 2021).

### **Digital Literacy on Business Performance Through Marketing Capabilities**

Digital literacy on business performance through marketing capabilities does not show a significant influence in many studies. Even though in the current digital era digital literacy is considered important, the reality is that mastery of technology and information is not always directly proportional to increased business performance (AL Kayid et al., 2022) One of the main reasons for this phenomenon is that digital literacy is only one of the various factors that influence business performance. Although business actors may have skills in using digital technology and online marketing tools, their success in marketing products or services is also greatly influenced by other factors (Omar & Ruslan, 2019) An effective marketing strategy is key. Business actors need to have a clear and structured plan. Without a good strategy, digital literacy alone is not enough to attract consumers and increase sales. Additionally, in-depth marketing skills are necessary. Even though business actors have digital literacy, many do not have sufficient understanding of market segmentation, pricing and brand development, all of which are very important for achieving optimal results (Ngwenya & Aigbavboa, 2017) This phenomenon is in line with findings in various previous studies, which show that digital literacy, although considered important in the current digital era, is not always directly proportional to increased business performance (de la Cruz et al., 2018) One of the main reasons for these results is that digital literacy is only one factor among many that influence business performance. Even though business actors may have skills in using digital technology and online marketing tools, their success in marketing products or services is also greatly influenced by other factors that are no less important, such as the marketing strategies implemented (Lee & Lin, 2019).

### **CONCLUSION**

Entrepreneurial characteristics have a significant positive effect on marketing capabilities and business performance, both directly and through the role of marketing capabilities as a mediator. In contrast, digital literacy does not have a significant influence on marketing capabilities or business performance, either directly or indirectly. This emphasizes the importance of entrepreneurial characteristics and effective marketing strategies in improving business performance, compared to digital literacy which has limited influence.

### **CONFLICTS OF INTEREST STATEMENT**

Regarding this study, the author declares that there is no conflict of interest.

### **AUTHOR CONTRIBUTIONS**

Study concept and design: Desva Novianti. Acquisition of data: Desva Novianti. Analysis and interpretation of data: Marwan. Drafting the manuscript: Desva Novianti. Critical revision of the manuscript for important intellectual content: Marwan. Statistical analysis: Desva Novianti.

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