THE INFLUENCE OF DIGITAL LITERACY AND SOCIAL MEDIA PROMOTION ON MARKETING PERFORMANCE WITH DIGITAL READINESS AS A MODERATING VARIABLE IN SMALL AND MEDIUM ENTERPRISES IN CIREBON

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ABSTRACT

This study aims to analyze the influence of digital literacy and social media promotion on the marketing performance of Small and Medium Enterprises (SMEs) in Cirebon, with digital readiness as a moderating variable. The research adopts a quantitative approach using a survey method involving 325 SME owners registered at Rumah UMKM Cirebon. Data were collected through questionnaires using a Likert scale and analyzed using Structural Equation Modeling with the Partial Least Squares approach. The findings reveal that digital literacy and social media promotion have a positive effect on the marketing performance of SMEs, which is reflected in increased sales growth and wider market reach. The research model is able to explain more than half of the variation in SME marketing performance. However, digital readiness has not demonstrated a significant moderating role in strengthening the relationship between digital literacy, social media promotion, and marketing performance. This study has several limitations, particularly its focus on a specific region and type of business. Therefore, future research is recommended to expand the scope of the study to different regions and include additional strategic variables that may influence SME marketing performance.

Keywords: *Digital Literacy; Social Media Promotion; Marketing Performance; SMEs*

INTRODUCTION

Digital literacy has become a fundamental factor in the ability of Small and Medium Enterprises (SMEs) to utilize digital technology for managing marketing, communication, and customer service (OECD, 2021; Bidasari et al., 2023). Good digital skills enable entrepreneurs to understand how to use digital platforms productively; however, the level of digital literacy among SMEs in Indonesia still varies and poses a challenge in achieving competitive advantage (Bidasari et al., 2023; Rahayu & Day, 2017). Digital literacy has proven to be a fundamental factor for improving SME performance across various research areas. Fadilah (2024) It is stated that digital literacy, along with financial and accounting literacy, improves the performance of micro sub-sector MSMEs in Pontianak City through strengthening business management and digital marketing, while Bidasari et al, (2023) added that digital literacy and financial literacy play an important role in improving MSME performance because they help business actors make information-based decisions and apply digital marketing strategies more effectively.

Promotion through social media has also become an effective marketing strategy that offers opportunities for broad interaction and direct consumer engagement (Tuten & Solomon, 2020; Dwivedi et al., 2021). However, the effectiveness of social media promotion depends on the business actors' understanding of how to generate digital content, manage consumer engagement, and direct promotions to the target market accurately to enhance marketing performance (Tuten & Solomon, 2020; Kotler & Keller, 2016; Dwivedi et al., 2021). Promotion through social media has been proven to be an effective marketing strategy for businesses of various sizes (Kaplan & Haenlein, 2010; Tuten & Solomon, 2020; Dwivedi et al., 2021). Saroh and Zunaida (2022) stated that social media promotion has a significant impact on the marketing performance of JV Orchid resellers in Singosari–Malang, evidenced by an increase in transaction volume, customer loyalty, and market reach. Another study by Yapan (2022) also confirmed that e-commerce and digital promotions through social media contribute significantly to marketing performance by increasing transaction convenience and consumer engagement.

Although digital literacy and social media promotion have a positive relationship with marketing performance, recent research shows that the success of implementing digital marketing strategies is greatly influenced by digital readiness (Miftachurohmah et al., 2024; Vial, 2019; Kane et al., 2017). When Small and Medium Enterprises (SMEs) have high digital readiness, the utilization of digital literacy and social media promotion will be more optimal and result in improved marketing performance (Miftachurohmah et al., 2024). However, empirical evidence shows that the digitalization of marketing among SMEs registered with Rumah UMKM Cirebon is already underway, but it is still in its early stages and not yet optimal. Dependence on traditional marketing means that the use of digital technology does not have a maximum impact on increasing sales revenue, while the declining trend in revenue from 2019 to 2024 indicates that digital transformation has not yet fully been able to improve SME marketing performance.

This condition indicates a gap between previous research findings that show the positive influence of digital literacy and social media promotion on marketing performance and the empirical conditions of SMEs at Rumah UMKM Cirebon, where the level of digital readiness and technological capability is not yet optimal, thus unable to compensate for the decline in sales performance that occurs from year to year. In addition, some previous studies have placed social media promotion alongside other strategic variables such as market orientation or innovation to explain marketing performance more broadly. Meanwhile, empirical studies that simultaneously examine the influence of

digital literacy and social media promotion on marketing performance by including digital readiness as a moderating variable, especially in the context of local SMEs like Rumah UMKM Cirebon, are still limited.

Based on this gap, this study aims to analyze the influence of digital literacy and social media promotion on the marketing performance of Small and Medium Enterprises (SMEs) at Rumah UMKM Cirebon, as well as to examine the role of digital readiness as a moderating variable in this relationship.

LITERATURE REVIEW, THEORETICAL FRAMEWORK, AND HYPOTHESES
Digital Literacy
Digital literacy is the ability of Small and Medium Enterprise (SME) actors to utilize digital technology to access, manage, and use information to support business activities (Martin, 2006; Bidasari et al., 2023). Digital literacy enables business actors to adapt to the developments of the digital economy, thereby improving business performance (OECD, 2021; Bidasari et al., 2023). Bidasari et al, (2023) explains that digital literacy is an important resource for MSME actors in facing changes in the digital-based business environment. In addition, Fadilah (2024) States that digital literacy is not only related to the technical ability to use digital devices, but also includes understanding data security, choosing the right digital platforms, and utilizing technology for more effective business decision-making.

Social Media Promotion
Promotion through social media is a form of marketing communication that utilizes internet-based digital platforms to convey product information, build relationships with consumers, and encourage purchasing decisions (Kotler & Keller, 2016). Amelia et al, (2022) stating that social media has become an effective promotional tool because it can be widely accessed and allows two-way interaction between business actors and consumers. Next, Saroh and Zunaida (2022) stating that social media promotion carried out in a planned and consistent manner affects marketing performance, which is reflected in increased sales volume, customer loyalty, and market reach.

Marketing Performance
Marketing performance reflects the level of success of marketing activities in achieving business objectives (Kotler & Keller, 2016; Ferdinand, 2000). According to Amelia et al, (2022), marketing performance can be seen from sales growth, an increase in the number of customers, and the business's ability to generate sustainable profits. In the context of digital marketing, marketing performance is influenced by the ability of SMEs to optimally utilize digital technology and social media.

Digital Readiness
Digital readiness reflects the condition of business actors in adopting and integrating digital technology into business activities (Vial, 2019). Miftachurohmah et al, (2024) defining digital readiness as the condition when individuals have technical competence, confidence in using digital devices, and adequate self-learning ability. When MSME actors have good digital readiness, the use of digital literacy and social media promotion will be more optimal and potentially enhance marketing performance.

Based on the literature that has been described, the following hypothesis is proposed:

H1: The Effect of Digital Literacy on Marketing Performance in Small and Medium Enterprises (SMEs) in Cirebon.

H2: The Effect of Promotion through Social Media on Marketing Performance in Small and Medium Enterprises (SMEs) in Cirebon.

H3: The Moderating Role of Digital Readiness on the Relationship Between Digital Literacy and Marketing Performance in Small and Medium Enterprises (SMEs) in Cirebon.

H4: The Moderating Role of Digital Readiness on the Relationship Between Social Media Promotion and Marketing Performance in Small and Medium Enterprises (SMEs) in Cirebon.

Based on the literature review and the proposed hypotheses, this study develops a conceptual frame work that explains the relationship between digital literacy, social media promotion, digital readiness, and marketing performance. Digital literacy and social media promotion are proposed to directly influence marketing performance, while digital readiness is expected to moderate these relationships. The research framework is illustrated in Figure 1.
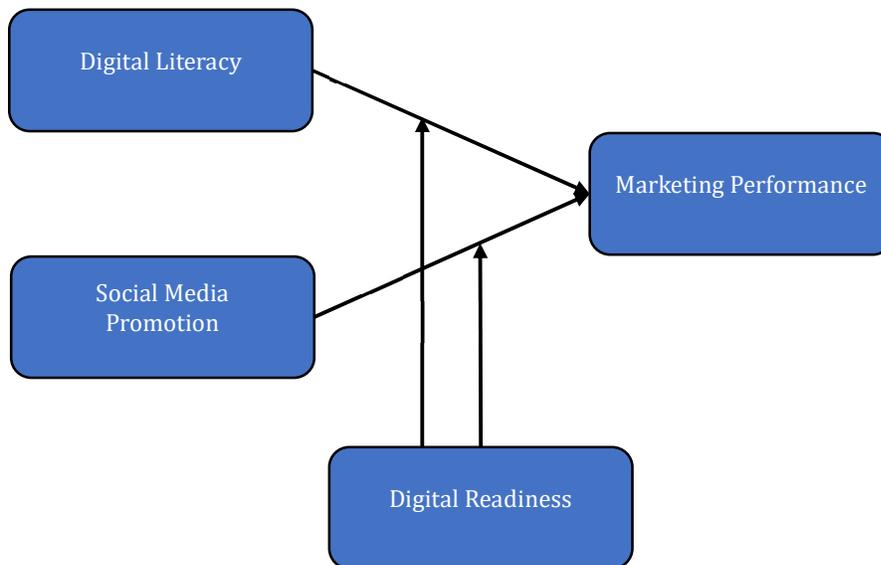
Source: Developed by the authors based on Bidasari et al. (2023), Saroh & Zunaida (2022), and Miftachurohmah et al. (2024).

Figure 1
Research Framework

METODE

This study uses a quantitative approach with an explanatory research type (Sekaran & Bougie, 2016), aimed at explaining the relationship and influence between digital literacy and social media promotion on marketing performance, with digital readiness as a moderating variable. This research was conducted on Small and Medium Enterprises

(SMEs) registered at Rumah UMKM Cirebon, so the scope of the study focuses on SME actors who have utilized social media in their marketing activities.

The population in this study consisted of all Small and Medium Enterprise (SME) actors registered at Rumah UMKM Cirebon. The sample was determined because the population size was known with certainty and relatively large. The technique used to determine the sample size was the Slovin formula with a margin of error of 5 percent (Sugiyono, 2019). Based on this calculation, a sample of 325 respondents was obtained, which was considered to represent the characteristics of the study population. The sampling technique used was probability sampling, so every member of the population had an equal chance of being selected as a research respondent (Sekaran & Bougie, 2016; Sugiyono, 2019). This method was chosen to enhance the representativeness of the sample and reduce potential bias in data collection.

The data collection method was conducted using a structured questionnaire prepared based on the indicators of each research variable. The questionnaire used a five-point Likert scale, ranging from strongly disagree to strongly agree, to measure respondents' perceptions of digital literacy, social media promotion, digital readiness, and marketing performance. The questionnaire was distributed both directly and online to respondents who met the research criteria.

The data analysis method in this study used Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach (Hair et al., 2021). Data analysis was conducted with the assistance of SmartPLS software, which was used to test the validity and reliability of the instruments, examine the relationships between variables, and analyze the role of moderating variables in the research model. The SEM-PLS approach was chosen because it is capable of testing complex structural models and is suitable for research with a relatively large sample size.

Each construct was operationalized using indicators adapted from prior validated scales in the literature:

- Digital Literacy: Competence in working with digital media, Intensity of digital media usage in business, Enthusiasm and work productivity with digital media (Bidasari et al., 2023).
- Social Media Promotion: Promotional reach through social media, Quantity/Intensity of updates on social media, Quality of promotional messages (Tuten & Solomon, 2020; Dwivedi et al., 2021).
- Marketing Performance: Sales volume, Sales growth, Customer growth, and Profitability (Ferdinand, 2000).
- Digital Readiness: Technical Readiness, Organizational / Business Readiness, Digital Utilization Readiness (Vial, 2019).

RESULTS AND DISCUSSION
Validity Test (Outer Model)
- **Convergent Validity**
  The validity test using convergent validity is based on the correlation between statement indicators, scores, or score components estimated using SmartPLS 4.0 software. The measurement for each indicator is considered high if it correlates more than 0.7 (Hair et al., 2021).
  - Digital Literacy (X_1) : Based on the data from the convergent validity test of the Digital Literacy variable, it shows that each indicator has an outer loading value > 0.7, so all six indicators can be considered appropriate or valid for measuring the Digital Literacy variable.

- Social Media Promotion: Based on the data from the convergent validity test of the social media promotion variable, it shows that each indicator has an outer loading value > 0.7, so all six indicators can be considered feasible or valid for measuring the social media promotion variable.
- Marketing Performance: Based on the data from the convergent validity test of the marketing performance variable, it shows that each indicator has an outer loading value > 0.7, so all six statements of the indicators can be considered feasible or valid for measuring the marketing performance variable.
- Digital Readiness: Based on the data from the convergent validity test of the digital readiness variable, it shows that each indicator has an outer loading value > 0.7, so all six indicators can be considered appropriate or valid for measuring the digital readiness variable.

Reliability Test

Reliability testing aims to evaluate the measurement model to ensure whether an instrument's indicators can reliably measure with accurate results. A construct is considered reliable if the composite reliability and Cronbach's alpha values are > 0.7 (Hair et al., 2021). The following are the results of the reliability testing, which can be seen in the Table 1.

Table 1
Results of Cronbach's Alpha and Composite Reliability Calculations

Variabel	Cronbach's alpha	Composite reliability (rho_c)	Description
Digital Readiness (Z)	0.942	0.951	Reliable
Marketing Performace (Y)	0.870	0.902	Reliable
Social Media Performance (X2)	0.926	0.942	Reliable
Digital Literacy (X1)	0.940	0.952	Reliable

Source: data processed by researchers, 2025

It is known that the Cronbach's alpha value for the Digital Readiness variable is 0.942, the Marketing Performance variable is 0.870, the Social Media Promotion variable is 0.926, and the Digital Literacy variable is 0.940, indicating that all these variables are reliable or accurate with good reliability. Furthermore, the composite reliability values are 0.951 for Digital Readiness, 0.902 for Marketing Performance, 0.942 for Social Media Promotion, and 0.952 for Digital Literacy, showing that all these variables are reliable or accurate with good reliability.

R-Square (Inner Model)

R-Square is used to measure the level of change of the independent variable on the dependent variable (Hair et al., 2021). If the R-Square value is higher, the better the degree of determination of a variable. Generally, an R-Square value of around 0.75 can be considered a strong model, a value of around 0.50 indicates a moderate level, and a value of around 0.25 is considered a weak model (Hair et al., 2021). As presented in Table 2, the R-Square value for the Marketing Performance variable shows the extent to which Digital Literacy and Social Media Promotion explain the variance in Marketing Performance.

Table 2
R-Square Value

	R-square	Description
Marketing Performance (Y)	0.569	Moderate

Source: data processed by researchers, 2025

In the Table 2, it can be seen that the Marketing Performance variable obtained an R-square value of 0.569 or 56.9%. This result indicates that the Marketing Performance variable is influenced by Digital Literacy and Social Media Promotion variables at a moderate level, while the remainder is influenced by other factors not mentioned in this research model.

F-Square

F–square is a local effect used to measure the magnitude of influence between variables and to assess the goodness of the model (Hair et al., 2021). The effect evaluated is individual, not simultaneous. The effect size values are divided into three categories: small ($0.02 < F2 < 0.15$), medium ($0.15 < F2 < 0.35$), and large ($F2 > 0.35$) (Hair et al., 2021). As presented in Table 3, the F-square values show the magnitude of the influence of Digital Literacy, Social Media Promotion, and Digital Readiness on Marketing Performance

Table 3
F-Square Values

Variabel	Digital Readiness (Z)	Marketing Performance (Y)	Digital Literacy (X1)	Social Media Performance (X2)
Digital Readiness (Z)		0.031		
Marketing Performance (Y)				
Digital Literacy (X1)		0.017		
Social Media Performance (X2)		0.026		

Source: data processed by researchers, 2025

F-square is used to measure the magnitude of the influence of latent variables at the structural level (Hair et al., 2021). Based on the Table 3, it shows that the F-square value for the relationship between Digital Readiness and Marketing Performance is 0.031, which falls into the small category. The F-square value for the relationship between Digital Literacy and Marketing Performance is 0.017, which is categorized as medium. Meanwhile, the F-square value for the relationship between Social Media Promotion and Marketing Performance is 0.026.

Hypothesis Test Results

Hypothesis testing is carried out by examining the direct effect and the indirect effect. The direct effect tests the influence of independent variables on dependent variables and mediation variables. Meanwhile, the indirect effect tests the influence of independent variables on dependent variables through the mediation variable. Additionally, this can be done by looking at the probability value and t-statistics (Hair et al., 2021). For the probability value and p-value with a 5% alpha, it is < 0.05. The t-table value for a 5% alpha is 1.96. Therefore, the criteria for accepting or rejecting the hypothesis are that Ha is accepted and Ho is rejected if the t-statistics > t-table 1.96 and p-value < 0.05 (Ghozali,

2021). As shown in Table 4, the hypothesis testing results indicate the influence of Digital Literacy and Social Media Promotion on Marketing Performance, as well as the moderating role of Digital Readiness

Table 4
Estimate for Path Coefficient

	Original sample (O)	T statistics (|O/STDEV|)	P values	Result
H1 = Digital Literacy (X1) -> Marketing Performance (Y)	0.174	2.126	0.034	Supported
H2 = Social Media Promotion (X2) -> Marketing Performance (Y)	0.198	2.644	0.008	Supported
H3 = Digital Readiness (Z) x Literasi Digital (X1) -> Marketing Performance (Y)	0.035	0.461	0.645	Supported
H4 = Digital Readiness (Z) x Promosi Media Sosial (X2) -> Marketing Performance (Y)	-0.133	1.721	0.085	Supported

Source: data processed by researchers, 2025

H1 = H1 is proven because the p-value = 0.034 (less than 0.05) and the T-statistics = 2.126 (exceeds the common significance threshold). The O value = 0.174 indicates a positive effect, meaning that the higher the digital literacy, the more likely marketing performance will improve. However, since the coefficient is not large (0.174), the effect can be understood as present and significant, but not the strongest compared to other paths with higher coefficients.

H2 = H2 is proven because the p-value = 0.008 (less than 0.05) and the T-statistics = 2.644. The value of O = 0.198 means the effect is positive, so better/more active social media promotion is associated with an increase in marketing performance. Compared to H1, the coefficient of H2 (0.198) is slightly higher than H1 (0.174), so the contribution of X2 to Y tends to be slightly stronger than X1 in this model.

H3 = H3 was not proven because the p-value = 0.645 (much greater than 0.05) and the T-statistics = 0.461. The O value = 0.035 is indeed positive, but very small and not significant, so there is no statistical evidence that digital readiness (Z) truly acts as a moderator that strengthens/weakens the effect of digital literacy on marketing performance. In other words, the effect of X1 on Y continues without being significantly influenced by the level of Z.

H4 = H4 is not supported because the p-value = 0.085 (greater than 0.05) and T-statistics = 1.721 (has not reached the common significance threshold). The coefficient O = −0.133 is negative, which means that there is a tendency in direction that the higher the digital readiness, the effect of social media promotion on marketing performance tends to weaken.

CONCLUSIONS AND SUGGESTIONS

This study concludes that digital literacy and promotion through social media play an important role in improving the marketing performance of Small and Medium Enterprises (SMEs) registered with Rumah UMKM Cirebon. The ability of SME actors to utilize digital technology and manage promotion through social media has been proven to be related to improved marketing performance, reflected in business marketing achievements.

These findings indicate that the use of digital technology and social media is a relevant strategy for SMEs in facing business competition in the digital era. However, the research results also indicate that digital readiness is not yet able to function as a moderating variable in strengthening the influence of digital literacy and social media

promotion on marketing performance. This suggests that the digital readiness of SMEs is still at an early stage and has not provided significant reinforcement for the relationships between the research variables.

Overall, this study provides an empirical contribution to enriching the study of SME digital marketing by affirming the direct role of digital literacy and social media promotion on marketing performance, as well as highlighting the limitations of digital readiness as a moderating variable in the context of local SMEs.

Based on the results of this study, it is recommended that future research broaden the scope of the area and the characteristics of the research subjects in order to obtain a more comprehensive picture of the marketing performance of digital-based SMEs. In addition, future research can examine other variables relevant to SME digital marketing, such as marketing innovation or market orientation, to deepen the understanding of the factors that influence marketing performance. The use of different methodological approaches or the development of more complex research models can also be considered to enrich empirical findings in the field of digital SME marketing.

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