

The Influence of Digital Literacy on the Performance of Ultra Micro Financing Debtors Through Manajerial Capability in Mamuju Regency

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Abstract

This study aims to examine the effect of digital literacy on the performance of Ultra-Micro Financing (UMi) debtors through managerial capability in Mamuju Regency. The research employed a quantitative method with a confirmatory survey approach. The sample consisted of 337 active UMi debtors in Mamuju Regency, selected using purposive sampling based on criteria of utilizing digital transactions and having received business assistance. Primary data were collected through structured questionnaires using a Likert scale and analyzed using PLS-SEM. The results indicate that digital literacy has a positive and significant effect on managerial capability, and also influences debtor performance both directly and indirectly through managerial capability. Debtors with higher levels of digital literacy demonstrate better abilities in business planning, financial management, marketing strategies, and decision-making, which contribute to improved business outcomes. The novelty of this study lies in highlighting the mediating role of managerial capability in strengthening the relationship between digital literacy and debtor performance within the context of ultra-micro financing, particularly in regions experiencing declining financing distribution.

Keywords: Digital literacy, Managerial Capability, Performance, Ultra Micro Financing

A. INTRODUCTION

Ultra-micro enterprises play a strategic role in the structure of the Indonesian economy, particularly in creating jobs, reducing poverty, and strengthening the economic resilience of low-income communities, especially in the MSME sector. In an effort to improve access to capital for this segment, the government launched the Ultra-Micro Financing Program (UMi). This program is a government financing facility implemented by Public Service Agency Pusat Investasi Pemerintah (BLU PIP) through Non-Bank Financial Institutions (LKBB) with direct or indirect schemes with a maximum financing value of IDR 20 million. The program aims to provide easy and fast loan access for small business actors and to encourage an increase in the number of entrepreneurs in Indonesia. As a fiscal policy instrument, it functions not only as a credit provider but also as a means of economic

empowerment through a business mentoring scheme. Conceptually, the program is designed to strengthen the internal capacity of debtors to manage their businesses productively and sustainably.

However, the effectiveness of the UMi program in encouraging debtor business performance remains an empirical problem. Data in Mamuju Regency show a declining trend in the number of debtors and the value of financing disbursement over the last three years as presented in the following table:

Table 1.1 Disbursement of Ultra-Micro Financing (UMi) in Mamuju Regency

Year	Number of debtors	Disbursement
2022	3.949	17.733.178.224
2023	2.999	14.065.446.294
2024	2.138	12.240.840.000

Source: SIKP UMi tahun 2025

This decline does not merely reflect aspects of financing demand, but can also be interpreted as an indication of weak debtor performance. Conceptually, debtors with growing businesses tend to require additional capital through further financing. Conversely, a decrease in the number of debtors can indicate business stagnation, income fluctuations, or even business failure, so that they no longer require access to financing. Thus, the performance of ultra-micro financing debtors becomes a critical variable that determines the success of the UMi program.

The performance of ultra-micro financing borrowers is not solely determined by external factors such as access to financing, but also depends heavily on the managerial skills or internal capacity of the business actor in managing limited resources. Managerial skills reflect the business actor's capacity to manage limited resources, such as finance, labor, raw materials, inventory, and supply chains, so that they can be optimally utilized to achieve business goals. Rinawati & Sadewo (2019), state that managerial skills are the most fundamental factor in maintaining the sustainability of MSMEs. Burhanuddin *et al.* (2021) emphasize that management skills have a significant influence on business performance because good managerial skills will drive business success. According to Antik & Murtani (2023), most UMi borrowers still face limitations in business management, particularly in aspects of planning, financial recording, marketing management, and business decision-making. In practice, ultra-micro financing borrowers do not always use business capital productively, as some of the financing funds are diverted for consumptive needs. The characteristics of debtors, dominated by business actors with relatively low levels of formal education, small business scale, and limited managerial experience, result in less than fully productive financing utilization (Putri & Binawati,

2022). Limited MSME resources, such as low knowledge, entrepreneurial competency, and managerial skills, impact low business innovation and productivity. Nabawi & Basuki (2022), emphasize that the quality of human resources directly impacts business development. Furthermore, these limitations impact low turnover growth, limited business expansion, and weak business resilience to changes in the business environment.

Furthermore, digital literacy is an increasingly relevant factor in the modern economic context. Digital literacy enables businesses to access information, optimize technology use, and expand market reach through digital platforms. From a theoretical perspective, digital literacy can be viewed as a capability that supports the adaptation process to the dynamics of an increasingly digitalized business environment.

Digital literacy enables ultra-micro financing borrowers to improve operational efficiency through the use of digital tools and applications, leveraging social media, websites, and e-commerce platforms to reach a wider target market. This also enables the expansion of business reach to the global market. Therefore, high digital literacy will positively contribute to the operational performance of MSMEs, including increased revenue. According to Hamijaya *et al.* (2024), MSMEs with skills in interacting and collaborating in the digital world will improve business performance, such as facilitating customer order fulfillment, improving customer service, and managing work. However, digital literacy does not automatically result in improved business performance. Business actors' digital knowledge needs to be transformed into effective managerial practices to provide tangible benefits to business performance. In this regard, managerial skills act as a key mechanism bridging knowledge with implementation. Managerial skills reflect the capacity of business actors to plan, organize, and control business activities, thus enabling the optimal use of resources, including financing and technology.

The relationship between digital literacy, managerial skills, and business performance can be explained through the perspective of Dynamic Capability Theory, which emphasizes that organizational performance is determined by the ability to integrate and configure resources according to environmental changes (Teece *et al.*, 1997). In the context of ultra-micro businesses, digital literacy represents the capacity to respond to technological changes (sensing), while managerial skills reflect the ability to manage and implement strategic decisions (seizing and reconfiguring). Thus, business performance is not only a result of resource ownership, but also of the ability to manage them effectively.

Empirically, previous research has shown that digital literacy and managerial skills contribute to improving MSME performance. However, research results remain inconsistent. Some studies found

a positive and significant effect, while others showed that neither digital literacy nor managerial skills consistently impacted business performance. Research by Huda *et al.* (2023) demonstrated that digital literacy significantly impacts MSME performance. Entrepreneurs are not merely familiar with digital media but also deeply incorporate digital literacy into their daily activities, particularly in supporting their business activities, including promotional and marketing activities through digital media, thus generating profits. This is in line with research by Bidasari *et al.* (2023), Inanna *et al.* (2023) and Bahri *et al.* (2021), which found that digital literacy has a positive and significant impact on MSME performance, where the stronger an entrepreneur's digital literacy, the better their business performance. This contrasts with research by Etanim (2022), whose findings indicate that digital literacy in the form of e-commerce utilization does not significantly impact MSME performance.

On the other hand, Rahman & Hirawati (2022), found that managerial ability significantly influences MSME performance. Other research by Suyono & Zuhri (2022). Pandak & Nugroho (2023), also demonstrated a significant influence of managerial ability on business performance. Similarly, research by Arifuddin *et al.* (2025), confirmed these findings. However, research by Aulia (2020), and Rusyida (2023) showed different results, indicating that managerial ability does not always significantly influence business performance. These differing findings indicate a research gap, particularly regarding the mechanisms of relationships between variables, which have not been fully explained in previous literature.

Furthermore, empirical studies integrating digital literacy and managerial skills into a single structural model with a mediation approach in the context of ultra-micro financing are still relatively limited, particularly at the regional level with specific characteristics such as Mamuju Regency. However, local conditions, which demonstrate a downward trend in financing, provide important context for a deeper understanding of debtor performance dynamics.

Based on this background, this study aims to analyze the influence of digital literacy on the performance of Ultra Micro (UMi) financing borrowers, with managerial ability as a mediating variable. The novelty of this study lies in examining the role of managerial ability as a mechanism explaining the relationship between digital literacy and borrower performance in the context of ultra micro financing in areas experiencing declining financing disbursement. This research is expected to enrich the literature on MSME development and provide practical implications for the formulation of ultra micro business empowerment policies.

B. LITERATURE REVIEW

1. Dynamic Capability Theory (DCT)

According Teece *et al.* (1997) in Dynamic Capability Theory argues that an organization's ability to adapt and integrate its resources and capabilities in response to environmental changes is crucial to improving performance. In the era of rapid digitalization, MSMEs in Indonesia face challenges to adapt to technological changes and market dynamics. Research by Pavlou & Sawy (2011) shows that the ability to leverage technology is one of the important aspects of dynamic capabilities. Digital literacy is a key capability for business actors to remain competitive. With good digital literacy, UMi debtors can utilize technology to access information and resources needed to improve operational efficiency and effectiveness through sensing and seizing digital opportunities.

Furthermore, one important aspect of dynamic capabilities is managerial ability. Through sensing, seizing, and reconfiguring, ultra-micro financing debtors can improve their performance by integrating their resources and capabilities in response to environmental changes to achieve their goals. With strong managerial skills, debtors can manage their finances and business effectively and improve performance (Helfat & Peteraf, 2003).

2. Digital Literacy

Digital literacy has evolved from simply the technical ability to use digital devices to a multidimensional competency encompassing the ability to access, evaluate, produce, and utilize information critically, ethically, and productively. In the business context, digital literacy plays a crucial role in improving operational efficiency, expanding market access through digital platforms, and supporting data-driven decision-making. According to Paul Gilster in Farhan *et al.* (2022), digital literacy is defined as the ability to understand and use information in various formats, emphasizing critical thinking when engaging with digital media rather than technical competencies as the core skills of digital literacy, and emphasizing the critical evaluation of what is found through digital media rather than the technical skills required to access such media.

Previous studies have shown that digital literacy has a positive impact on business performance, particularly among MSMEs that have adopted digital technology in their marketing, financial record-keeping, and customer interactions. However, most studies still treat digital literacy as an independent variable that directly influences performance, without explaining the internal mechanisms that mediate that relationship. Furthermore, research on ultra-micro finance (UMi) borrowers in regions such as Mamuju Regency remains relatively limited.

3. Managerial Capability

Managerial capability refers to a business actor's capacity to effectively plan, organize, direct, and control business resources. From the perspective of Dynamic Capability Theory, managerial capability is an internal capability that enables a business actor to respond adaptively to environmental changes. Managerial capability refers to an individual's skills in taking the necessary steps to achieve predetermined goals or targets. These steps include planning, organizing, implementing, and supervising, which correspond to the management functions applied in the ongoing business or enterprise operations (Fitriyani *et al.*, 2021).

Several studies have found that managerial skills significantly influence business performance, particularly in terms of growth, profitability, and sustainability. However, the literature shows inconsistencies regarding the factors shaping managerial skills, particularly in the context of ultra-micro businesses with limited education and access to technology. Few studies have explicitly examined digital literacy as an antecedent of managerial skills.

4. Ultra MicroFinancing Debtor Performance

Performance in the business context, particularly for ultra-micro financing debtors, is the ability of ultra-micro financing debtors to achieve their stated goals. This encompasses various aspects such as financial performance, production, distribution, marketing, and others. Performance is a crucial factor for ultra-micro financing debtors because it plays a role in determining the success and sustainability of the business. With good performance, ultra-micro financing debtors will have the opportunity to achieve competitive advantages that can become strong competitive resources. The performance of UMi financing debtors is generally measured through indicators of turnover growth, increased revenue, business efficiency, and business sustainability. The UMi program is designed to strengthen access to financing for ultra-micro businesses, but various studies show that providing capital alone is not enough to guarantee improved performance.

Several studies have identified that non-financial factors such as financial literacy, business mentoring, and managerial capacity significantly contribute to borrower success. However, studies integrating digital literacy as a strategic factor in improving the performance of UMi borrowers are still very limited, particularly in the regional context.

5. Research Gaps and Contributions

Based on a review of the current literature, several research gaps remain. First, limited research examining the relationship between digital literacy and business performance through the mediation mechanism of managerial ability. Second, most studies were conducted on a general MSME scale, not

specifically on UMi financing borrowers. Third, regional contexts such as Mamuju Regency have not been widely explored in the academic literature.

Therefore, this study contributes by examining the role of managerial capability as a mediating variable in the relationship between digital literacy and UMi debtor performance. This approach provides a more comprehensive understanding of how digital capabilities can translate into improved performance by strengthening internal managerial capacity.

C. METHOD

This research uses a quantitative approach with an explanatory research design, which aims to explain the causal relationship between variables, specifically the influence of digital literacy on the performance of Ultra Micro (UMi) financing debtors through managerial ability as a mediating variable. The explanatory design was chosen because this study not only seeks to describe the phenomenon, but also tests hypotheses that have been formulated theoretically and explains the mechanisms of direct and indirect relationships between variables in the structural model. This approach is considered more appropriate than descriptive or exploratory designs because it is able to provide empirical evidence of the causal relationship that has been constructed based on theory and previous research. The data used are primary data collected cross-sectionally over a certain period of time.

Data collection was conducted through a survey using a structured questionnaire based on research variable indicators adapted from previous research and tailored to the context of ultra-micro businesses. Digital literacy was measured through digital media usage, usage intensity, and digital-based productivity. Managerial ability was measured through business planning, financial management, decision-making, and business strategy development. Debtor performance was measured through customer growth, increased sales, and increased business profits. All questions were measured using a five-point Likert scale to more comprehensively capture variations in respondents' perceptions.

The population in this study was all active Ultra Micro Financing (UMi) debtors in Mamuju Regency registered with Non-Bank Financial Institutions (LKBB) as of the end of 2024, totaling 2.138 debtors. The sample size was determined using the Slovin formula with a 5% error rate, resulting in a sample size of 337 respondents. This number is considered adequate for SEM-PLS analysis because it meets the minimum sample size requirements, which is 5–10 times the number of indicators for a model with moderate complexity. The sampling technique used purposive sampling with the following criteria: (1) active debtors domiciled and running a business in Mamuju Regency, (2) have received UMi financing for at least one financing cycle, (3) use digital transactions in business activities, and (4) have received business assistance from the distributing institution.

Data analysis was conducted using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with the assistance of SmartPLS software. This method was chosen because it is capable of analyzing complex structural models, accommodates medium sample sizes, and does not require normal data distribution. The main objectives are evaluation of the measurement model (outer model) and evaluation of the structural model (inner model).

Evaluation of the measurement model was conducted to test the validity and reliability of the construct, which includes: (1) convergent validity through outer loading values ($>0,70$) and Average Variance Extracted (AVE $>0,50$), (2) discriminant validity through cross loading and Fornell-Larcker criteria, and (3) reliability through Composite Reliability and Cronbach's Alpha values ($>0,70$). Furthermore, evaluation of the structural model was conducted to test the relationship between variables by looking at the path coefficient value, t-statistic value, p-value, and R-Square and Q-Square values as indicators of the model's predictive strength.

Hypothesis testing was conducted using bootstrapping techniques to obtain t-statistics and p-values. The hypothesis was accepted if the t-statistic value $>1,96$ and the p-value $<0,05$, indicating a statistically significant relationship between the variables at the 95% confidence level. A mediation test was conducted to determine the role of managerial ability in mediating the relationship between digital literacy and debtor performance through an analysis of direct and indirect influences in the structural model.

D. RESEARCH RESULTS AND DISCUSSION

1. Evaluation of the Measurement Model (*Outer Model*)

Measurement model evaluation was conducted to ensure that the indicators used in this study were valid and reliable in representing the latent constructs. Convergent validity testing was conducted by examining the outer loading and Average Variance Extracted (AVE) values. According to Ghozali (2020), convergent validity is met if the loading factor value $>0,70$ for confirmatory research (or $0,60-0,70$ for exploratory research) and the AVE value $>0,50$. The loading factor values are presented in the table 3.1.

Table 3.1 *Loading Factor value*

Research Variabel	Indicator	Loading factor (> 0.70)	AVE (> 0.50)	Conclusion
Digital Literacy	LD.1	0,881	0,766	Valid
	LD.2	0,887		Valid
	LD.3	0,907		Valid
	LD.4	0,806		Valid
	LD.5	0,895		Valid
	LD.6	0,841		Valid

Research Variabel	Indicator	Loading factor (> 0.70)	AVE (> 0.50)	Conclusion
	LD.7	0,904		Valid
Managerial Capability	KM.1	0,780	0,734	Valid
	KM.2	0,874		Valid
	KM.3	0,871		Valid
	KM.4	0,836		Valid
	KM.5	0,894		Valid
	KM.6	0,880		Valid
Business Performance	KU.1	0,782	0,720	Valid
	KU.2	0,847		Valid
	KU.3	0,845		Valid
	KU.4	0,861		Valid
	KU.5	0,886		Valid
	KU.6	0,872		Valid
	KU.7	0,844		Valid

Source: Data diolah, 2025

The test results in Table 3.1 show that all indicators in the variables of digital literacy, managerial ability, and debtor performance have outer loadings above 0,70, and AVE values for each construct are greater than 0,50. Therefore, it can be concluded that all indicators meet convergent validity and are suitable for use in the research model.

Next, discriminant validity was tested using the Fornell-Larcker criteria and cross-loading values. According to Hair *et al.* (2014),, convergent validity in reflective constructs indicates the extent to which latent variables can explain variation in their indicators, as assessed through outer loadings and AVE. Outer loadings $\geq 0,7$ and AVE $\geq 0,5$ indicate that the construct has good convergent validity because it is able to explain most of the variation in the indicators.

Table 3.2 Hasil Uji Diskriminant Validity Test Results using the
Fornell-Larcker Criterion Method

Research Variabel	Digital Literacy	Managerial Capability	Business Performance
Digital Literacy	0,875		
Managerial Capability	0,581	0,857	
Business Performance	0,718	0,729	0,849

Source : Data diolah, 2025

The test results in Table 3.2 show that the square root of the AVE of each construct is greater than the correlation between the other constructs. Furthermore, each indicator has the highest loading value on the construct it measures compared to other constructs. Therefore, it can be concluded that

the measurement model meets the criteria for discriminant validity, is deemed feasible and valid, and can proceed to structural model testing to examine the relationships between variables.

In addition to validity testing, reliability testing is also conducted to measure the extent to which a measurement instrument or construct is reliable and consistent in measuring variables. Construct reliability is tested using Cronbach's Alpha and Composite Reliability values. According to Yamin (2022), a composite reliability value $>0,7$ indicates a construct has high reliability, while a composite reliability value $>0,6$ is considered moderately reliable. A summary of the validity and reliability test results is presented in Table 3.3.

Tabel 3.3 *Cronbach's Alpha dan Composite Reliability Value*

No.	Research Variabel	onbach's alpha	Composite Reliability	Conclusion
1	Digital Literacy	0,949	0,952	Reliabel
2	Managerial Capability	0,927	0,929	Reliabel
3	Business Performance	0,935	0,936	Reliabel

Source: Data diolah, 2025

The test results in Table 3.3 show that all research variables had Cronbach's Alpha and Composite Reliability values above 0,70, indicating that the research instrument had a good level of internal consistency. Therefore, it can be concluded that the indicators used in this study were reliable for measuring the latent variables for hypothesis testing.

2. Structural Model Evaluation (Inner Model)

A model fit test was conducted to ensure that the research model was able to represent the empirical conditions of ultra-micro financing debtors in Mamuju Regency, both in the measurement and structural models. This test is crucial for assessing whether mentoring and managerial capabilities simultaneously form a model capable of explaining and predicting debtor performance. According to Yamin (2022), an SRMR value $<0,08$ indicates excellent model fit, while a value of 0,08–0,10 is acceptable as adequate fit.

Table 3.4 *Goodness of Fit Model Test Results*

Model fit index	Cutt off value	Model results	Conclusion
SRMR	$< 0,10$	0,071	Fit model
d-ULS	the smaller the better	2,840	Fit model
d-G	the smaller the better	1,411	Fit Model

Model fit index	Cutt off value	Model results	Conclusion
Chi square (χ^2)	χ^2 statistik < χ^2 tabel 0.05, Df=20 = 31.410	2523,023	Fit Model
NFI	the closer to 1 the better	0,783	Fit Model

Source : Data diolah, 2025

The results of the goodness of fit (GOF) test according to Table 3.4 indicate that the structural model has met the feasibility criteria (model fit), as indicated by the SRMR value of 0,071 (<0.10), so that the difference between the observed and predicted covariance matrices is relatively small. The d-ULS and d-G values do not use specific cut-off criteria, but are interpreted based on the principle that the smaller the value, the better the model fit. Thus, the obtained values indicate that the model error rate is still within acceptable limits. The NFI value of 0,783, which is close to 1, also indicates a fairly good model fit. Although the chi-square statistic value is greater than the table value, this does not weaken the model's feasibility because the Chi-square value is relatively large compared to the table value is a common condition in SEM-PLS, especially with a fairly large sample size. Therefore, chi-square is not used as the main criterion in assessing model feasibility. Therefore, overall, the model is considered feasible because it is able to represent empirical data well and has adequate predictive ability. After the measurement model is declared feasible, the next stage is evaluating the structural model to test the causal relationships between variables. This evaluation is carried out by examining the coefficient of determination (R^2), predictive relevance (Q^2), and the significance of the influence paths between constructs. According to Chin in Sekaran & Bougie (2016), an R-Square value is categorized as strong if it is greater than 0.67, moderate if it is greater than 0.33 but lower than 0.67, and weak if it is greater than 0.19 but lower than 0.33.

Table 3.5 *R-square and Adjusted R-square Value*

Endogenous Variable		R Square	Adjusted R Square
Managerial Capability		0,605	0,602
Business	Performance	0,733	0,730

Source: Data diolah, 2025

The analysis results show that the R^2 value for managerial ability is in the moderate category, indicating that variations in debtor managerial ability can be adequately explained by digital literacy. Meanwhile, the R^2 value for debtor performance is also in the moderate to strong category, indicating that the combination of digital literacy and managerial ability can substantially explain variations in

UMi debtor performance. Positive Q² values for all endogenous variables indicate that the model has good predictive ability.

3. The Influence of Digital Literacy on Managerial Capability

Table 3.6 Direct Influence Path Coefficient Value

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Digital Literacy -> Managerial Capabilty	0,101	0,098	0,063	1,613	0,107
Digital Literacy -> Business Performance	0,282	0,281	0,059	4,753	0,000
Managerial Capability -> Business Performance	0,202	0,197	0,088	2,287	0,022

Source: Data diolah, 2025

The results of the hypothesis testing show that digital literacy has a positive but insignificant effect on the managerial capabilities of UMi debtors (p-value = 0,107 > 0,05). This indicates that increasing digital literacy among UMi financing debtors has not significantly improved their managerial capabilities. Empirically, the use of digital technology is still limited to operational aspects such as promotions and sales, and has not been utilized for strategic managerial functions such as planning and decision-making.

From the perspective of Dynamic Capability Theory (DCT), digital literacy should function as a dynamic capability that supports the sensing, seizing, and reconfiguring processes. However, the findings of this study indicate that the digital capabilities of UMi Financing Debtors have not yet developed as dynamic managerial capabilities, but rather remain at the level of basic technology utilization. This condition causes digital literacy to be unable to transform into adaptive and strategic managerial capabilities. Theoretically, the results of this study differ from the research of Setyaningsih *et al.* (2019), which states that digital literacy refers to an individual's skills and abilities in using digital technology and communication tools to access, manage, integrate, analyze, and evaluate information. This aims to build new knowledge, create, and interact with others in a digital environment, where higher digital literacy will influence the improvement of managerial capabilities. This insignificant influence also differs from the research results of Huda *et al.* (2023), Andriati & Patma (2020), and Hamijaya *et al.* (2024) which proves that digital literacy has a significant influence on improving managerial skills.

Empirically, the results of this study align with the findings of Etanim (2022), which showed that digital literacy in the form of e-commerce utilization does not significantly impact MSME performance. Thus, this study explicitly addresses the research gap regarding the role of digital literacy in MSME managerial capabilities. The results confirm that, in the context of UMi Financing Debtors in Mamuju Regency, operational technical digital literacy is insufficient to improve managerial capabilities. Therefore, strengthening the integration of digital literacy into strategic business management processes is necessary.

4. The Influence of Digital Literasy on Business Performance

Further hypothesis testing shows that digital literacy has a positive and significant effect on the performance of UMi debtors ($p\text{-value} = 0.000$). This means that the greater the ability of UMi Financing Debtors to utilize social media, websites, and e-commerce platforms to promote their products or services, reach a wider target market, and interact with customers online, the greater their business performance will be, particularly in terms of expanding business reach, sales rankings, and business sustainability. From the perspective of Dynamic Capability Theory, digital literacy acts as a dynamic capability that enables UMi Financing Debtors to sense market opportunities through digital media, seize opportunities through online marketing and sales, and reconfigure business resources to adapt to changes in the business environment. Thus, digital literacy is not only a technical skill, but also a strategic capability that directly drives improved business performance.

These results support research by Farhan *et al.* (2022), which states that the ability to understand and utilize digital technology enables business actors to develop marketing and transactions more effectively. The development of digital technology enables UMi Financing Debtors to market their products digitally by utilizing social media and websites, as well as conducting transactions through online banking systems. Utilizing online media is the right choice for UMi Financing Debtors to develop their businesses. Furthermore, the results of this study align with the empirical findings of Huda *et al.* (2023), Bidasari *et al.* (2023) and Bahri *et al.* (2021), which prove that digital literacy has a significant impact on business performance.

Thus, the results of this study firmly address the research gap in the differences in empirical findings regarding the role of digital literacy on MSME performance. The results of the study confirm that in the context of UMi Financing Debtors in Mamuju Regency, digital literacy is a key factor that directly improves business performance, especially through optimizing digital marketing and operational cost efficiency. Where with the ability to use good digital technology, UMi Financing

Debtors can increase productivity, achieve competitive advantage, and ensure business sustainability in a dynamic digital environment.

5. The Influence of Managerial Capability on Business Performance

The results of the study indicate that managerial capabilities has a positive and significant effect on the business performance of UMi debtors (p-value = 0,022). This finding indicates that debtors with better managerial ability tend to have higher business performance. The ability to plan a business, manage finances, and make strategic decisions is a key factor in improving the performance of ultra-micro businesses. In the perspective of Dynamic Capability Theory, managerial ability functions as a dynamic capability that enables UMi Financing Debtors to sense changes in the business environment, seize available business opportunities, and reconfigure limited business resources to stay in line with market needs. This ability is the main foundation for UMi Financing Debtors to integrate internal resources, including the use of social media and simple technology, in order to improve business performance.

The results of this study align with the theory proposed by Burhanuddin *et al.* (2021), which states that good management skills play a crucial role in improving business performance. Ultra-micro financing borrowers with adequate managerial skills tend to be able to identify market opportunities, set business goals, and formulate relevant strategies. With appropriate planning and strategy, the direction of business development becomes clearer and long-term performance can be improved. These findings also support empirical findings from Suyono & Zuhri (2022), Rahman & Hirawati (2022), Pandak & Nugroho (2023) and Arifuddin *et al.* (2025), which prove that managerial skills significantly influence MSME performance. Thus, the results of this study confirm that in the context of Mamuju Regency, managerial skills are a crucial internal factor and significantly influence the performance of UMi debtors.

6. The Mediating Role of Managerial Capability

Table 3.7 Indirect Influence Path Coefficient Value

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Digital Litercay -> Business Performance	0,020	0,019	0,016	1,294	0,196

Source: Data diolah, 2025

The results of the indirect effect test in Table 3.7 indicate that managerial capabilities unable to mediate the relationship between digital literacy and the business performance of UMi financing debtors ($p\text{-value} = 0,196 > 0,05$). Therefore, it can be firmly concluded that there is no mediation role in this relationship. This lack of mediation is due to the weak relationship between digital literacy and managerial ability, which proved insignificant. This means that the digital literacy possessed by debtors has not been able to be converted into improved managerial ability, thus it cannot function as an intermediary pathway to improve business performance.

From the perspective of Dynamic Capability Theory (DCT), a basic resource or capability such as digital literacy should be able to be configured into a dynamic capability through the processes of sensing, seizing, and reconfiguring. However, the results of this study indicate that this configuration process does not occur optimally, because digital literacy has not yet developed into a strategic managerial capability. In other words, digital literacy remains at the enabling capability level, which only supports operational activities, such as marketing and transactions, and has not been able to be integrated into managerial functions such as planning, decision-making, and business control.

This situation indicates that, in the context of UMi Financing Debtors in Mamuju Regency, digital literacy is partial and has not yet developed into dynamic managerial capability. This has resulted in a failure to establish a mediating pathway, thus preventing managerial capability from acting as an intervening variable in the relationship between digital literacy and business performance. The findings of this study differ from those of Hamijaya *et al.* (2024), who indicated a mediating role, likely influenced by differences in the digital maturity levels of business actors. In that study, digital literacy was integrated into the managerial process, whereas in this study, this integration has not yet occurred.

Thus, this study explicitly addresses the research gap: in the context of ultra-micro businesses, digital literacy cannot automatically be transformed into dynamic capabilities through managerial skills, thus failing to improve business performance through mediation mechanisms.

7. Theoretical and Practical Implications

Theoretically, the results of this study indicate that digital literacy does not have a significant effect on managerial capabilities, but has a direct and significant effect on business performance, and no mediating role of managerial capabilities was found in this relationship. This finding strengthens the Dynamic Capability Theory (DCT) perspective by showing that not all technology-based capabilities automatically develop into dynamic managerial capabilities. In the context of ultra-micro businesses, digital literacy possessed by business actors is still operational and limited to the use of technology for marketing and sales activities, so it has not been able to transform into strategic

capabilities in business management. Thus, this study confirms that strengthening managerial capabilities requires more than just increasing digital literacy, but also a deeper integration and learning process so that it can function as a dynamic managerial capability.

Practically, the results of this study imply that ultra-micro (UMi) financing programs cannot simply focus on improving digital literacy among entrepreneurs. A more comprehensive approach is needed, integrating digital training with managerial training simultaneously and sustainably. Furthermore, the use of digital technology should not be limited to operational aspects such as promotions and sales, but should also be encouraged to support business decision-making, business planning, and financial control. Thus, the UMi debtor empowerment program can be more effective in improving business capacity comprehensively and sustainably.

E. CONCLUSION

This study concludes that digital literacy has a positive but insignificant effect on the managerial capabilities of UMi financing borrowers in Mamuju Regency. This indicates that the use of digital technology is still operational and has not been integrated into strategic managerial functions such as planning, decision-making, and financial control. Conversely, digital literacy has been shown to have a positive and significant effect on borrower performance, and managerial capabilities also significantly impact business performance. However, managerial capabilities are unable to mediate the relationship between digital literacy and performance. Therefore, in this context, digital literacy has not yet developed into a dynamic capability that strengthens managerial capabilities as described in Dynamic Capability Theory.

This study is limited by its limited scope in Mamuju Regency, its digital literacy measurement focus on technical-operational aspects, and its cross-sectional design that does not capture long-term dynamics. Therefore, it is recommended that the UMi financing program integrate strategic and managerial-oriented digital literacy training. Further research should expand the scope, add supporting variables, and use a longitudinal approach to more comprehensively analyze the process of transforming digital literacy into managerial capabilities.

This study concludes that digital literacy has a positive but insignificant effect on the managerial capabilities of UMi Financing Debtors in Mamuju Regency, indicating that the use of digital technology remains operational in nature and has not yet been integrated into strategic managerial functions such as planning, decision-making, and financial control. Conversely, digital literacy was found to have a positive and significant effect on debtor performance, as did managerial competence, which also had a significant effect on business performance. However, managerial competence did not mediate the relationship between digital literacy and performance; thus, in this context, digital literacy

has not yet evolved into a dynamic capability that strengthens managerial competence, as described in Dynamic Capability Theory.

This study has limitations, including its restricted geographical scope to Mamuju Regency, a measurement of digital literacy that remains focused on technical and operational aspects, and a cross-sectional design that does not capture long-term dynamics. Therefore, it is recommended that the UMi financing program integrate strategic and managerial digital literacy training, and that future research expand the study area, include additional supporting variables, and employ a longitudinal approach so that the process of transforming digital literacy into managerial capabilities can be analyzed more comprehensively.

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