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RESEARCH ARTICLE

Development of Small and Medium Enterprise Performance in Urban Areas

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ARTICLE INFO	**ABSTRACT**
	This research aims to develop a theoretical framework for the business performance of SMEs in urban areas, addressing income and welfare inequality among the urban poor. Using qualitative methods and bibliometric analysis, the study examines the direct and indirect influences of digital literacy, business skills, and digital marketing on SMEs' performance. The literature review incorporates findings from reputable international journals and previous studies on poverty alleviation and urban SMEs. Employing qualitative research techniques, the study includes modeling visualization through tools like Publish or Perish and VOSviewer. Results indicate that digital literacy, business skills, and digital marketing are key predictors of SMEs' business performance. This research also provides theoretical measurement factors for future studies, highlighting the need for empirical exploration using methods like exploratory or confirmatory factor analysis. Future researchers can extend this work by including additional variables and a broader population sample to enhance understanding of SME performance in urban settings.

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INTRODUCTION

Small and medium enterprises (SMEs) have demonstrated the ability to survive and develop even in crisis situations, with the main focus now being on online markets in the digital era (Corvello et al., 2023). SMEs have an important role in economic growth and are often considered the main driver of economic progress (Gherghina et al., 202). In addition, SMEs also contribute significantly to the innovation and productivity needed to create jobs (Surya et al., 2021). Their existence not only supports economic growth but also increases competitiveness in the market. To be able to grow and compete, SMEs need to adapt quickly to changes that occur in the business environment (Bi et al., 2017).

Compared with large companies, small and medium enterprises (SMEs) in Indonesia show better resilience. SMEs have a strategic role in various economic sectors, especially during times of crisis and recovery, where they have greater potential to create jobs compared to equivalent investments in large companies (Juergensen et al., 2020; Lim et al., 2020; Klein, & Todesco, 2021). In addition, SMEs contribute significantly to increasing employment opportunities, income distribution, and economic development in rural areas, as well as increasing non-oil and gas exports (Kumar & Rahman, 2021).

The contribution of SMEs to GDP is very significant, especially because of the stability of the export value they have. If SMEs in Indonesia are able to become more creative and innovative, many of the challenges faced by the country can be overcome well (Rua et al., 2018). Small businesses, which support local economic growth, are also important for improving the bargaining position and welfare of poor communities. This condition emphasizes the importance of developing SMEs in urban areas, which focuses on business performance for national prosperity (Nazir et al., 2024; Hernita et al., 2021).

Digital literacy has a crucial role in shaping the mindset, attitudes, and behavior of an entrepreneur. This can encourage individuals to choose entrepreneurship as a career path and strive to search for, create, and apply new work methods and technologies (Wardana et al., 2023; Allen, 2020). By increasing operational efficiency, entrepreneurs can provide better services, ultimately aiming to achieve higher profits (Alberti & Varon Garrido, 2017).

Good digital skills enable entrepreneurs to adapt quickly to market changes and consumer needs. In addition, the use of the latest technology in business can increase competitiveness and product innovation (Sánchez-Gutiérrez et al., 2019). Thus, developing digital literacy is important not only for individuals but also for the sustainability and growth of businesses as a whole (McDougall et al., 2018; Suparno et al., 2023). Therefore, greater attention should be paid to increasing digital literacy among entrepreneurs.

Adequate economic knowledge and literacy are very important for micro, small, and medium enterprises (MSMEs) to survive and develop. With a good understanding of economics and finance, they will be better able to manage their finances and business operations efficiently (Hussain et al., 2019). MSME players realize the importance of financial and investment management, which contributes directly to the success of their businesses (Esubalew & Raghurama, 2020).

Entrepreneurial skills are a crucial element in business performance, especially for MSMEs, where these skills function as the main indicator of success (Sakib et al., 2022). On the other hand, digital literacy can increase the ability of MSMEs in online marketing, enabling them to reach a wider market. Entrepreneurs who have high digital literacy will be more effective in understanding and utilizing digital media to develop their businesses (Sariwulan et al., 2020). By using technology such as smartphones, MSMEs can market via social media, share information about raw materials, form community groups, and monitor market trends.

Entrepreneurs who ignore digital developments in their business risk missing out on many opportunities. To meet changing customer needs, some entrepreneurs are forced to recruit workers from outside the region to sell their products online, according to market preferences (Kuhn & Maleki, 2017; Bellaaj, 2023). In an urban context, cities have become centers of change, civilizational development, and significant cultural innovation (Yang et al., 2020; Zait, 2017; Peng & Deng, 2021; Cerisola & Panzera, 2022).

Business aspects in urban environments are vital for business growth and development, but research on the performance of MSMEs in these areas is still limited (Bvuma & Marnewick, 2020; Aurick et al., 2017). This research aims to offer a theoretical model for developing MSME performance in urban areas. Empirically, dimensions and indicators that need to be improved will be identified to assist policymakers in formulating solutions. The Jakpreneur program as a superior initiative in developing national MSMEs requires academic studies to assess its effectiveness in improving the performance of MSMEs in urban areas.

In the development of competency formation in performance theory, skills, marketing, and digitalization are important factors that influence the success of Small and Medium Enterprises (Bansal et al., 2023; Muna et al., 2022). Good skills enable SMEs to innovate and compete, while effective marketing helps reach new customers. In the digital era, the application of technology and digitalization strategies is crucial to increase efficiency and visibility. This supports SMEs in adapting to rapid market changes. Therefore, these three aspects must be integrated to support the growth and sustainability of SMEs (Thrassou et al., 2021; Onu & Mbohwa, 2021; Pfister & Lehmann, 2023).

Performance theory states that the success of an organization, including Small and Medium Enterprises (Ndiaye et al., 2021), is influenced by a number of key factors. Adequate human resource

skills enable innovation and operational efficiency. Strategic marketing helps in reaching and retaining customers, while digitalization facilitates process improvements and access to wider markets. By optimizing these three aspects, SMEs can increase their competitiveness and adaptability in an ever-changing business environment. The integration of skills, marketing, and digitalization is essential to achieve optimal performance (Becker & Schmid, 2020).

Small and Medium Enterprises cover a wide range of business forms, including those based at home, with small companies typically having between one and nineteen employees. Meanwhile, medium-sized companies have between twenty and ninety-nine employees active in their operations (Effiong et al., 2021). Employment data shows that almost the entire young workforce is engaged in the SME sector in various developing countries, struggling to survive. Small businesses, which meet the criteria for micro businesses, focus on productive activities with certain limitations. On the other hand, medium-sized businesses are defined as business entities that have a net worth of more than IDR 500,000,000.00, excluding land and buildings, with an annual turnover that exceeds IDR 2,500,000,000. The existence of SMEs is very important for the economy because it contributes significantly to labor absorption and economic growth (Suparno et al., 2021; Suparno et al., 2022)

Entrepreneurs' performance is measured based on their ability, persistence, and sensitivity, as well as the time and commitment given to tasks. Entrepreneur performance reflects an individual's level of success in achieving work results, goals, and aspirations during a certain period (Cabrera & Mauricio, 2017; Bird, 2019; Capelleras et al., 2019). Lin (2020) identified four main indicators for assessing the performance of entrepreneurs in micro and small businesses, namely increasing production, developing business units, increasing sales volume, and profitability (Lin et al., 2020). Thus, the performance of MSME entrepreneurs can be concluded as an achievement in managing company resources in accordance with predetermined goals, which are measured through these indicators. These indicators provide a clear picture of operational effectiveness and efficiency within small and medium enterprises. Therefore, a deep understanding of this performance is very important for the future development and growth of MSMEs.

The digital era provides challenges as well as opportunities for small and medium enterprises (Eller et al., 2019). The digital era refers to the use of advanced technology, including fast computers and multimedia devices capable of processing information in real time (Tien, 2017). The development of digital technology includes information stored in various electronic devices as well as the use of tools such as smartphones and laptops (Haleem et al., 2010). Therefore, the ability to utilize this technology is critical to the success of SMEs. In this context, a good understanding of digital technology can help SMEs increase their efficiency and competitiveness in the global market.

Digital literacy includes the ability to understand and utilize information from various sources available via computers and communication devices (McDougall et al., 2018). These skills enable entrepreneurs to access, manage and analyze data, and communicate effectively in an increasingly digital society. Mastery of digital literacy has a significant impact on entrepreneurs' ability to implement effective digital marketing strategies (Sariwulan et al., 2019). In addition, digital literacy also contributes to improving the performance of small and medium enterprises by providing access to important information that can improve operational efficiency. Thus, developing digital literacy is a key element in improving entrepreneurial skills and competitiveness in this digital era.

Entrepreneurs are often associated with innovation and creativity, although not all entrepreneurs have these abilities (Faggian et al., 2017; Tang et al., 2018; Ferreira et al., 2020). Good work skills are closely related to the ability to change something for the better. Ataei (2020) identified four dimensions of skills that are important for entrepreneurs, namely technical, managerial, entrepreneurial skills, and personal maturity. Buccieri (2020) added that entrepreneurial success is highly dependent on the ability to plan effective marketing strategies and quickly adapt to environmental changes. Therefore, focusing on product quality and managing customer relationships is the key to attracting market share and bringing in a competent workforce.

Based on expert studies, work skills include various abilities needed by entrepreneurs to develop their businesses, including technical, managerial, entrepreneurial, and personal maturity skills. These skills greatly influence entrepreneurs' ability to carry out digital marketing and significantly influence the performance of small and medium businesses (Phiri, 2022). Previous research shows

that digital literacy can improve business skills, and these skills can in turn improve SME performance. Thus, business skills function as a mediator between digital literacy and the ability of entrepreneurs to improve their business performance. Digital literacy also has a direct impact on business skills, showing the importance of these two aspects in developing entrepreneurship in the digital era.

Marketing is a series of activities carried out by companies to promote products or services to encourage sales (Al Badi, 2018; Morgan et al., 2018). These activities include various aspects, such as advertising, sales, and distribution of products to consumers or other businesses. In some cases, marketing can be carried out by affiliates to expand product reach, thus becoming a crucial element in business strategy. Digital marketing, often referred to as online marketing, refers to the use of the Internet and other digital communication channels to connect with potential customers (Kannan, 2017). This includes email, social media, and web-based advertising, as well as text and multimedia messages, with the goal of reaching customers efficiently and relevantly.

Digital marketing has a significant impact on entrepreneurs' ability to improve the performance of small and medium enterprises (Ahmad et al., 2018). Previous research shows that digital literacy plays an important role in strengthening digital marketing strategies, which in turn can improve SME performance (Sariwulan et al., 2020). Thus, digital marketing functions as a mediator between digital literacy and entrepreneurs' ability to optimize their business performance. The main theory in this research is Human Resource Management, which emphasizes that humans as a resource provide competitive advantages that are difficult to imitate (Chapman et al., 2018). In addition, individual performance in an organization reflects the knowledge, skills, and values that are essential for productivity and overall performance.

METHOD

Research design

This research uses qualitative methods and is built based on modeling based on main theories (Mani, 2022; Chen & Luo, 2019; Schoormann et al., 2017). Research with a strong theoretical literature review and consistently summarizing previous research results can summarize theoretical prepositions and build modeling. Reviewing the literature, and previous research, and formulating assumptions to obtain research variable propositions, researchers can carry out triangulation, checking results consistently from the literature (Chigbu, 2019; Ellis & Levy, 2009; Cornelissen, 2023). Science aims to describe existing phenomena, explain the underlying principles, predict possible outcomes, and control variables to increase understanding and influence reality.

Data collection

The qualitative research involved reviewing previous studies, conducting a literature review, visually analyzing modeling using Publish or Perish, and then visualizing scientific landscapes using VOSviewer (Rojas-Padilla et al., 2022). Journal article searches on the internet were conducted using sources such as Google Scholar, Crossref, and Scopus, with selected keywords including Digital literacy, Business Skills, Digital Marketing, Business Performance, Small and Medium Enterprises, and Urban Business. The data obtained was analyzed based on the criteria for selection, including inclusion and exclusion criteria, within a maximum range of the last 5 years.

Exclusion and inclusion criteria

The criteria for literature in this research involve applying keywords to the population of articles published in international journals. The keyword search strategy with selection criteria is obtained by determining 2 criteria as follows: 1) Inclusion Criteria: a) Having concepts about Business Performance, Small and Medium Enterprises, Urban Business, Digital literacy, Business Skills, and Digital Marketing, b) Having dimensions/indicators of variables that are suitable, c) Time limit: for Journals of the last 5 years. Meanwhile, Exclusion Criteria: a) Not in line with the concept of cooperative business development model in the digital area, b) Not within the last 5 years.

Validation

The criteria for literature in this research involve applying keywords to the population of articles

published in international journals. The keyword search strategy with selection criteria is obtained by determining 2 criteria as follows: 1) Inclusion Criteria: a) Having concepts about Business Performance, Small and Medium Enterprises, Urban Business, Digital literacy, Business Skills, and Digital Marketing, b) Having dimensions/indicators of variables that are suitable, c) Time limit: for Journals of the last 5 years. Meanwhile, Exclusion Criteria: a) Not in line with the concept of cooperative business development model in the digital area, b) Not within the last 5 years.

Analysis procedure

In density visualization, each point has a variation alert indicating the position of the element at that point. Density visualization serves as a tool for providing bibliometric bar graphs by emphasizing elements that have significant analytical value. Be aware of density visualizations from black to dark and everything in between. A yellow warning indicates that there are several elements that directly conflict with each other and are high relative to other elements. On the other hand, red warnings indicate the amount of elements that are closer to the surface and relatively increased compared to other elements (Cheng et al., 2022). The table shows that the results of the density display analysis with wrinkles and highlights indicate that the item in question is important to analyze. This shows that the research variables used by researchers are important variables to analyze and that there is still a lot of work to be done in this area.

RESULTS

This research builds modeling for measuring the Performance Development of Small and Medium Enterprises in Urban Areas using a Theoretical Approach. The results of the research study begin with the publication or release to find previous research studies related to the variables to be studied on SME business performance. The following are the results of previous research data obtained from publish or perish which are sorted with the highest Google Scholar rank as follows:

Table 1: Development of research variables and measurement design

Authors	Title	Year	Source
OECD	Enhancing SME productivity	2019	OECD SME and Entrepreneurship Papers
Shashi Kant	Meta-Analysis Study of Marketing Innovation on SME Business Performance in Ethiopia	2023	Studies in Economics and Business Relations
Riccardo Rialti, Lamberto Zollo	New Technologies and SMEs' Business Model: 'Marketization 4.0'	2023	Digital Transformation of SME Marketing Strategies
Aisha Nansamba	Stimulating SME performance: Evidence from a business training intervention in Liberia.	2017	AEA Randomized Controlled Trials
Ivana S. Domazet, Marija Lazarević-Moravčević	Internet Marketing	2022	Navigating Digital Communication and Challenges for Organizations
Lim Sanny, Kyla Putra, William Widjaya, Beni Kelana	Strategy of Digital Marketing Company That Serves SMEs in Pandemic Era	2021	Proceedings of the 2nd International Conference of Mental Health
Sarah Quinton, Ana Canhoto, Sebastian Molinillo, Rebecca Pera, Tribikram Budhathoki	Conceptualizing a digital orientation: antecedents of supporting SME performance in the digital economy	2017	Journal of Strategic Marketing

Trevor A. Smith	Marketing Capabilities, Efficiency, and the Digital Link to SME Performance	2022	Marketing Effectiveness and Accountability in SMEs
Riccardo Rialti, Lamberto Zollo	How Can Managers Transform SME Marketing Strategies in a 4.0 Fashion?	2023	Digital Transformation of SME Marketing Strategies
Ari Warokka	Data Mining, Financial Performance and Financial Decisions on Business: Evidence from Digital Marketing	2020	International Journal of Psychosocial Rehabilitation
David James Woo, Yanzhi Wang	Digital Literacy Skills for Exam-Oriented, Pandemic Schooling: A Mixed Methods Study of Students' Authentic Performance	2022	Center for Open Science

Source: Researcher data processing, 2024

The conclusion of this study shows that increasing the productivity of Small and Medium Enterprises (SMEs) is greatly influenced by marketing innovation and digital technology. Research in Ethiopia emphasizes the importance of marketing innovation, while business training in Liberia improves performance. Digital marketing strategies and digital literacy also play an important role, so SMEs need to adopt innovative approaches to remain competitive in an ever-changing market.

Based on searching journal articles using sources on Google Search & Scholar, Crossref, and Scopus using the keywords Digital Literacy, Business Skills, Digital Marketing, Business Performance, Small and Medium Enterprises, Municipal Enterprises, a clusterization concept mapping of studies from previous researchers was obtained, that for The development of studies on SME performance development in urban areas includes marketing, digital marketing, financial literacy, training, social media, brand, competition, while aspects of entrepreneurial skills have not been reflected in clusterization, this is a new research variable proposed by the author. Digital literacy and Digital Marketing are the central cluster themes as the main predictors of Business Performance. The complete picture can be presented as follows:
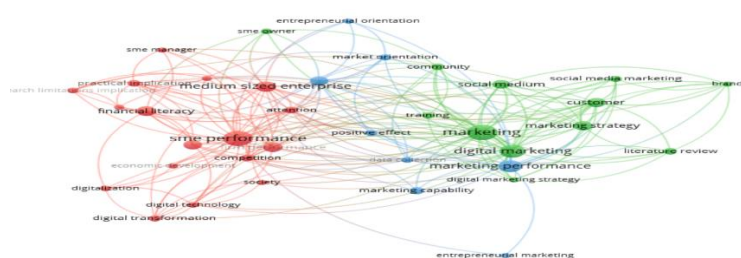

Figure 1: Mapping visualization with VOSviewer research model
Source: Researcher's data, 2024

Article summaries from data collection methods are analyzed based on criteria for inclusion and exclusion in the selection process, followed by an analysis of the content of articles that have successfully completed the screening process. With an average article length of five years, the following data is obtained:
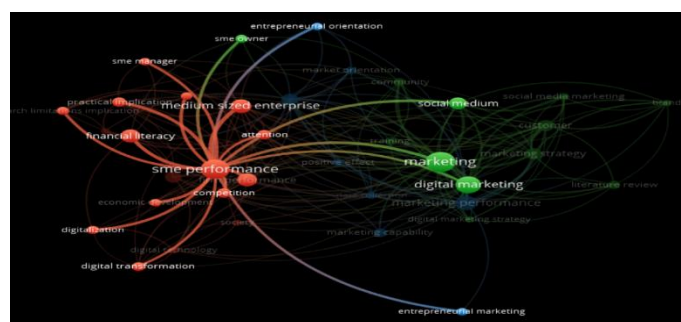

Figure 2: Visualisasi density dengan VOSviewer research model
Source: researcher's data, 2024

Each point in the density visualization has a color variation that describes the density of the element at that point. Density visualization functions to provide a bibliometric overview by paying attention to elements that have significance in the analysis. The image shows that the results of this visualization analysis mean that the research variables used by researchers are important variables to analyze and still need to be studied in more depth. It appears that work skills are far from clusters and are an important part of researchers to predict the development of SME performance.

Table 2: Development of researcher variable measurements

No	Variable	Measurement dimensions	Indicator	Instrument Items
1	Business Performance	Performance includes operational results and achievement of organizational goals and reflects effectiveness and efficiency in achieving targets. In addition, performance involves various aspects, including financial, operational, and innovation. Thus, performance is an overall indicator of organizational success in business (Tajbakhsh & Hassini, 2015; Singh et al., 2016; Taouab & Issor, 2019).		
		Finance	Revenue growth	The company's revenue increases every year.
		Non-financial	Customer satisfaction	Our customers are satisfied with the products we offer.
				We have strategies to increase customer satisfaction.
2	Digital Literacy	The ability to find, understand, use, and evaluate information in a variety of formats, as well as use information and communications technology effectively, and adapt to technological change, are key skills in the digital era (Suparno et al., 2023; Davydov et al., 2015; Boechler et al., 2015).		
		Digital knowledge	Ability to use digital devices	I feel comfortable using digital devices to search for information.
		Digital skills	Ability to use application software	I can use the software well.
				I can learn to use new technology quickly.
3	Business Skills	The skills required to manage a business effectively include managerial skills, interpersonal skills to interact in a business context, as well as financial skills to manage financial resources. These three skills support each other in achieving business success (Jardim, 2021; Tehseen & Ramayah, 2015; Wronka-Pospiech, 2016).		
		Managerial skills	Business planning abilities	I am able to draw up a clear business plan.
		Technical skills	Data analysis capabilities	I can analyze business data well.
				I understand the company's financial reports.
4	Digital Marketing	Digital marketing involves using digital platforms to promote products or services, conducting online marketing activities to reach customers, and utilizing technology to reach audiences efficiently and effectively. This approach is increasingly important in modern marketing strategies (Järvinen & Karjaluoto, 2015; Brar, 2021; Piñeiro-Otero & Martínez-Rolán, 2016).		
		Marketing strategy	Use of social media for marketing	We use social media to promote products.
		Marketing performance	The conversion rate of visitors to buyers	Many visitors to our website make purchases.
				We have an effective strategy to attract new customers.

Source: Researcher's data, 2024

The study of modeling findings was then examined using the main literature, both theoretical and practical, based on the theory and findings of previous researchers. The research results show that there is a significant positive influence of digital literacy on digital marketing in urban SMEs. This is in line with findings showing that digital literacy allows entrepreneurs to more effectively use online

platforms in promoting their products (Ollerenshaw et al., 2021). In addition, digital literacy also contributes to the development of business skills, which is key to improving the managerial competence of entrepreneurs (Sariwulan et al., 2020). This research indicates that the ability to manage digital information directly impacts the way SMEs design their marketing strategies. With increased digital literacy, SMEs are able to utilize various marketing channels to reach wider customers (Omar et al., 2020). Therefore, increasing digital literacy among SMEs is very important for their business growth in the digital era.

Furthermore, there is a significant positive influence of business skills on the business performance of SMEs in urban areas. Research shows that good business skills contribute to improved performance through more effective and efficient strategy implementation (Tawse & Tabesh, 2021). Apart from that, digital literacy also acts as a mediator that strengthens the relationship between business skills and business performance. This shows that business skills combined with digital literacy can have a greater impact on performance results (Mohammadyari & Singh, 2015). Thus, SMEs that invest in developing business skills and digital literacy have the potential to achieve better performance. These findings underline the importance of synergy between digital literacy and business skills in improving the performance of SMEs in urban areas (Zahoor et al., 2013). Next, the researchers developed a model to improve the performance of SMEs in urban areas based on the following studies:
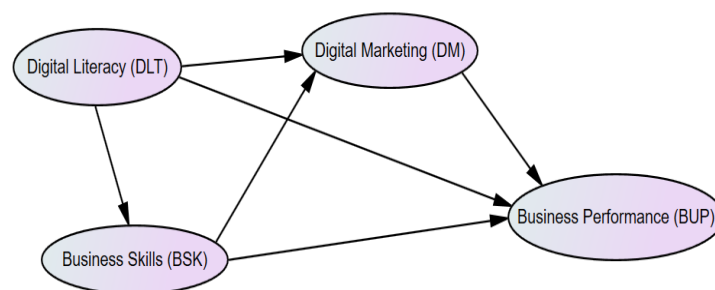

Figure 3: Theoretical model for improving SME performance in urban areas
Source: Researcher's data, 2024

DISCUSSION

Business Performance plays a crucial role for Small and Medium Enterprises (SMEs) in urban areas because good performance can determine business survival and growth. Optimal performance not only includes revenue growth but also reflects customer satisfaction and operational efficiency. In a competitive urban context, SMEs need to measure and analyze their performance in order to adapt to market changes. Success in this aspect will give SMEs an advantage in attracting customers and increasing market share. Therefore, evaluating and developing Business Performance is very important for business sustainability and expansion.

If Business Performance in urban SMEs is not managed well, the impact can be very detrimental. Poor performance can cause a decrease in revenue, leading to an inability to meet operational needs and employee salaries. In addition, low customer satisfaction due to inadequate products or services can damage a business's reputation. In the long term, this could result in business closures and loss of jobs. Therefore, continuous performance improvement is very important to maintain the sustainability of SMEs amidst increasingly complex economic challenges.

Business Performance is a measure that includes operational results and achievement of organizational goals, assessing effectiveness and efficiency in achieving set targets. The measurement dimensions include financial and non-financial aspects, where revenue growth is a key indicator of financial performance. Apart from that, customer satisfaction is an important indicator that reflects how the product is received in the market. To measure this performance, the instruments used include surveys and data analysis that focus on results and feedback from customers. Overall, business performance measurement provides a comprehensive picture of an organization's success in achieving its goals.

Digital Literacy is an individual's ability to find, understand, and evaluate information, and adapt to developments in information and communication technology. The measurement dimensions consist of digital knowledge and digital skills, where the ability to use digital devices is the main indicator. In addition, the ability to use application software is also very important in this context. Instruments for measuring digital literacy include questionnaires that assess an individual's level of comfort and skill in using technology. By mastering digital literacy, individuals can be more effective in carrying out business-related tasks.

Business Skills refer to the managerial and technical skills required to run a business effectively, with a focus on planning and analysis. The measurement dimensions include clear business planning capabilities and the ability to analyze business data. This indicator is measured through a survey instrument that evaluates how well individuals can prepare plans and understand financial reports. With the right skills, entrepreneurs can make better decisions and improve organizational performance. These skills are very important in facing challenges in a competitive market.

Digital Marketing is the process of using digital platforms to promote products and services, which includes a variety of online marketing activities. The measurement dimensions include marketing strategy and marketing performance, where the use of social media is an important indicator for reaching audiences. The conversion rate of site visitors to buyers is also measured as an indicator of marketing performance. The instruments used include visitor data analysis and customer satisfaction surveys to evaluate the effectiveness of the strategies implemented. With the right approach to digital marketing, companies can attract more customers and increase their sales.

The research results show that digital literacy has a positive and significant influence on digital marketing, business skills, and business performance in urban SMEs. The ability to understand and use digital technology not only strengthens marketing strategies but also improves the managerial skills needed in business management. Thus, SMEs that have a high level of digital literacy tend to be more successful in achieving their business goals. Research also indicates that business skills play an important role in linking digital literacy with business performance, thereby creating synergies that support growth.

Furthermore, the research results show that digital literacy contributes directly to improving business performance, both directly and through the mediation of business skills and digital marketing. SMEs that master digital skills can be more effective in marketing products and services, which in turn improves their performance. In conclusion, developing digital literacy is not only a necessity, but also a strategic investment for SMEs in urban areas to survive and develop in a competitive business environment. Increasing this capability is a crucial step in creating business sustainability and responding to existing challenges.

The Business Performance in urban areas is formed through modeling with the equation BUP = f (DLT, BSK, DM…), DM = f (DLT, BSK…) where BUP= Business Performance; DLT= Digital literacy; BSK= Business Skills; DM= Digital Marketing. The direct and indirect effects can be analyzed further in further research from the modeling above following the statistical test criteria through confirmatory factor analysis tests and exploratory factor analysis in structural equation modeling.

CONCLUSION

Based on the results of a study on business performance in urban SMEs, it was found that digital literacy, business skills, and digital marketing significantly influence overall business outcomes. The modeling of business performance revealed direct and indirect relationships that warrant further exploration through statistical tests. This understanding not only highlights the necessity of enhancing digital competencies among entrepreneurs but also emphasizes the interconnectedness of these variables in driving success. Consequently, it provides a roadmap for future studies to delve deeper into these dynamics and their practical applications in the business environment.

The theoretical model recommendation in this research is the integration of digital literacy, business skills, and digital marketing as the main drivers of business performance. With this approach, it is hoped that SMEs can formulate more effective and efficient strategies for utilizing available digital resources. The implication of this research is the importance of educating SMEs regarding digital literacy to improve their performance. For future researchers to be able to study in greater detail, it

is suggested to conduct longitudinal studies that assess the impact of these variables over time, thus providing a comprehensive view of how digital capabilities shape business performance in the ever-evolving market landscape.

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