P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

Government Support and Digital Marketing Capability: Enhancing Digital Marketing Performance of MSMES in Indonesia

[1]Sugianto*

[1]Politeknik Tonggak Equator Pontianak, Indonesia
*Email: sugianto@polteq.ac.id

ARTICLE INFO

Keywords:
Government Support
Digital Marketing Capability
Digital Marketing Performance
Dynamic Capability

ABSTRACT

PURPOSE - This study investigates how government support influences digital marketing performance (DMP) through the mediating role of digital marketing capability (DMC) among MSMEs in Pontianak City, Indonesia. Grounded in the Dynamic Capabilities Theory, the study aims to explain how external institutional support transforms into adaptive marketing competencies that enhance MSMEs' competitiveness in digital markets.

METHODOLOGY - A quantitative research design was employed using a structured questionnaire distributed to 250 MSME owners and managers. The sampling technique applied was purposive sampling. Data were analyzed using PLS-SEM to examine both direct and mediating effects. Measurement reliability and validity were confirmed through Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE) criteria.

FINDING - The results reveal that government support significantly and positively affects both DMC and DMP. Furthermore, DMC demonstrates a strong positive effect on DMP and mediates the relationship between government support and performance. These findings underscore that capability-building mechanisms are the primary pathway through which public interventions yield sustainable digital performance.

Received 11 November 2025; Received in revised from 06 December 2025; Accepted 12 December 2025
ECOBISMA (Jurnal Ekonomi, Bisnis dan Manajemen) Volume 13 No. 1 (2026)

Available online 31 January 2026
DOI: https://doi.org/10.36987/ecobi.v13i1.8245

INTRODUCTION

The rapid advancement of digital technologies has fundamentally reshaped the competitive architecture of contemporary business environments, compelling firms across industries to undertake accelerated adaptation to technological innovation. This pervasive digital transformation not only alters operational processes and value creation mechanisms but also redefines the strategic imperatives through which organizations sustain competitiveness in an increasingly dynamic and technology-driven marketplace. For Micro, Small, and Medium

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

Enterprises (MSMEs), which form the backbone of emerging economies such as Indonesia, this transformation introduces both significant opportunities and profound challenges. MSMEs contribute approximately 61% to Indonesia's GDP and employ more than 97% of the national workforce, functioning as vital engines of inclusive growth, local innovation, and regional economic resilience. Yet, despite their macroeconomic importance, many MSMEs struggle to capitalize on digital technologies due to structural barriers, such as limited digital literacy, inadequate infrastructure, and constrained managerial capacity to implement technology-driven marketing strategies. In response, the Indonesian government has launched several initiatives—including *UMKM Go Digital* and the *Digital Talent Scholarship*—to strengthen digital readiness and accelerate MSME transformation.

However, while these programs have improved access to digital platforms, empirical evidence suggests that many MSMEs remain at an early stage of digital maturity, often failing to translate online participation into measurable improvements in digital marketing performance (DMP). This indicates that government assistance, while essential, cannot by itself yield sustained competitiveness unless it is coupled with internal capability development. Previous studies (Charoensukmongkol, 2016), (Ishtiaq et al., 2020), (Sorasit & Charpavang, 2022) have underscored the importance of government support for MSME performance and resilience, but these works tend to treat policy interventions as direct performance drivers, overlooking the intermediate processes of capability formation that convert external resources into strategic advantage. Moreover, a contextual and geographical research gap persists, particularly in regions with limited digital infrastructure such as West Kalimantan, where digital penetration remains uneven and institutional support structures are weaker than in industrial hubs like Java. This asymmetry challenges the assumption of uniform policy impact and highlights the need for context-sensitive frameworks explaining how institutional interventions foster MSME digital competitiveness. Addressing these conceptual and contextual gaps, this study adopts the *Dynamic Capabilities Theory (DCT)*, which posits that firms must develop dynamic capabilities to sense, seize, and reconfigure opportunities amid environmental turbulence. In this framework, government support is conceptualized not merely as a static input but as an external enabler that facilitates the formation of *digital marketing capability (DMC)*, the organization's adaptive capacity to integrate digital tools, data analytics, and marketing strategies in pursuit of superior *digital marketing performance*. By empirically examining MSMEs in West Kalimantan, this research extends existing knowledge on MSME digitalization in developing economies by demonstrating that government interventions achieve their intended outcomes only when mediated through internal capability-building processes. Consequently, this study offers both theoretical and practical contributions: it extends DCT by positioning DMC as a dynamic mediating construct linking institutional support to firm-level marketing outcomes, and it provides actionable insights for policymakers to design capability-oriented programs that promote sustainable digital transformation among MSMEs in emerging regions.

LITERATURE REVIEW

Dynamic Capabilities Theory

The Dynamic Capabilities Theory (DCT), first introduced by (Teece et al., 1997) and later refined by (Teece, 2007), provides the theoretical foundation for understanding how firms sustain competitive advantage in rapidly changing environments. DCT emphasizes that organizations must continuously develop, integrate, and reconfigure their internal and external resources to

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

respond to market dynamics and technological disruptions. Unlike static resource-based views that focus on existing assets, dynamic capabilities highlight the firm's ability to sense emerging opportunities, seize them through innovation, and transform organizational processes to achieve long-term adaptability. Within the MSME context, dynamic capabilities are particularly critical because these firms typically face resource limitations, weaker infrastructure, and lower absorptive capacity. However, their agility, flexibility, and entrepreneurial orientation enable them to adapt quickly when supported by appropriate institutional mechanisms.

In the digital era, digital marketing capability (DMC) embodies a specific form of dynamic capability that allows firms to integrate digital technologies into marketing strategies and decision-making processes. By leveraging dynamic capabilities, MSMEs can translate external support, such as government assistance and market incentives, into internal competencies that enhance strategic agility. Consequently, this study applies the DCT framework to explain how government support (an external enabler) fosters digital marketing capability (an internal adaptive mechanism) that, in turn, enhances DMP. This theoretical perspective underscores that competitive advantage in digital ecosystems depends not merely on possessing resources, but on the capacity to reconfigure and renew them in response to environmental volatility (Morgan et al., 2009).

Government Support and Digital Marketing Capability

Government support represents a crucial institutional mechanism for enhancing MSME competitiveness and innovation. It encompasses various forms of assistance, including financial incentives, training programs, infrastructure development, and policy guidance, all of which are intended to promote technological adoption and business resilience. Studies have demonstrated that consistent and capability-oriented government support can improve SMEs' innovation, digital readiness, and operational performance (Charoensukmongkol, 2016), (Ishtiaq et al., 2020), (Sorasit & Charpavang, 2022). Through such support, MSMEs can overcome barriers related to digital literacy, capital limitations, and technological uncertainty. Specifically, when governments provide structured digital marketing training, mentorship, and financial access to technology, MSMEs can develop stronger DMC: the skills and resources necessary to exploit digital tools effectively.

Accordingly, this study posits that government support enhances MSMEs' ability to deploy and integrate digital marketing technologies, creating a foundation for improved competitiveness.

H1: Government support has a positive and significant effect on digital marketing capability.

Government Support and Digital Marketing Performance

Beyond its role in developing capabilities, government support can directly enhance MSME performance by reducing financial barriers, improving infrastructure access, and creating favorable business environments. Government programs offering financial subsidies, tax incentives, and digital platforms can accelerate MSMEs' digital participation, leading to improvements in sales growth, operational efficiency, and marketing reach (Chege & Wang, 2020). Moreover, government-led ecosystem initiatives: such as collaborative networks, e-commerce facilitation, and regulatory simplification, help MSMEs connect with new customer segments and expand their competitive presence.

In this regard, government support serves as an immediate driver of DMP by enabling firms to implement technology-based marketing strategies that would otherwise be inaccessible due to resource constraints.

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

H2: Government support has a positive and significant effect on digital marketing performance.

Digital Marketing Capability and Digital Marketing Performance

Digital marketing capability (DMC) is defined as a firm's ability to utilize, integrate, and manage digital marketing tools effectively to achieve strategic marketing goals. As a core manifestation of dynamic capability, DMC enables organizations to sense digital trends, integrate knowledge across marketing functions, and reconfigure strategies in response to customer behavior. Prior studies indicate that firms with strong DMCs achieve better outcomes in terms of market reach, customer retention, and brand positioning (Masrianto et al., 2022), (Homburg & Wielgos, 2022).

Within MSMEs, DMC allows small firms to compete with larger enterprises by utilizing cost-efficient and targeted online strategies. A high level of DMC empowers MSMEs to translate digital technologies into actionable marketing outcomes, driving innovation and performance improvement. Thus, DMC is not merely a technical asset but a strategic competence that determines how effectively firms can convert technological potential into measurable success.

H3: Digital marketing capability has a positive and significant effect on digital marketing performance.

The Mediating Role of Digital Marketing Capability

While government support provides critical resources and institutional legitimacy, its effectiveness ultimately depends on how firms internalize and utilize that support. The Dynamic Capabilities Theory suggests that sustainable competitive advantage arises not from external inputs themselves but from the organizational capacity to reconfigure and deploy them effectively. Therefore, DMC acts as a mediating mechanism that transforms government assistance into superior DMP.

This mediating relationship implies that MSMEs benefiting from government programs achieve improved marketing outcomes only when they develop the internal competencies required to manage digital tools strategically. Previous research (Morgan et al., 2009), (Sun et al., 2020), (Sharabati et al., 2024) supports the argument that capability-building bridges the gap between external enablers and firm-level performance. Consequently, firms that cultivate DMC are better positioned to sustain the benefits of government support, ensuring long-term digital competitiveness and resilience.

H4: Digital marketing capability mediates the relationship between government support and digital marketing performance.

METHODOLOGY

Method

This study employed a quantitative survey approach to empirically examine the relationships among government support, DMC, and DMP of MSMEs in Pontianak, West Kalimantan, Indonesia. The survey method was chosen because it enables the collection of factual data from a representative sample of a larger population, allowing for statistical generalization and hypothesis testing. The research was conducted in 2025 and focused on MSME owners and managers as primary respondents.

The choice of Pontianak as the research site was supported by secondary data from the Department of Cooperatives and MSMEs of West Kalimantan Province (April 2023), which recorded 197,311 MSME units across the province, with 41,906 units located in Pontianak alone.

Data collection utilized both primary and secondary data sources. Primary data were obtained directly from respondents through structured questionnaires distributed electronically

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

via Google Forms and offline through direct visits to business premises, ensuring accessibility for respondents with limited internet connectivity, supplemented by direct observation and short interviews with MSME owners or managers to ensure contextual understanding of their digital marketing activities. Secondary data were gathered from institutional reports, government documents, and academic publications that provided contextual support for the empirical analysis. The study applied a purposive sampling technique, targeting MSMEs that have knowledge of or active engagement with digital marketing platforms. Based on (Sugiyono, 2021) guidelines, a sample size of 250 respondents was determined to be adequate for quantitative analysis. This number satisfies the sample size criteria for multivariate techniques such as Structural Equation Modeling (SEM), which typically require a minimum of 5–10 times the number of estimated parameters.

The research variables were measured using a Likert scale, with response options ranging from 1 (strongly disagree) to 5 (strongly agree). Each construct was operationalized through multiple indicators drawn from established measurement models in prior studies. Quantitative data were analyzed using Partial Least Squares – Structural Equation Modeling (PLS-SEM) with SmartPLS version 4.0 software. PLS-SEM was selected due to its robustness in handling complex models with multiple latent variables, both reflective and formative, and its suitability for exploratory and predictive research contexts.

Measurement of Variables

This study examined three core constructs: Government Support (GS), Digital Marketing Capability (DMC), and Digital Marketing Performance (DMP). Each construct was defined conceptually and operationalized using validated indicators from previous empirical research. Government Support refers to financial and non-financial assistance provided by the government to enhance the resilience, recovery, and competitiveness of MSMEs. This includes policy initiatives, funding programs, training, and infrastructure support. The measurement items were adapted from (Sun et al., 2020), (Sorasit & Charpavang, 2022) , and (Zamberi Ahmad & Xavier, 2012). Digital Marketing Capability is defined as a firm's ability to utilize, integrate, and manage digital marketing tools effectively to achieve strategic marketing goals. It encompasses competencies in using digital platforms, creating and managing content, analyzing customer data, and continuously improving digital literacy. Indicators for this construct were drawn from (Masrianto et al., 2022), Moreira et al. (2025), and Meier et al. (2025). Digital Marketing Performance represents the measurable outcomes of implementing digital marketing strategies, encompassing sales growth, customer acquisition, retention, and cost efficiency. DMP was measured using items adapted from Sharabati et al. (2024), Butkouskaya et al. (2024), Kumar et al. (2024), (Moreira et al., 2025), and (Meier et al., 2025).

Data Collection

The data were collected by distributing structured questionnaires to 250 MSME owners and managers operating within Pontianak City, West Kalimantan Province, Indonesia. Out of the 270 distributed questionnaires, 250 were returned and deemed valid after a thorough screening for completeness and consistency, yielding a response rate of 92.6%. The selected respondents were primarily business owners (93.20%), while the remainder were managerial representatives with direct involvement in digital marketing operations. In terms of gender distribution, 55.20% were male and 44.80% were female, reflecting the relatively balanced participation of both genders in MSME management. The majority of respondents were aged 24–35 years (49.20%),

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

indicating a predominance of younger, technology-oriented entrepreneurs. Regarding education level, 69.20% had completed senior high school (SMA/SMK), while 26.40% held undergraduate degrees. The survey focused on enterprises from diverse sectors, predominantly food and beverage (55.60%), followed by retail (16.40%), fashion (15.20%), and creative industries (12.80%). Most respondents had operated their businesses for four to six years (40.40%), suggesting moderate business experience and stability. All participants were informed of the study's objectives and provided consent before participation. Confidentiality and anonymity were strictly maintained throughout the process. The data collection procedures adhered to ethical research standards and were designed to ensure the reliability and validity of responses. The respondents' demographic characteristics are summarized in Table 1.

Table 1. The Characteristics of the Sample

Demographic Profile	Category	Number	Percentage (%)
Gender	Male	138	55.20
	Female	112	44.80
Age	17 - 23 years	17	6.80
	24 - 35 years	123	49.20
	36 - 45 years	72	28.80
	46 - 56 years	38	15.20
	> 56 years	0	0.00
Education Level	Elementary School	0	0.00
	Junior High School	0	0.00
	Senior High School	173	69.20
	Diploma III	11	4.40
	Bachelor's Degree	66	26.40
	Master's Degree	0	0.00
	Doctoral Degree	0	0,00
Position	Business Owner	233	93.20
	Manager	17	6.80
Sector	Food and Beverage	139	55.60
	Fashion	38	15.20
	Services	19	7.60
	Handicraft	4	1.60
	Beauty	9	3.60
	Retail	41	16,40
Years in Operation	< 1 year	11	4.40
	1 - 3 years	72	28.80
	4 - 6 years	101	40.40
	7 - 9 years	47	18.80
	> 9 years	19	7.60

Note : n = 250 respondents

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

RESULTS

Validity and Reliability Result

To ensure that the latent constructs are measured with precision and consistency, we evaluated the validity and reliability of all multi-item scales prior to estimating the structural model. Table 2 reports the standardized factor loadings for each indicator and the construct-level indices: Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE). Following criteria for reflective measures, factor loadings ≥ 0.70 indicate adequate indicator reliability, CA and CR ≥ 0.70 indicate internal consistency, and AVE ≥ 0.50 evidences convergent validity at the construct level (Hair et al., 2017).

Table 2. Validity and Reliability of Research Instruments Test

Constructs and Items	Loading Factor
Government Support (CA = 0.981; CR = 0.981; AVE = 0.900)	
The government policies related to SMEs provide positive benefits for my business operations.	0.945
Government provides useful information and supports business operations	0.964
Government assists in obtaining necessary capital	0.901
Official procedures for business operations are easily navigable	0.957
Tax amounts are not a burden for businesses	0.958
There are adequate government programs for businesses	0.949
Government agency employees are competent and effective in supporting businesses	0.963
Digital Marketing Capability (CA = 0.969; CR = 0.971; AVE = 0.890)	
I am able to use digital media platforms (such as WhatsApp, Instagram, Shopee, and TikTok) to market my products.	0.966
I can create and manage digital promotional content that attracts customers.	0.923
I am capable of utilizing customer data (such as comments and purchase history) to determine promotional strategies.	0.941
I regularly evaluate the outcomes of digital promotions using social media insights.	0.956
I continuously improve my digital skills in line with the development of marketing technologies	0.932
Digital Marketing Performance ((CA = 0.968; CR = 0.969; AVE = 0.886)	
Sales have increased as a result of implementing AI-based digital marketing strategies.	0.936
The number of new customers acquired through digital channels has increased.	0.949
Existing customers have become more active in making repeat purchases following digital promotions.	0.949
Promotional costs have become more efficient since using digital or AI-based	0.947

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

tools	
The reputation and visibility of my business on digital platforms have improved	0.925

Notes : CA = Cronbach's Alpha; CR = Composite Reliability; AVE = Average Variance Extracted

All constructs demonstrate excellent internal consistency and convergent validity. For Government Support (GS), Cronbach's Alpha (CA) = 0.981, Composite Reliability (CR) = 0.981, and AVE = 0.900; all item loadings are strong (0.901–0.964). For Digital Marketing Capability (DMC), CA = 0.969, CR = 0.971, AVE = 0.890; loadings range from 0.923 to 0.966 (with regular analytics use and continuous skills improvement loading at 0.956 and 0.932, respectively). For Digital Marketing Performance (DMP), CA = 0.968, CR = 0.969, AVE = 0.886; loadings range 0.925–0.949 across sales growth, customer acquisition, repeat purchases, cost efficiency, and digital visibility. Collectively, these indices exceed accepted benchmarks (CA ≥ 0.70; CR ≥ 0.70; AVE ≥ 0.50), supporting reliability and convergent validity for all reflective constructs.

Discriminant Validity Result

This study assessed discriminant validity using the Fornell–Larcker criterion, which compares the square root of the Average Variance Extracted (AVE) of each construct with its correlations to other constructs. Discriminant validity is achieved when the square root of a construct's AVE is greater than its correlations with other constructs, indicating that the construct shares more variance with its own indicators than with those of any other latent variable (Hair et al., 2017). This assessment strengthens the credibility of the measurement model by verifying that the study's constructs (Government Support, Digital Marketing Capability, and Digital Marketing Performance) are empirically distinct and conceptually non-redundant.

Table 3. Results of Discriminant Validity Test (Fornell–Larcker Criterion)

Construct	Digital Marketing Capability	Digital Marketing Performance	Government Support
Digital Marketing Capability	0.944		
Digital Marketing Performance	0.634	0.942	
Government Support	0.539	0.523	0.948

The results of the discriminant validity assessment presented in Table 3 show that all constructs meet the Fornell–Larcker criterion. The square root of the Average Variance Extracted (AVE) for each construct (diagonal values) is higher than its inter-construct correlations (off-diagonal values), confirming adequate discriminant validity. For instance, Digital Marketing Capability (DMC) has a square root of AVE of 0.944, which exceeds its correlations with Digital Marketing Performance (DMP) (0.634) and Government Support (GS) (0.539). Similarly, Government Support (square root of AVE = 0.948) and Digital Marketing Performance (square root of AVE = 0.942) also show diagonal values greater than their respective inter-construct correlations. These results confirm that each construct is empirically distinct and measures a unique conceptual domain, free from multicollinearity or overlap with other latent variables in the model.

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

Coefficient of Determination (R^2)

To evaluate the explanatory power of the structural model, the coefficient of determination (R^2) and adjusted R^2 values were analyzed for each endogenous construct. This assessment determines the extent to which the independent variables in the model account for the variance in the dependent variables. Specifically, R^2 represents the proportion of variance explained by the predictors, while adjusted R^2 provides a more accurate measure by adjusting for the number of predictors included in the model. Both indicators are essential for assessing the model's predictive strength and stability.

Table 4. R Square and Adjusted R Square Values for Endogenous Variables

Construct	R Square	R Square Adjusted
Digital Marketing Capability	0.290	0.287
Digital Marketing Performance	0.449	0.444

As shown in Table 4, the R^2 value for Digital Marketing Capability (DMC) is 0.290, with an adjusted R^2 of 0.287. This indicates that 29.0% of the variance in DMC is explained by the predictors in the model, while the remaining 71.0% is influenced by other factors not captured in this framework. The minimal difference between R^2 and adjusted R^2 suggests that the model specification is stable and not subject to overfitting or excessive optimism bias. Similarly, the R^2 value for Digital Marketing Performance (DMP) is 0.449, with an adjusted R^2 of 0.444, indicating that the predictors collectively explain 44.9% of the variance in performance outcomes. This level of explanatory power is classified as moderate, implying that the model provides a meaningful yet incomplete representation of the factors influencing MSME digital performance. The relatively close values of R^2 and adjusted R^2 across both constructs further affirm the robustness and internal consistency of the structural model. Overall, the structural model demonstrates adequate explanatory power, consistent with acceptable thresholds in PLS-SEM evaluation standards (Hair et al., 2017).

Hypothesized Results

Structural paths were evaluated using path coefficients (O), standard errors/standard deviations (STDEV), t statistics (|O/STDEV|), and p values to assess the magnitude and statistical significance of the hypothesized relationships among latent constructs. A two-tailed threshold of $p < 0.05$ was used to determine significance. The results for direct effects are summarized below:

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

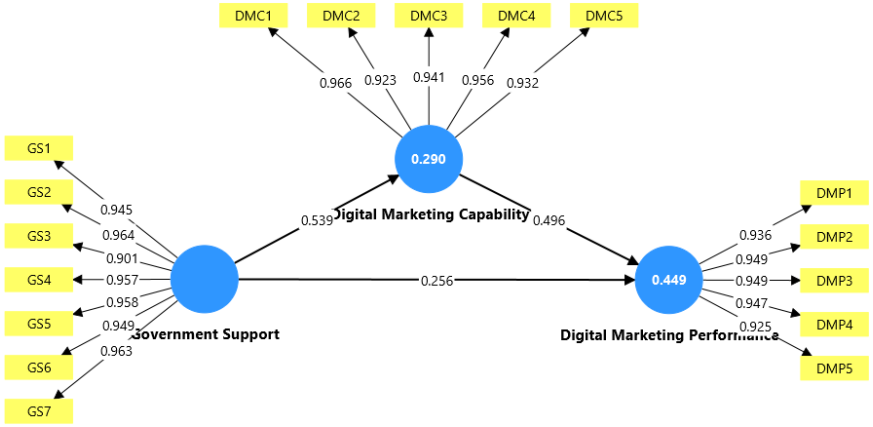

Figure 1. The Structural Model

Table 4. Results of Direct and Indirect Effect Testing in the Structural Model

Hypotheses	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Conclusion
H1 : Government Support → Digital Marketing Capability	0.539	0.539	0.046	11.820	0.000	Supported
H2 : Government Support → Digital Marketing Performance	0.523	0.524	0.046	11.419	0.000	Supported
H3 : Digital Marketing Capability → Digital Marketing Performance	0.496	0.497	0.060	8.217	0.000	Supported
H4 : Government Support → Digital Marketing Capability → Digital Marketing Performance	0.267	0.268	0.039	6.821	0.000	Supported

We evaluated the hypotheses using the PLS bootstrapping procedure, which provides original-sample path coefficients (β), t-statistics, and two-tailed p-values. The analysis shows that Government Support significantly predicts Digital Marketing Capability (O = 0.539, t = 11.820, p < 0.000), indicating a strong association between institutional assistance and capability formation. Government Support also has a significant direct effect on Digital Marketing Performance (O = 0.523, t = 11.419, p < 0.000), suggesting that policy support translates into measurable improvements in digital marketing outcomes. In addition, Digital Marketing Capability exerts a significant positive effect on Digital Marketing Performance (O = 0.496, t = 8.217, p < 0.000), implying that stronger digital capabilities are associated with higher sales growth, greater new-customer acquisition through digital channels, improved repeat purchases, better cost efficiency, and enhanced online visibility. Beyond the direct paths, the indirect effect of Government

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

Support on Digital Marketing Performance through Digital Marketing Capability is significant (O = 0.267, t = 6.821, p < 0.001), confirming a capability-mediated transmission mechanism from public support to performance outcomes. Collectively, these results indicate that H1, H2, H3, and H4 are supported.

DISCUSSION

Conceptually, the Dynamic Capabilities theory posits that digital performance does not emerge merely from the accumulation of resources, but from an organization's ability to continuously learn, adapt, and reconfigure its processes (Teece, 2007). Within this framework, government support (GS) acts as an external enabler that reduces key barriers—cost, risk, uncertainty, and knowledge gaps—allowing MSMEs to experiment with, evaluate, and institutionalize digital marketing practices more effectively. Once these constraints are alleviated, entrepreneurs become more consistent in their experimentation (e.g., testing content formats or channels), more responsive to market signals (e.g., reallocating budgets toward high-performing media), and more disciplined in codifying routines such as content calendars, response standards, and periodic metric reviews. Through this iterative learn–test–refine cycle, Digital Marketing Capability gradually develops as a repeatable, measurable, and improvable organizational routine.

Empirically, the findings confirm a positive and significant relationship between government support and digital marketing capability among MSMEs in West Kalimantan. This aligns with international evidence showing that public support mechanisms—financial, operational, informational, and regulatory—lower adoption frictions and facilitate capability formation at the firm level (Gao et al., 2022). Targeted funding schemes correlate with entrepreneurial success and capability building, whereas overly procedural policies tend to be less effective (Tengku Azhar T. A., 2024). Likewise, financial assistance yields the greatest impact when accompanied by knowledge and implementation support, preventing firms from relying solely on subsidies without strengthening their internal marketing competencies (Choi et al., 2021). In the Indonesian context, particularly in West Kalimantan where digital literacy varies widely, the MSME tax policy—exempting annual turnover up to IDR 500 million and applying a 0.5% final tax for turnover between IDR 500 million and IDR 4.8 billion—effectively reduces financial burdens, enabling entrepreneurs to redirect managerial attention and resources toward developing digital work habits. These include structured content calendars, dashboard-based monitoring, and standardized operating procedures for customer responses. Consequently, government support influences digital marketing capability not through the type of aid provided but through its capacity to make digital learning cycles more feasible, frequent, and effective.

From a DC standpoint, this logic is coherent. Tax incentives create financial slack and reduce uncertainty—two prerequisites for sustaining the sensing–seizing–reconfiguring cycle (Teece et al., 1997). With adequate slack, MSMEs can sense market signals from analytics and experiment without jeopardizing core cash flow. When experiments yield positive feedback, firms can seize the opportunity by reallocating budgets toward effective campaigns or testing new channels with controlled risk. Eventually, learning outcomes are institutionalized through reconfiguring—refining SOPs, adjusting content calendars, synchronizing cross-channel budgets, and embedding metric reviews into regular operations. Since DC emphasizes that performance stems from disciplined repetition of this cycle, fiscal policies that lower learning costs and clarify execution pathways naturally accelerate the development of digital marketing capabilities among

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

MSMEs.

The results further show that the path from government support to digital marketing performance is positive and significant. MSMEs receiving more intensive public assistance exhibit greater reach, click-through rate (CTR), conversion, and return on ad spend (ROAS). Consistent with DC theory, external support mitigates cost frictions and uncertainty, enriches knowledge resources, and enhances cash flexibility—conditions that enable firms to execute digital marketing mixes more consistently, including scheduled paid advertising, disciplined content production, and light-CRM utilization. Evidence from Vietnam confirms similar dynamics: tax exemptions, soft-loan schemes, and investment incentives collectively improved firm performance after controlling for heterogeneity and dynamic endogeneity, implying that fiscal-credit instruments provide the financial slack necessary to fund digital campaigns and strengthen online marketing execution (Thu et al., 2018).

Government support significantly enhances digital marketing performance by combining fiscal incentives with capability-building programs. MSMEs receiving tax reliefs, micro credit, and digital training demonstrate stronger campaign consistency—maintaining scheduled ads, producing steady content, and refining audience targeting despite market disruptions. This assistance provides both financial flexibility and learning opportunities, allowing firms to sustain online visibility and engagement (Sugianto et al., 2025). Consequently, government support not only reduces operational barriers but also fosters digital discipline through structured routines such as content scheduling and KPI monitoring, leading to measurable improvements in reach, CTR, conversion, and ROAS. Likewise, during economic downturns, fiscal incentives, working-capital loans, and digital training help maintain marketing continuity—keeping paid ads running, and content schedules consistent, thereby stabilizing key performance indicators such as reach, CTR, conversion, and ROAS (Otache & Usang, 2021).

Network dimensions are equally relevant. Evidence from Pakistani SMEs shows that government financial support strengthens the link between network structure and sustainable competitive performance (Alkahtani et al., 2020). In digital ecosystems, networks extend to platform relations (marketplaces, social media), collaborations with key opinion leaders (KOLs), and promotional partnerships. With government assistance, access to partners, information, and multi-platform promotional channels becomes easier, allowing network effects to translate more rapidly into measurable digital marketing outcomes—enhanced targeting accuracy, stronger content credibility, and more efficient referral traffic.

The relationship between digital marketing capability and digital marketing performance serves as a mechanism that converts digital resources and processes into measurable marketing outcomes. Digital marketing capability encompasses data-driven market sensing, customer relationship management, cross-channel orchestration, and disciplined execution and evaluation. Firms with higher levels of digital marketing capability tend to outperform peers in reach, CTR, conversion, and ROAS. Prior studies highlight that mature digital marketing capabilities improve market sensing, campaign activation, and channel coordination routines, all of which drive superior digital performance (Gregory, 2019). In the context of developing-country MSMEs, capability dimensions such as strategic execution, e-market sensing, digital innovation, and leadership enhance both intermediate outcomes (awareness, attitudes, brand associations) and ultimate results (sales, market share, profitability). Hence, digital marketing capability goes beyond technical proficiency (e.g., content production) to encompass strategic discipline—consistent scheduling, audience segmentation, creative relevance, data-driven budgeting, and

P-ISSN : 2477-6092
E-ISSN : 2620-3391
ECOBISMA
Jurnal Ekonomi, Bisnis dan Manajemen
ECOBISMA
(Jurnal Ekonomi, Bisnis dan Manajemen)
Published by LPPM Universitas Labuhanbatu

systematic measurement.

For MSMEs in West Kalimantan, a strong digital marketing capability enables the transformation of fragmented digital activities into standardized, data-driven routines—moving from ad-hoc posting to planned content calendars, from mass messaging to segmented offers, from generic materials to A/B testing, and from guesswork to key-metric monitoring. When sensing, seizing, and channel bonding occur simultaneously, each campaign cycle generates learning that feeds back into tactical refinement and budget reallocation toward higher-yield creative assets and audiences.

Finally, the mediating path clarifies that the impact of government support on performance operates primarily through capability formation rather than direct output shocks. In practice, policy support reduces costs and uncertainty while providing actionable knowledge, which MSMEs codify into repeatable digital routines—content scheduling, quick-response SOPs, segmented messaging for prospects versus repeat customers, and scheduled KPI reviews. Once established, these routines produce cross-channel coherence (Instagram, TikTok Shop, WhatsApp Business, marketplaces): aligned messaging and offers, disciplined scheduling, and evidence-based budget reallocation toward the most effective materials and audiences. These tactical improvements—greater targeting precision, creative–market fit, and tighter scheduling—accumulate into measurable gains in digital marketing performance. Conceptually, this pattern aligns with the Dynamic Capabilities perspective: government support functions as an external catalyst that is converted into internal digital marketing capability, which in turn drives sustainable improvements in firm performance.

CONCLUSION

This study aimed to examine the relationships among Government Support, Digital Marketing Capability, and Digital Marketing Performance among MSMEs in Pontianak, West Kalimantan, within the theoretical lens of the Dynamic Capabilities Theory. The empirical findings demonstrate that government support exerts both a direct and indirect influence on digital marketing performance, primarily through the mediating role of digital marketing capability. Government interventions—through fiscal incentives, training programs, and policy facilitation—were found to significantly enhance MSMEs' capacity to utilize, integrate, and continuously improve digital marketing practices.

Furthermore, DMC was confirmed as a crucial mechanism translating external institutional support into superior marketing outcomes. MSMEs with stronger digital capabilities achieved higher performance in terms of online reach, customer engagement, conversion, and cost efficiency. The mediating pathway (GS → DMC → DMP) substantiates the argument that capability formation, rather than mere access to external resources, drives sustainable digital competitiveness. The findings thus extend the Dynamic Capabilities perspective by empirically validating that the impact of institutional support becomes effective only when firms internalize such support into dynamic, repeatable, and data-driven marketing routines.

From a managerial standpoint, MSME owners and managers should view digital marketing not as an ad-hoc activity but as a systematic process requiring ongoing capability enhancement. Continuous training in data analytics, content strategy, and multi-platform coordination will strengthen MSMEs' ability to execute adaptive marketing strategies effectively. For policymakers, the study emphasizes that capability-oriented support should take precedence

over transactional assistance. Government agencies should design integrated programs that combine financial relief (e.g., tax incentives and credit access) with capacity-building components such as digital literacy training, mentoring, and market analytics workshops. Such programs can accelerate the "learning loops" necessary for MSMEs to sense, seize, and reconfigure opportunities in dynamic digital markets. Additionally, collaboration between local governments, digital platforms, and private sector partners is essential to ensure that public support translates into measurable digital outcomes. Regional governments should adopt a localized digital ecosystem approach, connecting MSMEs with mentors, digital service providers, and peer learning networks to foster knowledge exchange and innovation diffusion.

REFERENCES

Alkahtani, A., Norfarah, N., & Khan, R. (2020). Does government support enhance the relation between networking structure and sustainable competitive performance among SMEs? Journal of Innovation and Entrepreneurship, 9. https://doi.org/10.1186/s13731-020-00127-3

Charoensukmongkol, P. (2016). The interconnections between bribery, political network, government supports, and their consequences on export performance of small and medium enterprises in Thailand. Journal of International Entrepreneurship, 14. https://doi.org/10.1007/s10843-016-0164-1

Chege, S. M., & Wang, D. (2020). The influence of technology innovation on SME performance through environmental sustainability practices in Kenya. Technology in Society, 60. https://doi.org/10.1016/j.techsoc.2019.101210

Choi, S.-K., Han, S., & Kwak, K.-T. (2021). Innovation Capabilities and the Performance of Start-Ups in Korea: The Role of Government Support Policies. Sustainability, 13(11), 6009. https://www.mdpi.com/2071-1050/13/11/6009

Gao, Y., Yang, X., & Li, S. (2022). Government Supports, Digital Capability, and Organizational Resilience Capacity during COVID-19: The Moderation Role of Organizational Unlearning. Sustainability, 14(15), 9520. https://www.mdpi.com/2071-1050/14/15/9520

Gregory, G. D. (2019). Developing e-commerce marketing capabilities and efficiencies for enhanced performance in business-to-business export ventures (Vol. 78). https://doi.org/10.1016/j.indmarman.2017.03.002

Hair, J., Sarstedt, M., Ringle, C., & Gudergan, S. (2017). Advanced Issues in Partial Least Squares Structural Equation Modeling.

Homburg, C., & Wielgos, D. M. (2022). The value relevance of digital marketing capabilities to firm performance. Journal of the Academy of Marketing Science, 50(4), 666-688. https://doi.org/10.1007/s11747-022-00858-7

Ishtiaq, M., Songling, Y., Hassan, A., & Hayat, A. (2020). The Role of Financial Literacy in Resource Acquisition and Financial Performance; Moderating Role of Government Support. International Journal of Business and Economics Research, 9, 29. https://doi.org/10.11648/j.ijber.20200901.14

Masrianto, A., Hartoyo, H., Hubeis, A. V. S., & Hasanah, N. (2022). Digital Marketing Utilization Index for Evaluating and Improving Company Digital Marketing Capability. Journal of Open Innovation: Technology, Market, and Complexity, 8(3), 153. https://doi.org/https://doi.org/10.3390/joitmc8030153

Meier, A., Eller, R., & Peters, M. (2025). Creating competitiveness in incumbent small- and medium-sized enterprises: A revised perspective on digital transformation. Journal of Business Research, 186, 115028. https://doi.org/https://doi.org/10.1016/j.jbusres.2024.115028

Moreira, L. L., Pinto, S. S., Costa, L., & Araújo, N. (2025). Evaluating digital transformation in small and medium enterprises using the Alkire-Foster method. Heliyon, 11(2). https://doi.org/10.1016/j.heliyon.2025.e41838

Morgan, N. A., Slotegraaf, R. J., & Vorhies, D. W. (2009). Linking marketing capabilities with profit growth. International Journal of Research in Marketing, 26(4), 284-293. https://doi.org/10.1016/j.ijresmar.2009.06.005

Otache, I., & Usang, O. (2021). Innovation capability and SME performance in times of economic crisis: does government support moderate? African Journal of Economic and Management Studies, ahead-of-print. https://doi.org/10.1108/AJEMS-08-2021-0362

Sharabati, A.-A. A., Ali, A. A. A., Allahham, M. I., Hussein, A. A., Alheet, A. F., & Mohammad, A. S. (2024). The Impact of Digital Marketing on the Performance of SMEs: An Analytical Study in Light of Modern Digital Transformations. Sustainability, 16(19), 8667. https://www.mdpi.com/2071-1050/16/19/8667

Sorasit, P., & Charpavang, C. (2022). Marketing Strategies with Government Support Affecting the Marketing Success of Small and Medium Enterprises in Thailand. Humanities and Social Sciences Letters, 10, 416-427. https://doi.org/10.18488/73.v10i4.3106

Sugianto, S., Ramadania, R., & Pebrianti, W. (2025). SME Marketing Performance: A Mixed-Method Study on Resilient Compositional Capability. Asia Marketing Journal, 27(2), 171-184. https://doi.org/https://doi.org/10.53728/2765-6500.1654

Sugiyono, P. D. (2021). Metode Penelitian Kuantitatif, Kualitatif, dan R&D (S. P. Dr. Ir. Sutopo, M.T., Ed.). Alfabeta, CV.

Sun, J., Maksimov, V., Wang, S. L., & Luo, Y. (2020). Developing compositional capability in emerging-market SMEs. Journal of World Business. https://doi.org/10.1016/j.jwb.2020.101148

Teece, D. J. (2007). Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. Strategic Management Journal, 28(13), 1319-1350. https://doi.org/https://doi.org/10.1002/smj.640

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and Strategic Management Strategic Management Journal, 18(7), 509-533.

Tengku Azhar T. A., W. W. W., Aziz Ainul Zariney, Zakaria Nadisah. (2024). THE IMPACT OF GOVERNMENT SUPPORT ON THE SUCCESS OF STARTUPS CREATION IN MALAYSIA. Quantum Journal of Social Sciences and Humanities, 5(3), 170-184. https://doi.org/10.55197/qjssh.v5i3.379

Thu, H., Van, H., Bartolacci, F., & Tuyen, T. (2018). The Impact of Government Support on Firm Performance in Vietnam: New Evidence from a Dynamic Approach. Asian Academy of Management Journal, 101-123. https://doi.org/10.21315/aamj2018.23.2.5

Zamberi Ahmad, S., & Xavier, S. R. (2012). Entrepreneurial environments and growth: evidence from Malaysia GEM data. Journal of Chinese Entrepreneurship, 4(1), 50-69. https://doi.org/10.1108/17561391211200939