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Enhancing Employee Performance through Quality of Work Life: The Moderating Role of Digital Literacy among Embroidery MSMEs in Tasikmalaya

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A B S T R A C T

This quantitative study employs an explanatory approach, drawing insights from prior research to identify novel contributions. Primary data were collected from 100 employees of embroidery MSMEs (UMKM) across Tasikmalaya through online questionnaires. The instrument consisted of 6 items measuring Quality of Work Life (QWL), 8 items for Employee Performance, and 10 items for Digital Literacy, using a five-point Likert scale. Data were analyzed using SmartPLS 4.0. The results reveal that QWL has a positive and significant impact on employee performance, as indicated by a p-value of 0.001, well below the 0.05 significance threshold. This suggests that employees experiencing higher work-life quality tend to be more enthusiastic, satisfied, and productive. Furthermore, Digital Literacy was found to significantly moderate the relationship between QWL and performance, with an even stronger p-value of 0.001. Digital literacy enhances employees' ability to perform tasks efficiently, thereby improving both their work experience and output. These findings confirm both hypotheses, highlighting the critical role of QWL and digital literacy in enhancing performance within the embroidery MSME sector.

A R T I C L E I N F O

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1. INTRODUCTION

Tasikmalaya City, located in West Java Province along Java Island's southern corridor, is well known for its rich tradition in home-based craft industries. These industries, ranging from embroidery, batik, and kelom geulis (traditional wooden footwear), to bamboo weaving, mendong crafts, and decorative umbrellas (payung geulis), play a vital role in supporting the region's economy. Local entrepreneurs have capitalized on the city's cultural heritage and community expertise, making craft-based MSMEs a central pillar of economic activity. Among these, the embroidery sector has emerged as one of the most prominent industries. However, despite its potential, many embroidery businesses in Tasikmalaya continue to struggle with suboptimal employee performance, which hampers overall productivity.

Field observations indicate that several factors contribute to this performance gap. These include inadequate reward systems, unstructured compensation, uncomfortable and unsafe work environments, limited employee participation in organizational decision-making, and a lack of work–life balance due to operational demands during weekends and holidays. Such conditions often lead to fatigue, especially during night shifts, and prevent timely responses to operational challenges, such as machine errors. These findings reflect a broader concern about the Quality of Work Life (QWL) within the embroidery MSME sector in Tasikmalaya.

QWL is increasingly recognized as a key determinant of employee satisfaction and performance. Abdullah et al. (2021) emphasize that QWL encompasses employee perceptions of job security, well-being, and opportunities for growth within an organization. It also involves the implementation of organizational policies that support safe working conditions, fair compensation, career development, and meaningful employee engagement. When these elements are addressed effectively, QWL serves as a mechanism to align individual aspirations with organizational goals, resulting in improved job performance and organizational effectiveness.

In addition to QWL, the rapidly evolving digital landscape calls for the integration of digital literacy in workforce development. Digital literacy is no longer a peripheral skill but a core competency that influences how employees engage with technology, manage information, and execute tasks in increasingly digitalized workplaces. Chan et al. (2021) and Putra et al. (2023) both affirm that digital literacy enhances employee engagement and performance, particularly in sectors undergoing digital transformation. Moreover, Angela et al. (2024) argue that digital literacy not only improves employability but also fosters innovative work behavior—an essential attribute for sustaining competitiveness in MSMEs.

The synergy between QWL and digital literacy can significantly influence job performance. Duan et al. (2023) highlight that the quality of digital work experiences—when supported by proper infrastructure and literacy—can positively affect work–life balance and productivity. Similarly, Mediana-Garrido et al. (2023) note that a balance between work demands and personal life enhances employee well-being and performance outcomes. Thus, organizations that invest in both QWL and digital literacy are more likely to experience sustained improvements in employee output and innovation.

In light of these considerations, this study aims to explore the influence of Quality of Work Life on employee performance in embroidery MSMEs in Tasikmalaya, with digital literacy as

a moderating variable. This approach responds to the urgent need to enhance human capital strategies in creative industries and provides a contemporary lens through which employee performance can be better understood and improved.

2. METHOD

This study focuses on embroidery-based Micro, Small, and Medium Enterprises (MSMEs) located in Tasikmalaya City as the object of research. A quantitative descriptive research design was employed to examine the relationships among the study variables. The analytical approach utilized is the Structural Equation Modeling (SEM) technique, which enables the simultaneous testing of multiple relationships between constructs. To enhance the validity of the results, the analysis was conducted using Partial Least Squares SEM (PLS-SEM) with the SmartPLS version 4.1 software.

Given that the total population of embroidery MSMEs in Tasikmalaya City is unknown, the sampling technique adopted follows the Lemeshow formula, which is commonly used in studies involving unknown or indefinite populations. The application of this formula ensures an appropriate sample size to achieve adequate statistical power and generalizability.: n= $\frac{z^2 p\,(1-p)}{d^2}$

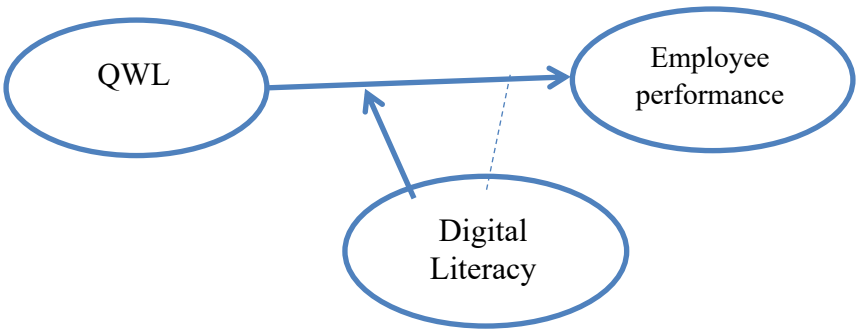

Figure 1. Research model

3. RESULTS AND DISCUSSION

Based on the outer loading data below, it can be seen that the loading factors above are green and red. This proves that the validity value is valid because the value is >0.70, likewise for the validity value whose value is <0.7 it can be accepted because it has met the requirements where if the loading factor value is more than 0.50 it can still be accepted.

Table 1. Outer Loading

	QWL	KK	LD	LD x QWL
X2.1	0.651			
X2.2	0.709			
X2.3	0.748			
X2.4	0.810			
X2.5	0.765			
X2.6	0.772			
Y1.1		0.758		
Y1.2		0.836		
Y1.3		0.882		
Y1.4		0.831		

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Y1.5	0.830		
Y1.6	0.681		
Z1.1		0.725	
Z1.10		0.713	
Z1.2		0.689	
Z1.3		0.674	
Z1.4		0.753	
Z1.5		0.766	
Z1.6		0.681	
Z1.7		0.701	
Z1.8		0.723	
Z1.9		0.736	
LD x QWL			1.000

Based on the data below, it can be seen that all values of each variable have a value >0.50. This proves that the average variance extracted value is acceptable.

Table 2. Average Variance Extrated (AVE)

	Average variance extracted (AVE)
QWL	0.554
KK	0.649
LD	0.514

From the data below, it shows that the NFI value is 0.504. This shows that the presentation value is moderate because the value is more than 0.33 and less than 0.76.

Table 3. Model Fit

	Saturated model	Estimated model
SRMR	0.117	0.117
d_ULS	7.206	7.201
d_G	3.724	3.724
Chi-square	1741.062	1740.779
NFI	0.504	0.504

From the data obtained from Part Coeffiecients used to test the hypothesis of direct influence. From the data there are two positive and three negative values, then the data obtained that all original values of the sample quality of work life - employee performance (0.300), digital literacy x quality of work life - employee performance (0.269).

To prove the hypothesis, the T-statistic and P-value are compared.

First Hypothesis:

H0: The variable of quality of work life does not directly affect employee performance

H1: The variable of quality of work life directly affects employee performance

The correlation coefficient value of quality of work life directly on employee performance with a T-statistic value of 3.438 and a P-value of 0.001. With a T-statistic value of 3.438 meaning more than (> 1.98) and a P-value of 0.005 meaning less than (<0.05), then it is significant. Thus H1 is accepted and H0 is rejected.

The variable of quality of work life directly affects employee performance

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Second Hypothesis:

H0: Digital literacy variables do not directly affect employee performance

H1: Digital literacy variables directly affect employee performance

The correlation coefficient value of digital literacy directly on employee performance with a T-statistic value of 2.582 and a P-value of 0.010. With a T-statistic value of 2.582 meaning more than (> 1.98) and a P-value of 0.010 meaning less than (<0.05), it is significant. Thus H1 is accepted and H0 is rejected.

Digital literacy variables directly affect employee performance

Third Hypothesis:

H0: Digital literacy variables x quality of work life directly do not affect employee performance

H1: Digital literacy variables x quality of work life directly affect employee performance

The correlation coefficient value of digital literacy x quality of work life directly on employee performance with a T-statistic value of 3.452 and a P-value of 0.001. With a T-statistic value of 3.452 meaning more than (>1.98) and a P-value of 0.001 meaning less than (<0.05), it is significant. Thus H1 is accepted and H0 is rejected.

The digital literacy variable x quality of work life directly affects employee performance.

Table 4. Part Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
QWL -> KK	0.300	0.301	0.087	3.438	0.001
LD x QWL -> KK	0.269	0.266	0.078	3.452	0.001

The results of this study confirm that Quality of Work Life (QWL) has a significant and positive impact on employee performance within embroidery MSMEs in Tasikmalaya. This finding aligns with prior research by Mediana-Garrido et al. (2023), who demonstrated that work–family balance and employee well-being significantly influence performance outcomes in the European service sector. In the current study, aspects such as working conditions, fair compensation, participation, and employee engagement contributed positively to performance, supporting the idea that QWL fosters motivation, reduces fatigue, and increases productivity. This is particularly relevant in the context of small-scale creative industries where human resource practices are often informal and underdeveloped.

Furthermore, the moderating role of digital literacy strengthens the influence of QWL on performance, echoing the conclusions of Duan et al. (2023), who highlighted how digital affordances improve work-life integration and task efficiency. In this study, employees with higher digital literacy were better able to manage technology-based embroidery machines and online communication, thereby reducing errors and delays. This supports the claim that digital competency acts as an enabler for performance optimization, especially in labor-intensive sectors adapting to digital transformation. Thus, integrating digital literacy into employee development programs could magnify the positive effects of QWL, bridging the gap between traditional craftsmanship and modern organizational demands.

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4. CONCLUSION

This study demonstrates that Quality of Work Life (QWL) significantly enhances employee performance within embroidery MSMEs in Tasikmalaya, and that digital literacy plays a crucial moderating role in this relationship. By utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM), the findings confirm that when employees experience better working conditions, support, and opportunities for growth—coupled with digital competencies—they are more likely to perform effectively and efficiently. These results underscore the importance of not only improving work environments but also fostering digital capabilities as part of strategic human resource development, particularly in traditional and creative industries navigating digital transformation.

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