

## **ABSTRACT**

*The existence of small, micro and medium enterprises, here in after referred to as SMME, has become one of the contributors to the growth of a country's economy and triggering the invention of innovation for a country. In Indonesia, SMME has 99,9% proportion of business, and contribute 61.41% Product Domestic Gross. Otherwise, although SMME has much positive impact and contribution to a country, in fact, there are some lists that SMME must fulfill. Based on the observation, literature and pre-interview with the experts, SMME need to clarify and increase their understanding about the digital capability. This urgency to understand it, is because of the competition, our society also market nowadays are run into digital platforms. However, if the SMME could transform their business digitally and run smoothly, in massive impact, SMME could contribute 2% from 5% target as middle income country in 2020. Also the impact for SMME itself might raising their profit into 80%, and increasing their competitive advantage.*

*Regarding to the condition above, as an academic contribution, the purpose of this study is define the digital capabilities for SMME. Based on the theory, the digital capability itself, might not works well, unless a company could measure their digital capability. The measurement of digital capability known as digital maturity model. This research is a qualitative research, which conducted by literature study and validation of dimensional components through interviews with experts. With the limitations of time amount of SMME, we conduct this research with an exploratory study, so we might take a case study and pilot test. The case study for this research was taken in Bandung, a city which awarded as one creative city by UNESCO, because of their creativity and entrepreneurship circumstance. This digital maturity model also, could only specify design for small business type of fashion, food / beverage, craft, because of the highest number growth on those types.*

*As a result, we define seven dimension of digital capability for SME, the assessment also the component of the formula, to define maturity. based on the pilot test with those three types of small business, this digital maturity model could be used. We also expect, that this digital maturity model could contribute to the growth of SMME digitally.*

*Key Words: Digital Capability, Digital Maturity model, Digital Transformation, Digital SME. Small Business,*