
IMPACT OF DIGITAL MARKETING, DIGITAL FINANCE, AND DIGITAL LITERACY ON BUSINESS PERFORMANCE SMEs

By

Bothy Dewandaru¹, Manuel Goncalves², Afif Nur Rahmadi³

^{1,3}Kadiri University, Kediri, Indonesia

²Department of Management, Universidade Oriental De Timor Lorosa'e, Dili, Timor-Leste

Email: ¹Bothy@unik-kediri.ac.id

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Abstract: *The development of digital technology is very helpful for the community of SMEs players in an effort to expand their market reach quickly without having to meet customers directly. The digital economy era has an impact on changes in people's lifestyles, including the transaction methods used by the public. This study aims to determine the effect of digital marketing, digital finance, and digital literacy on the performance of SMEs. This research is a quantitative study with the sample being SMEs in Kediri that use marketing technology and financial technology. The results of this study indicate that digital marketing and digital literacy affect the performance of SMEs, while digital finance has no effect on the performance of SMEs*

PENDAHULUAN

Small and Medium Enterprises (SMEs) are part of the independent Indonesian economy and have great potential to improve the welfare of the community, seen from the three roles of SMEs in the Indonesian economy, including a means of equalizing the economic level of small people, a means of alleviating poverty and a means of earning foreign exchange for the country. (Sulastri, 2022). By 2023, the number of SMEs businesses will reach around 66 million. The contribution of SMEs reached 61% of Indonesia's Gross Domestic Product (GDP), equivalent to IDR 9,580 trillion. SMEs absorb around 117 million workers (97%) of the total workforce. (KADIN, 2024).

The challenges of SMEs in the future that must be addressed together by all stakeholders include innovation and technology, digital literacy, productivity, legality or licensing, financing, branding and marketing, human resources, standardization and certification, equitable distribution of guidance, training, and facilitation, and a single database (Sulastri, 2022). The digital economy is still evolving, and business digitization in the era of the Industrial Revolution 4.0 is different from what SMEs expected (Deri Firmansyah et al., 2022). Digital marketing makes it easier for businesses to monitor and fulfill all the needs and wants of potential consumers. On the other hand, potential

consumers can also search and obtain the desired product information by simply browsing certain online sites without having to leave their homes (Azmi, 2021).

The shift in lifestyle and behavior of consumers who are now adopting more digital technology is fundamentally changing consumer behavior in making purchases. Thus, it is important for marketers to understand the influence of digital marketing on consumer behavior (Albi, 2020). The main goal in implementing digital marketing is to provide maximum results in a two-way promotional process. Digital marketing has traceability capabilities that can help businesses calculate the ROI (Return of Investment) of marketing capital in their company, find out how much advertising and sales capital is spent, and evaluate the type of advertising that is good and appropriate. (Pollák & Markovič, 2021). Based on the 2021 E-Commerce Survey conducted by the Central Statistics Agency (BPS), 63.52 percent of respondents of e-commerce businesses have utilized internet services for digital marketing, both through social media and marketplaces (Badan Pusat Statistik, 2022).

Innovation in the field of information technology, people can take advantage of opportunities, especially for SMEs business actors in carrying out financial activities anywhere easily, safely and under control. One of the innovations in information technology in the financial services sector is Fintech Digital Payment which means in serving financial services. (Daud et al., 2022). The relevance of digital finance and financial inclusion for poverty reduction and economic growth is drawing the attention of policymakers and academics alike, especially as many issues remain that if addressed could make digital finance work better for individuals, businesses, governments, and economies. (Shofawati, 2019).

Digital finance covers a wide range of financial services delivered through digital platforms, including peer-to-peer lending, crowdfunding, digital banking, and financial technology (FinTech) solutions (Tekkanat & Topaloglu, 2016). The integration of digital financing in the SMEs sector is not just a trend, but a significant shift in line with the broader revolution towards a digital economy (Chovanová et al., 2015). For SMEs, digital financing has opened up new opportunities to obtain capital, often on more favorable terms than those offered by conventional banks (Balboa et al., 2024). Fintech services have a negative and insignificant effect on financial performance. The inconsistency of research results related to the effect of fintech on financial performance indicates the possibility of other variables that can strengthen the relationship between the two (Almulla et al., 2021).

Digital literacy is believed to be able to make small businesses exist because they can reach a wider range of customers. Through the use of information technology, SMEs entrepreneurs can run their businesses more efficiently and do not require as many assets as older businesses (Rakib et al., 2024). Digital literacy has a significant positive impact on the performance of small business owners. This means that the higher the level of digital literacy skills, the better the performance of small business owners (Sariwulan et al., 2020).

LITERATURE REVIEW

Digital Marketing and Performance SMEs

Due to technological advancements, companies have experienced a major shift in their marketing strategies, with digital marketing becoming a key means to expand growth and improve performance. (Sharabati et al., 2024). Digital marketing is an important part of the performance of small and medium-sized enterprises in the digital age. Digital marketing has become essential for companies to conduct business at a competitive level in a rapidly changing environment. Digitalization focuses the way of communication and information sharing among the participants of the company and enables the increase of revenue and the formation of long-term relationships. (Nuseir & Aljumah, 2020). Digital marketing has a significant positive influence on SMEs performance. his study recommends that SMEs owners/managers in Kenya should embrace digital marketing as a strategy to improve performance (Kimathi et al., 2019). In another study, the relationship between the actual use of digital marketing and the sustainable growth of SMEs was also found to be positive, confirming that digital marketing significantly enhances the sustainable growth of SMEs in developing countries (Bruce et al., 2023).

H 1 : Digital Marketing Positively Affects SMEs Performance

Digital Finance and Performance SMEs

Digital financial services generally refer to the technology available to perform financial services from a wide range of service providers to a broad category of recipients. This is made possible by the use of digital remote means including e-money, mobile money, card payments, and electronic funds transfer (Shofawati, 2019). Digital Finance has a significant positive effect on the financial performance of SMEs. If the utilization of Digital Finance has a large or high value in the SMEs sector, the number of sales turnover will increase, and profits will continue to increase. (Rombe et al., 2021). Digital Finance has significant growth in Indonesia. access to digital finance is perceived as knowledge acquisition and presented as something managers need to improve firm performance (Frimpong et al., 2022). Financial technology impacts the performance of small and medium enterprises in Indonesia, Financial technology offers practicality in funding loans or capital, paying bills, or checking payments, and simplifies the marketing process (Utami & Sitanggang, 2021).

H 2 : Digital Finance Positively Affects SMEs Performance

Digital Literacy and Performance SMEs

The presence of digital literacy implemented by companies can help companies utilize SMEs businesses online due to its ease of use and effective functions (Nur Supriadi et al., 2021). Digital economic literacy is the ability to reach and utilize economic information supported by the ability to think critically in utilizing information technology. This means that the higher the digital economic literacy, the more companies will know the benefits and functions (Feriady et al., 2020). Based on previous research, digital literacy affects the performance of small and medium enterprises (SMEs) (van Laar et al., 2019). The ability to utilize digital technologies such as social media enhances marketing strategies and impacts revenue growth.

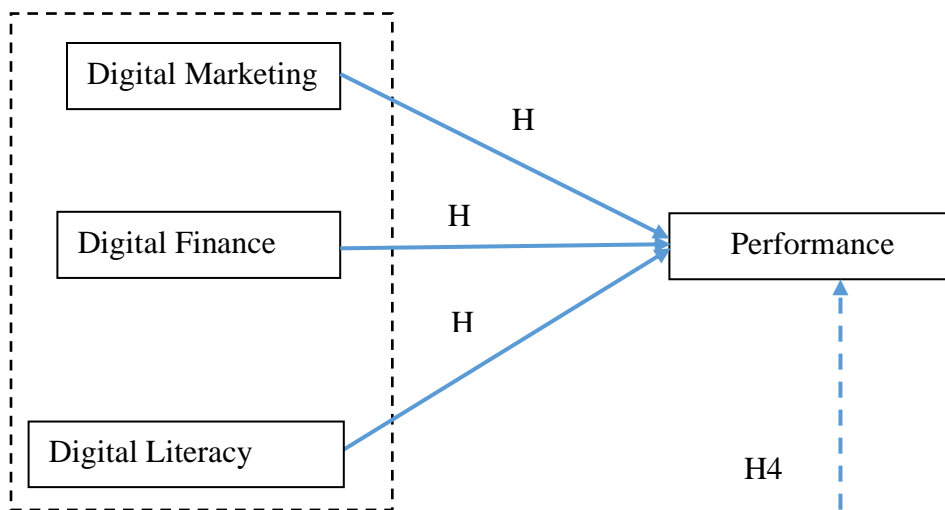
H3 : Digital literacy has a positive effect on the performance SMEs

H4 : Digital Marketing, Digital Finance, and Digital Literacy has a joint effect on the

performance of MSMEs

Theoretical Framework

The study line of thinking can be summed up as follows based on the backdrop of the problems that are categorized into problem formulations considering the variables in the research, as well as based on the literature review & research:



METHODS

Measurement

In this research, the method used is quantitative research. This method analyzes numbers that are processed first through statistical methods and tools. Quantitative research is a research approach based on the philosophy of positivism, which aims to investigate a particular population or sample which ultimately leads to the formulation of conclusions.

Sampling and Data Collection

This study uses a questionnaire as a tool to conduct a survey of samples taken from a population of MSMEs that use marketing technology and financial technology such as QRIS Kediri East Java. the number of samples in this study after being calculated using the Slovin formula was 100 respondents.

Data source

Primary data sources in this study are parties who are considered to be able to provide data directly from the field to researchers. Secondary data sources are data sources that do not directly provide data to data collectors. Secondary data can be in the form of books or documents from other sources related to this research. In this study, secondary data sources came from BPS, BI and Kediri city government documents.

Validity and Reliability

Validity is a measure that shows the level of validity and validity of an instrument. A valid instrument has high validity. An invalid instrument should have low validity.

Validity

a. Variable Digital Marketing

Table 1. Test Result Validitas Variable Digital Marketing

Variable	R-Table	R-count	Conclusion
X1.1	0.1966	0.580	Valid
X1.2	0.1966	0,273	Valid
X1.3	0.1966	0,554	Valid
X1.4	0.1966	0,258	Valid
X1.5	0.1966	0,360	Valid
X1.6	0.1966	0,443	Valid

Source : Processed by researchers (2023)

b. Variable Digital Finance

Table 2. Test Result Validitas Variable Digital Finance

Variable	R-Table	R-count	Conclusion
X2.1	0.1966	0,298	Valid
X2.2	0.1966	0,359	Valid
X2.3	0.1966	0,316	Valid
X2.4	0.1966	0,354	Valid
X2.5	0.1966	0,408	Valid
X2.6	0.1966	0,534	Valid

Source : Processed by researchers (2023)

c. Variable Digital Literacy

Table 3. Test Result Validitas Variable Digital Literacy

Variable	R-Table	R-count	Conclusion
X3.1	0.1966	0,550	Valid
X3.2	0.1966	0,253	Valid
X3.3	0.1966	0,453	Valid
X3.4	0.1966	0,376	Valid
X3.5	0.1966	0,300	Valid
X3.6	0.1966	0,488	Valid

Source : Processed by researchers (2023)

d. Performance SMEs

Table 4. Test Result Validitas Variable Performance SMEs

Variable	R-Table	R-count	Conclusion
X4.2	0.1966	0,712	Valid
X4.3	0.1966	0,470	Valid
X4.4	0.1966	0,274	Valid
X4.5	0.1966	0,305	Valid

X4.6	0.1966	0,224	Valid
X4.7	0.1966	0,457	Valid

Source : Processed by researchers (2023)

Reliability

Reliability is a measuring tool for measuring a questionnaire which is an indicator of a variable. A questionnaire is said to be reliable if a person's answers to questions are consistent or stable over time. Calculations can be done by classifying the Cronbach's Alpha results which must be above 0.60 so that the questionnaire can be affirmed as reliable or consistent.

Table 5. Test Result Reliabilitas

Variable	Alpha Cronbach's	conclusion
X1	0,753	Reliable
X2	0,710	Reliable
X3	0,824	Reliable
Y	0,718	Reliable

Source : Processed by researchers (2023)

RESULTS

Multiple Regression Analysis

Regression analysis in this study is to determine the effect of digital marketing, digital finance, digital literacy variables on the performance of SMEs. to find out the results of the calculation of the effect of digital marketing, digital finance, digital literacy on the performance of SMEs are as follows :

Table 6. Regression Coefficient Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	12.612	4.798		2.628	.010
TOTDM	.222	.100	.212	2.229	.028
TOTDF	.163	.101	.154	1.617	.109
TOTLD	.317	.097	.310	3.286	.001

a. Dependent Variable: TOTKI

Based on the coefficients table of multiple linear analysis results in the unstandardized column, the following equation is obtained:

$$Y = 12.612 + 0,222 X1 + 0,163 X2 + 0,317 X3$$

The regression equation above shows that when Digital Marketing (X1), digital finance (X2),

digital literacy (X3) has a value of 0, which means constant, the performance of MSMEs (Y) is 12,612. Each increase in the independent variable by a unit can increase the dependent variable by the value of the beta coefficient of each independent variable multiplied by the amount of increase that occurs.

Hypothesis Test Results

Hypothesis testing can be done using the F test and t test. The F test is used to determine the joint effect of the independent variables on the dependent variable. While the t test is to see the effect of each independent variable on the dependent variable.

F Test

Table 7. F Test ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	47.633	3	15.878	5.637	.001 ^b
Residual	270.407	96	2.817		
Total	318.040	99			

a. Dependent Variable: TOTKI

b. Predictors: (Constant), TOTLD, TOTDF, TOTDM

Based on the calculation results in table 7, that the calculated F value is 5.637. While the F table value is 3.09 so that F count (5.637) > F table (3.09) while for the sig value. 0,001 < 0,05. This means that the variables of digital marketing, digital finance, digital literacy have a significant effect on the performance of MSMEs.

T Test

Table 8. T Test Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.612	4.798		2.628	.010
	TOTDM	.222	.100	.212	2.229	.028
	TOTDF	.163	.101	.154	1.617	.109
	TOTLD	.317	.097	.310	3.286	.001

a. Dependent Variable: TOTKI

Based on the calculation results in table 8 then:

- a. Digital Marketing variable (X1) shows sig. 0.028 and t count 2.229. So that variable X1 has sig. 0.028 < 0.05 and t count (2.229) > t table (1.661). So it can be said that the first variable is accepted.

This is consistent with research from (Kimathi et al., 2019) Digital marketing has a

significant positive influence on SME performance. the study recommended that SMEs owners/managers in Kenya should master digital marketing strategies as a strategy to improve SME performance.

- b. Digital Finance (X2) variable shows sig. 0.109 and t count 1.617. So that the X2 variable has sig. $0.109 > 0.05$ and t count $(1.617) < t$ table (1.661). Then it can be said that the second variable is rejected.

This is different from the results of (Utami & Sitanggang, 2021) Fintech has an impact on the performance of small and medium enterprises (SMEs) in Indonesia, Fintech provides practicality in obtaining loans or capital, paying bills, or checking payments, and simplifying the marketing process.

- c. Digital Literacy variable (X3) shows sig. 0.001 and t count 3.286. So that variable X3 has sig. $0.001 < 0.05$ and t count $(3.286) > t$ table (1.661). So it can be said that the third variable is accepted.

This is consistent with research from (van Laar et al., 2019) Based on previous research, digital literacy affects the performance of small and medium enterprises (SMEs)

CONCLUSION

The results of research and discussion regarding digital marketing, digital finance, digital literacy show that there is a relationship together with the variables of digital marketing (X1), digital finance (X2), digital literacy (X3) on the MSME performance variable (Y). while partially the digital marketing and digital literacy variables have a positive and significant effect on the SMEs performance variable, but the digital finance variable has no effect on the SMEs performance variable.

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