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## THE INFLUENCE OF DIGITAL MARKETING ON THE INCREASE OF MSMEs INCOME IN PALEMBANG

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### ABSTRACT

Micro Small and Medium Enterprises (*MSMEs*) played a crucial role in the local economy, including in the city of Palembang. With the rapid development of digital technology, digital marketing has become an increasingly popular and relevant strategy for *MSMEs* to expand their reach and improve their business performance. Digital marketing had a similar meaning to electronic marketing (e-marketing) as both describe the management and execution of marketing using electronic media. The background of the problem lied in the lack of digital knowledge and skills among *MSMEs* practitioners and the limited income of *MSMEs* due to the limited reach of the target market. This research aim to investigate the impact of digital marketing on the income improvement of Micro Small, and Medium Enterprises (*MSMEs*) in Palembang. The research method used was qualitative, employing surveys with the collection of primary data through questionnaires distributed to *MSMEs* practitioners in Palembang. It was expected that the findings of this research will provide valuable insights for *MSMEs* practitioners to understand the potential and benefits of digital marketing in increasing their income. Additionally, the research findings could serve as input for the government and support institutions to develop programs that support the adoption of digital marketing for *MSMEs* in Palembang.

**Keywords:** Digital Marketing, Micro Small and Medium Enterprises (MSMEs), Palembang

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### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the local economy, including in the city of Palembang. According to data from the Ministry of Cooperatives and SMEs in 2021, the number of MSMEs reached 64.2 million, contributing 61.07 percent to the GDP, equivalent to IDR 8,573.89 trillion (<https://diskopukm.palembang.go.id/berita/ddd>). As of 2023, there have been only 1,103 registered MSMEs in Palembang, but it is predicted to reach more than 160,000, necessitating a re-registration process according to the Head of the Cooperative and MSMEs Office of South Sumatra. (<https://sumsel.antaraneews.com/berita/643913/dinas-koperasi-dan-umkm-palembang-bentuk-tim-data-usaha-kecil>)

With the rapid development of digital technology, digital marketing has become an increasingly popular and relevant strategy for MSMEs to expand their reach and improve business performance. Digital marketing has a similar meaning to electronic marketing (e-marketing) as both describe the management and implementation of marketing using electronic media (Dave Chaffey, 2000). However, there are still several challenges faced by MSMEs in Palembang regarding the optimal use of digital marketing. Not all MSMEs can take advantage of digital technology in their business operations, and many still lack sufficient knowledge of digital marketing systems

This research aims to explore the impact of digital marketing on increasing MSMEs' income in Palembang. The main focus of this study is to explain how digital marketing can help MSMEs improve their competitiveness and product sales. Additionally, the study will address the challenges faced by MSMEs in utilizing digital marketing optimally.

.The research is expected to provide better insights and understanding of the importance of digital marketing for MSMEs in Palembang and offer recommendations for effective digital marketing strategies to increase their income.

### **THEORY, LITERATURE REVIEW, AND HYPOTHESIS**

According to the neoclassical growth theory proposed by T.W. Swan (1956) in Australia and Robert M. Solow (1970) in the United States, the Solow-Swan model presents several factors contributing to economic growth, including population growth, capital accumulation, technological development, and high levels of communication among individuals. In this theory, the factor considered highly important to address is the optimization of the human resources. Meanwhile, urgent aspects include technological advancements and improving the skills and expertise of human resources (Sa'ad, 2017).

Digital marketing is a social process where individuals or groups can meet their needs and desires through the offering and exchange of products and services with others freely (Kotler, 2005 in Elida & Raharjo, 2019). Marketing plays a crucial role in supporting the success of a business, and with the right marketing strategies, businesses can achieve their maximum potential. The digital marketing process requires continuous efforts, starting from launching new products, following market developments, product development, and facing business challenges (Kusuma et al., 2020).

Digital marketing involves the adoption of marketing concepts into the digital realm. It includes innovative practices to promote products and services, using effective, personalized, timely, and relevant databases and distribution channels to reach consumers and customers (Wsi, 2013 in Elida & Raharjo, 2019). Digital marketing is an innovation in marketing products or services that focus on the application of digital technology to reach the target consumers, and its main objectives are to increase sales, create interest, and achieve business growth through various digital marketing techniques (Todor, 2016 in Elida & Raharjo, 2019).

Digital marketing has become a creative media technology that utilizes databases, distribution channels, and individual consumers, optimizing efficiency and saving time (Chaffey, 2000 in Pradiani, 2018). In digital marketing, customers are the focal point of interaction, and the aim is to convert potential consumers into loyal customers.

Income is the reward for the work done by individuals to meet their living needs (Sulistiyo, 1992 cited from Darmawan et al., 2002 in Hartopo, 2019). For Micro, Small, and Medium Enterprises (MSMEs), income is crucial as it determines the progress of the company. Therefore, MSME entrepreneurs must make maximum efforts to influence income by efficiently utilizing company resources (Sa'ad, 2017).

The Ministry of Micro, Small, and Medium Enterprises (MSMEs) classifies small businesses as those having between 1 to 19 employees, while medium-sized businesses have between 20 to 99 employees (Hasan et al., 2020). In the context of management, revenue or income is the money received from individuals, businesses, or other organizations, including wages, salaries, rent, interest, fees, and profits (Kieso, Weygandt, and Warfield). Income is also the difference between total revenue (TR) and total costs (TC) (Rosyidi, 2003: 6; Helmalia and Afrinawati, 2018).

Based on the literature review above, the hypothesis of this research is that digital marketing has a significant influence on increasing the income of MSMEs in Palembang.

### **RESEARCH METHODS**

This research utilizes a qualitative research method. The qualitative research method is chosen because the purpose of this study is to understand the experiences of MSME actors in using digital marketing and the obstacles they face in utilizing digital marketing. Data collection techniques involve

observation and in-depth interviews as data collection instruments. According to Moleong (2017:186), an interview is a process of digging deep, open, and free information related to the research problem and focused on the research center. On the other hand, according to Sugiyono (2014:145), observation is a complex process, composed of various biological and psychological processes. According to Riyanto (2010:96), observation is a data collection method that involves direct or indirect observation.

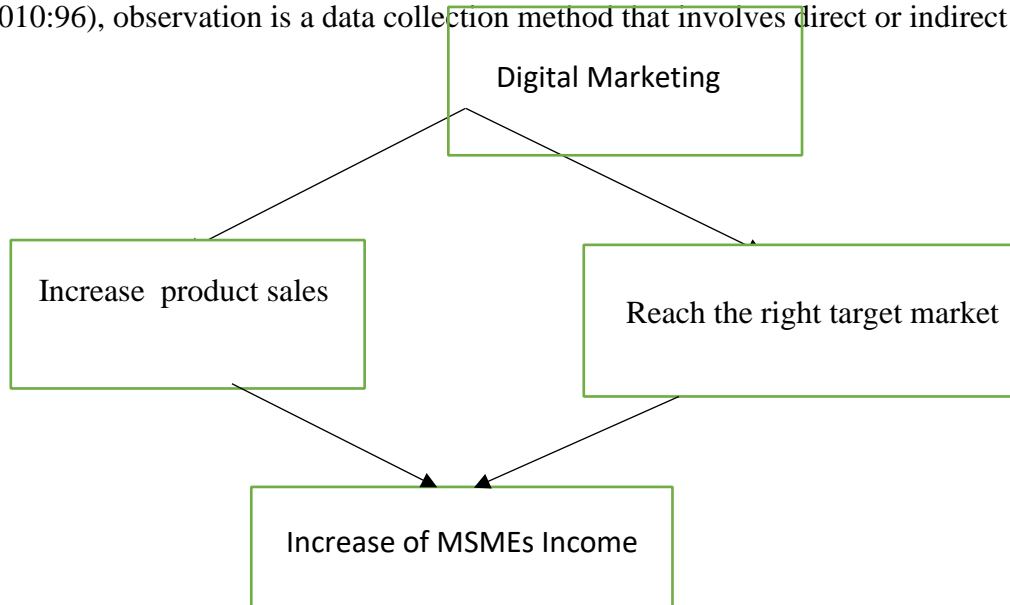


Figure 1: Analysis Framework

The research sample consists of 30 MSME actors in Palembang who use digital marketing as their marketing strategy. The data sources in this study consist of two types: Primary data sources, which are obtained from the first-hand source. Primary data comes from field data obtained through interviews with informants who have information about the research object in this study. The selection of informants in this study is done through purposive sampling, which means selecting samples based on specific criteria relevant to the research objectives. The criteria used are MSME actors who have been using digital marketing for at least 6 months and have experience in utilizing digital marketing to increase their product sales. The second data source is secondary data, which includes data obtained from various reading materials and other sources such as observation and documentation (through other literature).

The interviews are conducted through questionnaires using a pre-prepared interview guide. The interview guide contains questions related to the experiences of MSME actors in using digital marketing, the benefits obtained from digital marketing, and the obstacles they face in utilizing digital marketing.

## RESULTS AND DISCUSSION

This research continues the previous study where in the research conducted by (Mirani et al., 2022), it was found that digital marketing strategies have an impact of up to 78% on the competitive advantage of MSMEs in marketing.

The results of this study show that digital marketing has a significant influence on increasing the income of MSMEs in Palembang. The main themes that emerged from the interviews are as follows:

1. Digital marketing helps MSMEs reach the right advertising/target market.
2. Digital marketing increases the visibility of MSME products.
3. Digital marketing increases income through product sales for MSMEs.
4. MSME actors face challenges in utilizing digital marketing optimally.

These themes indicate that digital marketing can help MSMEs increase their income through product sales and reach a more specific target market. However, there are still challenges in utilizing digital marketing optimally by MSME actors in Palembang. Some of the challenges they face include a lack of knowledge and skills in using digital marketing, limited resources, and a lack of support from the government and relevant institutions.

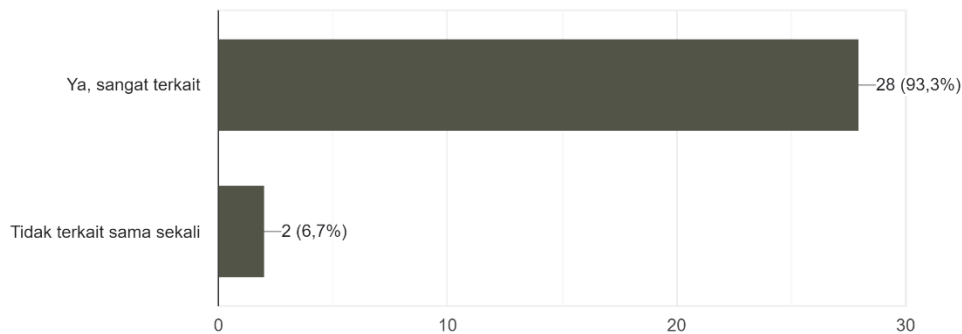


Figure 2 : The increase in MSMEs' revenue is directly related to the use of digital marketing.

In the table above, which represents the results of the research instrument where the findings of the study show that digital marketing has a significant influence on increasing the income of MSMEs in Palembang. Therefore, MSME actors in Palembang are recommended to utilize digital marketing as their marketing strategy. However, the challenges faced by MSME actors in utilizing digital marketing optimally need to be overcome. Training and support from the government and relevant institutions are expected to help MSME actors in utilizing digital marketing more effectively.

### FINDINGS AND CONCLUSION

The findings of this research indicate that digital marketing has a significant influence on increasing the income of MSMEs in Palembang. The main themes that emerged from the interviews show that digital marketing can help MSMEs increase their product sales and reach the right target market. However, there are still challenges in utilizing digital marketing optimally by MSME actors in Palembang, such as a lack of knowledge and skills in using digital marketing, limited resources, and a lack of support from the government and relevant institutions.

Based on these findings, it can be concluded that digital marketing can be an effective strategy to help MSMEs increase their income in Palembang. However, the challenges faced by MSME actors in utilizing digital marketing optimally need to be addressed. Training and support from the government and relevant institutions are expected to help MSME actors in utilizing digital marketing more effectively.

### IMPLICATIONS, LIMITATIONS AND SUGGESTIONS

The implications of this research are that digital marketing can be an effective strategy to help MSMEs increase their income in Palembang. The findings of this research align with previous studies that have shown that digital marketing has a positive and significant influence on MSMEs' income. Therefore, MSME actors in Palembang are recommended to utilize digital marketing as their marketing strategy.

The limitations of this research include a limited research sample, consisting of only 30 MSME actors in Palembang who use digital marketing as their marketing strategy. Therefore, the results of this research cannot be generalized to the entire population of MSME actors in Palembang. Additionally, this research only employs a qualitative research method with in-depth interviews as the data collection

instrument. Future research could use quantitative research methods with a larger sample to test the research hypotheses..

Suggestions for future research include expanding the research sample by involving MSME actors from other cities in Indonesia. Moreover, future research could focus on developing more effective digital marketing strategies for MSMEs in Palembang. In this regard, the government and relevant institutions can provide training and support to MSME actors in utilizing digital marketing optimally. Further research could also examine the influence of digital literacy and Shariah economy on the income of MSMEs in Palembang.

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