

The Influence of Digital Marketing on the Development of MSMEs in Manado City Sulawesi Utara

Hendrawati Hamid^{1*}, Chandra Putra Kusniadi²
Institut Pemerintahan Dalam Negeri Kampus Sulawesi Selatan
Corresponding Author: Hendrawati Hamid
hendrawati@ipdn.ac.id

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ABSTRACT

The purpose of this study is to examine how digital marketing has impacted the growth of different MSMEs in Manado City. Digital marketing offers convenience to customers while solving marketing issues and making the process more effective and efficient. MSME development is a collection of initiatives aimed at bolstering the expansion of the business environment and supporting current companies so that small firms can grow into robust, self-sufficient, expanding, and sustainable enterprises. The methods used in this study are quantitative and descriptive. The Slovin formula and non-probability sampling techniques were used to select 125 business actor respondents from the 23,375 MSMEs that made up the study's population. Tests for validity, reliability, homogeneity, normalcy, linearity, simple linear regression analysis, t-tests, and correlation coefficients are some examples of data analysis techniques. The study's findings demonstrate that digital marketing has a major impact on MSMEs' growth in Manado City at the same time. It is known that digital marketing has a 54.5% influence on the growth of MSMEs in Manado City based on the correlation coefficient test. Advice for MSME participants: In order for their companies to grow and be sustainable, they should keep using digital marketing.

INTRODUCTION

Digital marketing can open up growing business opportunities among Micro, Small, and Medium Enterprises (MSMEs). Apart from that, it can streamline promotional and operational costs for MSME players in introducing products to potential consumers, such as via the Internet, either on websites or existing social networks. MSME players can introduce the various products they produce, both in the form of goods and services, to multiple regions on a national and international scale. According to Kotler and Armstrong (2014), the product marketing factor in a business is a very important part and must be a priority, various activities or steps included in marketing include the marketing mix. It was further stated that The marketing mix is an effective tool for coordinating distribution, pricing, promotion, and product to get the desired consumer response. The cooperation of multiple market elements is believed to be able to respond to purchasing decisions, create consumer satisfaction, create loyalty, and give rise to a competitive advantage in the market.

Currently, in the development of MSMEs in Indonesia, there are still several factors that are obstacles for business actors, especially internal conditional structural obstacles, such as: Low technical skills, production technology is still simple, workers are generally family members, there is no specialization regarding management, in fact owners often handle things themselves, they are still weak in financial administration, there are many costs beyond their control, difficulty in obtaining business permits, lack of protection for small businesses, difficulty in obtaining credit (Syarif, 2020: 20-23). Other problems include inadequate mastery of technology, as well as reluctance to optimize the use of e-commerce in the business activities of business actors. This resulted in product marketing activities not being optimal, and business performance experiencing a setback due to low consumer confidence in buying MSME products (Julyanthry et al, 2023). It was further stated that MSMEs could become economic drivers, if business actors pay attention to the application of e-commerce in marketing their products, and are oriented towards modern marketing mix aspects, as a business strategy for business actors.

According to Giones and Brem (2017), MSMEs are considered to have strong potential as accelerators in restoring economic conditions nationally, so an entrepreneurial model is needed that is appropriate to the era of digital technology. This condition ultimately gave birth to digitalization of the entrepreneurship model. This business model is a blend of digital technology and entrepreneurship, and subsequently becomes a new characteristic as a phenomenon in business. The contribution of MSMEs to national gross domestic product reached 60%, and was able to absorb 97% of the workforce due to the last pandemic. However, the number of MSMEs entering the digital economic ecosystem is only 16%. It must be acknowledged that one of the main pillars of Indonesia's current economic fundamentals is the presence of MSMEs in almost all regions of Indonesia (Indrajaya, 2022).

Various problems faced by MSME players nationally also occur in the city of Manado, but they do not hinder the growth and development of MSMEs, which are very famous for various businesses in culinary, fashion, and other

fields. The development of MSMEs in Manado City continues to increase from 2018 to 16,674, and until 2020 it has increased to 23,375, meaning there has been an increase in the number of MSMEs by 28.6%. By opening new MSMEs, of course, there is a great opportunity to open up new job opportunities for the community. In other words, business ventures can simultaneously reduce unemployment rates. Developing MSMEs by utilizing social media or marketplaces means products can be marketed freely in cyberspace and can have competitiveness in local, national, and even international markets. Therefore, the city government is taking steps through the Ministry of Communication and Information by declaring the need for MSMEs to Go Online, as well as carrying out training for MSME players so they can improve their businesses through the use of digital marketing. In the last pandemic era, the Manado City Government implemented restrictions such as working from home so that many companies or industries reduced their employees by laying off workers. The impact of this policy has a big influence on MSMEs, in particular, a decrease in income, a decrease in turnover, and a decrease in assets and number of workers (<https://manado.tribunnews.com/>).

This research was inspired by several previous studies related to the influence of online marketing on MSMEs.

1. Helmalia and Afrinawati (2018), with the title *The Effect of e-Commerce on Increasing MSME Income in Padang City*, found that e-Commerce has a significant effect on the income of MSME players.
2. Setyorini, et al (2019) with the title *The Effect of Online Transactions on Increasing MSME Profits* found that e-Commerce has a significant effect on MSME income. Furthermore, research conducted by
3. Elvina (2015) with the title *The Influence of Using Social Media on the development of MSMEs* found that social media has a significant influence on the development of MSMEs.

This research is different and has not been carried out by previous researchers. Carried out in Manado City with the independent variable digital marketing, with a hypothesis testing method that is different from the research of Elvina, Sari, Helmalia, and Setyorini et al. Budiarto (2015) stated that the development of MSMEs occurs when there is an increase in production volume, an increase in turnover, an increase in the number of customers, as well as an increase in assets and workforce. This research was carried aimed to examine how digital marketing affected the growth of MSMEs in Manado City, North Sulawesi Province.

LITERATURE REVIEW

Digital Marketing

From the perspective of business people, digital marketing is a marketing system using the Internet, such as via mobile phones, computers, and open source Internet (Bulan and Riny, 2021). Digital marketing is a form of direct

marketing that links consumers with sellers electronically using interactive technologies such as emails, websites, online forums and newsgroups, interactive television, mobile communications, etc (Kotler and Armstrong in Dewi, 2019). Furthermore, Sawicky (2016) stated that digital marketing is the exploitation of digital technology which is used to create distribution channels to get potential customers so that the company's goal of meeting consumer needs can be more effective. Digital marketing is one of the factors that can influence customer loyalty, this is because digital marketing simultaneously has an impact on increasing profitable marketing performance. Apart from that, digital marketing can also provide opportunities, namely the efficiency of spending, as well as the establishment of harmonious or stable relationships with consumers, which ultimately results in increased consumer loyalty (Lucyantoro, 2017).

MSME Development

MSME Development is an endeavor by the government, regional government, business community, and the law enforcement agency of the Republic of Indonesia Number 20 of 2008 to empower Micro, Small, and Medium-Sized Enterprises by offering facilities, advice, support, and bolstering support to grow and increasing the capabilities and competitiveness of Micro, Small and Medium Enterprises. According to Budiarto (2015), MSME development is carried out to produce as many MSMEs as possible that can apply the principles of technopreneurship to achieve a dynamic and sustainable business level, forming MSMEs that are competitive, superior, and independent. It was further stated that MSME development is a collection of initiatives aimed at bolstering the expansion of the business environment and supporting current companies so that small firms can fortify themselves into resilient, autonomous enterprises that can grow and endure..

The strategy for developing MSMEs through digitalization from the Ministry of Cooperatives and MSMEs is; to 1) prepare MSME players to increase human resources, as the main component in developing MSMEs in the digital era. The lack of knowledge about digital technology and social media makes it difficult for MSMEs to carry out their activities. 2) intervene to improve the business processes of MSME players which will later be implemented in several programs. Knowledge of these marketing techniques is indeed important. However, financial literacy is also needed by MSME players. Ability in financial literacy will enable MSME actors to manage their business systematically, especially in matters of debt and receivables. 3) encourage synergy between the Government Goods or Services Procurement Policy Institute (LKPP) and the Ministry of Cooperatives and SMEs, which aims to expand market access. The existence of this collaboration means that MSMEs are also able to become producers or distributors providing government goods and services. 4) selecting local heroes who are MSME players, with the criteria being that they have a strong brand, are a driving force, an aggregate micro and small businesses, and

act as an empowerer for those who want to be involved in digital platforms or export activities (Angeline et al, 2022).

METHODOLOGY

The methods used in this study are quantitative and descriptive. According to Sugiyono (2016), the descriptive approach is a data analysis technique that involves providing a description or illustration of the collected data, without drawing any broad conclusions. The analysis of the data is statistical in nature to test the research hypothesis. Data collection through questionnaires, observation, and documentation. In collecting questionnaire data, researchers took samples from a total population of 23,375 MSMEs. By using the Slovin formula, a sample size of 125 MSMEs in Manado City was obtained. Data analysis techniques are used by: Statistical analysis, testing data quality through validity and reliability tests, testing basic assumptions through normality tests, homogeneity tests, and linearity tests. Hypothesis testing using regression analysis, t-test, and correlation coefficient test.

Hipotesis

The hypothesis tested in this research is whether or not there is an influence between variable X and variable Y. The hypothesis is explained as follows:

- H0: Digital Marketing is thought to have no significant effect on the Development of Micro, Small and Medium Enterprises (MSMEs).
- Ha: Digital Marketing is thought to have a significant influence on the Development of Micro, Small and Medium Enterprises (MSMEs).

RESEARCH RESULT AND DISCUSSION

Respondent Characteristics

The respondents in this research were 125 MSME actors in Manado City.

Table 1 Characteristics of Respondents

No.	Item	Information	Number of people)	Percentag e (%)
1	Gender	Man	37	29,6
		Woman	88	70,4
	Total		125	100
2	Usia	≤ 26 Years	45	36
		≥ 26 Years	80	64
	Total		125	100
3	Jenis Usaha	Usaha Mikro	67	53,6
		Usaha Kecil	45	36

		Usaha Menengah	13	10,4
	Total		125	100

Descriptive Analysis

This analysis was carried out to obtain the percentage of perceptions regarding digital marketing (X) and MSME development (Y). To analyze the data from each existing variable, the descriptive results of the data are presented in interval values in the form of categories as follows:

Table 2 Respondent Response Categories

Interval	Ctegrory
1.00-1.80	Very not good
1.81-2.60	Not good
2.61-3.40	Pretty good
3.41-4.20	Good
4.21-5.00	Very good

Variabel Digital Marketing

To calculate the average, the formula for the number of indicator values/number of respondents is used. The digital marketing variable is an exogenous variable that is related to the endogenous variable, namely the development of MSMEs. Respondents' responses regarding digital marketing are in the following table.

Table 3 Respondents' Responses Regarding Digital Marketing (X)

Indikator	STS		TS		N		S		SS		Rata2	Category
	F	%	f	%	F	%	F	%	f	%		
(X ₁) Website	0	0,0	1	0,91	13	11,82	49	44,55	47	42,72	4,29	Very good
(X ₂) Media Sosial	0	0,0	0	0,0	4	3,64	41	37,27	65	59,09	4,55	Very good
(X ₃) Marketplace	0	0,0	0	0,0	8	7,27	43	39,09	59	53,64	4,46	Very good
(X ₄) Social Network	0	0,0	0	0,0	10	9,1	39	35,45	61	55,45	4,46	Very good
Average per variable											4,44	Very good

MSME Development Variables

MSME development is a dependent variable which is influenced by one independent variable, namely digital marketing. Respondents' responses regarding MSME development variables are in the following table:

Table 4 Responses from MSME Development Respondents (Y)

Indikator	STS		TS		N		S		SS		Rata2	Kategori
	F	%	f	%	F	%	F	%	F	%		
(Y1) Increase in Production Volume	0	0,0	0	0,0	5	4,55	50	45,45	55	50	4,45	Very good
(Y2) Increase in Turnover	0	0,0	0	0,0	7	6,36	50	45,45	53	48,19	4,41	Very good
(Y3) Increase in Number of Customers	0	0,0	0	0,0	5	4,55	43	39,09	62	56,36	4,51	Very good
(Y4) Increase in Assets and Personnel	0	0,0	3	2,73	9	8,18	50	45,45	48	43,64	4,3	Very good
Average per variable											4,42	Very good

Validity Test

Demonstrates the degree to which the object being measured is being measured using the measuring tool. The stability or consistency of the measuring device is then examined using the reliability test. 110 MSME actors participated in the validity and reliability testing for this study. Based on $df = 110$ (number of respondents), decision-making is based on the value of r_{count} (Corrected Item-Total Correlation) > table of 0.1743.

Table 5 Validity and Reliability Test

Variabel	Statemen Items	Korelasi (r)			Koefisien	
		R	Sig	Status	Cornbach Alpha	Status
X	X1	0,811	0,000	Valid	0,890	Reliabel
	X2	0,768	0,000	Valid		
	X3	0,788	0,000	Valid		
	X4	0,867	0,000	Valid		
Y	Y1	0,775	0,000	Valid		
	Y2	0,864	0,000	Valid		
	Y3	0,797	0,000	Valid		

	Y4	0,820	0,000	Valid		
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The data above is good and dependable because, as the table above demonstrates, all of the data used is valid and has a Cronbach Alpha value of 0.890. Because the count > table value has a Cronbach Alpha value of more than 0.700 and a significance level below 0.05, all the data obtained are therefore valid and reliable.

Test Basic Assumptions

Normality Test

Used to determine whether residual or confounding variables in the regression model have a normal distribution. Based on the outcomes of data processing, the probability number or Asymp. Sig. (2-tailed) 0.06. This value is compared with 0.05 or using a significance level of 5%. The probability number obtained is 0.06, so the data distribution in this study is normal

Homogeneity

The homogeneity test has the criterion that if the significance value is >0.05, then the variance of two or more groups of data is the same. The results of data processing obtained a significant value of 0.140. Because the value obtained from the analysis is > 0.05, the author concludes that digital marketing data on MSME development has the same level of variance.

Linearity Test

In order to perform Pearson correlation or linear regression analysis, the linearity test is required to ascertain whether the data are linear. For a significance level of 0.05, SPSS employs a linearity test. There is a linear relationship between the two variables if significance (linearity) is less than 0.05. An outcome of data processing with the SPSS software was a significance value of 0.000, which is less than 0.05. Consequently, since the significance value is below 0.05, the author concludes that the digital marketing variable and MSME development have a significant linear relationship.

Before starting the correlation coefficient test, you must know the guidelines for the correlation coefficient value, namely:

Table 6 Correlation Coefficient Guidelines

C	Interval Koefisien	Relationship Level
1	0 - 0.19	Very weak
2	0.2 - 0.39	Weak
3	0.4 - 0.59	Strong enough
4	0.6 - 0.79	Strong
5	0.8 - 1	Very strong

The level of a very weak relationship is at a value of 0 to 0.19, and the level of a very strong relationship is at a value of 0.8 to 1. Based on the data processing carried out, the results of the correlation between the independent variable (Digital Marketing) and the dependent variable (Development) are obtained. MSMEs) as follows:

Table 7 Correlation coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738 ^a	.544	.540	1.393

Between the independent and dependent variables, there is a 0.738 correlation coefficient. The data processing results showed a positive correlation coefficient, which indicates that there was a positive correlation between the variables related to digital marketing and MSME development. This means that the dependent variable would be higher if the value of the independent variable was higher. One can infer from the correlation coefficient of 0.738 that there is a strong relationship (0.6 - 0.79), between the dependent variable (MSME Development) and the independent variable (Digital Marketing).

Once the calculated r is known to be 0.738, the next step is to find out how much influence the independent variable has on the dependent variable by using the determinant coefficient formula R² which is expressed as a percentage.

Hasil perhitungan :

$$R^2 = (0,738)^2 \times 100\%$$

$$= 54,46 \times 100\%$$

$$= 54,5 \%$$

The analysis's findings led the researchers to the conclusion that digital marketing had an impact on MSMEs' growth of 54.5% while the remaining 44.5% was influenced by other factors.

Discussion of Main Research Findings

The main aim of this research is to examine the relationship between digital marketing and the development of MSMEs. The researcher tested the hypothesized model, which was developed based on a comprehensive literature review, so the objectives of this research were successfully achieved. This discussion aims to determine the decisions resulting from hypothesis testing, this is an effort to answer the research problem formulation. After researchers conducted research using observation, documentation, and distributing questionnaires aimed at 110 MSMEs in Manado City, the following results were obtained: The results of descriptive statistics show that the indicators with the highest average of the digital marketing variables are social media indicators,

which are then sequentially followed by the social network and marketplace indicators which have the same value, and finally the website indicator. This data illustrates that respondents, in this case, MSMEs, agree that the use of digital marketing can increase production volume, turnover, number of customers, assets, and workforce. This is in line with the theory about digital marketing put forward by Sabila (2019), namely that it is easier to update product information and is more cost-efficient.

From the 4 independent and dependent variable indicators, it was found that on average respondents agreed that the use of digital marketing could develop their business. From the results of the analysis, it was found that $r_{count} > r_{table}$, so the researcher concluded that the alternative hypothesis (H_a), which claimed that digital marketing had a major impact on the growth of MSMEs, was accepted and the null hypothesis (H_o) was rejected.

Digital marketing, the independent variable, has a significant impact on MSME development, the dependent variable, according to the results of data processing and analysis as previously discussed. The product-moment correlation analysis results, which have a value higher than the r table at a significance level of 5%, demonstrate this. Digital marketing, particularly during the most recent pandemic era, had a 55% influence on the growth of MSMEs in Manado City, according to the results of the determinant coefficient. This is consistent with a study by Nur titled *The Impact of Digital Marketing on the Growth of MSMEs in Makassar City*. Nur's study revealed that the independent variable had a substantial influence. Furthermore, research conducted by Dini entitled *The Effect of Online Transactions on Increasing MSME Profits* is in line with research conducted by researchers. This is shown by the independent variable which has a significant effect on the dependent variable, namely increasing MSME profits.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the analysis and discussion that have been described, respondents' responses regarding digital marketing and MSME development are categorized as very good. Of the 4 indicators in the digital marketing variable, it is known that the indicator that has a very good influence is social media with a mean value of 4.55. Next, from the 4 variable indicators for MSME development, the indicator for increasing the number of customers was obtained which had the highest mean value. Furthermore, from the results of the validity and reliability test, the respondent data was declared reliable and valid. In the normality, homogeneity, and linearity tests, it was found that the data were normally distributed, had the same level of variance, and had a linear connection between the variables that are independent and dependent.

We discovered strong correlation values from the simple linear regression test results. After performing a correlation coefficient test, it was discovered that 54.5% of the dependent variable was influenced by the independent variable, with the remaining 44.5% being affected by other variables that the researcher had not looked into. Thus, the researchers came to the conclusion that Manado City's MSMEs are developing significantly as a result of the usage of digital marketing.

This research has main limitations, namely research time and costs. The research also only used 1 independent variable, namely digital marketing and was only carried out within the scope of Manado City.

ADVANCED RESEARCH

The author acknowledges that the research findings are still preliminary and recommends conducting additional research in comparable settings with other independent variables that influence the dependent variable in similar locations to find more in-depth results.

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