

DIGITAL ECONOMY AND MSMEs' REVENUE: MODERATING ROLE OF INTERNET LITERACY

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ABSTRACT

The research investigates the influence of the digital economy on MSMEs' revenue growth with internet literacy as the moderating variable. This study employed data from 100 MSMEs through Random Sampling and analysis with SPSS software version 26. The results highlight a significant positive correlation between the digital economy and revenue increase, showcasing its role in expanding product marketing through online platforms like e-commerce and facilitating online payments, thus enhancing business efficiency, customer service, and communication. Moreover, the digital economy streamlines sales data recording and analysis, enabling targeted product innovation to directly boost revenue. Notably, internet literacy moderates this relationship, emphasizing the importance of sharing information and knowledge to maximize the benefits of digital tools like online marketing and e-commerce. This underscores the critical need for accessible and affordable internet infrastructure to support SMEs in leveraging digital technologies effectively. The practical implications suggest fostering internet literacy among SMEs and prioritizing initiatives to enhance internet accessibility can significantly contribute to revenue growth, bolstering their competitiveness and sustainability. Policymakers and stakeholders should thus prioritize efforts to provide necessary support and training programs aimed at empowering SMEs to harness the potential of the digital economy for sustained growth and development.

Keywords:

Digital Economy,
MSMEs,
Internet Literacy,
Revenue Growth,
Moderating Variable.

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1. INTRODUCTION

The digital economy is increasingly recognized as a pivotal force in shaping modern business landscapes, especially for Micro, Small, and Medium Enterprises (MSMEs). As digital technologies integrate into business operations, they present unique opportunities for revenue

growth (Wijaya & Nailufaroh, 2022). This article explores the impact of the digital economy on MSME revenue growth, emphasizing the moderating role of internet understanding.

The digital economy encompasses a range of activities facilitated by digital platforms and technologies, including online transactions, digital marketing, and data analytics. For MSMEs, these innovations can level the playing field with larger enterprises, providing access to broader markets and enhancing operational efficiency (Lewis, 2023). However, the benefits derived from the digital economy are significantly influenced by the proficiency of MSME stakeholders in using internet technologies.

Internet literacy refers to the ability to effectively use online tools and platforms to enhance business activities (Gaytan, 2008). This includes skills in digital marketing, e-commerce, data analytics, and cybersecurity. A robust internet understanding can amplify the benefits of digital economic activities, leading to substantial revenue growth for MSMEs.

To understand the critical role of internet proficiency, we can draw parallels from various studies. For instance, (Badriati, Syam, & Arifin, 2022) examine the work ethics of Muslim women Songket weavers in Sukarare Tourism Village, Indonesia. Their dedication and discipline significantly contribute to family income despite the challenges in a traditional craft industry. Similarly, MSMEs in the digital economy must develop a deep understanding of internet technologies to drive business success.

Another relevant study by (Badriati et al., 2022) focuses on Songket weaving productivity and its impact on the economic independence of Sasak women. The findings underscore the significance of productivity and skill in achieving economic goals, paralleling the need for internet skills in the digital economy. Just as productivity in weaving leads to economic independence, internet proficiency can lead to substantial revenue growth for MSMEs.

The COVID-19 pandemic has further highlighted the importance of digital adaptation. A study by (Atmayanti & Andiana, 2021) on home industry development strategies during the new normal era shows that adapting to digital platforms is crucial for maintaining and increasing income. This is particularly relevant for MSMEs as they navigate the challenges and opportunities presented by the digital economy.

Furthermore, the study by (Atmayanti & Cahyani, 2019) illustrates the economic impact of business development programs in rural areas. The success of these programs in alleviating poverty and boosting economic activities parallels the potential of digital tools to transform MSME operations and enhance revenue.

In conclusion, the digital economy offers substantial opportunities for MSMEs to grow and thrive. However, the extent to which these opportunities translate into revenue growth is significantly moderated by the level of internet understanding among MSME stakeholders. Drawing from various studies, it is evident that just as traditional skills and work ethics drive economic success in conventional industries, internet proficiency is crucial for success in the

digital economy. Policymakers and business leaders must prioritize digital literacy initiatives to ensure that MSMEs can fully harness the potential of the digital economy.

Based on the explanation above, this study aims to investigate nexus between digital economy with MSMEs' revenue and the existence of internet literacy as the moderator between these variables.

2. RESEARCH METHODS

The research methodology employed in this study is a quantitative survey utilizing a field research design. Quantitative research, grounded in Positivism philosophy, is applicable to specific populations or samples. Sampling techniques are typically used to examine a particular population or sample, gather quantitative/statistical data, and test mandatory hypotheses (Taherdoost, 2016).

The population under study consists of MSMEs in Mataram City, totaling 22,473 units according to data from the Central Statistics Agency. After confirming the population, the researcher determines the sample. Sampling involves selecting a group of organisms from a population, with researchers choosing a number of individuals to represent the population (Chaudhuri & Pal, 2022).

In this study, the Slovin method is employed to determine the sample size, yielding approximately 100 samples. Proportional random sampling is utilized as the sampling method, ensuring every member has an equal chance of inclusion based on the population size (Lee & Landers, 2022). The research duration spans approximately three months from July to September, and the study focuses on multiple MSMEs in Mataram City for clarity and ease of research targeting.

This study employs associative quantitative research, utilizing questionnaires to ascertain causal relationships between independent and dependent variables (Cottrell, 2018). Research instruments, tools used by researchers to gather data for accurate and systematic compilation, include measures of digital economy impact on MSMEs' revenue with internet literacy as a moderating variable. Data collection instruments include questionnaires distributed to respondents, employing closed-ended questions with Likert scale evaluation for understanding digital economy impact on MSMEs' revenue with internet literacy as a moderating variable.

Analysis of data is undertaken to work with, group, select, and sift through data to obtain valid data. In this study, data analysis is conducted before, during, and after fieldwork, with the researcher directly involved in the research process. Statistical descriptive analysis presents mean values, minimum and maximum values, and standard deviations. Instrument tests include validity and reliability testing, with reliability tested using Cronbach's Alpha. Normality testing determines if residual variable regression models adhere to regression rules. Regression analysis, including simple linear regression and moderated regression analysis (MRA), is conducted to

assess relationships between variables. Hypothesis testing is performed to assess individual parameter significance (Qaisi, 2023).

3. RESULT

3.1 Digital economy and MSMEs' revenue growth

The study's results indicate a significant positive influence of the digital economy on the revenue growth of MSMEs. The digital economy is a method of buying and selling that utilizes technology as a tool to connect sellers and buyers, typically leveraging the internet in transaction processes (Peters, 2023). Digitization is a phenomenon currently under heated debate and has become a trendsetter.

The digital economy significantly impacts revenue growth across various sectors. Some key influences of the digital economy on revenue enhancement include broader market access. With the internet and electronic trading platforms, businesses can reach wider, even global, markets, allowing them to target consumers in various regions and thereby increase sales revenue. For instance, through online marketing and e-commerce platforms.

The digital economy enables businesses to employ various online marketing strategies, including social media advertising, search engine ads, and content marketing, thereby attracting more potential customers and increasing brand awareness, positively impacting sales. Businesses can sell their products and services through e-commerce platforms such as Lazada, Shopee, and others, expanding their customer base and accessing existing logistics infrastructure, facilitated by online payment methods like credit cards, digital wallets, and online bank transfers, which streamline transactions, increase sales revenue, and expedite trade processes.

Additionally, the digital economy facilitates business analysis, providing better access to customer and transaction data. By analyzing this data, companies can understand customer behavior, preferences, and market trends, optimizing their marketing strategies and tailoring services to enhance sales. Furthermore, digital technology adoption in business operations, such as process automation, efficient supply chain management, and enterprise software utilization, can reduce operational costs, boost productivity, and positively impact profits and sales.

The digital economy also allows businesses to provide better customer service through online channels like chat or email support, enhancing customer loyalty and driving repeat sales. Moreover, as an information exchange platform, digital media fosters product and service innovation. Technological advancements enable companies to develop innovative, market-oriented products and services, differentiating themselves from competitors and attracting more customers.

Additionally, digital media serves as a communication platform, facilitating partnerships and collaborations between MSMEs and other businesses, including technology startups, enabling access to additional resources, new technologies, and market expansion. However, it is essential to note that successful utilization of the digital economy requires a good understanding

of technology and market trends, as well as investments in appropriate resources and strategies. Furthermore, data security and privacy concerns must be considered to safeguard the company's reputation in the event of data security issues involving customer data.

Several studies align with the finding that the digital economy significantly enhances the revenue growth of MSMEs. For instance, a study demonstrated that digital marketing capabilities positively impact MSME performance, with environmental dynamism further strengthening this relationship, highlighting the importance of digital strategies in adapting to consumer behavior changes and improving business outcomes (Purwanti, Lailyningsih, & Suyanto, 2022). Similarly, it was found that digital technology, including e-commerce and social media, mediates the effect of business strategy on MSME performance, enabling online marketing and increasing sales, thus making MSMEs competitive in the global market (Armiani, Basuki, & Suwarno, 2021).

3.2 The role of internet literacy in moderating the correlation between digital economy and MSMEs' revenue growth

The digital economy and internet literacy are inseparable, as most digital media usage relies on internet connectivity, including promotional activities, sales, and more. Internet literacy refers to the ability to master something using the vast communication network among computers, enabling quick and easy understanding of various concepts. Easy and affordable internet access allows MSMEs to utilize the internet anytime and anywhere. By understanding the internet, stakeholders in MSMEs can acquire information more easily, enabling them to make informed business decisions. With an understanding of the internet, MSMEs should leverage digital media not only for business purposes but also in daily activities, including online advertising or marketing, to positively impact commercial development. Understanding how to use social media as a sales promotion tool or as a means to market products can have a positive effect on sales growth.

Internet literacy is crucial in business management in the digital economy era. A good understanding of the internet can significantly impact business revenue growth. Here are some key impacts of internet literacy on the digital economy and MSMEs' revenue growth. Understanding the internet enables entrepreneurs to develop effective online marketing strategies, including understanding online advertising, social media, SEO, email marketing, and other digital marketing strategies. Internet users can also share information they possess, such as using digital media for marketing purposes, like social networks such as Instagram, Facebook, TikTok, WhatsApp. The internet's presence as an information exchange medium also facilitates economic activities, evidenced by the numerous e-commerce players selling products such as Shopee, Tokopedia, Grabfood, Gofood, Shopeefood, and other e-commerce platforms.

Starting an e-commerce business requires internet literacy. This includes knowing how to sell products or services online through websites, e-commerce platforms, or online marketplaces. Understanding how to manage and optimize your online store can help increase revenue. Internet

literacy helps businesses analyze data. Understanding how to use data analysis tools and how to collect, analyze, and interpret online data is crucial for identifying consumer trends, behaviors, purchases, and customer preferences. This information allows companies to optimize sales strategies and their product or service offerings.

In addition to business efforts, internet usage also comes with various risks such as data theft, online fraud, and more. Business operators need good internet literacy to understand online security to protect customer and company data. Poor security can damage business reputation and lose customer trust. Understanding internet security measures helps protect MSMEs and prevent financial losses. Furthermore, internet literacy facilitates access to market information. The internet is an unlimited source of information. Understanding how to access and use market information, industry trends, and competitor behaviors can help businesses make better decisions about products, pricing, and marketing strategies. For example, in the production sector, MSMEs can purchase goods and manufacturing equipment at lower prices through e-commerce, such as buying clothing in bulk at wholesale stores outside their area, such as on the island of Java. In addition to being a means of sharing information, the internet is also a means of sharing knowledge. The knowledge gained by MSMEs can drive innovation, improve the quality of products sold, and track revenue and expenses. This is demonstrated through increasingly creative promotional photos and videos, the abundance of affordable yet quality products, and the use of financial tracking applications such as Dompetku, Buku Warung, etc.

Internet literacy also enhances service and simplifies customer communication. Understanding how to communicate with customers online, through email, live chat, and social media, is crucial for providing good customer service. This can help answer customer questions, solve problems, and build long-term customer relationships, which can increase loyalty and revenue. Understanding the internet is the foundation of the digital economy, and entrepreneurs with a strong understanding of the internet tend to be more successful in using it to increase MSME revenue. This understanding can help businesses innovate, reach a broader audience, optimize operations, and respond to market changes more effectively.

4. CONCLUSION

This study aimed to explore the impact of the digital economy on revenue growth among MSMEs, with a focus on the moderating role of internet literacy. The analysis of data collected from 100 MSMEs using random sampling and SPSS software version 26 revealed a significant positive correlation between the digital economy and revenue increase. This correlation underscores the pivotal role of digital technologies, such as e-commerce platforms and online payment systems, in expanding market reach, enhancing operational efficiency, and improving customer engagement.

Furthermore, the study found that internet literacy moderates this relationship, highlighting the importance of knowledge-sharing and skill development to maximize the benefits of digital

tools. These findings underscore the necessity of accessible and affordable internet infrastructure to support MSMEs in leveraging digital technologies effectively.

Practical implications of the study include the importance of fostering internet literacy and prioritizing initiatives to enhance internet accessibility, which can significantly contribute to revenue growth and enhance the competitiveness and sustainability of MSMEs. However, it is essential to acknowledge the limitations of this study, such as the reliance on self-reported data and the potential for sampling bias. Therefore, future research could explore these relationships further using longitudinal studies or qualitative approaches to provide deeper insights into the dynamics between the digital economy, internet literacy, and MSMEs' revenue growth.

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