

The Influence of Capital and Digital Marketing on Improving the Competitiveness of MSMEs in the International Market

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ABSTRACT

The Maduma Cooperative of Sibolga City is a cooperative where members are able to provide training to the government and private sector, and facilitate its members in independently managing IUMK, NIB, NPWP, and PIRT, with direct guidance from relevant agencies. The Sibolga City Government expressed its support for the development of MSMEs, both thru training, mentoring, and access to capital. E-marketing is considered an effective and efficient mode of entry, especially for digital products such as software, videos, music, and the like. Given the rapid advancements in information and communication technology, society utilizes information and communication technology for transactions, sales, and purchases thru e-commerce. As for the obstacles faced by the owners of Maduma Cooperative MSMEs in Sibolga City, they are: Access to capital - many MSMEs find it difficult to obtain adequate financing, especially from formal banking institutions. Limited collateral and a lack of a clean financial record are obstacles for SMEs in obtaining low-interest loans. Lack of digital knowledge and skills: Not all SMEs are familiar with digital platforms and online marketing strategies.

INTRODUCTION

Maduma Cooperative is one of the platforms that can facilitate its members, who are MSME actors, to provide training to external parties of the association or receive training from government or private entities. The cooperative also assists its members in independently managing IUMK, NIB, NPWP, and PIRT, and serves as a forum for members to exchange ideas, build relationships, collaborate, and develop their potential. Maduma Cooperative consists of 28 members spread across 4 sub-districts in Sibolga City, namely North Sibolga, Sambas, North, and South sub-districts. MSMEs in Sibolga City continue to experience growth, both in terms of the number of business units and the diversity of sectors they operate in. Dominant sectors include trade, culinary arts and seafood, and local agriculture. Increased public awareness of business potential and government support are the main drivers. The Sibolga City Government provides significant support for the development of MSMEs, both thru training, mentoring, and access to capital. Programs such as entrepreneurship training, capital grant assistance, and local MSME product promotion facilities have driven growth in this sector. Additionally, access to digitalization thru e-commerce is also being promoted.

In today's digital age, digital transformation is very supportive among MSMEs in Sibolga City. Many business owners are shifting to online platforms to expand their market reach, whether thru social media, marketplaces, or dedicated MSME applications. Digital marketing, according to Kotler & Keller (2016), is the use of the internet and other interactive technologies to create and connect dialogs between companies and identified consumers. This digitalization helps MSMEs survive during the pandemic and increase their product sales. Despite the growth of many MSMEs, the main challenges they still face are limited capital and difficulty accessing wider markets. Many MSMEs still rely on personal funds or small-scale loans, while access to banking or investors remains a constraint. Additionally, despite the growth of digitalization, access to both national and international markets remains limited due to a lack of experience in large-scale marketing. Marketing is an important line in business, which is introduced, distributed, and handled by consumers. To keep up with the times, marketers must also change their marketing patterns and tactics. Additionally, leveraging digital marketing technology to complement conventional marketing strategies (Novy Larashati & Hariyati, 2021).

The strategic process of developing, distributing, promoting, and pricing goods and services to target markets thru the internet or digital tools such as smartphones. Currently, e-marketing is considered an effective and efficient entry method, especially for digital products such as software, videos, music, and the like (Tjiptono, 2000). The higher the development of information and communication technology, the greater the impact it has on various fields, such as the economy, society, and culture, as well as on changes in lifestyle and consumption patterns. Nowadays, society utilizes information and communication technology for transactions, making sales, and purchasing thru e-commerce. The e-commerce phenomenon offers various shopping options for people without the need to go to the seller's location (Yacub & Mustajab, 2020). Currently, digital marketing is one of the most popular marketing tools among

the public for supporting various activities (Pradiani, 2018). Development of traditional marketing, where traditional marketing is a marketing process thru offline communication media such as distributing brochures, television and radio advertisements, and so on. After the rise of the internet and the ease of communication it offers, companies began to adopt internet media for their marketing efforts, which was later referred to as e-marketing (Pradiani, 2018). The survey, conducted throughout 2016, found that 132.7 million Indonesians were connected to the internet. As for the total population of Indonesia itself, it is 256.2 million people. This indicates a 51.8 percent increase compared to the number of internet users in 2014. The survey conducted by APJII in 2014 only showed 88 million internet users. The cause is the development of infrastructure and the ease of obtaining smartphones or handheld devices.

Sibolga City has a number of unique and distinctive local products, such as salted fish, and various culinary products like chips, which are a blend of marine and agricultural products resulting in a light snack. These products have great potential for further development and can become regional MSME icons that attract markets from outside the region and even internationally. Several government and local community programs are working to improve the quality of products and branding for MSMEs in Sibolga City. Collaboration between MSMEs, the private sector, and local communities is also starting to be seen. Several large companies operating in Sibolga City, particularly from the oil and gas sector, also provide mentoring programs and CSR to support the development of local SMEs. Additionally, the entrepreneurial community in Sibolga City also actively organizes various events such as bazaars, exhibitions, and MSME festivals to promote local products. These phenomena reflect that MSMEs in Sibolga play an important role in supporting the local economy and community well-being. With the right support, MSMEs in this region can continue to grow and compete in the wider market.

Challenges Faced by MSME Actors in Sibolga City: Access to Capital Many MSMEs find it difficult to access adequate financing, especially from formal banking institutions. Limited collateral and a lack of a clean financial record often hinder MSMEs from obtaining loans at low interest rates. Limited Understanding of Tax Regulations Many MSME actors have a poor understanding of tax regulations, especially regarding their obligation to pay income tax (PPh), value-added tax (VAT), and other types of taxes. This often results in tax non-compliance or late payments. Lack of Digital Knowledge and Skills Not all MSME actors are familiar with digital platforms and online marketing strategies. Many of them haven't yet understood how to effectively use social media, paid advertising, SEO, or marketplaces. These limitations make it difficult for them to compete in the increasingly competitive digital market. The constraints faced by MSME actors in Sibolga City are: Access to Capital. Many MSMEs have difficulty accessing adequate financing, especially from formal banking institutions. The problem is (1) What are the internal and external factors that affect the competitiveness of Maduma MSMEs in the international market?, (2) How prepared are Maduma MSMEs to meet international export quality, legality, and regulatory standards?, (3) What strategies can be implemented to improve the

competitiveness of Maduma's MSME products so they can compete globally?, (4) What is the role of the government, supporting institutions, and digital technology in helping Kartini's SMEs penetrate international markets?.

Objectives is (1) To provide internal and external factors that influence the competitiveness of Kartini MSMEs in the international market, (2) To enhance the readiness of Kartini MSMEs in meeting international export quality, legality, and regulatory standards, (3) To provide applicable strategies to improve the competitiveness of Maduma MSME products so they can compete globally, (4) To integrate the roles of the government, supporting institutions, and digital technology in supporting Kartini MSMEs to penetrate the international market.

LITERATURE REVIEW

Internal and external factors influencing the competitiveness of MSMEs, where the organizational environment can be distinguished into the internal environment and the external environment. The internal environment consists of structure, culture, and resources. The internal environment needs to be analyzed to identify the strengths and weaknesses within the company. Structure is how a company is organized in terms of communication, authority, and workflow. Structure is often referred to as the chain of command and is graphically represented using an organizational chart. Resources are assets that serve as raw materials for the organization's production of goods and services. This asset can include a person's skills, abilities, and managerial talents, such as financial assets and factory facilities within a functional area (Suryani & Rahmawaru, 2021). International export quality, legality, and regulatory standards, namely business permits or legality, are freely registered permits. Business legality is something legally recognized or acknowledged by the state.

The exporter is called an exporter. To export, the exporter must have clear legal standing. This stems from Indonesian government regulations. Business legality is very important to meet the requirements for export products. As for the efforts and support provided by DKUPP regarding the legality of the business, this includes facilitating the process of obtaining permits, and providing guidance and consultation for MSME actors who wish to obtain legal status for their businesses. DKUPP assists in the process of filling out forms, collecting documents, and other administrative procedures (Siregar & Manurung, 2021).

Strategies to improve the competitiveness of MSME products are that highly competitive MSMEs are characterized by: (1) an increasing trend in the growth rate of production volume, (2) a consistently increasing domestic and/or export market share, (3) for the domestic market, not only serving the local market but also the national market, and (4) for the export market, not only serving one country but also many countries. In measuring the competitiveness of MSMEs, a distinction must be made between competitiveness and company competitiveness.

Product competitiveness is closely related to the competitiveness of the company producing the product. Some indicators used to measure the competitiveness of a product include: (1) annual export share (% of total exports), (2) annual foreign market share (%), (3) annual export growth rate (%), (4) annual

domestic market share (%), (5) annual production growth rate (%), (6) product value or price, (7) domestic market diversification, (8) export market diversification, and (9) consumer satisfaction (Sulastrri & Hidayat, 2021).

The role of government, supporting institutions, and digital technology in helping SMEs penetrate international markets. The use of digital technology in MSMEs can be seen in the large number of MSME actors who have entered e-commerce and are utilizing it well. E-commerce is an application that utilizes the internet network as a platform for online marketing transactions, product purchases, distribution, and a means to expand market share for higher profits. The use of the internet then has implications for the spread of ideas and information, which encourages innovation among MSME actors. Problems in MSMEs include limited access to domestic and international markets, skills, and costs. E-commerce is a solution to these problems because it can reduce the financial burdens on MSME actors, overcome worker skill shortages, and facilitate international market transactions (Saroyo, 2023).

METHODOLOGY

This research method uses descriptive qualitative research with interviews, field observations, reviewing previous studies, and collecting data from relevant parties in this research, specifically the Maduma Cooperative and all MSME actors within it, and generally MSMEs in Sibolga City, to improve the competitiveness of MSMEs in the international market thru financing capital and digital marketing.

RESULTS AND DISCUSSION

The activity to enhance understanding and knowledge for training participants provided new insights into global marketing strategies, including knowledge of exports, international regulations, and how to enter global markets. MSMEs understand the importance of branding, digital marketing, and business management oriented toward the international market. Product Readiness for the Global Market: MSME products have been adapted to international standards in terms of quality, packaging, and certification. MSMEs participating in the mentoring program successfully obtained certifications such as halal, BPOM, and other export certifications. The advent of information technology (IT) is changing the business world by offering many new opportunities and challenges. Information technology must be able to provide added value to society at large, as it is one of the main pillars of human development today. People who own businesses in Indonesia are increasingly realizing the benefits of the internet and digital devices in improving their business results (Hanim et al., 2022). Digital capacity building for MSMEs enables them to use digital platforms such as international e-commerce (Amazon, Etsy, Alibaba) to sell their products. Participants are trained to use social media effectively for promotion, such as Instagram, Facebook, and TikTok, with a focus on global content strategies. International networks and cooperation will be established with international trading partners, such as distributors, resellers, or agents abroad. Some MSMEs successfully secured orders or contracts from international buyers.

Increased Revenue and Business Scale for Training Participants: Participating MSMEs are starting to see an increase in sales, particularly from foreign markets. Some MSMEs increasing production capacity to meet global market demand. Community and Collaboration Strengthening and the formation of mutually supportive and experience-sharing UMKM Koperasi communities in developing businesses in the global market. UMKM are able to collaborate to fulfill large-scale orders. The Strategy and Action Plan documents for each MSME contain a structured strategic plan for expansion into global markets, including a roadmap, short-term, and long-term targets. A practical guide was produced that can be used by other MSMEs in preparation for the global market. Changing the Mindset for participants means having a global mindset and being innovation-oriented, with a focus on business sustainability in the face of international competition. By conducting several activities such as: Improving the knowledge and skills of MSME members thru: (1) Providing an in-depth understanding of international business strategies, such as global marketing, export, and trade regulations. (2) Enhancing digital capabilities, including the use of global e-commerce platforms, social media, and content management relevant to international markets.

In Information and Network Access, members gain direct access to information about global market opportunities, international trends, and consumer needs in various countries. And it can establish connections with foreign trade partners, distributors, and potential buyers. Then, Product Competitiveness Improvement, where 1) MSMEs are assisted in adapting their products to international standards, in terms of quality, packaging, and innovation 2) There is training in certification management (halal, BPOM, SNI, export certification) to support product competitiveness in the global market. 3) Business networks extend to overseas. Strengthening member branding and marketing was taught, including how to build a strong and appealing brand for global consumers. The training covered digital marketing strategies, such as creating relevant content and increasing brand visibility in international markets. Diversifying Business Opportunities: Members are given an understanding of global market needs, allowing MSMEs to explore new products or expand product variations that align with international trends. If we look at the income growth opportunities for members, they are also provided with: 1) Access to international markets opens up opportunities for MSMEs to increase sales and expand market share, 2) With the right strategy, training can help MSMEs significantly increase their income. And finally, for Business Sustainability Improvement, where training and mentoring help MSMEs understand the importance of sustainability, both from an environmental and business perspective, and provide members with insights into sustainable business practices to enhance their reputation in the global market.

CONCLUSION

At this time, MSMEs must have the motivation to enter the global market in order to compete and survive. This can greatly benefit Maduma Cooperative MSMEs by increasing their understanding and knowledge of marketing in the global market,

thus motivating MSME actors in running their businesses. This will lead to creativity and innovation, which can improve MSME performance and enable them to compete effectively. Of course, the dream of SMEs upgrading will come true. The author hopes that with this research, it can be more beneficial and sustainable. Therefore, counselling should be carried out continuously, starting with providing counselling on marketing in the global market, guiding and accompanying MSME actors until they truly show high motivation, so that sales turnover can increase. To encourage MSMEs to move up a class, advanced training is needed, such as: business ethics, cash flow management, branding and packaging, business legality, and social branding.

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