

CHAPTER I

INTRODUCTION

1.1. Background of Study

Economic activities in Indonesia are a serious concern of the government in an effort to maintain economic growth. The Micro, Small, and Medium Enterprises (MSMEs) sector is a strategic sector that plays an important role in strengthening the national economy.¹ MSMEs include business actors classified based on the level of net worth and annual sales results, namely micro businesses with assets of up to Rp. 50 million, small businesses with assets between Rp. 50 million – Rp. 500 million, and medium enterprises with assets of Rp. 500 million – Rp. 10 billion.² MSMEs include various types of businesses, ranging from trade, agriculture, fisheries, forestry, livestock, processing industries, to creative industries.³ According to data compiled by the Indonesian Chamber of Commerce and Industry (KADIN) recorded until December 31, 2024, the number of MSMEs in Indonesia is as follows:

¹ Suminah dkk., "Determinants of micro, small, and medium-scale enterprise performers' income during the Covid-19 pandemic era," *Heliyon* 8 (2022).

² Undang-Undang Republik Indonesia Nomor 20 Tahun 2008 Tentang Usaha Mikro, Kecil, Dan Menengah, Legislation Nomor 20 Tahun 2008, Lembaran Negara Republik Indonesia (2008).

³ Vera Maria dkk., "Strategi Pengembangan Usaha Mikro Kecil Menengah (UMKM) Berbasis Ekonomi Kreatif di Kecamatan Serang, Kabupaten Serang," *SAMMAJIVA: Jurnal Penelitian Bisnis dan Manajemen* 2, no. 2 (2024): 14.

Table 1. Data on the Number of MSMEs in Indonesia

MSME Category	Number	Percentage	Source
Non-Agriculture & Fisheries MSMEs	30.178.617	50,7%	Single Data Information System (SIDT) 2024, Ministry of MSMEs
Agriculture & Fisheries MSMEs	29.341.033	49,3%	Agricultural Census 2023, Statistics Indonesia (BPS)
Total	59.519.650		

Source: KADIN (2025)⁴

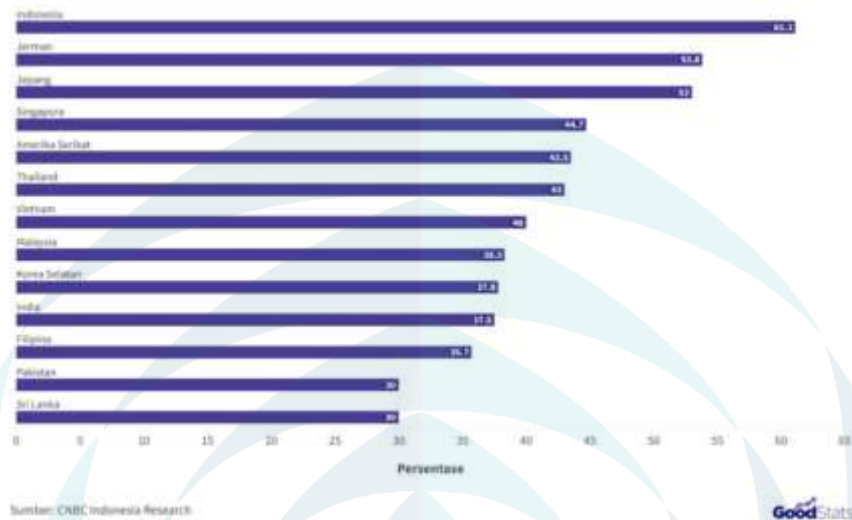
Based on the table above, data compiled by the Indonesian Chamber of Commerce and Industry (KADIN) shows that the number of Micro, Small and Medium Enterprises (MSMEs) in Indonesia reaches 59,519,650 units. Of this total, as many as 30,178,617 units (50.7%) are non-agricultural and fishery MSMEs, with data sourced from the 2024 Single Data Information System (SIDT) issued by the Ministry of MSMEs. Meanwhile, as many as 29,341,033 units (49.3%) are MSMEs in the agriculture and fisheries sectors, based on data from the Central Statistics Agency (BPS) through the 2023 Agricultural Census which was also compiled by KADIN.

In addition, in 2023 MSMEs have proven to make a significant contribution to the Gross Domestic Product (GDP), which is 61% or around Rp. 9,580 trillion. Not only that, MSMEs also play a big role in the absorption of labor, with a contribution of 97% of the total workforce in Indonesia.⁵

⁴ KADIN Indonesia, "UMKM Indonesia," KADIN Indonesia, 2025, <https://kadin.id/data-dan-statistik/umkm-indonesia/>.

⁵ Kementerian Koordinator Bidang Perekonomian, *Dorong UMKM Naik Kelas dan Go Export, Pemerintah Siapkan Ekosistem Pembiayaan yang Terintegrasi*, 24 Agustus 2023, <https://www.ekon.go.id/publikasi/detail/5318/dorong-umkm-naik-kelas-dan-go-export-pemerintah-siapkan-ekosistem-pembiayaan-yang-terintegrasi>.

Chart 1. Contribution of MSMEs to GDP in Various Countries



Source: GoodStats (2024)⁶

According to the data above, Indonesian MSMEs in 2023 have the largest contribution compared to other countries to their respective countries' GDP. Another fact in the data is that the value of the contribution of Indonesian MSMEs to the country's GDP is recorded to be equivalent to twice the contribution of MSMEs in Pakistan or Sri Lanka.⁷ Thus, based on this data, it can be concluded that MSMEs in Indonesia have an important role as the backbone of the country.

In the face of the development of the digital economy, MSMEs in Indonesia are now increasingly actively utilizing digital technology to support their business activities.⁸ Digital-based marketing strategies have a significant role in supporting MSME actors, because they not only help them in expanding their reach to consumers through social

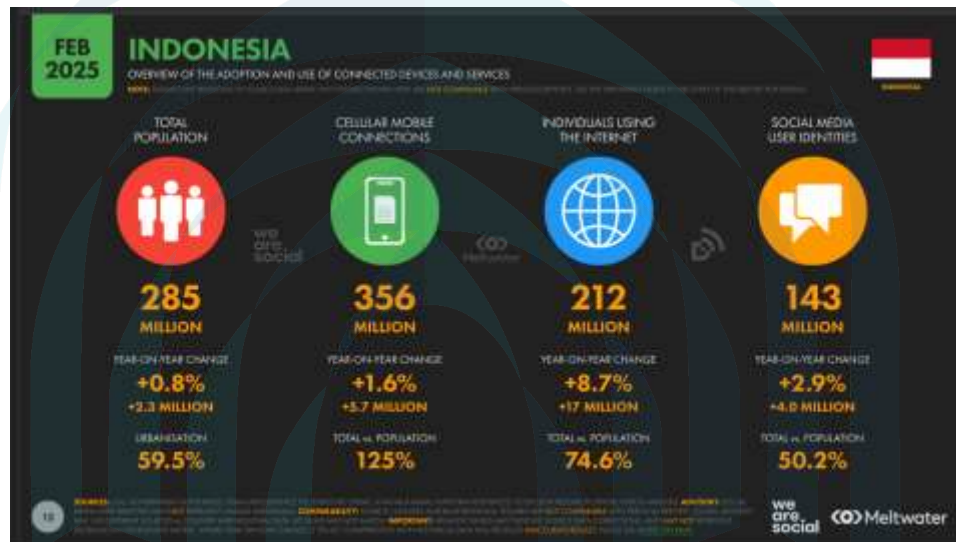
⁶ Ajeng Dwita Ayuningtyas, "Berapa Besar Kontribusi UMKM Atas PDB Indonesia?," GoodStats, 8 Juli 2024, https://goodstats.id/article/berapa-banyak-kontribusi-umkm-atas-pdb-indonesia-iZgHK?utm_source=chatgpt.com.

⁷ Ajeng Dwita Ayuningtyas, "Berapa Besar Kontribusi UMKM Atas PDB Indonesia?"

⁸ Deddy Junaedi dkk., "Peran Media Sosial dalam Mendukung Inovasi dan Digitalisasi UMKM," *HATTA: Jurnal Pendidikan Ekonomi dan Ilmu Ekonomi* 1, no. 2 (2023).

media, but also contribute to increasing business competitiveness in the market.⁹ The importance of the role of the digital-based marketing strategy is supported by data on the level of technology adoption in Indonesia which can be seen through the following:

Picture 1. Digital Portrait of Indonesia February 2025



Source: We are Social, (2025)¹⁰

Based on this data, We Are Social (February 2025) found that Indonesia has 212 million internet users or around 74.6% of the total population, as well as 143 million social media users, which is equivalent to 50.2% of the population. This figure shows that the majority of Indonesian people have been connected to digital technology in their daily lives. Thus, digital marketing is undeniably a great opportunity for business actors, especially for MSMEs in increasing market reach and business competitiveness in the digital era.

⁹ Mohamad Trio Febriyantoro dan Debby Arisandi, "Pemanfaatan Digital marketing Bagi Usaha Mikro, Kecil Dan Menengah Pada Era Masyarakat Ekonomi Asean," *JMD: Jurnal Riset Manajemen & Bisnis Dewantara* 1, no. 2 (2018).

¹⁰ We Are Social dan Meltwater, "Digital 2025: Indonesia," We Are Social & Meltwater, Februari 2025, <https://datareportal.com/reports/digital-2025-indonesia>.

Although the use of digital technology has brought significant progress to MSMEs, its implementation is inseparable from various ethical problems in the use of technology. With increased competition in the world of online shops, some business actors seek to maximize profits by engaging in practices that violate the principles of honesty, such as sending defective goods, displaying product images that do not reflect reality, and committing fraud in payment transactions.¹¹

Based on data from Cekrekening.id which is a website owned by the Ministry of Communication and Informatics in CNN Indonesia, as of September 2021, there were 115,756 cases of online fraud from e-commerce and online sales.¹² The findings show that there are still many business actors who ignore business ethics, both because of a low understanding of morality in trade and because of the focus solely on achieving profits. Irregularities in marketing such as mismatch in product information and unfair treatment of consumers result in a loss of public trust and increased losses in digital transactions.¹³

These problems indicate that the ongoing marketing practices have not fully implemented the principles of Sharia Compliant Marketing. In fact, Sharia Compliant Marketing can be an ethical approach in digital marketing practices. Various experts have explained

¹¹ Syahrul Aulia Rachmad, "Analisis Strategi Digital Marketing Ditinjau dari Etika Bisnis Islam (Studi Kasus Khalif's Official Shop Bandung)" (Skripsi, UIN Sunan Ampel, 2022), 3.

¹² CNN Indonesia, "Kominfo Catat Kasus Penipuan Online Terbanyak: Jualan Online," CNN Indonesia, 2021, <https://www.cnnindonesia.com/teknologi/20211015085350-185-708099/kominfo-catat-kasus-penipuan-online-terbanyak-jualan-online>.

¹³ Umar Hamdan dkk., "Urgensi Spiritual Marketing dan Marketing Syariah dalam Dunia Bisnis," *Iqtishadia: Jurnal Ekonomi dan Perbankan Syariah* 9, no. 1 (2022): 29, <https://doi.org/10.19105/iqtishadia.v9i1.5483>.

the importance of ethics based on sharia values in marketing and business.¹⁴ Because this concept is considered to function to protect the interests of all parties, both sellers, buyers, business partners, and the wider community, as well as maintain a balance between corporate profits and social responsibility.¹⁵ The concept of ethics includes various Islamic principles, which, if summarized, include: integration of spiritual values into business activities;¹⁶ honesty in communication and transactions;¹⁷ trust in carrying out business responsibilities; and avoiding the practice of riba and gharar in transactions.¹⁸

In this regard, in the context of marketing, the integration of spiritual values is an important element in building sustainable and blessed business practices. The application of spiritual values in marketing activities plays an important role in shaping a business orientation that is not only pursuing profits, but also paying attention to blessings and social responsibility.¹⁹ Thus, the application of spiritual values in marketing can realize spiritual well-being which plays a role in fostering inner motivation and strengthening Islamic work ethics for business actors and organizations.²⁰

¹⁴ Nur Asih dkk., "Sharia-Compliant Digital Marketing Strategies to Boost Sales Revenue for Micro, Small, and Medium Enterprises in Parepare City," *Ar-Ribh: Jurnal Ekonomi Islam* 7, no. 2 (2024).

¹⁵ Munazza Saeed dan Aysha Karamat Baig, "Islamic Shari'ah-compliant marketing," *Int. J. Social Entrepreneurship and Innovation* 2, no. 2 (2013).

¹⁶ Hermawan Kartajaya dan Muhammad Syakir Sula, *Syariah Marketing*, Cetakan II (Mizan, 2006).

¹⁷ Wahbah az-Zuhaili, *Fiqh al-Islām wa Adillatuhu* (Dār al-Fikr, 1984).

¹⁸ Imam Al-Ghazali, *Ihya Ulumuddin* (Dār al-Ma'rifah, t.t.).

¹⁹ Ilmia Rofi dan Sriwahyuni, "Implementasi Prinsip Hukum Islam dalam Kegiatan Pemasaran: Antara Teori dan Realitas Lapangan," *QISTH: Jurnal Studi dan Penelitian Hukum Islam*. 1, no. 2 (2024), <https://doi.org/10.36420/qisth.v1i2.770>.

²⁰ Mehmet Asutay dkk., "The Impact of Islamic Spirituality on Job Satisfaction and Organisational Commitment: Exploring Mediation and Moderation Impact," *Journal of Business Ethics* 181 (2022), <https://doi.org/10.1007/s10551-021-04940-y>.

A number of studies also affirm the importance of integrating Islamic values in modern business activities, as the application of sharia principles is believed to reduce ethical risks while strengthening consumer trust in the digital business environment (Rasit et al., 2023)²¹ dan (Amry et al., 2024)²². However, studies that specifically assess the suitability between digital marketing practices and Sharia Compliant Marketing principles in the MSME sector and link them to spiritual well-being are still limited, especially in local contexts such as Sidoarjo. Therefore, this study focuses on the analysis of the implementation of digital marketing by MSME actors, its conformity with the principles of Sharia Compliant Marketing, and its contribution to the formation of the spiritual welfare of business actors.

1.2. Scope of Research

This research is focused on identifying digital marketing practices implemented by MSME actors, then analyzing their suitability with the concept of Sharia Compliant Marketing, as well as its contribution to spiritual well-being. The object of this research is centered on MSMEs in the Sidoarjo area, East Java. The selection of this location is based on data from the Central Statistics Agency (BPS) in 2023 which shows that Sidoarjo Regency is the area with the highest

²¹ Yuli Irawan Rasit dkk., "Eksistensi Strategi Digital Marketing Berbasis Masalah Dalam Bisnis Islam," *NUKHBATUL 'ULUM: Jurnal Bidang Kajian Islam* 9, no. 2 (2023).

²² Ary Dean Amry dkk., "Tantangan dan Peluang Etika Bisnis Islam Dalam Strategi Pemasaran Pengusaha Muslim Kota Jambi Di Era Digitalisasi," *Maro; Jurnal Ekonomi Syariah dan Bisnis* 7, no. 2 (2024).

production value in East Java Province, which is IDR 6,163,958,314,000.²³

In addition, based on BPS data released through the Indonesian Chamber of Commerce and Industry (Kadin), in 2023, East Java Province is recorded as the province with the second largest contribution to the value of Micro and Small Industries (IMK) nationally, with a share of 14.53%.²⁴ This fact shows that the region has significant potential to be used as an object of study in exploring the role of MSME digital marketing in a marketing framework in accordance with sharia principles.

1.3. Problem Formulation

1. How are the forms and strategies for implementing digital marketing carried out by MSMEs in Sidoarjo?
2. To what extent is the use of digital marketing by MSMEs in Sidoarjo appropriate to sharia-compliant principles?
3. How does the implementation of Sharia-compliant principles in digital marketing contribute to the development of spiritual well-being among MSME actors in Sidoarjo?

1.4. Research Objectives

1. To analyze the forms and strategies for implementing digital marketing carried out by MSMEs in Sidoarjo.

²³ BPS, "Jumlah Perusahaan Industri Skala Mikro dan Kecil Menurut Provinsi (Unit), 2023," BPS, 2024, <https://www.bps.go.id/id/statistics-table/2/NDQwIzI=/jumlah-perusahaan-industri-skala-mikro-dan-kecil-menurut-provinsi.html>.

²⁴ BPS, "UMKM Indonesia," Kadin Indonesia, diakses 15 Juni 2025, <https://kadin.id/data-dan-statistik/umkm-indonesia/#>.

2. To evaluate the appropriateness of digital marketing practices carried out by MSMEs with Sharia Compliant Marketing.
3. To identify the contribution of implementing Sharia Compliant Marketing principles in digital marketing practices to the formation of spiritual well-being among MSME actors in Sidoarjo.

1.5. Research Benefits

Some of the benefits that are expected to be taken from this research are:

1. Theoretical Benefits

- a. Contributing to the development of scientific studies in the field of sharia economics, especially in the integration of Sharia Compliant Marketing principles with digital marketing, as well as its contribution to spiritual well-being.
- b. Become an academic reference in the study of Sharia Compliant Marketing in the context of the digital economy and MSME.
- c. Expanding understanding of how the application of sharia values not only contributes to the effectiveness of digital marketing, but also to the formation of the spiritual well-being of business actors.

2. Practical Benefits

- a. Providing understanding to MSME actors about the importance of applying sharia values in digital marketing activities.

- b. It is an evaluation and consideration for MSME actors in developing digital marketing strategies that are not only effective in business, but also in accordance with sharia ethics.
- c. Providing advice to policymakers and MSME companion institutions to encourage the digitalization of marketing based on Islamic values.
- d. Providing practical guidance in applying the principles of Sharia Compliant Marketing to digital marketing activities, so that business actors can build an ethical business image, increase consumer trust, and feel spiritual peace in doing business.

1.6. Discussion Systematics

CHAPTER I : INTRODUCTION

This chapter describes the background, problem formulation, research objectives, research benefits, previous research, and writing systematics as a guide to the overall structure of this scientific work.

CHAPTER II : THEORETICAL FOUNDATIONS

This chapter contains a discussion of the theoretical underpinnings of the research, including relevant theories drawn from several previous studies and supporting literature as a conceptual foothold in analyzing the problems of this research.

CHAPTER III : RESEARCH METHODOLOGY

This chapter explains the methodological approach used in research, including the types of research, data sources, data collection

techniques, and data analysis techniques used to answer the problem formulation systematically.

CHAPTER IV : RESULTS AND DISCUSSION

This chapter presents the results of the research findings obtained from the data analysis process, and discusses them in depth in relation to the formulation of the problems and theories that have been described earlier.

CHAPTER V : CONCLUSION

This chapter will discuss the conclusions of the research results that have been carried out and suggestions that are expected to contribute to the community and other parties that are related to the focus of this study.

