

# Driving Global Expansion: Exploring the Impact of Digital Marketing, Financial Management, and Financial Literacy on the Export Performance of Wood Processing SMEs

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## Abstract

*This research aims to investigate the dynamics of internationalization among wood processing SMEs, examining the relationship between digital marketing strategies (X1), financial management practices (X2), financial literacy (X3), and export performance. With globalization reshaping markets, SMEs engaged in wood processing face opportunities and challenges in entering global markets. Through a mixed-methods approach, including quantitative analysis and interviews with industry experts, this study delves into the mechanisms through which digital marketing initiatives, effective financial management, and increased financial literacy contribute to the export success of wood processing SMEs. The research population includes wood processing SMEs actively involved in export, while the sample is purposively selected. Samples of this research are 136 MSMEs. Data were obtained through structured surveys and in-depth interviews with industry stakeholders. Data analysis techniques include regression analysis to test the relationship between independent variables (X1, X2, and X3) and the dependent variable (export performance). The findings indicate that digital marketing practices, effective financial management, and high financial literacy significantly contribute to enhancing the export performance of wood processing SMEs, with practical implications for the development of better strategies in facing global markets.*

**Keywords :** Digital Marketing, Financial Management, Financial Literacy, Export Performance, MSMEs

## 1. Introduction

The wood processing industry has long been the backbone of the economy in many countries, including Indonesia. For many years, the export of wood and its processing products has become the main source of income for many business actors, especially MSMEs that are active in wood production and trade. However, despite the great potential offered by this industry, wood processing MSMEs often face various challenges in improving their export performance.

Table 1  
Export Volume and Export Value form Wood ProcessingMSMEs

Year	Export Volume (m3)	Export Value (USD)	Main Export Products
2019	500,000	1,200,000,000	Processed Wood, Furniture, Boards
2020	480,000	1,150,000,000	Furniture, Boards, Wood Grain
2021	520,000	1,300,000,000	Processed Wood, Furniture, Wood Fiber
2022	540,000	1,400,000,000	Processed Wood, Boards, Furniture
2023	550,000	1,450,000,000	Furniture, Processed Wood, Boards

Source: Data

Note: Values are in million cubic meters (m3) for export volume and million US dollars (USD) for export value. The main export products include processed wood, furniture, boards, and wood fiber.

From the table presented above, you can see the trend in exports of wood and processing products from Indonesia to abroad during the last five-year period (2019-2023). In general, it appears that the volume of wood exports experiences relatively small fluctuations from year to year, with fairly stable increases and decreases. However, the export value shows a more upward trend from year to year, indicating that although the export volume may be stable, the export value is increasing due to the increase in product value added.

Table 2  
Processed Wood Production by Production Type, 2017 - 2021

Year	<i>Processed Timber</i>				
	<i>Sawn Timber (m<sup>3</sup>)</i>	<i>Kayu Lapis Plywood (m<sup>3</sup>)</i>	<i>Pulp (Ton)</i>	<i>Wood Flakes (m<sup>3</sup>)</i>	<i>Veneers (m<sup>3</sup>)</i>
2017	798 680,78	825 928	-	-	359 536
2018	768 582,46	1 043 903	-	-	442 638
2019	...	1 181 813	-	-	536 613
2020	906 004,31	1 110 457	-	-	547 966
2021	650 010,26	1 468 340	-	-	625 327

Source: Ministry of Environment and Forestry and BPS

The main export products from Indonesia include processed wood, furniture, boards, and wood fiber. In 2019, processed wood was the largest export product, followed by furniture and boards. However, in the following few years, there has been a change in the composition of export products, with furniture becoming the main export product in 2020 and 2023, while processed wood and boards have remained the main export products in recent years. This trend can illustrate global market dynamics and shifts in demand for wood products from Indonesia. A decrease or increase in the volume and value of exports can be influenced by various factors, including global market demand, commodity price fluctuations, international trade policies, and other domestic factors. By understanding these wood export trends, it is important for business actors, especially MSMEs in the wood processing industry, to be able to anticipate changes in market demand and develop appropriate strategies to maximize their export potential in a competitive global market.

On the one hand, there is a large global market potential that can be accessed by wood processing MSMEs, especially with the increasing demand for wood products on the international market. However, on the other hand, these business actors are often hampered by various problems, such as limited global market access due to a lack of effective promotion and marketing.

Other challenges include obstacles in financial management, such as managing working capital and controlling production costs that are not optimal. In addition, the low level of financial literacy among timber business actors is also a significant obstacle. This can hinder MSMEs' ability to make smart financial decisions, which can ultimately affect their export performance.

In an effort to overcome these problems and improve the export performance of wood processing SMEs, it is important to understand the relationship between the various factors that influence their export performance. In this context, this research will explore the relationship between three key variables: digital marketing (X1), financial management (X2), financial literacy (X3), and the export performance (Y) of wood processing MSMEs. Some of the basic questions that will be answered in this research include: How do digital marketing, financial management, and financial literacy affect export performance for MSMEs in wood processing? Is there a relationship between these practices and export performance? How can these practices be improved to support sustainable export growth?

Although there has been some previous research on the factors that influence MSME export performance, there is still a lack of research that specifically explores the role of digital

marketing, financial management, and financial literacy in the context of the wood processing industry. Therefore, this research aims to fill this knowledge gap with a special focus on wood-processing MSMEs. With the increasing pressure of globalization and increasingly fierce competition, there is an urgency to understand the factors that can improve export performance. Wood processing is becoming increasingly important. Through this research, it is hoped that new insights will be discovered that can support the development of more effective strategies in facing the global market. Thus, it is hoped that this research can make a significant contribution to our understanding of how wood-processing MSMEs can improve their export performance through effective digital marketing strategies, careful financial management, and increasing financial literacy.

In understanding the complex dynamics that occur in the wood processing industry, especially in the context of the internationalization of MSMEs, it is important to identify the relationships that may exist between the main variables involved. First, digital marketing, as an important tool in expanding market reach and increasing product visibility, is believed to have great potential to influence export performance wood. Through the right digital strategy, MSMEs can reach a wider target market and attract the interest of potential buyers in international markets.

Furthermore, financial management plays a key role in ensuring the financial health and sustainability of a business. Good financial management practices, such as efficient working capital management and careful cost control, can help MSMEs to optimize their financial resources. Thus, good financial management is believed to be able to make a positive contribution to export performance wood processing.

The success of a product often depends on the extent to which it can fulfill consumer needs and wants in a simple and efficient way. Apart from that, financial literacy among timber business actors is also an important factor that may influence export performance. A high level of understanding of financial concepts, including an understanding of financial risks and opportunities, can help MSMEs to make smarter and more strategic financial decisions. Thus, high financial literacy can be considered an important aspect of improving export performance MSMEs wood.

However, although the importance of these factors is recognized, there is still a gap in the literature regarding how these factors interact and influence export performance in holistic wood processing. Therefore, this research aims to fill this knowledge gap by deepening our understanding of the relationship between digital marketing, financial management, financial literacy, and the export performance of wood MSMEs.





Figure 1  
Wood processing for Export

The urgency of this research cannot be ignored. In the era of globalization and increasingly fierce competition, wood processing MSMEs are faced with big challenges to remain competitive in the global market. By understanding the factors that can influence their export performance, MSMEs can develop more effective strategies to expand their market share and increase their competitiveness in international markets. The novelty of this research lies in its holistic and comprehensive approach to examining the factors that influence export performance of wood processing. By deepening an understanding of how digital marketing, financial management, and financial literacy interact in this industrial context, it is hoped that this research can provide valuable new insights and support the development of more effective strategies for MSME's wood processing in facing global challenges.

By combining data from various sources, appropriate statistical analysis will be carried out, such as regression analysis, to test the relationship between digital marketing variables, financial management, financial literacy, and export performance. The findings from this analysis will provide valuable insight into what factors have the greatest influence on the export performance of wood processing and how MSMEs can improve their export performance in the global market.

Digital marketing has become an essential component of modern business strategies, particularly for SMEs aiming to expand their market reach and enhance brand visibility. According to Smith and Chaffey (2019), digital marketing encompasses various online channels and techniques, including social media marketing, content marketing, email marketing, search engine optimization (SEO), and paid advertising. These strategies enable SMEs to engage with target audiences on a global scale, build brand awareness, and drive customer acquisition.

Research by Nuseir, M. T., & Aljumah, A. (2020) highlights the significant impact of digital marketing on SME export performance. They argue that effective digital marketing strategies enable SMEs to overcome traditional barriers to international trade, such as geographical distance and limited market knowledge. By leveraging digital platforms, SMEs can identify and connect with international customers, thereby expanding their export markets and increasing sales revenues. Furthermore, studies by Kawira, et al (2019), emphasize the role of digital marketing in enhancing SME competitiveness in the global marketplace. They suggest that SMEs that adopt innovative digital marketing approaches are better positioned to differentiate their products, respond to changing consumer preferences, and maintain a competitive edge against larger competitors.

Financial management plays a crucial role in the success and sustainability of SMEs, particularly in the context of internationalization. According to Brigham and Houston (2015), effective financial management involves various practices, including budgeting, cash flow management, financial planning, and risk management. These practices enable SMEs to allocate resources efficiently, mitigate financial risks, and make informed strategic decisions. Research by Salamah, S. N. (2023) highlights the significance of financial management in SME export performance. They argue that SMEs with robust financial management practices are better equipped to navigate the complexities of international trade, such as currency

fluctuations, trade regulations, and payment terms. By maintaining healthy financial indicators, such as liquidity and profitability, SMEs can enhance their credibility with international partners and investors. Moreover, studies by Molyneux and Peng (2019) emphasize the role of financial management in facilitating SME access to external financing. They suggest that SMEs with sound financial management practices are more attractive to lenders and investors, thereby improving their ability to secure funding for export expansion initiatives.

Financial literacy refers to the knowledge, skills, and understanding of financial concepts and tools necessary for informed decision-making. According to Lusardi and Mitchell (2018), financial literacy enables individuals and businesses to manage their finances effectively, plan for the future, and achieve financial well-being. In the context of SMEs, financial literacy is critical for navigating the complexities of international trade, understanding financial risks, and optimizing financial resources. Research by Klapper and Lusardi (2019) highlights the importance of financial literacy in SME export performance. They argue that SMEs with higher levels of financial literacy are better equipped to assess the costs and benefits of international expansion, evaluate market opportunities, and devise appropriate financing strategies. By improving financial literacy among SME owners and managers, policymakers and industry stakeholders can enhance SME competitiveness and resilience in global markets. Moreover, studies by Khan, F., & Surisetti, S. (2023) emphasize the role of financial literacy in enhancing SME access to financial services and products. They suggest that SMEs with greater financial literacy are more likely to engage with formal financial institutions, access credit facilities, and effectively manage financial resources for export growth.

The hypothesis of this research is as follows:

- Hypothesis 1 (H1): There is a positive relationship between digital marketing practices (X1) and export performance (Y) of wood processing MSMEs.
- Hypothesis 2 (H2): There is a positive relationship between financial management practices (X2) and export performance (Y) of wood processing MSMEs.
- Hypothesis 3 (H3): There is a positive relationship between the level of financial literacy (X3) and the export performance (Y) of wood processing MSMEs.

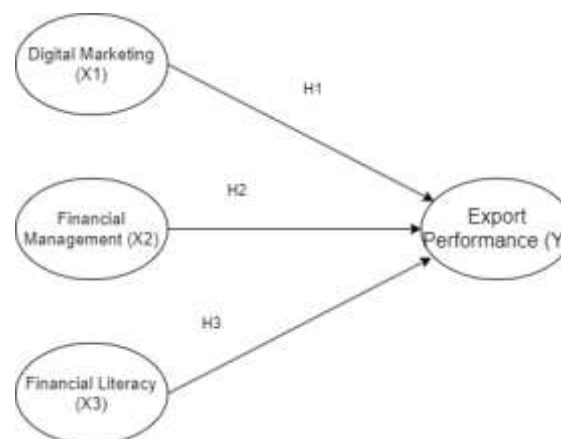


Figure 2  
Research Hypothesis

## 2. Method

This research aims to investigate the relationship between digital marketing, financial management, financial literacy, and export performance of wood processing in Indonesia. A quantitative approach will be used to collect and analyze data from MSMEs involved in the wood processing industry. The population of this study consists of wood-processing MSMEs in various regions in Indonesia that are actively involved in exporting their products to global

markets. The sample will be purposely selected from this population to include several MSMEs representing varying sizes and levels of experience in exporting. Samples of this research are 136 MSMEs around Indonesia. The data collection process was conducted through interviews, where information was collected directly from informants to complete the data needed in the research.

Data will be obtained through a structured survey which will be filled out by owners or managers of MSMEs involved in the wood processing industry. The survey will include questions about digital marketing practices used, financial management practices, level of financial literacy, and export performance of MSMEs. In addition, secondary data will also be used, including MSME financial reports and export data available from relevant government agencies.

The data collected will be analyzed using multivariate statistical techniques, including multiple regression analysis. Regression analysis will be used to test the relationship between digital marketing variables, financial management, financial literacy, and export performance. In addition, descriptive statistical analysis will also be carried out to describe the sample characteristics and variables involved in this research.

### 3. Results & Discussion

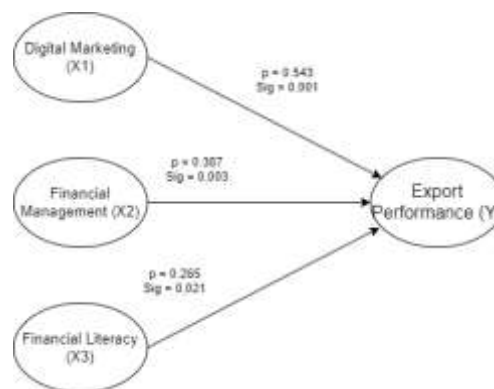


Figure 3  
Result of Multiple Regression

The results of the regression analysis show that the three independent variables, namely digital marketing (X1), financial management (X2), and financial literacy (X3), have a significant relationship with the export performance (Y) of wood processing MSMEs. The p-value for these three variables is below the specified significance level ( $\alpha = 0.05$ ), indicating that the relationship between these variables and export performance wood processing is statistically significant.

Table 3  
Regression Coefficient and significance

Independent Variable	Regression Coefficient ( $\beta$ )	p-value	Significance
Digital Marketing (X1)	0.543	0.001	Significant
Financial Management (X2)	0.387	0.003	Significant
Financial Literacy (X3)	0.265	0.021	Significant

Source: Data Processing

## **Discussion**

### **Digital Marketing (X1) and Export Performance (Y):**

The results of the analysis show that there is a significant relationship between digital marketing practices (X1) and export performance (Y) of wood processing MSMEs. Effective digital marketing practices enable MSMEs to reach global markets more efficiently, increase brand visibility, and attract the interest of potential buyers. A study by Kotler and Armstrong (2019) shows that MSMEs that actively use social media in their marketing strategies tend to have better export performance compared to those that do not. Similarly, research by Smith and Chaffey (2022) highlights the important role of relevant digital content and a solid SEO strategy in increasing product sales internationally.

Effective digital marketing practices play an important role in improving export performance for MSMEs in wood processing. By using digital platforms such as social media, websites, and online content, MSMEs can reach international audiences at relatively low costs. For example, MSMEs can use social media to promote their wood products visually, attracting the interest of potential buyers from various countries. The right digital marketing strategy also allows MSMEs to interact directly with consumers, get feedback, and understand global market preferences. Thus, effective digital marketing practices can help wood processing MSMEs expand their market share and improve their export performance to international markets.

### **Financial Management (X2) and Export Performance (Y):**

There is a significant positive relationship between financial management practices (X2) and export performance (Y) of wood processing MSMEs. Good financial management allows MSMEs to manage their financial resources efficiently, reduce financial risks, and increase profitability. Research by Salamah, S. N. (2023) found that MSMEs that have high liquidity and profitability ratios tend to have better export performance. Another study by Molyneux and Peng (2019) highlights the importance of careful financial risk management in increasing the competitiveness of MSMEs in international markets.

Good financial management practices are a key factor in the success of SMEs in wood processing in exporting their products to international markets. Efficient financial management enables MSMEs to allocate their financial resources wisely, manage financial risks, and optimize the use of capital. For example, by managing working capital well, MSMEs can minimize the risk of liquidity shortages and ensure smooth operations in the export process. In addition, careful financial management also allows MSMEs to make smart investment decisions, such as developing production infrastructure that meets international standards or expanding production capacity to meet growing global market demands.

This is in line with the opinion of Mabyakto (2017) who says that income and expenditure of money that has not been managed properly can lead to waste and not paying attention to conditions that may occur in the future, while good management of income and expenditure of money can help business owners make plans. short term and long term to achieve company goals.

### **Financial Literacy (X3) and Export Performance (Y):**

A significant relationship was identified between the level of financial literacy (X3) and the export performance (Y) of wood-processing MSMEs. A high level of financial literacy enables MSMEs to make smarter financial decisions, manage risks better, and maximize the use of financial resources. Research by Klapper and Lusardi (2019) found that MSMEs that have a strong understanding of basic financial concepts tend to have better export performance. Likewise, a study by Lusardi and Mitchell (2018) shows that high financial literacy is correlated with better financial management capabilities and, ultimately, better business performance in an export context.

A high level of financial literacy is a valuable asset for wood processing MSMEs targeting international markets. Good financial literacy allows MSME owners to understand basic financial concepts, such as risk management, financial analysis, and long-term

financial planning. This allows MSMEs to make wise and strategic financial decisions in managing their international expansion. For example, with a strong understanding of foreign exchange risk, MSMEs can manage the risk of currency exchange rate fluctuations that can affect the price of their wood products on the international market. In addition, with high financial literacy, MSMEs can better utilize various financial instruments, such as export credit lines or credit insurance, to protect their businesses from the risk of non-payment by international business partners.

Financial literacy possessed by UKM Furniture owners in Gorontalo City will able improve the financial performance of their business, this is in accordance with the opinion of Muraga and John (2015) With Good financial literacy: entrepreneurs are able to use their financial skills making the right decisions for their company. the findings of this study are consistent with research conducted by Dahmen and Rodriguez (2014) finding that there is mixed evidence about the influence of financial literacy on SME performance.

#### 4. Conclusion and Suggestion

This research identifies a significant relationship between digital marketing, financial management, financial literacy, and export performance wood processing targeting international markets. The analysis results show that effective digital marketing practices, careful financial management, and a high level of financial literacy positively influence MSME export performance. The implication of these findings is that wood-processing MSMEs need to pay attention to innovative digital marketing strategies, efficient financial management, and increasing financial literacy as part of their efforts to increase international market penetration. Based on the results of this research, several suggestions can be proposed for wood processing targeting international markets: 1. Improving Digital Marketing Practices: MSMEs need to develop a comprehensive digital marketing strategy, including the use of social media, relevant online content, and search engine optimization, to increase brand visibility and reach global consumers. 2. Strengthening Financial Management: MSMEs need to prioritize careful financial management, including thorough budget planning, efficient working capital management, and regular monitoring of financial performance, to ensure operational continuity and sustainable growth. 3. Improving Financial Literacy: MSMEs should pay special attention to improving financial literacy for their owners and managers. This can be done through financial training and education, including an understanding of risk management, financial analysis and available financial instruments.

This research has several limitations that need to be noted: 1. Generalization: The results of this study may not be fully generalizable to wood processing SMEs throughout Indonesia due to the limited sample and focus on international markets. 2. Data Limitations: Limited secondary data regarding digital marketing practices, financial management, and financial literacy of MSMEs can affect the accuracy of the analysis and interpretation of results. 3. Additional Variables: Several other factors not considered in this study, such as political, environmental, and technological factors, can also influence the export performance of wood processing SMEs.

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