



Impact of digital marketing, fintech, and Islamic branding on MSME performance with innovation moderation

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Abstract

Objective – This study aims to analyze the influence of digital marketing, financial technology, and Islamic branding on the performance of Micro, Small Medium Enterprise (MSMEs) in Salatiga City and to test the moderating role of Product Innovation in this relationship.

Methodology – This study employed a quantitative approach using a survey method. Data were collected using questionnaires distributed to 100 MSME owners in Salatiga. To analyze the data, multiple regression analysis was applied to test the effects of digital marketing, financial technology, and Islamic branding on MSME performance and to examine the moderating role of product innovation. Statistical tests, such as the F-test and t-test, were used to evaluate the significance of the model and individual variables, respectively, ensuring the robustness of the findings.

Findings – The results show that financial technology and Islamic brands have a significant influence on MSME performance. By contrast, digital marketing does not have a significant influence. In addition, Product Innovation does not moderate the relationship between digital marketing, financial technology, and Islamic brands and MSME performance.

Implications – These findings provide insights for MSMEs and policymakers regarding the importance of optimizing the use of financial technology and strengthening Islamic branding to improve business performance. However, product innovation must be managed more strategically to have a stronger impact on MSME performance.

Originality – This study makes a novel contribution by exploring the moderating role of product innovation in the relationship between modern business strategies and MSME performance in Salatiga and highlighting the local context relevant to the cultural and economic diversity in this city.

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Introduction

Sustainable and inclusive economic growth is one of the main challenges faced by many cities in Indonesia, including Salatiga. In 2022, the city experienced economic growth of 5.53 percent, up from 3.35 percent in 2021. However, although this growth shows positive progress, it slows to 5.34 percent by 2023 (Badan Pusat Statistik, 2023). This decline indicates that challenges must be addressed to maintain the momentum of economic growth. Efforts to enhance the performance of MSMEs through digital marketing, financial technology, and Islamic branding could play a

crucial role in overcoming these challenges. Moreover, fostering innovation and adapting to evolving market demands are essential strategies for ensuring consistent economic development.

In the era of digital transformation, digitalization has become one of the key elements driving economic growth, especially for MSMEs (Hariyanti & Kristanti, 2024). The development of information technology, such as digital marketing and financial technology (FinTech), has changed how businesses operate and interact with consumers (Maulida et al., 2020). This shift has not only enhanced operational efficiency, but also expanded market reach, enabling MSMEs to compete in broader markets at relatively lower costs. Furthermore, the integration of digital tools has facilitated better access to financial services, empowering businesses to scale and adapt to the rapidly evolving economic landscape.

Digital marketing allows MSMEs to reach a wider market efficiently (Husriadi et al., 2024), whereas FinTech provides more accessible financial solutions (Pasaribu et al., 2024). Islamic branding is increasingly gaining attention in the context of markets that prioritize Sharia principles, especially in countries with a Muslim majority, such as Indonesia (Meylinda & Matondang, 2023). These advancements not only boost MSME competitiveness, but also align with the growing consumer preference for ethical and faith-based products. By leveraging Islamic branding alongside digital marketing and FinTech solutions, MSMEs can effectively tap into niche markets, while fostering trust and loyalty among Muslim consumers.

An empirical study by Paramitha et al. (2022) demonstrated that digital marketing positively influences MSME performance. However, in smaller cities, digital marketing may be less effective in driving performance improvements. Fitri and Halik (2023) also find that digital marketing fails to significantly enhance sustainable business performance. Meanwhile, according to research by Siregar and Sari (2023), financial technology positively impacts MSME performance by providing faster, more accessible financial management tools, allowing for more efficient financial operations. By contrast, Agnesia and Saputra (2022) discovered that financial technology has little effect on MSME performance, primarily because of the low adoption rates of FinTech in areas with limited digital infrastructure.

To support this statement, it is essential to reference internationally recognized studies related to digital marketing and MSME performance. One relevant study by Nofrisel et al. (2023) highlight how the implementation of digital marketing strategies can enhance MSME growth and operational efficiency. This study underscores the importance of utilizing technology to expand market reach and optimize consumer interactions through digital platforms. Consequently, this study offers a broader perspective on the positive impact of digital marketing on improving the competitiveness of MSMEs. In the context of financial technology, Abbasi et al. (2020) demonstrate how FinTech transforms the way MSMEs manage their finances. This study reveals that financial technology enables faster, more secure, and easier access to various financial services, ultimately improving the efficiency and performance of MSMEs. By adopting FinTech, MSMEs can reduce transaction costs, monitor cash flows more effectively, and gain easier access to credit, all of which contribute to business growth.

Afrianty (2020) found that Islamic branding positively affects purchase interest, which indirectly boosts MSME performance through increased sales and customer loyalty. However, Mukti (2023) suggests that Islamic branding does not significantly impact MSME performance, possibly due to the superficial use of Islamic branding elements that fail to meet true Sharia standards, thus not fostering meaningful consumer trust and loyalty. In terms of Islamic branding, Mardikaningsih et al. (2024) is a valuable reference. This study examines how branding aligned with Sharia principles can impact consumer behavior, especially regarding trust and loyalty. This indicates that when MSMEs successfully implement Islamic branding that genuinely reflects Sharia values, it markedly boosts consumer purchase intent and loyalty, which in turn results in enhanced business performance.

The novelty of this study lies in its exploration of the inconsistent impact of Product Innovation on MSME performance. While previous studies, such as Potolau and Safriansyah (2022), have established that innovation significantly enhances company performance, more recent research by Putu et al. (2024) suggests that product innovation may not always yield positive results,

particularly for MSMEs. This study aims to fill this gap by investigating why product innovation does not consistently lead to improved MSME performance, especially in certain contexts or conditions. The objective of this research is to analyze the moderating role of product innovation on the relationship between MSME performance and digital marketing, financial technology, and Islamic branding with MSME performance. By focusing on these variables, this study seeks to clarify the circumstances in which product innovation may either enhance or fail to impact MSME performance. Additionally, it intends to provide insights into the specific conditions that make product innovation more effective, particularly for MSMEs operating in smaller cities or regions with limited access to advanced technologies.

Literature Review

Resource-based theory describes how a company can achieve competitive advantage by relying on resources so that it can direct the company to be continuously sustainable. The main approach of resource-based theory is to understand the relationship between resources, capabilities, competitive advantage, and profitability, and especially to understand the mechanisms by which competitive advantage is maintained over time (Utami & Alamanos, 2023).

In line with this theory, many resources can influence efforts to improve the performance of MSMEs, some of which are the ability of MSMEs to utilize digital marketing integration, the use of financial technology, and the implementation of Islamic branding and product innovation (Setyawati et al., 2023). Within the Resource-Based Theory (RBT) framework, the application of information systems and expertise in managing digital marketing are the core valuable resources for MSMEs (Purwanti et al., 2022). Information technology resources involve infrastructure, platforms, and software that enable MSMEs to connect with customers more effectively. Expertise in managing digital marketing involves the ability to optimize these tools and platforms to achieve optimal results (Martínez-Peláez et al., 2023).

Digital marketing integration, when analyzed through the RBT framework, is not only a technological move but also a strategic one, as it creates and leverages valuable and difficult-to-imitate resources, giving MSMEs a sustainable competitive advantage in the competitive digital market (D'Oria et al., 2021). In the context of FinTech, corporate resources involve elements such as digital payment systems and financial applications, which require good access and adoption capabilities, as well as a deep understanding of their impact on financial management (Kusuma & Asmoro, 2021; Safrianti et al., 2022). RBT is also effective in analyzing Islamic branding as a potential internal resource for creating competitive differentiation. The implementation of Islamic values in branding not only creates a unique brand image, but also forms a rare and valuable resource that is difficult to imitate, providing a competitive advantage for the company (Adyani, 2023; Mauludin et al., 2023; Baharun & Niswa, 2019).

Additionally, Product Innovation can improve overall business performance. New or improved products tend to attract more customers and increase sales, which, in turn, increases MSME revenue and profitability. Continuous innovation also helps MSMEs adjust their business models, optimize operational efficiency, and reduce production costs (Trihudyatmanto, 2022).

Hypothesis development

The impact of digital marketing on MSME performance

MSMEs that effectively implement digital marketing strategies utilizing various platforms and analytical tools can significantly improve business performance. The adoption of advanced digital marketing techniques enables MSMEs to increase sales, expand market reach, build customer loyalty, and strengthen brand image and trust (Purwanti et al. 2022). According to RBT, digital marketing serves as a valuable internal resource. The RBT suggests that resources providing added value and serving as a competitive advantage contribute to achieving optimal performance. Therefore, well-optimized digital marketing not only enhances the visibility and accessibility of MSMEs but also plays a crucial role in strengthening their market position and improving operational efficiency (Kozlenkova et al. 2014). Digital marketing, when effectively utilized as an

internal resource, can enhance MSME performance (Syukri and Sunrawali 2022). An empirical study by Paramitha et al. (2022), Marpaung and Sibarani (2018), and Huda and Munandar (2021) confirms that digital marketing has a positive and significant influence on improving the performance of MSMEs.

H₁: Digital marketing has a positive effect on MSME performance

The impact of financial technology on the improvement of MSME performance

The effective utilization of FinTech can significantly impact the performance and growth of MSMEs. FinTech enhances financial accessibility by providing platforms that facilitate transactions, access to loans, and efficient cash flow management for MSMEs. Moreover, FinTech improves operational efficiency by automating financial and administrative processes, thus reducing the likelihood of human errors and optimizing resource utilization (Putri et al., 2023). According to RBT, FinTech can be classified as a resource under technological and organizational capabilities (Utami & Alamanos, 2023), which offers tools for automating financial and administrative tasks and minimizing the risk of human error. Effective FinTech implementation can lead to expanded market access and innovation in MSME products and services, thereby enhancing performance and business growth. Research by Siregar and Sari (2023) and Safrianti et al. (2022) supports this, showing that FinTech has a significant positive influence on the performance of MSMEs in Indonesia. However, Agnesia and Saputra (2022) found that FinTech does not significantly affect MSMEs performance.

H₂: Financial technology has a positive effect on MSME performance.

The impact of Islamic branding on the improvement of MSME performance

In the context of RBT, Islamic branding can be seen as a strategic asset for MSMEs. As a unique and difficult-to-imitate resource, Islamic branding offers a sustainable competitive advantage. By leveraging Islamic branding, MSMEs can build strong brand equity among Muslim consumers, which in turn enhances customer loyalty and improves the perceived value of their products or services. Latuconsina et al. (2022) confirm that Islamic branding positively influences consumer purchase interest, as evidenced by the example of Sasha Siwak toothpaste. This positive effect creates opportunities for increased revenue as consumers are more inclined to choose products that align with their religious values. Additionally, an increase in purchase interest has the potential to improve the overall performance of MSMEs. In other words, Islamic branding not only enhances the image and appeal of products but also strengthens the MSMEs market position and supports long-term business growth through high customer loyalty and strong brand recognition.

H₃: Islamic branding has a positive effect on MSME performance.

Product innovation in moderating the relationship between digital marketing and MSME performance

In the Resource-Based Theory framework, product innovation moderated by digital marketing can enhance MSME performance by differentiating it from the market. Product innovation can be seen as a valuable, rare, difficult-to-imitate, and non-substitutable resource. When MSMEs leverage product innovation as a strategic resource, they can create a sustainable competitive advantage (Purba et al., 2023). However, this advantage is further strengthened if supported by effective Digital Marketing strategies, as digital marketing allows MSMEs to maximize the exposure of innovative products to a broader and more segmented audience. In other words, product innovation moderated by Digital Marketing can reinforce MSME performance by accelerating the adoption of new products in the market and increasing the product's appeal compared with competitors. Effendi et al. (2022) supported this view by demonstrating that product innovation can moderate the relationship between digital marketing and MSME performance. When product innovation is coupled with effective digital marketing campaigns, its impact on MSME performance becomes more significant. This means that MSMEs that are capable of innovating their products while simultaneously leveraging the potential of digital marketing have a greater opportunity to enhance profitability, expand their market, and sustain growth.

H₄: There is a positive relationship between digital marketing and MSME performance, moderated by product innovation.

Product innovation in moderating the relationship between financial technology and MSME performance

As explained by [Abad-Segura et al. \(2020\)](#), financial technology encompasses innovations in the financial sector that not only support financial inclusion but also provide easier and more efficient access to financial services for the public and business players, including MSMEs. These innovations improve company liquidity by enabling faster and cheaper transaction processes as well as wider access to various forms of financing. This emphasizes that innovations in the financial sector can create efficiency and reduce traditional barriers to capital access. This finding is further supported by [Suryanto et al. \(2020\)](#), who show that the adoption of financial technology by MSMEs in Indonesia has a positive impact on performance, both in terms of revenue growth and market expansion. By utilizing technology-based financial services, MSMEs can be made more flexible in managing cash flows, reducing operational costs, and enhancing market competitiveness. Overall, Financial Technology acts as a key driver for strengthening the financial structure of MSMEs, which ultimately has a positive impact on their long-term performance.

H₅: There is a positive relationship between financial technology and MSME performance, moderated by product innovation.

Product innovation in moderating the relationship between Islamic branding and MSME performance

Innovation that aligns with Islamic values not only strengthens Islamic branding but also contributes to enhancing the competitiveness of products in a market that increasingly demands quality and adherence to Sharia principles. In particular, modern Muslim consumers are more concerned with products that are not only halal, but also innovative and of high quality ([Alserhan et al., 2022](#)). Products that successfully combine innovation with Islamic branding hold a stronger appeal to Muslim consumers, which ultimately increases consumer loyalty and expands market share. In the context of MSMEs, [Nurudin et al. \(2022\)](#) indicate that MSMEs that integrate product innovation with Islamic branding tend to perform better than those that focus solely on one aspect. This is because product innovation helps MSMEs offer solutions that are relevant and up-to-date with consumer needs, while Islamic branding adds value through trust and a strong reputation among Muslim consumers. Thus, the combination of innovation and Islamic branding not only improves the MSME's market image but also enhances operational efficiency, expands distribution networks, and drives increased sales and profitability.

H₆: There is a positive influence between Islamic branding and MSME performance, moderated by product innovation.

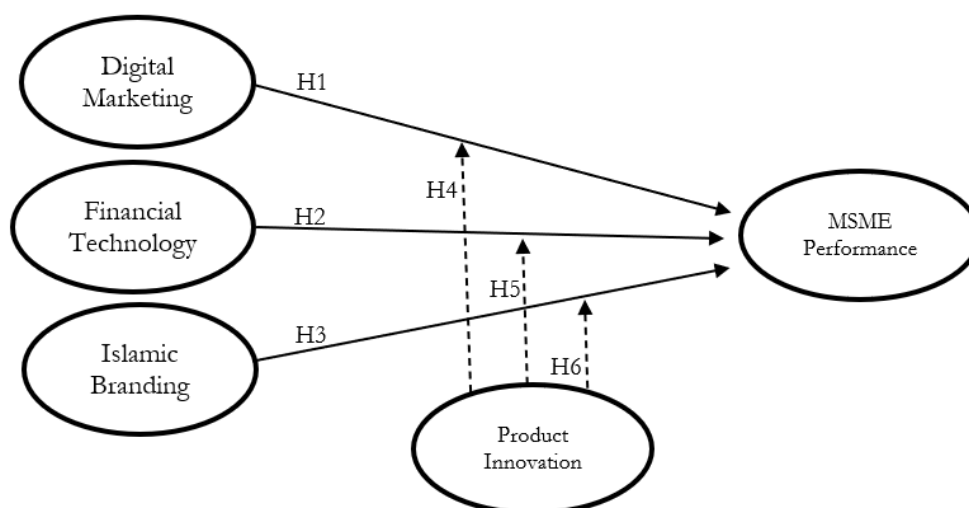


Figure 1. Research Model
Source: Authors' own work

Based on the development of the hypotheses presented, the following research model can be constructed to illustrate the relationships between the variables: digital marketing, financial technology, and Islamic branding are hypothesized to positively influence MSME performance. Furthermore, product innovation is posited as a moderating variable that strengthens the impact of these factors on the MSME performance. This model reflects the integration of RBT to explain how strategic resources such as digital marketing, financial technology, Islamic branding, and product innovation contribute to enhancing MSME competitiveness and growth. The model is illustrated in [Figure 1](#).

Research Methods

This study adopts a quantitative approach using primary data collected by distributing questionnaires ([Sugiyono, 2013](#)). Purposive sampling was applied, which is a non-probability method in which samples are selected based on certain criteria relevant to the research objectives. The items in the questionnaire were measured using a Likert scale ranging from one to five, where 1 indicates very strong disagreement with the question and 5 indicates very strong agreement. Purposive sampling was employed to select 100 respondents from 23,622 MSME owners in Salatiga. This non-probability sampling technique was chosen to ensure that participants who met specific criteria such as experience with digital marketing, financial technology, or product innovation were included in the sample. The questionnaire was distributed through both online and face-to-face interviews. Online surveys allowed for broader geographic reach and convenience, especially for respondents with internet access, while face-to-face interviews provided an opportunity to engage with respondents who preferred direct interaction or had limited access to digital platforms.

$$n = \frac{N}{(1 + Ne^2)}$$

In this study, Slovin's formula was applied to determine the sample size for a population of 23,622 MSME owners in Salatiga City using a 10% margin of error, resulting in a calculated sample size of approximately 99.57, which was rounded to 100 respondents.

Descriptive statistics were employed to summarize the key characteristics of the collected data and offer an overall understanding of the dataset. This process involved calculating the fundamental measures, including the mean, median, mode, standard deviation, and frequency distributions. The mean provided an average value for each variable, whereas the median and mode offered additional insights into the central tendency of the data. The standard deviation was calculated to determine the degree of variation or spread of the data. Frequency distributions were also used to visualize the distribution of responses, allowing for a clearer understanding of how data points were spread across different categories.

The validity of the measures was tested using convergent and discriminant validity assessments. Convergent validity focuses on whether items intended to measure the same construct do so. In this study, the Average Variance Extracted (AVE) was calculated for each construct with a threshold of 0.5, indicating acceptable convergent validity. This ensured that at least 50% of the variance in the items was explained by the underlying construct. On the other hand, discriminant validity assesses whether constructs that are supposed to be distinct are separate from each other. To evaluate discriminant validity, both the Fornell-Larcker criterion and HTMT ratio were employed. The Fornell-Larcker criterion requires the square root of the AVE for each construct to be greater than the correlations between that construct and any other, while the HTMT ratio should remain below the 0.85 threshold to indicate good discriminant validity.

Both composite reliability and Cronbach's alpha were calculated to ensure reliability of the measurement scales. Composite reliability is a method used to evaluate the internal consistency of the items within each construct, with values above 0.7 considered acceptable for good reliability. This indicates that the items within each construct consistently measured the same underlying concept. Cronbach's alpha was computed as another measure of internal consistency. A Cronbach's alpha value above 0.7 suggests good reliability, meaning that the set of items

consistently reflects the construct they are intended to measure. These reliability tests help ensure that the data collected are robust and dependable for further statistical analysis.

Several classical assumption tests are conducted to validate the underlying assumptions of the regression model. A normality test was performed to assess whether the data followed a normal distribution, which is a critical assumption for many statistical analyses. A multicollinearity test was also conducted to check for high correlations between the independent variables, as this could affect the reliability of the regression coefficients. In addition, a heteroscedasticity test was performed to ensure that the variance of the residuals remained constant across all levels of independent variables. These tests are essential for ensuring the validity of the regression analysis and accuracy of the results.

After ensuring that the data met the necessary assumptions, several statistical analyses were conducted to evaluate the relationships between variables. The coefficient of determination (R^2) was calculated to measure the proportion of variance in the dependent variables that was explained by the independent variables. An R^2 value close to 1 indicated a strong model fit, whereas a lower value suggested a weaker model. An F-test was then performed to assess the overall significance of the regression model, determining whether the independent variables collectively had a statistically significant effect on the dependent variable. Additionally, a T-test was used to examine the significance of individual predictors within the model and to determine the impact of each independent variable on the dependent variable.

Finally, Moderated Regression Analysis (MRA) was employed to test the moderating effect of product innovation on the relationships among digital marketing, financial technology, Islamic branding, and MSME performance. This analysis included interaction terms in the regression model to assess whether product innovation strengthens or weakens the relationship between independent and dependent variables. The significance of these interaction terms was tested to determine the extent to which product innovation influenced the effects of other variables on MSME performance. MRA provides a deeper understanding of how different factors interact to impact MSME performance, offering valuable insights for both academic research and practical business applications.

Results

The information outlined in [Table 1](#) highlights that 57% were women and 43% were men, with the majority aged 18–30 years (68%). The 31-40 age group accounted for 21%, while the 41-55 age group and above 55 years accounted for 10% and 1%, respectively. The culinary sector dominates the MSME sector at 81%, followed by the trade sector (7%), small industry (6%), fashion (4%), and handicrafts (2%). These data reflect a significant concentration in the culinary sector, as well as a smaller distribution in other sectors.

Table 1. Respondent Characteristics

Character	Category	Frequency	%
Gender	Man	43	43%
	Women	57	57%
Age	18 – 30	68	68%
	31 – 40	21	21%
	41 – 55	10	10%
	>55	1	1%
MSMEs sector	Culinary	81	81%
	Trading	7	7%
	Small Industry	6	6%
	Fashion	4	4%
	Handycrafts	2	2%

Source: Processed primary data

[Table 2](#) provides evidence that all items in the variables digital marketing, financial technology, Islamic branching, product innovation, and MSME performance show a calculated R

value that is greater than the R table value of 0.1654. Thus, all the items in each variable were deemed valid.

Table 2. Validity Test

Variables	Item	R count	R table	Information
Digital Marketing (DM)	DM 1	0.572	0.1654	Valid
	DM 2	0.455		Valid
	DM 3	0.406		Valid
	DM 4	0.217		Valid
	DM 5	0.353		Valid
Financial Technology (FT)	FT 1	0.747	0.1654	Valid
	FT 2	0.781		Valid
	FT 3	0.747		Valid
	FT 4	0.715		Valid
Islamic Branding (IB)	IB 1	0.448	0.1654	Valid
	IB 2	0.662		Valid
	IB 3	0.555		Valid
	IB 4	0.465		Valid
	IB 5	0.449		Valid
Product Innovation (PI)	PI 1	0.754	0.1654	Valid
	PI 2	0.725		Valid
	PI 3	0.748		Valid
	PI 4	0.673		Valid
Performance of MSMEs (PM)	PM 1	0.749	0.1654	Valid
	PM 2	0.723		Valid
	PM 3	0.455		Valid
	PM 4	0.791		Valid
	PM 5	0.497		Valid

Source: processed primary data

Table 3 suggests that all variables have a Cronbach's alpha value above 0.60, indicating that the instrument used to measure each variable is reliable.

Table 3. Reliability Test

Variables	Cronbach's alpha	Prob	Information
Digital Marketing (DM)	0.616	0.60	Valid
Financial Technology (FT)	0.881		Valid
Islamic Branding (IB)	0.733		Valid
Product Innovation (PI)	0.871		Valid
MSME Performance (MP)	0.807		Valid

Source: processed primary data

From **Table 4**, it can be concluded that the data in this study are normally distributed. This is indicated by Sig. (2-tailed) value of 0.200, which was greater than 0.05. Conducting normality and multicollinearity tests is vital to ensure that the statistical methods applied in this study are appropriate and valid. These tests not only enhance the credibility of the findings, but also facilitate better decision-making and future research in the field of MSME performance analysis.

Table 4. Normality Test

One Sample Kolmogorov–Smirnov Test	Unstandardized Residual
N	100
Asymp. Sig. (2-tailed)	0.200

Source: processed primary data

Table 5 shows that the variables were less than 10, and the tolerance values for all variables were greater than 0.1. Thus, it can be concluded that in this study, there was no multicollinearity problem based on the data obtained.

Table 5. Multicollinearity Test

Variables	Tolerance	VIF	Information
Digital Marketing (DM)	0.518	1,932	There is no multicollinearity
Financial Technology (FT)	0.607	1,647	There is no multicollinearity
Islamic Branding (IB)	0.767	1,304	There is no multicollinearity
Product Innovation (PI)	0.599	1,670	There is no multicollinearity

Source: processed primary data

Table 6 indicates that there is no significant indication of heteroscedasticity for all the independent variables in this research model. In other words, the residual variance between observations does not show a significant inequality pattern, indicating that the assumption of homoscedasticity is acceptable for this regression model.

Table 6. Heteroscedasticity Test

Variables	Sig	Information
Digital Marketing (DM)	0.183	There is no heteroscedasticity
Financial Technology (FT)	0.457	There is no heteroscedasticity
Islamic Branding (IB)	0.912	There is no heteroscedasticity
Product Innovation (PI)	0.089	There is no heteroscedasticity

Source: processed primary data

From Table 7, a value of 0.241 is obtained. This shows that the independent variables, namely product innovation, financial technology, Islamic branching, and digital marketing, simultaneously affect the dependent variable, purchase interest, by 24.1%. Meanwhile, the remaining 75.9% were explained by other factors not included in this study.

Table 7. Results of the Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.514	0.264	0.241	2,564

Source: processed primary data

Table 8 shows that the variables digital marketing, financial technology, and Islamic branding have a calculated F value of 11.480 and a significance value of 0.000, which is smaller than 0.05. When compared to the F table which is 2.70, the calculated F value is greater than the F table. Therefore, it can be concluded that these variables have a significant influence on the MSME performance variable.

Table 8. F Test

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	226,463	3	75,488	11,480	,000b
Residual	631,247	96	6,575		
Total	857,710	99			

Source: processed primary data

From Table 9, it can be inferred that the digital marketing variable has a significance value of 0.206, which is greater than 0.05. This indicates that digital marketing does not have a significant effect on the dependent variable, namely MSME performance. On the other hand, the Financial Technology variable has a significance value of 0.033, and Islamic branding has a significance value

of 0.006, both less than 0.05. This indicates that financial technology and Islamic brands have a significant effect on MSME performance.

Table 9. T-Test Results (Partial)

Variables	T Count	T Table	Sig	Information
Digital Marketing (DM)	1,274	0.1671	0.206	Not Significant
Financial Technology (FT)	2,165	1,647	0.033	Significant
Islamic Branding (IB)	2,813	1,304	0.006	Significant

Source: processed primary data

Table 10 shows that Product Innovation does not function as a moderating variable in the relationship between independent variables and MSME performance. The significance value for the influence between digital marketing and product innovation is 0.181, Financial Technology and Product Innovation is 0.934, and Islamic branding and product innovation is 0.480, all greater than 0.05. This indicates that product innovation does not significantly moderate the relationship between the three independent variables and MSME performance.

Table 10. Moderated Regression Analysis

Variables	Sig	Information
Digital Marketing *Product Innovation	0.181	Not Significant
Financial Technology*Product Innovation	0.934	Not Significant
Islamic Branding*Product Innovation	0.480	Not Significant

Discussion

The findings of this study indicate that digital marketing does not have a significant impact on the performance of MSMEs in Salatiga, as evidenced by a t-value of 1.274 and significance level of 0.206. This aligns with RBT, which emphasizes the importance of effective resource management. Despite the considerable potential of digital marketing, challenges such as a lack of education and understanding regarding the utilization of digital media for promotional purposes hinder its effectiveness (Saifurrahman & Kassim, 2024). Many MSME owners struggle to create relevant and engaging content for their target audiences. Research by Fitri and Halik (2023) indicates that a lack of digital literacy among small business actors can be a barrier to the adoption of effective digital marketing strategies.. By contrast, Financial Technology demonstrates a significant positive effect on MSME performance, with a t-value of 2.165 and a significance level of 0.033. The adoption of financial technology enhances operational efficiency and mitigates the risks associated with entrepreneurial activities. This finding corroborates the existing literature, which suggests that the integration of financial technology can provide a competitive advantage for MSMEs (Park et al., 2021).

Furthermore, Islamic branching also exhibits a significant positive impact on MSME performance, reflected in a t-value of 2.813 and a significance level of 0.006. This indicates that the implementation of Sharia principles in branding can enhance product appeal in markets that value religious value. MSMEs that effectively adopt Islamic branching can differentiate their products and improve sales. Septiani and Rozikan (2024) emphasize that branding aligned with Islamic values can enhance consumer trust and loyalty toward products. However, an analysis of the role of Product Innovation as a moderating variable reveals that it does not significantly mediate the relationship between digital marketing, financial technology, and Islamic branding on MSME performance. In this context, MSMEs in Salatiga seem to prioritize other factors such as pricing and operational efficiency, suggesting that product innovation may not currently be a key focus area.

Digital marketing in MSMEs in Salatiga has not been implemented effectively, which often leads to product innovation failing to gain adequate exposure to influence MSME performance significantly. Although new products have been launched with various innovative advantages,

poorly targeted or unstructured digital campaigns have prevented these products from reaching the right audience. As a result, the potential for innovation that should increase competitiveness and sales has not been realized (Ijomah et al., 2024). Additionally, a lack of data-driven marketing strategies and the limited use of social media platforms further hinder the ability to engage with their target market, limiting growth opportunities. Without proper digital marketing strategies, even the most innovative products struggle to have a meaningful impact on the market.

Industries and markets play a crucial role in determining the extent to which Product Innovation functions as a moderating factor in the relationship between financial technologies and MSME performance. In some industries, MSMEs in Salatiga place more emphasis on aspects such as competitive pricing, distribution efficiency, or fast customer service rather than product innovation. For example, in the basic needs goods sector, MSMEs in Salatiga tend to prioritize affordable prices and product availability over innovation in terms of product features or design. Similarly, in the culinary industry, MSMEs in Salatiga often prioritize distribution efficiency and service speed over the development of new innovative products. For instance, popular eateries and coffee shops prefer to focus on fast service and competitive prices rather than introducing new and innovative menu items (Maftuchach et al., 2022).

This aligns with the perspective of Resource-Based Theory, which emphasizes that competitive advantage often depends on the combination of various resources and capabilities. Islamic branding itself is already a strong strategic resource that can influence MSME performance without requiring additional contributions from product innovation to strengthen the relationship. In Salatiga, MSMEs that apply Islamic branding values are already strong enough to attract customers who prioritize halal compliance. Product innovation does not have a significant additional impact because it already meets the needs and expectations of the local market (Soeherman & Panjaitan, 2022).

Conclusion

The results of the data analysis align with the objectives of this study, which aimed to examine the impact of digital marketing, financial technology, and Islamic branching on the performance of MSMEs in Salatiga. While the findings indicate that digital marketing does not significantly influence MSME performance, financial technology and Islamic branding have a positive and significant impact. This confirms the research objective of identifying the key factors that contribute to enhancing MSME performance in the context of Salatiga.

The implications of these findings are thus significant. The results suggest that MSME owners should prioritize the integration of financial technology and Islamic branching into their business strategies to improve operational efficiency and market appeal. The lack of significant findings related to digital marketing highlights the need for targeted educational initiatives that equip MSME owners with skills and knowledge to effectively leverage digital platforms for marketing.

However, this study had several limitations. First, the study was conducted in a specific geographical area, which may limit the generalizability of the findings to other regions. Additionally, the cross-sectional design of the study captures a snapshot in time, which may not account for the dynamic nature of the MSME performance and market conditions. Furthermore, the sample size, although adequate, may not fully represent the diversity of MSMEs in Salatiga.

Future research should conduct longitudinal studies to observe changes in MSME performance over time, particularly as digital marketing practices evolve. Expanding this research to include a broader geographical scope could enhance the generalizability of the findings. Additionally, qualitative studies that explore the experiences of MSME owners regarding the challenges and successes of implementing financial technology and Islamic branching would provide valuable insights.

Author contributions

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