



# MSME Sustainability Strategy after Facing Covid-19 by Analyzing the Role of Crowdfunding and Digital Markets in Increasing Economic Growth by Using the Business Model Canvas Strategy and Analyzing the Market Structure as an Intervention Variable

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**Abstract:** The purpose of this study is to find out the MSME sustainability strategy after facing Covid-19 by analyzing the role of crowdfunding and digital markets in increasing economic growth by using the Business Model Canvas strategy and analyzing market structure as an intervening variable. This study uses a Mix Method research approach, namely a combination of quantitative and qualitative combinations. By using a combined method, it is expected to complement each other from the existing hypotheses. Quantitative emphasizes statistical test analysis techniques so that data is more accurate, while qualitative techniques emphasize process analysis of inductive thinking processes related to the dynamics of relationships between observed phenomena and always use scientific logic. The population in this study were all SMEs that used crowdfunding and microfinance services as many as 380 SMEs used the slovin formula, and 192 SMEs were used as samples with various backgrounds from various businesses. The results of this study are (1) there is an increase in economic growth in Indonesia if MSMEs use crowdfunding as an alternative to capital needs through the use of the Canvas Business Model (BMC), (2) there will be an increase in economic growth in Indonesia if MSMEs use digital markets as a marketing alternative. through structural analysis, (3) there is an increase in economic growth in Indonesia if MSMEs use Crowdfunding and digital markets through the use of the Canvas Business Model (BMC) and analyzing market structure.

**Keywords:** MSMEs sustainability, Crowdfunding, economic growth

## 1. Introduction

Crowdfunding is a collective funding effort to develop a business or business and an event activity (Jegelevičiūtė & Valančienė, 2015). You can do this through equity, donations, rewards, to debt crowdfunding. Crowdfunding, which is used by startups or novice businesses, has several advantages, such as a wider reach, being ability to attract potential investors, and an easy submission process. We can determine the system or type of crowdfunding needed, reduce competition from big startups, and gain momentum to build a strong consumer base. However, the success of crowdfunding also comes from strong business credibility, as well as unique, interesting, and informative business proposals, so investors will be very interested in your business development in the future.

It can be seen from Table 1 that the advantages of Crowdfunding are the most widely used for starting a business or startup because it has the advantage of making a Business Known Faster, can more easily attract Potential Investors, and Easier Funding Process Can Determine the selected Crowdfunding System, can determine funding system for your business, Reducing Competition, Building a Consumer Base, While the risk of Crowdfunding is that the submission of funds does not reach the target funds needed by MSMEs, MSME Business Ideas are vulnerable to Theft, Crowdfunding Platform Security is not optimal.

MSMEs have a very crucial role in the national economy (Mukole, 2010). Of the approximately 64.2 million existing MSMEs, it is recorded that MSMEs contribute more than 60% to Indonesia's GDP. Of the approximately 64.2 million MSME lists, only around 56 thousand are members of the MSME Digital Market (PADI UMKM). Meanwhile, MSMEs under the auspices of eight BUMNs (PP, Waskita, Wika, Pupuk Indonesia, Pertamina, BRI, Pegadaian, and PNM) total around 17 thousand. Later, gradually MSME actors who are already under the auspices of the eight SOEs can join PADI and become vendors for purchasing SOE goods and services.

**Table 1.** The advantages and risks of Crowdfunding

<b>Crowdfunding advantage (Golić, 2014)</b>	<b>Crowdfunding risks (Kuti &amp; Madarász, 2014)</b>
Get Your Business Known Faster	Not Reach Fund Target
Attract Potential Investors	Business Ideas Are Vulnerable to Theft
Easier fundraising process	Crowdfunding Platform Security
Can Determine Crowdfunding System	
Can determine a funding system that is suitable for MSMEs	
Reducing Competition	

**Table 2.** Advantages of the Digital Market for MSMEs and the Government

<b>Advantages of Digital Market for MSMEs</b>	<b>Advantages of Digital Market for government</b>
The planned distribution of costs	Verified MSMEs
Utilization of assets and transportation	Access to UMKM profiles
the emergence of a logistics company	Can Know SOE Expenditure Data
expand customer reach	

There are many categories of products/goods and services available at PADI UMKM. As mentioned above, 17 categories are currently listed as available at PADI UMKM, namely (1) Electronic Goods, Computers, and Peripherals, (2) Consulting and Assessment Services, (3) Health-Safety Equipment and Services, (4) Office Stationery, (5) Event Organizer Services, (6) Foreman and Other Labor Services, (7) Electronic and IT Maintenance Services, (8) Building Maintenance Services, (9) Vehicle Maintenance Services, (10) Printing Services and Media, (11) Travel and Accommodation Services, (12) Convection and Laundry Products/Goods/Services, (13) Education and Training Products/Goods/Services, (14) Vehicle Rental and Procurement Services, (15) Products/Goods/ Agriculture and Livestock Services, (16) Building Rental Services, (17) Souvenir and Merchandise Products/Goods/Services. For Micro, Small, and Medium Enterprises, of course, there are many benefits that you can get when you join the MSME Digital Market. The features in PADI UMKM strongly encourage Indonesian MSMEs to increase their competency and systematically develop MSMEs on a national and global scale to become the main driver of the nation's economy (1) Local and global e-commerce access, (2) MSMEs will get access to sell on e-commerce market both at home and abroad, (3) Ease of financing process. MSMEs can submit requests for financing from trusted SOEs, such as BRI Bank, Pegadaian, and PNM (1) A definite market in BUMN companies, namely MSMEs do not need to bother marketing their products because they have already got regular customers from SOE companies, (2) Payment certainty, namely MSMEs can get certainty of payment because it is directly monitored by management and the Ministry of SOEs, (3) Feedback and product evaluation, namely MSMEs can immediately get suggestions to improve the quality of the products or services they sell.

It can be seen from the Table 2 that the Government also benefits from the presence of PADI UMKM, namely the Government gets access to MSME data throughout Indonesia which has been verified by the PADI team, the Government gets access to the complete profile of UMKM throughout Indonesia to determine related programs or policies MSMEs, the Government can monitor SOE spending data and SOE companies more easily. The benefits of PADI UMKM also don't end there, BUMN & Industry also benefit from the presence of PADI UMKM Quality and verified local product suppliers. Namely BUMN & Industry do not need to bother looking for trusted partners when they need to procure goods and services, Price and quality certainty, namely BUMN & Industry will get competitive price and quality offers from verified MSMEs. The advantage of PADI UMKM for financing owners is the distribution of planned costs, namely the financing company as a fund owner can distribute financing funds in a clearer and planned manner. Logistical advantages with the presence of PADI UMKM, namely the use of assets and logistics transportation. Logistics companies get more clients and can utilize assets and logistics transportation better, Expanding the last mile to the location of MSMEs, namely logistics companies can reach customers to the point of the location where MSMEs as sellers are located.

The purpose of this study is to find out several things, namely to find out the role of crowdfunding and digital markets in increasing economic growth by using the Business Model Canvas strategy and market structure analysis as intervening variables, namely whether (1) there is an increase in economic growth if MSMEs use crowdfunding

as a solution to increase capital by using the Canvas Business model as an intervening variable (2) is there an increase in economic growth if MSMEs use the digital market as a solution to increase capital by using the Quick Response policy as an intervening variable, (3) is there an increase in economic growth if MSMEs use crowdfunding and the digital market as a solution for increasing capital by using the Quick Response policy and the Canvas model Business strategy as intervening variables.

### 1.1 Identification

From the background above, the identification of the problem is as follows (1) Crowdfunding as an alternative to MSME capital needs, (2) MSMEs carry out marketing on the Digital Market, (3) Business Model Canvas (BMC) as an alternative strategy for SMEs in determining policy, (4) Digital Market As an alternative to product marketing, (5) The decline in people's purchasing power, (6) Declining economic growth.

### 1.2 Problem Formulation

This research is used to find out several things related to (1) Will there be an increase in economic growth if MSMEs use Crowdfunding as a solution to increase capital by using the Canvas Business model as an intervening variable, (2) Will there be an increase in economic growth if MSMEs use the digital market as a solution to increase capital by using market structure analysis as an intervening variable, (3) Will there be an increase in economic growth if MSMEs use Crowdfunding and Digital Markets as solutions for increasing capital by using market structure analysis and the Canvas model Business strategy as intervening variables.

## 2. Methodology

This study uses a Mix Method research approach (Creswell, 1999), which is a combination of quantitative and qualitative combinations. Using the combined method is expected to complement each other from the existing hypotheses. Quantitative emphasizes the technical analysis of statistical tests so that the data is more accurate, and qualitative techniques emphasize the analysis of the process of inductive thinking processes related to the dynamics of the relationship between observed phenomena and always use scientific logic.

Where this method is a way of formulating and interpreting existing data to provide a clear picture and provide solutions on how to empower MSMEs through crowdfunding in Indonesia by using (1) Observing social phenomena, identifying, revising, and re-checking the data. which exists. (2). Categorize the information obtained. (3). Tracing and explaining the categorization. (4). Explain the categorization relationship. (5). Draw general conclusions. (6). Build or explain a theory.

### 2.1 Research Variable

In this study, the variables used are (1) Crowdfunding Type consisting of, Donation-Based, Reward-Based, Debt-Based, and Equity-Based. (2) The digital SMEs market consists of Bank Mandiri, BRI, BNI, BTN, Telkom, Pertamina, PNM, Pegadaian, Wijaya Karya, Waskita Karya, PT PP, Pupuk Indonesia. (3) Market Structure consisting of the size of the distribution of the seller, the number and size of the distribution of buyers, product differentiation, barriers to market entry, fee structure, vertical integration, conglomerate (4) Business Model Canvas (consisting of Customer segments, Value proposition, Customer relationship, Key activities, Revenue Streams, Channels, Key Resources, Cost Structure, Key Partnership, (5) Economic growth, National Income, Real income per capita, Increasing people's income, Increased welfare in a country, Reducing unemployment.

### 2.2 Population and Sample

The population in this study are all MSMEs that use Crowdfunding services as many as 380 MSMEs use the slovin formula (Slovin, 1960), then 192 MSMEs are used as samples with various backgrounds from various businesses.

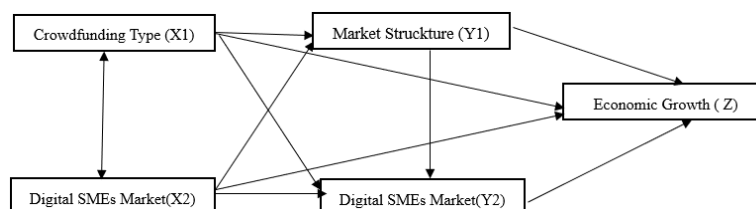
### 2.3 Framework of Thinking

Based on Figure 1 the framework of thinking is the role of crowdfunding (X1) and digital markets (X2) in increasing economic growth (Z) by using the Canvas model business strategy(Y1) and analyzing market structure as an intervening variable (Y2).

Whereas the impact of the Covid-19 pandemic has affected MSMEs in Indonesia (Setyoko & Kurniasih, 2022), many MSMEs have experienced a decrease in income as a result of the government's policy restrictions, to overcome these problems, MSMEs use crowdfunding as an alternative to capital problems, while the government

is trying to help MSMEs in marketing MSME products through the Digital Market, while to improve MSME skills, the government provides training on market structure and the Business Model Canvas which hopes to increase economic growth through employment and product sales from MSME.

It can be seen in Table 3. The research variables are crowdfunding type (X1), MSME Digital Market (X2), Market Structure, Business Model Canvas, and economic growth (Z). The relationship between variables, namely the role of crowdfunding and the MSME digital market in increasing economic growth (Z) with market structure (Y1) and Business Model Canvas (Y2) as intervening variables.



**Figure 1.** Framework of thinking

**Table 3.** Research variable

No	Variable	Indicator	Indicator
1	Crowdfunding Type (X1) Meyskens & Bird (2015)	X1.1	Donation Based.
		X1.2	Reward Based.
		X1.3	Debt Based.
		X1.4	Equity Based.
2	Digital SMEs market (X2)	X2.1	Bank Mandiri
		X2.2	BRI
		X2.3	BNI
		X2.4	BTN
		X2.5	Telkom
		X2.6	Pertamina
		X2.7	PNM
		X2.8	Pegadaian
		X2.9	Wijaya Karya
		X2.10	Waskita Karya
		X2.11	PT PP
		X2.12	Pupuk Indonesia.
3	Market Structure(Y1) Shubik & Levitan (2013)	Y1.1	The size of the distribution of the seller
		Y1.2	The number and size of the distribution of buyers
		Y1.3	Product differentiation
		Y1.4	Barriers to market entry
		Y1.5	Fee structure
		Y1.6	Vertical integration
		Y1.7	Conglomerate
4	Business Model Canvas(Y2) Joyce & Paquin (2016)	Y2.1	Customer segments
		Y2.2	Value proposition
		Y2.3	Customer relationship
		Y2.4	Key activities
		Y2.5	Revenue Streams
		Y2.6	Channels
		Y2.7	Key Resources
		Y2.8	Cost Structure
		Y2.9	Key Partnership
5	Economic growth(Z) Grossman & Krueger (1995)	Z1.1	National Income
		Z1.2	Real income per capita
		Z1.3	Increasing people's income
		Z1.4	Increased welfare in a country
		Z1.5	Reducing unemployment

### 3. Results

The validity test functions to test the extent to which the measuring instrument (instruments) used can measure the indicators or variables under study. 48 questions represent all variables to be tested for quality. The results of the validity and reliability of 37 questions become research instruments processed using AMOS 20 with the

provisions of the instrument can be said to be valid if it has a correlation coefficient  $<0.05$ . The results of the validity test can be seen from the construct confirmatory test which can be seen in Table 4.

In Figure 2 Structural Equation Modeling (SEM) Analysis it can be seen that the relationship between the variables is positive so it can be concluded that the variables in this study have a significant positive effect. The variables involved in the research are (1) crowdfunding, (2) the market digital UMKM, (3) business model canvas, (4) market structure, (5) economic growth.

To see whether the hypothesis is accepted or rejected, it can be done by looking at the value of the critical ratio (CR) and probability value (P) of the results of data processing. If the results show a CR value above 1.96 and a probability value below 0.05, the hypothesis proposed in this study is accepted. Based on Table 5, it is known that each variable forming indicator shows results that meet the criteria, namely  $CR \geq 1.96$  with probability  $\leq 0.05$ . From these results, it can be said that the indicators forming variables are significant indicators of the factors involved in the study, namely (1) Crowdfunding, (2) the MSME digital market, (3) the business model canvas, (4) market structure, (5) economic growth. Thus it can be concluded that the construct of the role of crowdfunding and digital markets in increasing economic growth by using the Business Model Canvas strategy and analyzing market structure is acceptable.

Testing this hypothesis is to analyze the Critical Ratio (CR) value and the Probability (P) value of the data processing results, compared with the required statistical limits, which are above 1.96 for the CR value and below 0.05 for the P value. Based on Table 5, it can be explained the relationship between variables as follows: This research is used to find out several things related to:

(1) Explain whether there is an increase in economic growth if MSMEs use Crowdfunding as a solution to increase capital by using the Canvas Business model as an intervening variable Based on the table in column P above, the effect of economic growth if MSMEs use Crowdfunding as a solution for increasing capital using the Canvas Business model as an intervening variable shows  $CR 2.816 < 1.96$  and  $P 0.965 > 0.05$ . Thus it can be said that Crowdfunding supports and can be stated that it has a significant positive effect on increasing economic growth.

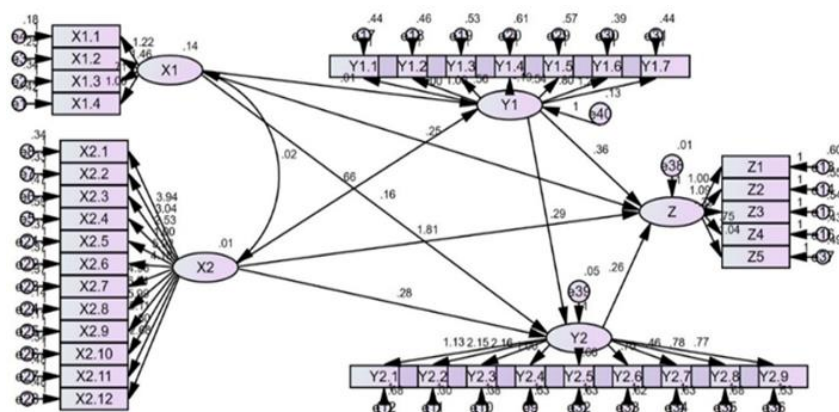
(2) Explain whether there is an increase in economic growth if MSMEs use digital markets as a solution to increase capital by using market structure analysis as an intervening variable. Based on the table in column P above, the effect of economic growth, if MSMEs use Crowdfunding as a solution for increasing capital using the Canvas Business model as an intervening variable, shows  $CR 4.866 < 1.96$  and  $P 0.082 > 0.05$ . Thus it can be said that Crowdfunding supports and can be stated that it has a significant positive effect on increasing economic growth.

(3) Explain whether the increase in economic growth if MSMEs use Crowdfunding and Digital Markets as a solution to increase capital by using market structure analysis and the Business strategy Canvas model as intervening variables.

**Table 4.** Confirmatory Test Results

Goodness of fit	Cut off value	Hasil	Information
Chi-square	11,07	9,334	Good
Probability	$\geq 0,05$	0,122	Good
CMIN/DF	$\leq 2,00$	1,849	Good
GFI	$\geq 0,90$	0,986	Good
AGFI	$\geq 0,90$	0,992	Good
TLI	$\geq 0,95$	0,997	Good
CFI	$\geq 0,90$	0,900	Good
RMSEA	$\leq 0,08$	0,007	Good

Source: Data processed



**Figure 2.** Structural Equation Modeling (SEM) Analysis



**Table 5.** Variable Regression Results

			Estimate	S.E.	C.R.	P	Label
Y1	<---	X1	0.008	0.157	2.816	0.965	par_33
Y1	<---	X2	0.662	0.999	3.456	0.508	par_34
Y2	<---	X1	0.158	0.107	4.087	0.137	par_35
Y2	<---	X2	0.278	0.517	5.546	0.599	par_36
Y2	<---	Y1	0.288	0.133	4.866	0.082	par_40
Z	<---	Y1	0.357	0.202	3.188	0.077	par_37
Z	<---	Y2	0.262	0.225	5.546	0.243	par_38
Z	<---	X1	0.254	0.163	4.866	0.119	par_41
Z	<---	X2	0.814	0.682	3.188	0.281	par_42
X1.4	<---	X1	1				
X1.3	<---	X1	0.706	0.169	4.173	***	par_1
X1.2	<---	X1	1.457	0.271	5.375	***	par_2
X1.1	<---	X1	1.224	0.233	5.258	***	par_3
X2.4	<---	X2	1				
X2.3	<---	X2	2.525	2.203	1.146	***	par_4
X2.2	<---	X2	3.042	2.554	1.191	***	par_5
X2.1	<---	X2	3.945	3.266	1.208	***	par_6
Y2.4	<---	Y2	1				
Y2.3	<---	Y2	2.161	0.591	3.654	***	par_7
Y2.2	<---	Y2	2.149	0.622	3.454	***	par_8
Y2.1	<---	Y2	1.126	0.457	2.464	***	par_9
Z1	<---	Z	1				
Z2	<---	Z	1.094	0.459	2.382	***	par_10
Z3	<---	Z	0.729	0.368	0.894	***	par_11
Z4	<---	Z	0.753	0.363	2.073	***	par_12
Y1.1	<---	Y1	1				
Y1.2	<---	Y1	1.001	0.283	3.537	***	par_13
Y1.3	<---	Y1	0.556	0.251	2.212	***	par_14
Y1.4	<---	Y1	0.187	0.241	0.774	***	par_15
X2.5	<---	X2	5.921	4.816	1.229	***	par_16
X2.6	<---	X2	4.183	3.456	1.214	***	par_17
X2.7	<---	X2	4.958	4.087	1.213	***	par_18
X2.8	<---	X2	6.806	5.546	1.229	***	par_19
X2.9	<---	X2	5.989	4.866	1.231	***	par_20
X2.10	<---	X2	5.108	4.188	1.228	***	par_21
X2.11	<---	X2	0.799	0.971	0.822	***	par_22
X2.12	<---	X2	2.677	2.307	1.161	***	par_23
Y1.5	<---	Y1	0.544	0.258	2.112	***	par_24
Y1.6	<---	Y1	0.867	0.285	2.809	***	par_25
Y1.7	<---	Y1	1.202	0.346	3.478	***	par_26
Y2.5	<---	Y2	0.659	0.373	1.769	***	par_27
Y2.6	<---	Y2	0.699	0.403	1.734	***	par_28
Y2.7	<---	Y2	0.459	0.328	1.397	***	par_29
Y2.8	<---	Y2	0.776	0.408	1.903	***	par_30
Y2.9	<---	Y2	0.771	0.365	2.11	***	par_31
Z5	<---	Z	1.048	0.471	2.21	***	par_32

Source: Data processed

Based on the table in column P above, the effect of economic growth, if MSMEs use Crowdfunding as a solution to increase capital by using the Canvas Business model as an intervening variable, shows CR  $3,188 < 1.96$  and P  $0.077 > 0.05$ . Thus, it can be said that Crowdfunding supports and can be stated that it has a significant positive effect on increasing economic growth.

#### 4. Discussion

That there is an increase in economic growth if MSMEs use Crowdfunding as a solution to increase capital by using the Canvas Business model as an intervening variable. This is in line with research from (Scheuerer et al., 2021) that there will be an increase in economic growth if MSMEs access technological financial capital that has the latest technology compared to conventional banks, so MSME businesses that use the canvas business model have solutions. in the capital to increase economic growth. MSMEs by making changes using the canvas business model as internal improvements and using financial technology in the form of crowdfunding as an alternative to capital can increase economic growth by creating job opportunities and reducing unemployment, In line with

research conducted by Eniola & Entebang (2015) which states that increased economic growth is influenced by MSMEs that innovate in their businesses so that they can create job opportunities thereby increasing economic growth.

That there is an increase in economic growth if MSMEs use the digital market as a solution to increase capital by using market structure analysis as an intervening variable. that the results of data analysis show that digital finance has a positive and significant effect on financial performance, digital payments have a positive and significant effect on financial performance and digital marketing has a positive effect and significant to financial performance. The findings of this study can provide benefits for MSME actors in developing their businesses to improve business performance, taking into account aspects of MSME digitization and the financial literacy of MSME actors. Keep in mind, the important role of information technology in business activities requires entrepreneurs to increase their digital literacy. This is in line with research by Handoyo (2015) which states that there is an economic increase if MSMEs use digital markets as a solution to getting consumers to sell their products which is supported by the government by issuing regulations.

That there is an increase in economic growth if MSMEs use Crowdfunding and Digital Markets as a solution to increase capital by using market structure analysis and the Business strategy Canvas model as intervening variables. This is in line with research conducted by (Andersen, 2015). That innovations from SMEs that use the Business Model Canvas will be able to adapt in achieving technological advances, especially in digital markets which have an impact on increasing the economic growth of society, especially SMEs that apply the Business Model Canvas.

## **5. Conclusion**

### **5.1 The results of this study are:**

(1) That there is an increase in economic growth if MSMEs use Crowdfunding as a solution to increase capital by using the Canvas Business model as an intervening variable, (2) That there is an increase in economic growth if MSMEs use the digital market as a solution to increase capital by using market structure analysis as an intervening variable, (3) That there is an increase in economic growth if MSMEs use Crowdfunding and Digital Markets as a solution to increase capital by using market structure analysis and Business strategy Canvas model as intervening variables.

### **5.2. Some of the limitations of this study are:**

(1) Whereas the total population in this study is all MSMEs that use Crowdfunding services that are authorized by the financial services authority, for now, the Crowdfunding that is legalized by the financial services authorities is increasing so additional population and samples are needed, (2) That the SMEs participating in crowdfunding are in big cities that have good internet networks so in the future it is hoped that further researchers will consider the distribution of SMEs from various regions even without a good internet network. (3) The object of research is only focused on crowdfunding even though many of the institutions collect funds for the benefit of MSMEs, (4) Regarding the performance of MSMEs, there are other factors that the authors have not included in this study. It is hoped that in the future, they can pay attention to the sustainability factors of MSMEs, namely SWOT analysis, and internal and external factors of MSMEs that influence the success rate of MSMEs.

### **5.3 Recommendation**

(1) For MSMEs, It is hoped that MSMEs will make internal improvements, namely by implementing innovation from several critical success factors for MSMEs, for example in the payment system, MSME financing literacy, (2) For the Government, It is hoped that there will be synergy, (3) Between institutions that have an interest in empowering MSMEs so that MSMEs will increase in financial literacy or solve problems that occur in MSMEs, not only capital problems but internal MSME problems, for example providing bookkeeping training and other training that is expected to improve MSME performance, (4) For Further Researchers, It is hoped that it can review external aspects that have not been studied, for example, government policies, raw material factors, and technological development factors.

### **Author Contributions**

This research can be used by the government as a basis for analyzing the role of crowdfunding and digital markets in increasing economic growth, especially in making crowdfunding regulations and digital markets for the sustainability of MSMEs in facing digital progress.

## Funding

This research was funded by a team of research groups that focused on improving the performance of MSMEs so that it affected increasing economic growth after the Covid-19 pandemic.

## Informed Consent Statement

By using a letter of cooperation between researchers and the government, the Indonesian Crowdfunding Association, statements from these informants can be more objective and produce accurate data according to needs.

## Data Availability

For the study population, namely crowdfunding owners, MSME owners who use funds through crowdfunding and the government as well as from the OJK. For qualitative data analysis, researchers used 15 participants with ALUDI member participants 4 participants, UMKM ALUDI members 8, ALUDI Chair 1 Parisipan, OJK 1 Participant, and Government (Cooperative and UMKM services) 1 participant, while for quantitative data the researcher used the slovin formula with a population of 370, the sample used was 192 UMKM that partnered with ALUDI with a tolerance level of 5%.

## Acknowledgments

Thank you to the government, the Indonesian Crowdfunding Association, MSMEs, and all parties who assisted in completing scientific articles.

## Conflicts of Interest

There is no conflict of interest between various parties because collaboration is established to be able to improve MSME performance which has an impact on increasing economic growth, this research supports the involvement of various parties in improving MSME performance which has an impact on increasing economic growth after the Covid-19 pandemic.

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