

# The Role of Digital Literacy in Optimizing Social Media for MSMEs in the Digital Economy Era

Adhi Susano

Indraprasta PGRI University, Indonesia

Address : Nangka Raya No.58 C road, RT.7/RW.5, Tj. Bar., Jagakarsa District, South Jakarta City,  
Special Capital Region of Jakarta 12530, Indonesia

Author's Correspondence : [adhi.susano@gmail.com](mailto:adhi.susano@gmail.com)

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**Abstract:** In today's rapidly evolving digital landscape, business operators must adeptly understand and evaluate information, particularly in digital formats. Within the realm of social media, digital literacy is indispensable, enabling individuals and organizations not only to utilize these platforms but also to harness them strategically and securely. Proficiency in digital literacy, which includes a comprehensive understanding of various social media features, is crucial for SMEs striving to achieve their business objectives through social media. The impact of digital literacy on social media utilization by SMEs is profound. With robust digital literacy skills, SMEs can refine their marketing strategies, produce compelling content, manage customer interactions efficiently, and safeguard their enterprises from digital threats. Conversely, insufficient digital literacy can hinder SMEs' ability to capitalize on social media opportunities and fully realize their potential. Consequently, advancing digital literacy is vital for SMEs to remain competitive and thrive in today's digital marketplace.

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## 1. INTRODUCTION

In the modern era, business operators are confronted with the need to understand and evaluate information effectively, especially in digital formats. This capability, known as digital literacy, encompasses the understanding and ability to navigate and assess information received through digital technologies, including the Internet. Digital literacy enables individuals to use the Internet as a primary tool for seeking information and integrating data from various sources provided by computers. Consequently, business operators, particularly those in the small and medium enterprise (SME) sector, to possess digital literacy skills to develop their businesses and contribute to the community's economy.

MSMEs play an important role in the economy of many countries, including Indonesia, as they contribute greatly to job creation, poverty reduction, and economic prosperity. Along with the rapid development of technology, especially the internet and social media, MSMEs have encountered new challenges and opportunities that must be utilized effectively to maintain and grow their businesses. Social media, including Facebook, Instagram, Twitter, and TikTok, offer a potential marketing tool. This platform not only provides a cost-effective

channel for promoting products and services but also allows SMEs to interact directly with customers and build closer relationships.

The shift in the marketing landscape today is influenced by technological advancements and the transition from conventional (offline) marketing to digital (online) marketing. Prospective customers can now access information about products and conduct transactions online, making digital marketing more advantageous. Digital marketing involves market promotion and research through digital media, such as social networks, which can be seamlessly integrated into daily life. The virtual world now connects people with electronic devices and others globally, enabling entrepreneurs to expand their market reach.

The information technology is not only limited to internal administration but has also penetrated digital marketing. Information technology facilitates the distribution of promotions with a wider reach and allows efficient product sales transactions.[4] Digital marketing encompasses marketing and branding activities that leverage web-based media such as blogs, websites, AdWords advertising, and various social media platforms.

However, to fully harness the potential of social media, adequate digital literacy is essential. In this context, digital literacy involves the skills and knowledge necessary to use digital technologies effectively, safely, and ethically. It includes an understanding of digital tools and applications, the ability to critically evaluate information, and awareness of security and ethical considerations in social media use. Without sufficient digital literacy, SMEs may struggle to maximize social media's benefits, leading to resource wastage, missed business opportunities, and negative impacts on brand reputation.

Reports from various research institutions indicate that many SMEs still face gaps in digital literacy, particularly regarding digital marketing strategies and social media usage. While SMEs may have a basic understanding of social media, they often lack advanced strategies such as data analysis, advertising campaign management, and online customer relationship management. These deficiencies can hinder their ability to optimally leverage social media to attract new customers, retain existing ones, and increase sales.

Understanding and applying robust digital literacy principles is crucial for safeguarding businesses and optimizing the use of digital technology. Digital literacy impacts not only how SMEs use social media but also how they design and implement business strategies in the digital age. Knowledge of social media features for market segmentation, personalized communication, and campaign analysis can provide a significant competitive advantage.

Conversely, a lack of skills in these areas can lead to suboptimal outcomes and potential losses for businesses.[6] Therefore, this study aims to explore the role of digital literacy in optimizing social media for MSMEs in the digital economy era. By understanding the relationship between digital literacy and social media usage, it is expected that the findings can provide valuable insights for MSMEs in developing more effective digital marketing strategies and optimizing the potential of social media for their business growth.

## **2. METHOD**

### **Method**

The research method employed in this study is descriptive analysis through a literature review related to the use of digital technology by business operators. This study also aims to gather information from secondary data sources such as published journals. Meanwhile, technology offers numerous conveniences, but not all business operators fully adopt the available technology. Some issues arising in such situations include financial constraints, the quality of human resources in adoption, and a persistent reliance on conventional marketing methods. This study aims to understand the role of digital literacy in optimizing social media for SMEs in the digital economy era.

### **Approach**

The descriptive analysis approach is used to describe and analyze the phenomena occurring in the use of digital technology by business operators, particularly SMEs, and how digital literacy impacts the optimization of social media. The research seeks to present comprehensive and detailed data on the current state, as well as identify patterns or trends in the adoption of digital technology and the use of social media by SMEs. A literature review is the primary method in this study. By examining a range of pertinent literature sources, including published journals, scientific articles, books, and prior research reports, this study seeks to collect and synthesize information, explore issues and challenges, and evaluate solutions and best practices. The data collected from the literature review are analyzed through categorization and classification, qualitative analysis, and the identification of patterns and trends.

### **3. RESULT AND DISCUSSION**

#### **Digital Literation about Social Media**

According to Paul Gilster in his book "Digital Literacy," Digital literacy is the ability to understand and use information in various formats and from a wide range of sources, which can be accessed through computer devices. Meanwhile, Bawden offers a new view of digital literacy that is rooted in computer literacy and information literacy. Key elements of digital literacy include various skills that need to be mastered in information and communication technology.

Digital literacy refers to the ability to use information and communication technology effectively, encompassing various aspects such as mastering technological devices, critically searching for and evaluating information, and understanding digital ethics and security. In social media, digital literacy is crucial for ensuring that individuals or organizations can not only use these platforms but also leverage them strategically and securely. Digital literacy includes understanding various social media features, such as analytics tools, privacy settings, and effective marketing techniques, which are essential for SMEs to use social media to achieve their business objectives.

Social media has become a highly influential platform in business marketing and communication strategies. Platforms such as Facebook, Instagram, Twitter, and LinkedIn offer SMEs the opportunity to reach a broad audience at relatively low costs. However, to effectively leverage social media, SMEs must understand how algorithms work, how to create engaging content, and how to interact productively with their audience. Digital literacy enables SMEs to develop more sophisticated marketing strategies by utilizing social media features such as paid advertising, data analytics, and sentiment monitoring. Without these skills, SMEs may not fully capitalize on the potential offered by these platforms. According to Stee Wheeler, there are nine essential elements in the realm of digital literacy as follows:

a. **Social Networking**

Social Networking involves the rapid development of social networking applications that offer various features. Using social networking services requires selectivity and caution. Knowledge and understanding of the basic functions of each feature offered by social networking sites are crucial. Additionally, ethical considerations in the use of social networking should be observed. Digital literacy aids in understanding and implementing effective social networking practices.

b. Transliteracy

Transliteracy is defined as the ability to utilize various platforms to create, gather, share, and communicate content through different social media, discussion groups, smartphones, and available online services.

c. Maintaining Privacy

Maintaining Privacy involves knowledge of various types of cybercrimes, such as credit card theft (carding), phishing sites, and email fraud. Displaying online identities in a limited manner can help prevent unwanted issues.

d. Managing Identity

Managing Digital Identity includes skills in using appropriate identities across different platforms and social networks.

e. Creating Content

Creating Content involves skills in producing content using various online applications and platforms such as PowToon, Prezi, blogs, forums, and wikis, as well as e-learning platforms.

f. Organizing and Sharing Content

The ability to manage and share information to enhance its dissemination. For example, using social bookmarking sites to facilitate access to information by multiple users on the internet.

g. Reusing/Repurposing Content

The ability to process and adapt existing information to create new content for myriad purposes. A practical example is a teacher creating Creative Commons-licensed teaching materials, uploading them to Slideshare, and allowing others to download and update the content as needed.

h. Filtering and Selecting Content

The skill of searching, filtering, and selecting relevant content according to needs using search engines on the web.

i. Self Broadcasting

Self-broadcasting involves spreading personal ideas and multimedia content through various platforms such as blogs, forums, or wikis. It reflects engagement in online communities.

With adequate digital literacy, SMEs can use this data to make more informed decisions, identify market trends, and adjust their marketing strategies to better align with the

needs and preferences of their audience. It also enables SMEs to conduct ongoing performance evaluations and optimize their marketing budgets. Digital literacy also includes understanding security and ethics in social media use. SMEs must be aware of risks associated with social media, such as cybersecurity threats, privacy breaches, and copyright issues. Good digital literacy skills will help SMEs protect their data, manage social media account security, and ensure compliance with relevant regulations and online ethics. It is crucial for maintaining a business reputation and avoiding potential losses arising from these issues.

In the discussion of this sub-chapter, it can be said that strong digital literacy not only helps MSMEs manage social media efficiently but also allows them to innovate and adapt quickly to changing digital trends. With the ability to utilize social media strategically, MSMEs can increase brand visibility, build better relationships with customers, and swiftly respond to market dynamics. Therefore, investment in digital literacy and relevant training is essential for MSMEs to compete in today's increasingly competitive and digital-based market.

### **The Influence of Digital Literacy on the Social Media Usage by MSMEs**

In the era of the industrial revolution 4.0, which is marked by rapid progress in digital technology, digital literacy is a key factor in optimizing the use of social media by Micro, Small, and Medium Enterprises (MSMEs). Digital literacy includes the skills and knowledge needed to use digital technology effectively and safely. For MSMEs, good digital literacy not only makes daily operations easier but also allows them to utilize social media as an effective marketing and communication tool. As social media develops as a primary marketing platform, MSMEs need to understand and employing the various features and tools provided to achieve optimal results.

One of the primary impacts of high digital literacy is the enhanced effectiveness of SMEs' digital marketing strategies. SMEs with strong digital literacy skills can develop and implement more strategic and data-driven marketing approaches. Social media platforms like Facebook, Instagram, Twitter, and LinkedIn offer various analytical tools that allow SMEs to track campaign performance in real time. By analyzing this data, SMEs can identify trends and patterns in audience behavior, measure ad effectiveness, and adjust their strategies to improve results. For instance, if data shows that a particular ad has a high conversion rate, SMEs can allocate more budget to that or modify the approach for less effective ads.

Digital literacy also plays a crucial role in creating engaging and relevant content. SMEs proficient in digital literacy understand the importance of producing content that is visually appealing and carries a strong, relevant message for their target audience. They can utilize various content formats, such as images, videos, infographics, and effective storytelling techniques to capture attention and boost user engagement. Well-crafted content helps build a strong brand identity, enhances customer loyalty, and motivates the audience to take actions such as making purchases or sharing content with their networks.

Digital literacy also influences SMEs' ability to quickly adapt to changing trends and market dynamics. Social media is a dynamic platform where consumer trends and preferences can shift rapidly. SMEs with strong digital literacy skills can swiftly capitalize on new trends, adjust their content, and respond effectively to market changes. They can monitor customer feedback and sentiment in real-time, identify new opportunities, and adapt their strategies. This provides SMEs with a competitive edge in a highly competitive and fast-evolving market.

The advancement of digital technology also increasingly expands SMEs' networks and partnerships, enhancing accessibility and reducing cost inefficiencies. It contrasts with SMEs that still rely on conventional methods. Leveraging social media can significantly drive revenue growth, prompting business operators to invest in enhancing their technological skills and strategies.

However, a lack of digital literacy can hinder SMEs' ability to fully leverage social media. SMEs without adequate digital skills may struggle to design effective marketing campaigns, manage customer interactions, and secure their social media accounts. For example, without an understanding of proper digital marketing techniques, SMEs might face challenges in targeting relevant audiences or managing marketing budgets efficiently. Additionally, deficiencies in social media management skills can lead to ineffective customer interactions, negatively impacting brand reputation and customer relationships.

Furthermore, digital literacy impacts risk management and security on social media. SMEs that grasp digital security principles can protect their data, prevent hacking, and avoid other security threats. They can manage privacy settings effectively, recognize and address potential risks, and safeguard their brand reputation from cyberattacks or other issues. Strong digital literacy helps SMEs maintain the integrity and security of their business, which is crucial in an increasingly complex digital environment.

Overall, digital literacy has a profound impact on various aspects of social media use by MSMEs. With adequate digital literacy, SMEs can optimize their marketing strategies, create compelling content, manage customer interactions effectively, and protect their businesses from digital risks. Conversely, digital literacy inadequacy can limit MSMEs' potential to fully leverage social media and capitalize on available opportunities. Therefore, enhancing digital literacy should be a primary focus for SMEs to ensure they can compete effectively and thrive in digital marketplace.

#### **4. CONCLUSION**

Digital literacy has become a decisive factor in the effectiveness of social media use by SMEs, particularly in the era of Industry 4.0 and moving towards 5.0. The ability to use digital technology effectively and securely enables SMEs to leverage social media as a powerful and strategic marketing tool. High digital literacy facilitates the development of well-planned marketing strategies, analytical tools to track performance, and the necessary adjustments to improve campaign results. With these skills, SMEs can enhance brand visibility, attract relevant audiences, and ultimately increase sales and business growth.

Digital literacy plays a crucial role in creating engaging and relevant content. SMEs skilled in digital literacy can produce content that not only captures attention but also strengthens their brand position in the market. Quality content creation, whether through images, videos, or narratives, helps build stronger relationships with customers, boosts engagement, and fosters brand loyalty. Effective content contributes to a positive customer experience and motivates the audience to further engage with the business.

Digital literacy is a critical element in the success of social media marketing for SMEs. To achieve optimal results, SMEs need to invest in developing their digital literacy skills in marketing strategy, content creation, customer interaction management, and risk management. With adequate digital literacy, SMEs can effectively utilize social media, quickly adapt to market dynamics, and gain a competitive edge in an increasingly digital business environment. Therefore, enhancing digital literacy should be a priority for SMEs to ensure success and sustainability in this digital era.



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