

The Influence of Product Innovation and Digital Marketing on MSME Performance Through Risk Taking as an Intervening Variable

Naning Istiawanti¹, Nurul Qomariah², Nursaid³
¹²³Universitas Muhammadiyah Jember, Indonesia
Correspondent : nurulqomariah@unmuhjember.ac.id²

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ABSTRACT: The issuance of Law Number 20 of 2008 concerning MSMEs which was revised again into Government Regulation Number 7 of 2021 regulating the convenience, protection and empowerment of MSMEs is considered to be less than optimal. Many millennials open MSMEs but do not last long due to discontinuous demand, capital constraints and limited raw materials. Several policies have been taken by the government to protect MSMEs to develop and survive, but they have not run optimally as expected. Therefore, this study was conducted with the aim of directly or indirectly determining the influence of product innovation and digital marketing on MSME performance through risk taking as an intervening variable on MSMEs in Banyuwangi Regency. This study is a quantitative study with a research population of MSMEs selling food in Banyuwangi Regency. The population in this study were MSMEs in Banyuwangi Regency who received assistance from the Industry, Trade and Cooperatives Service totaling 1263 MSMEs. The sampling technique used nonprobability sampling with a purposive sampling technique to obtain a sample of 125 MSMEs. The sample of this study is MSMEs in Banyuwangi Regency that sell food and use digital marketing with a population of 125 business units. The analysis technique used is the Structural Equation Model (SEM) using WarpPLS 7.0. The results of data analysis show that the product innovation variable does not have a significant effect on risk taking, digital marketing has a significant effect on risk taking, product innovation has a significant effect on MSME performance, digital marketing has a significant effect on MSME performance, risk taking does not have a significant effect on MSME performance. Indirectly, product innovation and digital marketing have a significant effect on MSME performance through risk taking.

Keywords: Product Innovation, Digital Marketing, Risk Taking, MSME Performance



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INTRODUCTION

With the rapid increase in Indonesia's population and the increasing number of unemployed, the government is pushing to create their own jobs. This has made most people take the initiative to

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become entrepreneurs themselves, especially millennials who are now directly involved in becoming entrepreneurs. Moreover, the government issued Law No. 20 of 2008 concerning MSMEs which was revised again into Government Regulation No. 7 of 2021 regulating the convenience, protection and empowerment of MSMEs. Micro, Small and Medium Enterprises (MSMEs) are a group of productive businesses that generally come from individual or group businesses, as well as businesses that already have a legal entity or that do not have a legal entity ([Diana et al., 2022](#)). This central government program is also supported by the Banyuwangi Regency Government. The Banyuwangi Regent strongly supports young people who are still productive and housewives who have the skills to create their own businesses at home to increase family income. Several superior innovation programs have also been inaugurated by the Banyuwangi Regency Government to raise the class of Banyuwangi society from micro businesses to small businesses. Based on the role of MSMEs in the economy in Banyuwangi Regency, it is very large to increase per capita income. The performance of these MSMEs can be measured from various criteria including financial performance, non-financial performance, sales and customer growth, profits, and turnover. However, the existence of MSMEs in Banyuwangi Regency experiences several obstacles and barriers in the field including low demand for products, lack of government support, capital and limited procurement of raw materials. This is what makes some MSMEs not develop and compete with the global world.

Based on information from the Banyuwangi Regency Trade and Industry Office, it was stated that the number of MSMEs receiving assistance in Banyuwangi Regency over a period of 5 years has fluctuated. This indicates that the performance of MSMEs has changed and increased in the past 5 years. MSMEs do contribute 60% to domestic products in Indonesia. In carrying out their operations, the number of MSMEs is increasing, so the competition to survive is also tight. Therefore, MSMEs need to improve their performance in order to compete and develop.

MSME performance is the result of work carried out by an individual, which can be achieved in an organization and within a certain period of time in individual tasks, and is related to the value or standard of the company where the person works ([Dewi et al., 2022](#)). MSME performance is a measure of the level of individual achievement in terms of sales, capital, number of employees, market share and profits that continue to increase ([Komariah, et al., 2022](#)); ([Komariah et al., 2022](#)). MSME performance is a measure of the level of individual achievement in terms of sales, capital, number of employees, market share and profits that continue to increase ([Mahardika et al., 2023](#)). Many factors can improve the performance of MSMEs, including product innovation created by MSMEs to be able to compete with competitors, digital marketing used to reach a wide market share and risk taking that entrepreneurs / MSMEs must prepare to face uncertain situations in the future.

Innovation is an important factor in improving the performance of MSMEs to become more competitive and to survive in the global business world ([Komariah et al., 2022](#)). Product innovation is an activity that makes significant changes to the capabilities or functions of goods and services ([Susdiani, 2020](#)). Innovation can also be interpreted as the ability to apply a company's creativity to solve problems and opportunities to improve its business performance ([Taufiq et al., 2020](#)). Today's customers also find it easier to switch to other manufacturers who are considered to offer

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better products than the products they currently use. This consumer situation forces many manufacturing industry players, including MSMEs, to provide more than just innovative products and good service in order to gain customer attention and build long-term relationships ([Komariah et al., 2022](#)). If a company routinely innovates or updates products, many consumers will make purchases because they want to try new products so that sales increase and the performance goals of MSMEs will also increase. Innovation that refers to the opinions of experts is also strengthened by the results of previous studies, both those that support and those that reject. Some research results that state that product innovation affects performance include: ([Melani and Nasution, 2022](#)); ([Wijaya, 2024](#)), ([Setyowati et al., 2022](#)), ([Prajogo and Tahang, 2023](#)), ([Susdiani, 2020](#)). However, it is different from research ([Komariah et al., 2022](#)) and ([Rahim, 2023](#)) stated the first finding that the innovation variable does not affect the performance of MSMEs.

Digital marketing is an activity to promote products/services online using various digital media such as social media, etc. ([Elim et al., 2024](#)). Digital marketing is the activities, institutions and processes facilitated by digital technology in communicating, creating and delivering values to consumers and other stakeholders ([Effendi et al., 2023](#)). Digital marketing is market research and advertising conducted through online digital media, such as social media. ([Saputra et al., 2024](#)). Digital Marketing which refers to the opinions of experts, is also strengthened by the results of previous studies, both those that support and those that reject. Some research results that state that digital marketing has an effect on performance are research ([Boonmalert et al., 2021](#)), ([Amir et al., 2020](#)), ([Murtadlo, 2021](#)), and ([Effendi et al., 2023](#)). However, it is different from the research results ([Selviasari et al., 2024](#)), stated that digital marketing does not have a significant effect on business performance.

Risk taking is someone who has calculated and the challenges that can be achieved are psychological variables that reflect a person's ability ([Putri et al., 2020](#)). Risk taking is an important part of a company's strategic decision making, reflecting the company's risk appetite when considering investment projects ([Dai et al., 2023](#)). Risk taking is a situation where an individual makes a decision that involves choosing between various alternatives with different desires, as a result of this uncertain choice there is a possibility of an error ([Aini et al., 2023](#)). Risk taking as risk behavior does not require a minimum level of awareness on behalf of the risk taker ([Aini et al., 2023](#)). Risk taking that refers to the opinions of experts, is also strengthened by the results of previous studies that support or reject. Several research results that state that risk taking has an effect on performance are studies ([Krismailinda, 2022](#)), ([Kadariusman et al., 2022](#)), ([Yuefen et al., 2024](#)), stated that risk taking has a positive effect on company performance. However, this is different from the research results [Lestari et al. \(2021\)](#), states that risk-taking does not affect the performance of creative industry SMEs.

This study has a research gap related to the influence of product innovation and digital marketing on SME performance through risk taking as an intervening variable in SMEs in Banyuwangi Regency. The theme or concept of this study is improving SME performance which can be influenced by product innovation, digital marketing and risk taking. While the purpose of this study is to determine and test the role of product innovation and digital marketing in increasing risk taking and SME performance in Banyuwangi Regency.

MSME performance as a result or level of success of an individual during a certain period in carrying out tasks compared to possibilities, such as target results, or criteria that have been determined through previous agreements ([Krismailinda, 2022](#)). Performance has several connotations, including development, survival, achievement, and competition. Performance can be defined as the capacity of an organization to deliver results and activities that are realized.

Product innovation is an interesting new inspiration that can be developed ([Prasetyo et al, 2020](#)). Innovation is used intentionally made for the purpose of development and interesting strategies. In order to be able to compete with other companies, innovation must continue to be carried out and developed. Innovation is an important factor in improving the performance of MSMEs to become more competitive and to survive in the global business world ([Komariah et al., 2022](#)). Product innovation is an activity that makes significant changes to the capabilities or functions of goods and services ([Susdiani, 2020](#)). Innovation can also be interpreted as the ability to apply a company's creativity to solve problems and opportunities to improve its business performance ([Taufiq et al., 2020](#)).

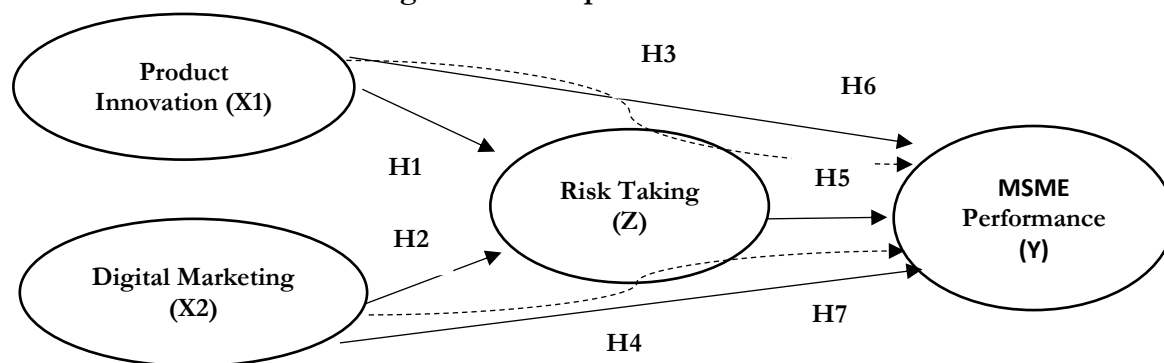
MSMEs face several challenges in implementing digital marketing, including lack of resilience and flexibility due to low levels of digitalization, difficulties in accessing technology, and lack of understanding of business survival strategies ([Kitsios et al., 2022](#)). Digital marketing is an activity to promote products/services online using various digital media such as social media, etc ([Elim et al., 2024](#)). Digital marketing is the activities, institutions and processes facilitated by digital technology in communicating, creating and delivering values to consumers and other stakeholders ([Effendi et al., 2023](#)).

Risk taking is someone who has calculated and the challenges that can be achieved are psychological variables that reflect a person's abilities ([Putri et al., 2020](#)). Risk taking is an important part of a company's strategic decision making, reflecting the company's risk appetite when considering investment projects ([Dai et al., 2023](#)). Risk taking is a situation where an individual makes a decision that involves choosing between various alternatives with different desires, as a result of this uncertain choice there is a possibility of an error ([Aini et al., 2023](#)).

Research Conceptual Framework

The conceptual framework in this study can be described based on the theory that connects independent variables to dependent variables and through intervening variables to determine the effect of innovation and digital marketing on MSME performance through risk taking. For more details, it can be described in the model in Figure 1.

Figure 1. Conceptual Framework



Hypothesis Development

Entrepreneurs actively innovate, assess risks, and strive to reduce them in order to better understand and be aware of the risks they will face continuously in realizing their business ([Lakuma et al., 2019](#)). Risk taking that is realized boldly and directed will encourage the entrepreneurial character to become more potential in business. Based on several previous studies, it shows a positive and significant influence of product innovation on risk taking. ([Melani et al., 2022](#)) ; ([Prajogo et al., 2023](#)). Therefore, hypothesis 1 (H1) is: product innovation has an effect on risk taking.

With affordable capital, you can make transactions with minimal risk, therefore UMKM entrepreneurs must have a strategy and courage to face future challenges. Risk is a combination of the probability of an event with its consequences or effects. Therefore, the wider the digital marketing used, the greater the risk taking that will be taken. Based on several previous studies, it shows a positive and significant influence of digital marketing on risk taking ([Liu et al., 2023](#)). Therefore, hypothesis 2 (H2) is: digital marketing has an effect on risk taking.

Performance is the result or level of success of a person as a whole during a certain period in carrying out tasks compared to various possibilities, such as work result standards, targets or targets or criteria that have been determined in advance and have been agreed upon together ([Rivai et al., 2008](#)). Therefore, the higher the product innovation created, the higher the performance of MSMEs to develop. Based on several previous studies, it shows a positive and significant influence of product innovation on MSME performance. ([Komariah et al., 2022](#)); ([Komariah et al., 2022](#)); ([Zehir et al., 2011](#)); ([Setyowati et al., 2022](#)). Therefore, hypothesis 3 (H3) is: product innovation has an effect on MSME performance.

Digital marketing is the latest marketing method used today. MSME performance is the result or level of success of an individual during a certain period in carrying out tasks compared to possibilities, such as target results, or criteria that have been determined through previous agreements ([Ratnawati, 2020](#)). Therefore, the wider the digital marketing coverage, the higher the performance of MSMEs to develop. Based on several previous studies, it shows a positive and significant influence of digital marketing on MSME performance ([Marbun & Simanjuntak, 2021](#));

([Amir et al., 2020](#)); ([Luthfiah et al., 2024](#)). Therefore, hypothesis 4 (H4) is: digital marketing has an effect on MSME performance.

The main motive for entrepreneurship is indicated by risk taking. MSMEs are small businesses that are able to achieve goals with minimal risk. With limited capital, MSMEs must maximize performance to minimize the risks taken. Therefore, the higher the level of risk taken, the higher the performance of MSMEs. Based on several previous studies, it shows a positive and significant influence of risk taking on MSME performance ([Gunawan et al., 2019](#)). Therefore, hypothesis 5 (H5) is: risk taking has an effect on the performance of MSMEs.

The ability to manage and process ideas that continue to be the main capital of entrepreneurs in the industry, in addition to technological and marketing innovation, is a crucial driving force for the industry ([Meylianingrum et al., 2023](#)); ([Hermawan, 2017](#)). Based on several previous studies, it shows that there is a positive and significant influence of product innovation on MSME performance through risk taking ([Liu Wen et al., 2023](#)). Therefore, hypothesis 6 (H6) is: product innovation affects the performance of MSMEs through risk taking. If the business climate situation is uncertain, then the risk must be identified carefully and then identified to what extent the potential business risk can prevent the achievement of company goals. Entrepreneurs are brave enough to take risks in this situation, indicating that all future options have been considered ([Firmalista et al., 2020](#)). Entrepreneurs who have the character of daring to take risks by utilizing existing resources to improve the performance of MSMEs optimally. Based on several previous studies, it shows a positive and significant influence of digital marketing on MSME performance through risk taking. Therefore, hypothesis 7 (H7) is: digital marketing influences MSME performance through risk taking.

METHOD

This research uses quantitative methods with the type of explanatory research. A hypothesis is tested in this type of research in an effort to support or even refute the hypothesis that supports the research findings. Explanatory research tries to determine whether or not the independent variable has an influence or relationship with the dependent variable, the strength of the correlation and the significance of the relationship ([Sahir, 2022](#)). The location of this research is in Banyuwangi Regency. The research population in UMKM (Micro, Small and Medium Enterprises) in Banyuwangi Regency is 125 samples. The sample size in this study is based on the opinion ([Sahir, 2022](#)), with the nonprobability sampling technique applied in this study is the purposive sampling technique. The purposive sampling technique is used because not all samples meet the criteria relevant to the phenomenon being studied, namely the sampling determination technique based on certain considerations ([Sahir, 2022](#)). The criteria used in sampling this study are 1) MSMEs that sell food; 2) MSMEs that have been established for more than 2 years; 3) MSMEs that use digital marketing.

The operational definition of a variable shows how to measure the variable. The operational definition of a variable is a definition given to a variable by giving meaning or determining activities

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or justifying the operations needed to measure the variable (Sahir, 2022). The operational definition of this variable is then described into empirical indicators, which are presented in Table 2.

Table 2.

Research Variables and Indicators

No	Variable	Operational Definition of Variables	Indicator
1	Product Innovation (Fadhillah et al., 2021)	Product innovation is an improvement or change to a previously existing product or it can also be through a product that is completely new and different from before.	1. Discovery 2. Development 3. Duplication 4. Synthesis
2	Digital Marketing (Effendi et al., 2023)	Digital marketing is the activities, institutions and processes facilitated by digital technology in communicating, creating and delivering values to consumers and other stakeholders.	1. search engine optimization 2. search engine marketing, 3. content marketing, 4. social media marketing, 5. email marketing, 6. pay per click 7. pay per impression
3	Risk taking (Ranto, 2016)	Risk taking is the willingness to pursue opportunities that may result in significant losses or performance discrepancies.	1. Bear the risk of unsold products 2. Bear the risk of the company being closed 3. Bear the risk of financial loss
4	MSME Performance (Winarsih et al., 2021)	MSME performance is the result or level of success of an individual during a certain period in carrying out tasks compared to possibilities, such as target results, or criteria that have been determined through previous agreements.	1. Sales growth 2. Customer growth 3. Profit growth

Data collection was conducted using a survey method through a questionnaire distributed online (google form). After the data is obtained through GF, a recapitulation is carried out. After that, a descriptive analysis of both respondents and research variables is carried out. Validity and reliability tests are also carried out on research measuring instruments in the form of research questionnaires. The data analysis method used in this study is path analysis using the SEM (Structural Equation Modeling) model or Structural Equation Model with the warp PLS 7.0 program. SEM is a

collection of statistical techniques that allow testing a relatively complex series of relationships simultaneously.

RESULTS AND DISCUSSION

Characteristics of Respondents

Based on the results of descriptive statistical analysis based on gender, 125 respondents, the majority were male with 74 businesses (59.2%) and female with 51 businesses (40.8%). Based on the type of respondent's business, the results are respondents with snacks as many as 41 businesses (32.8%), culinary respondents as many as 57 businesses (45.6%), warung respondents as many as 27 businesses (21.6%). Based on the length of time the business has been established (2-5 years) as many as 40 businesses (32%) (5-10 years) as many as 50 businesses (40%) and (> 10 years) as many as 35 businesses (28%). Based on the number of employees (1-2 people) as many as 65 businesses (52%) (3-6 people) as many as 50 businesses (40%) and (> 7 people) as many as 10 businesses (8%).

Validity and Reliability Test Results

The results of the validity test with loading factors obtained that all items from each construct of product innovation, digital marketing, risk taking and MSME performance had values above 0.7, so they were said to be valid. Then for the reliability test, the Cronbach's alpha value was obtained above 0.7, which means that all constructs are reliable.

Direct Influence Test Results

In this direct influence test, each path in the model section is explained using path analysis. Each path tested shows the direct and indirect influence of product innovation (X1), digital marketing (X2) on risk taking (Z) and MSME performance (Y) in Banyuwangi Regency. By knowing the path coefficient value, you can see how much influence one variable has on another. The path coefficient values are presented in Table 3.

Table 3.
Direct Influence Path Coefficient Value

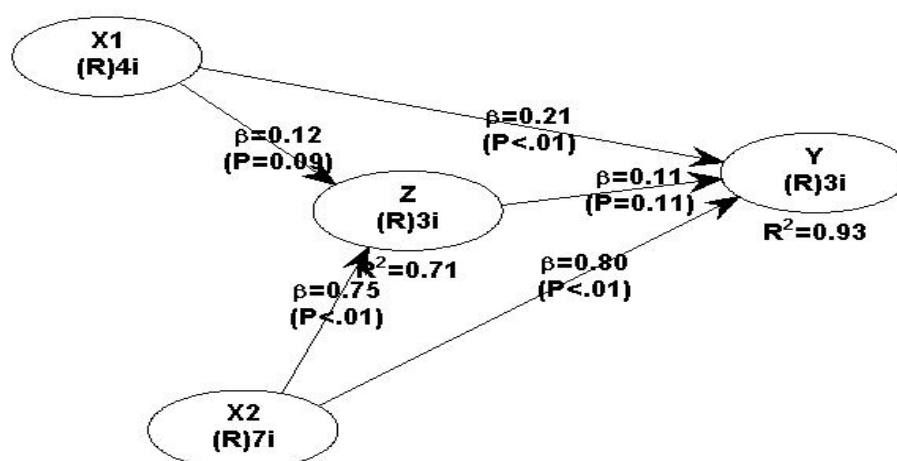
Hypothesis	Direct Effect	Path	P-Value	Results
H1	Product Innovation (X1) → Risk Taking (Z)	0,118	0,089	H1 Rejected
H2	Digital Marketing (X2) → Risk Taking (Z)	0,750	<0,001	H2 Accepted
H3	Product Innovation (X1) → MSME Performance (Y)	0,209	0,008	H3 Accepted

Hypothesis	Direct Effect	Path	P-Value	Results
H4	Digital Marketing (X2) → MSME Performance (Y)	0,802	<0,001	H4 Accepted
H5	Risk Taking (Z) → MSME Performance (Y)	0,106	0,113	H5 Rejected

Research Hypothesis Model

The previously developed hypothesis will be tested for its truth with the research hypothesis test. This hypothesis testing is based on the model that has been developed. The work motivation variable (Z) acts as a mediating variable in improving employee performance based on organizational culture, work environment and job promotion. The relationship between variables in this study is presented in Figure 2.

Figure 2. Results of Hypothesis Test Analysis



The Effect of Product Innovation on Risk Taking

Based on the results of testing the product innovation variable on risk taking, a coefficient value of 0.118 was obtained with a q -value of 0.089. Because the q -value is greater than α ($0.089 > 0.05$), H_0 is rejected so that there is no significant effect of product innovation on risk taking. This means that product innovation does not have a significant effect on risk taking in MSMEs in Banyuwangi Regency is not proven true or H_1 is rejected. Product innovation indicators include: discovery, development, duplication and synthesis, it turns out that they do not have an effect on risk taking. This is because every business activity, in this case MSMEs in Banyuwangi Regency, is required to continue to innovate products in order to compete with similar products that are increasingly developing. In order to survive in a business activity, it is necessary to always innovate products.

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Any activity certainly contains risks that must be faced. Be it the risk of unsold products, the risk of buyers turning to other MSMEs. So whatever the risk, every MSME is required to do.

The results of this study have significant similarities with previous research conducted by (Putri et al., 2020) stating that innovation does not affect the marketing capabilities of culinary SMEs in Lowokwaru District, Malang, but risk taking has a significant and positive effect on the marketing capabilities of culinary SMEs in Lowokwaru District. in Malang City. Likewise with the study ([Komariah et al. 2022](#)), stated the first finding that the innovation variable does not affect the performance of halal food UMKM in North Bekasi. This is also supported by the results of the study [Rahim \(2023\)](#), stated that product innovation has no influence and is not significant on marketing performance of Muslim Clothing MSMEs in Makassar City.

The Influence of Digital Marketing on Risk Taking

Based on the results of testing the digital marketing variable on risk taking, a coefficient value of 0.750 was obtained (strong correlation) with a q -value of <0.001 . Because the q -value is smaller than α ($0.001 < 0.05$), H_0 is accepted so that digital marketing has a significant effect on risk taking. This means that digital marketing has a significant effect on risk taking in MSMEs in Banyuwangi Regency, which is proven true or H_2 is accepted. Digital marketing indicators consisting of: search engine optimization, search engine marketing, content marketing, social media marketing, email marketing, pay per click, pay per impression are able to provide a positive influence on the risk taking of MSMEs in Banyuwangi Regency. This is because everything done by MSMEs certainly contains risks. Digital marketing is a demand that must be met by every business activity, including MSMEs. Every technological development in the marketing field must be followed by every business actor such as MSMEs, although the risks that must be faced are obstacles to the advancement of technology itself, such as human resources with relatively low education.

The results of this study are in line with the results of previous studies conducted by Boonmalert et al. (2021), stated that digital marketing has a direct influence on the performance of SMEs. The results of the study [Amir et al. \(2020\)](#), stated that digital marketing has an effect on the performance of flower traders in Sidomulyo Village, Batu City. The results of the study [Murtadlo \(2021\)](#), stated that digital marketing has a significant influence on the performance of food and beverage MSMEs fostered by the Satria Emas program in Pasuruan. Research [Effendi et al. \(2023\)](#), stated that digital marketing has a positive and significant impact on the marketing performance of SME entrepreneurs in Lhokseumawe City who focus on the fashion sector.

The Influence of Product Innovation on MSME Performance

Based on the results of testing the product innovation variable on MSME performance, a coefficient value of 0.209 (weak correlation) with a q -value of 0.008 was obtained. Because the q -value is smaller than α ($0.008 < 0.05$), H_0 is rejected, thus there is a significant influence of product innovation on MSME performance. This means that product innovation on MSME performance

in Banyuwangi Regency is proven true or H3 is accepted. As previously stated, the indicators of product innovation include discovery, development, duplication and synthesis. By looking at the indicators of product innovation, it turns out that by discovering new products or services, and also developing existing products and services, as well as duplicating and synthesizing, MSMEs in Banyuwangi Regency are able to improve their performance. Thus, product innovation for every business activity must have been carried out. This is because it is able to increase sales turnover as one of the indicators of MSME performance.

Previous research found a positive relationship between the influence of innovation on performance ([Komariah et al., 2022](#)). The higher the innovation that can be done by the ruler, the better the performance will be because with innovation, customers get something new and it is an attraction and competitive advantage for business actors ([Hasna, 2021](#)). From the research [Setyowati et al. \(2022\)](#), [\(Lorensa & Hidayah, 2022\)](#), [\(Safira et al., 2024\)](#), [\(Ramadhani et al., 2022\)](#), [\(Jannah et al., 2019\)](#), [\(Sulistiyo et al., 2022\)](#) stated that there is a significant positive influence of product innovation on SME performance. Meanwhile, research that is not in line with this research is that conducted by [\(Anderson & Hidayah, 2023\)](#) which states that product innovation cannot provide a significant increase in MSME performance.

The Influence of Digital Marketing on MSME Performance

Based on the results of testing the digital marketing variable on MSME performance, a coefficient value of 0.802 was obtained (very strong correlation) with a q -value of <0.001 . Because the q -value is smaller than α ($0.001 < 0.05$), H_0 is rejected, thus there is a significant influence of digital marketing on MSME performance. Based on the fourth hypothesis, digital marketing has an effect on MSME performance. This means that digital marketing has a significant effect on MSME performance in Banyuwangi Regency, its truth is proven or H_4 is accepted. Digital marketing indicators consist of: search engine optimization, search engine marketing, content marketing, social media marketing, email marketing, pay per click, pay per impression. Digital marketing is currently a necessity for every business so that its goods can be known by the wider community. The existence of digital marketing is very helpful for business activities because many people know the existence of products and services due to digital marketing. Therefore, there are many benefits obtained by business actors due to this digital marketing.

The results of this study are in line with the results of previous studies conducted by [Boonmalert et al. \(2021\)](#), stated that digital marketing has a direct influence on the performance of SMEs. The results of the study [Amir et al. \(2020\)](#), stated that digital marketing has an effect on the performance of flower traders in Sidomulyo Village, Batu City. The results of the study [Murtadlo \(2021\)](#), stated that digital marketing has a significant influence on the performance of food and beverage MSMEs fostered by the Satria Emas program in Pasuruan. Research [Effendi et al. \(2023\)](#), stated that digital marketing has a positive and significant effect on the marketing performance of SME entrepreneurs in Lhokseumawe City.

The Influence of Risk Taking on MSME Performance

Based on the test results of the risk taking variable on MSME performance, a coefficient value of 0.106 was obtained (very weak correlation) with a q -value of 0.113. Because the q -value is greater than α ($0.113 > 0.05$), H_0 is accepted, thus there is no significant effect of risk taking on MSME performance. This means that risk taking does not have a significant effect on MSME performance in Banyuwangi Regency, which is proven true or H_5 is rejected. Indicators of risk taking in this study include: bearing the risk of unsold products, bearing the risk of the company being closed, bearing the risk of financial loss. According to the Theory of Reasoned Action (TRA) first introduced by ([Ajzen, 2011](#)), which connects beliefs, attitudes, desires and behavior. Every time someone does something there must be consequences that must be faced. Likewise with business or business there must be consequences that must be faced. In accordance with the indicator of risk taking itself, there is a risk of unsold products, business closures, financial losses, all of which must be faced by every business actor or business. Therefore, this risk taking will not affect the performance of the business carried out by MSMEs, because the MSMEs themselves are aware that everything they do must have risks and consequences.

In this study, there are similarities in results that are not significant with previous studies which state that risk-taking does not affect performance ([Lestari et al., 2021](#)). This study is not in line with the research conducted by ([Rusyida, 2022](#)), ([Yunus et al., 2022](#)), which states that risk mitigation affects the performance of MSMEs.

The Influence of Product Innovation on MSME Performance through Risk Taking

The results of the study indicate that product innovation has an impact on MSME performance through the risk taking variable. Thus, the sixth hypothesis (H_6) which states that product innovation has an impact on MSME performance through the risk taking variable is accepted (H_6 is accepted) and H_0 is rejected. Based on data analysis, it was detected that the coefficient value of the influence of product innovation (X_1) on MSME performance (Y) was 0.209. While the indirect influence value was 0.012. Thus, the total influence is 0.222. Thus, product innovation affects MKM performance through risk taking on MSMEs in Banyuwangi Regency.

Product innovation must continue to be carried out by every business actor such as MSMEs. This is done in order to compete with similar products and services so that they can survive and maintain business continuity. Product innovation that is carried out also contains risks that must be faced, namely if innovation has been carried out, it turns out that the product offered has not been accepted by the market. Or it could also happen that the innovation carried out contains the risk that production costs will increase so that they cannot compete with similar products. Therefore, product innovation can affect the performance of MSMEs through acceptable risk taking ([Ajzen, 2011](#)).

The Influence of Digital Marketing on MSME Performance through Risk Taking

Based on the seventh hypothesis, digital marketing influences MSME performance through risk taking. After testing and analyzing the data, the results obtained stated that the indirect influence of digital marketing (X1) on the MSME performance variable (Y) through the intervening risk taking variable (Z) stated that the indirect influence of the digital marketing variable (X2) on MSME performance (Y) through the intervening risk taking variable (Z) was 0.079 (sufficient correlation) which is greater than the direct influence of the digital marketing variable (X2) on the MSME performance variable (Y), which is 0.802. The total influence of digital marketing (X2) on MSME performance (Y) is 0.882 with details of the direct influence of 0.802 and the indirect influence of 0.079. The existence of digital marketing is currently a necessity for MSMEs to be able to survive in the face of business competition. Implementing digital marketing is not easy. This is in accordance with the Technology Acceptance Model (TAM) theory, where this theory explains how users can accept, understand, and use information technology (Ajzen 2011), that every action has consequences that must be faced. The existence of digital marketing is also important but there must be costs that must be incurred for it to acknowledge business risks. Therefore, digital marketing is carried out or not carried out will have an impact on the performance of MSMEs through risk taking.

It can be concluded that if digital marketing influences risk taking and risk taking influences the performance of MSMEs in Banyuwangi Regency. So it can be ascertained that indirectly digital marketing has an influence on MSME performance through risk taking. If MSMEs in Banyuwangi Regency have the right digital marketing program and good risk taking, then they should be able to improve their performance, this is proven true or H7 is accepted.

CONCLUSION

The results of the study showed that product innovation carried out by MSMEs did not affect risk taking in MSMEs in Banyuwangi Regency. The test results proved that digital marketing had an effect on risk taking in MSMEs in Banyuwangi Regency. The test results proved that product innovation had an effect on the performance of MSMEs in Banyuwangi Regency. The test results proved that digital marketing had an effect on the performance of MSMEs in Banyuwangi Regency. The test results proved that risk taking did not have a positive and significant effect on the performance of MSMEs in Banyuwangi Regency. The results of the analysis showed that the product innovation variable had an effect on MSME performance through risk taking in MSMEs in Banyuwangi Regency. The results of the study showed that there was an indirect digital marketing effect on MSME performance through the risk taking variable in MSMEs in Banyuwangi Regency.

Referring to the research results which concluded that Micro, Small and Medium Enterprises in Banyuwangi Regency must increase product innovation such as discovery, addition of flavors, duplication and synthesis. Increase the knowledge of MSME HR in Banyuwangi Regency to use

digital marketing so that marketing can increase in number and reach wider by providing training and assistance to MSMEs.

The Banyuwangi Regency Government through MSMEs in Banyuwangi Regency in particular appreciates and attracts the spirit of MSME creativity to increase product innovation and digital marketing so that they can attract customers and be easily reached by the wider community. The courage of MSMEs to read risk taking can affect the performance of MSMEs with product innovation and using digital marketing to reach customers even wider.

For academics, it is hoped that they can expand the research object not only to one MSME in Banyuwangi Regency, but also MSMEs in other regencies or provinces. In addition, future research is advised to consider other factors that also influence risk taking and MSME performance such as business capital, financial management and management of business rights permits.

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