



IMPACT OF DIGITAL MARKETING USAGE ON THE FINANCIAL PERFORMANCE OF SMES: A SURVEY STUDY IN SUBURBAN MUMBAI

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Abstract:

Digital marketing has become an important strategic tool for small and medium enterprises (SMEs) seeking to improve visibility, customer engagement, and financial performance in an increasingly competitive economy. This study examines the impact of digital marketing usage on the financial performance of SMEs in Suburban Mumbai. The main objective is to assess whether digital marketing activities contribute to sales growth, customer acquisition, profitability, and business expansion. The study adopts a quantitative survey design based on primary data collected from 75 SMEs located in major suburban business zones of Mumbai. Data were gathered through a structured questionnaire containing Likert-scale items measuring digital marketing usage and perceived financial performance. The data were analyzed using descriptive statistics, correlation, and regression analysis in SPSS. The findings reveal a strong and statistically significant positive relationship between digital marketing usage and SME financial performance. Regression results show that digital marketing usage explains a substantial proportion of variation in financial performance, indicating that enterprises using digital marketing more actively tend to experience higher sales growth, customer acquisition, and lead generation. The study highlights the strategic importance of digital marketing for SMEs and emphasizes the need to strengthen digital capabilities among small businesses.

Key word: Digital marketing usage, SME financial performance, digital marketing strategies, SMEs, Suburban Mumbai, business growth

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Introduction:

Small and Medium Enterprises (SMEs) are a vital component of economic development, contributing significantly to employment, innovation, and regional growth. Globally, SMEs account for nearly 90% of businesses and more than half of total employment. In India, they play an equally important role in entrepreneurship, industrial diversification, and local economic expansion. However, growing market

competition, changing consumer behavior, and technological advancement have compelled SMEs to adopt new approaches to marketing.

Digital marketing has emerged as one of the most accessible and effective tools for SMEs because it enables businesses to connect with customers, build visibility, and promote products at relatively low cost. Recent studies suggest that digital marketing strategies such as social media promotion, search engine



optimization, online advertising, and email campaigns can improve customer reach, competitiveness, and business growth. Research by Sharabati et al. (2024) and Mushi and Kweka (2024) indicates that SMEs adopting digital marketing tend to perform better in terms of market expansion and customer engagement. Systematic reviews also show that research on digital marketing and SME performance has grown rapidly in recent years (Setiawan et al., 2026).

Despite these benefits, the degree of digital marketing usage varies considerably among SMEs. Many small firms still face constraints such as lack of digital expertise, limited budgets, weak technological readiness, and uncertainty regarding the return on digital investments.

This issue is especially relevant in Suburban Mumbai, where SMEs operate in a highly competitive and digitally evolving urban environment. Although many enterprises are exposed to online platforms, it remains important to examine whether greater digital marketing usage actually contributes to measurable financial improvement. The present study addresses this gap by investigating the relationship between digital marketing usage and SME financial performance in Suburban Mumbai.

The study has two specific objectives:

1. To assess the extent of digital marketing usage among SMEs in Suburban Mumbai.
2. To examine the impact of digital marketing usage on financial performance indicators such as sales growth, customer acquisition, profitability, and business expansion.

The study contributes to the literature by providing localized empirical evidence from an urban Indian SME context and offers practical implications for business owners and policymakers seeking to promote digital capability development.

Literature Review:

The literature on digital marketing and SMEs highlights four major themes: adoption of digital marketing, its relationship with financial performance, the role of organizational capabilities, and its contribution to competitiveness.

Early studies focused on adoption barriers. Michaelidou, Siamagka, and Christodoulides (2011) found that SMEs were often hesitant to adopt social media marketing because of limited technical knowledge and uncertainty about its effectiveness. However, firms with better managerial digital literacy were more likely to use such tools successfully.

Harrigan, Ramsey, and Ibbotson (2012) showed that digital technologies improved customer communication and relationship management in small firms, enabling them to compete more effectively despite resource limitations. Similarly, Tiago and Veríssimo (2014) reported that SMEs adopted digital marketing because of its low cost, flexibility, and measurable outcomes, with social media and website-based promotion being the most common practices.

Later research shifted toward performance outcomes. Trainor et al. (2014) found that firms with stronger digital marketing capabilities achieved higher customer engagement and better business performance. Yasmin, Tasneem, and Fatema (2015) also reported that digital marketing enhanced brand awareness, customer acquisition, and business growth. Taiminen and Karjaluo (2015) emphasized that tools such as search engine optimization, email marketing, and social media contributed to sales growth and market expansion among SMEs.

Research has also underlined the importance of organizational capability. Durmaz and Efendioglu (2016) found that stronger digital marketing competence improved brand recognition, customer engagement, and financial performance. Chaffey and Ellis-Chadwick (2019) and Kingsnorth (2019) further



argued that digital marketing has become a strategic resource allowing SMEs to improve targeting, customer communication, and marketing return on investment.

Overall, the literature consistently shows that digital marketing can improve SME competitiveness and performance. However, most studies focus on broad contexts or developed economies. Limited research specifically examines how the intensity of digital marketing usage affects financial performance in localized urban ecosystems such as Suburban Mumbai. The present study addresses this gap by using survey-based evidence to analyze the relationship between digital marketing usage and financial outcomes among SMEs.

Research Methodology

The study adopted a quantitative, descriptive, and analytical survey design. A cross-sectional approach was used, with data collected at one point in time from SMEs in Suburban Mumbai. The study covered major suburban business zones including Bandra, Andheri, Goregaon, Malad, Kandivali, Borivali, Ghatkopar, Chembur, Vikhroli, and Mulund.

The target population consisted of SMEs operating in these areas. Respondents were selected from key decision-makers within the enterprises, including owners, partners, managers, and marketing executives, because they are directly involved in marketing activities and business performance evaluation.

A purposive sampling technique was used to select SMEs that either used or had exposure to digital marketing practices. A total of 75 SMEs participated in the study.

Primary data were collected through a structured questionnaire. The instrument included closed-ended

questions and Likert-scale statements related to enterprise profile, digital marketing usage, and financial performance outcomes.

The study examined two main variables:

- Independent Variable: Digital Marketing Usage
- Dependent Variable: Financial Performance

Digital marketing usage was measured through six statements related to:

- conducting digital campaigns,
- increasing digital marketing budgets,
- use of multiple digital platforms,
- monitoring digital marketing metrics,
- frequent content updating, and
- strategic planning of digital marketing.

Financial performance was measured through six statements related to:

- sales revenue,
- customer acquisition,
- customer retention,
- profit margins,
- lead generation, and
- overall business growth.

All responses were measured using a five-point Likert scale ranging from strongly disagree to strongly agree.

The collected data were coded and analyzed in SPSS using descriptive statistics, Pearson correlation, and simple linear regression.

Hypothesis:

- H₀: Digital marketing usage has no significant impact on the financial performance of SMEs in Suburban Mumbai.
- H₁: Digital marketing usage has a significant positive impact on the financial performance of SMEs in Suburban Mumbai.

The significance level was set at 5% ($\alpha = 0.05$).



Results and Analysis:

1. Demographic Profile of Respondents

Table 1: Role in Enterprise

Role	Frequency	Percentage (%)
Owner	32	42.7
Partner	11	14.7
Manager	18	24.0
Marketing Executive / Head	14	18.6
Total	75	100

Owners formed the largest group of respondents (42.7%), followed by managers (24.0%), marketing executives (18.6%), and partners (14.7%). This indicates that most responses came from individuals directly involved in strategic and operational decision-making, increasing the credibility of the data.

2. Industry Distribution

**Table 2:
Industry Sector of SMEs**

Industry Sector	Frequency	Percentage (%)
Retail & Wholesale	21	28.0
Manufacturing	12	16.0
IT / ITES	10	13.3
Hospitality & Food Services	14	18.7
Healthcare & Wellness	8	10.7
Professional / Creative Services	7	9.3
Others	3	4.0
Total	75	100

The sample included SMEs from a range of sectors, with the largest share from retail and wholesale. This diversity improves the relevance of the findings across different types of enterprises.

3. Digital Marketing Usage

**Table 3:
Level of Digital Marketing Usage**

Statement	Mean	Std. Deviation
Regular digital marketing campaigns	3.89	0.82
Increase in digital marketing budget	3.67	0.91
Use of multiple digital platforms	4.02	0.75
Monitoring digital marketing metrics	3.74	0.88
Frequent digital content updates	3.95	0.79
Strategic planning of digital marketing	3.61	0.93
Overall Mean Score	3.81	0.84

The overall mean score of 3.81 indicates a relatively high level of digital marketing usage among SMEs. The highest mean was found for the use of multiple digital platforms (4.02), followed by frequent content updates (3.95). Strategic planning scored comparatively lower (3.61), suggesting that while SMEs actively use digital marketing, some do so in a less structured manner.



4. Financial Performance Outcomes

Table 4: Perceived Financial Performance Outcomes

Statement	Mean	Std. Deviation
Improvement in sales revenue	3.84	0.86
Increase in customer acquisition	4.01	0.77
Improvement in repeat purchases	3.72	0.83
Improvement in profit margins	3.58	0.92
Generation of measurable leads	3.95	0.81
Overall business growth	3.88	0.79
Overall Mean Score	3.83	0.83

The overall mean score of 3.83 suggests that SMEs generally perceive digital marketing as beneficial to financial performance. The strongest perceived effects were seen in customer acquisition (4.01), lead generation (3.95), and business growth (3.88). Profit margin improvement recorded the lowest mean (3.58), indicating that increased customer reach may not always translate equally into profitability.

5. Correlation Analysis

Table 5:

Correlation between Digital Marketing Usage and Financial Performance

Variables	Digital Marketing Usage	Financial Performance
Digital Marketing Usage	1	0.642**
Financial Performance	0.642**	1

Note: Correlation significant at 0.01 level (2-tailed).

The Pearson correlation coefficient of 0.642 indicates a strong positive relationship between digital marketing usage and financial performance. This means SMEs with higher digital marketing usage tend to report better financial outcomes. The relationship is statistically significant, supporting the view that digital marketing contributes meaningfully to SME growth.

6. Regression Analysis

Table 6:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.642	0.412	0.404	0.67

Dependent Variable: Financial Performance

Predictor: Digital Marketing Usage

The regression model shows that digital marketing usage explains 41.2% of the variation in financial performance. This indicates moderate to strong explanatory power.



Table 7:
ANOVA Results

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	23.64	1	23.64	52.71	0.000
Residual	33.27	73	0.45		
Total	56.91	74			

The ANOVA results show that the model is statistically significant ($F = 52.71$, $p < 0.001$), confirming that digital marketing usage significantly predicts financial performance.

Table 8:
Regression Coefficients

Variable	Beta	Std. Error	t	Sig.
Constant	1.12	0.34	3.29	0.002
Digital Marketing Usage	0.68	0.09	7.26	0.000

The regression coefficient for digital marketing usage ($\beta = 0.68$) indicates a strong positive effect on financial performance. The predictor is statistically significant ($t = 7.26$, $p < 0.001$), leading to the rejection of the null hypothesis and acceptance of the alternative hypothesis.”

Discussion and Conclusion:

The findings of the study provide clear empirical evidence that digital marketing usage has a significant positive influence on the financial performance of SMEs in Suburban Mumbai. SMEs in the sample reported relatively high levels of engagement in digital marketing, especially in using multiple platforms, updating content frequently, and conducting online promotional activities. These practices were strongly associated with favorable financial outcomes such as customer acquisition, lead generation, sales growth, and overall business expansion.

The correlation and regression results confirm that digital marketing is not merely a communication tool but an important strategic resource. The study found a strong positive correlation ($r = 0.642$) and a significant regression effect ($\beta = 0.68$), with digital marketing usage explaining 41.2% of the variation in financial performance. This suggests that SMEs that invest more consistently in digital marketing are likely to achieve stronger business outcomes.

These findings are consistent with earlier studies by Tiago and Veríssimo (2014), Taiminen and Karjaluoto (2015), and Trainor et al. (2014), which reported that digital marketing improves customer engagement, market reach, and business growth. The present study extends this literature by offering localized evidence from Suburban Mumbai, where SMEs operate in a dense and highly competitive urban market.

The study has practical implications for both SME managers and policymakers. SME owners and managers should treat digital marketing as a long-term investment rather than an occasional promotional tool. Building skills in analytics, platform management, content planning, and campaign monitoring can help maximize returns from digital efforts. Policymakers and support institutions can contribute by promoting digital literacy programs, training workshops, and incentives for SME digital transformation.

Despite its contributions, the study has some limitations. It is based on a relatively small sample of 75 SMEs from one geographical region, which may limit generalizability. The cross-sectional design



captures only one point in time and does not show long-term effects. In addition, financial performance was measured through self-reported perceptions rather than audited financial records. Future research may use larger samples, longitudinal designs, and objective financial indicators. Comparative studies across regions and sectors may also provide a broader understanding of how contextual factors shape digital marketing effectiveness.

In conclusion, the study demonstrates that digital marketing usage plays a significant role in improving the financial performance of SMEs in Suburban Mumbai. In an increasingly digital business environment, strengthening digital marketing capabilities can enhance competitiveness, growth, and sustainability among small and medium enterprises.

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