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MANAGERIAL ECONOMY IN THE DIGITAL ERA: SURVIVAL AND GROWTH STRATEGIES FOR INDONESIAN MSMES AMID DIGITAL PLATFORM COMPETITION

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ABSTRACT
This research aims to understand and analyze the application of managerial economics principles in the context of Indonesian SME digital business amid intense marketplace platform competition. Using literature review and integrated case study analysis methods, the research analyzes 20 recent academic sources and case studies from various digital platforms and SMEs that have undergone digital transformation. Research findings identify six major findings: (1) the relevance of managerial economics for rational and evidence-based technology investment decision-making, with 23-35 percent operational performance improvement; (2) the importance of demand analysis and pricing strategy based on demand elasticity; (3) SMEs' weakness in cost accounting and cost tracking causing suboptimal pricing; (4) the critical role of institutional support ecosystem; (5) intense competitive landscape requiring rapid experimentation; and (6) success factors depend on integrated application of various managerial economics principles. This research emphasizes the urgency to increase managerial economics literacy among Indonesian SMEs through systematic training, ecosystem support development, and supportive policies so that SMEs can survive and grow sustainably in the digital era.
Keywords: *managerial economics; SME digitalization; marketplace platform; pricing strategy*

INTRODUCTION

The development of digital technology has created a fundamental and irreversible transformation in the way companies from multinational corporations to micro, small, and medium enterprises (MSMEs) carry out their business activities and operations in the highly competitive contemporary era. If in the past business decision-making was based more on intuitive experience, limited empirical knowledge, the subjective intuition of business owners, and local knowledge that was tacit and difficult to document, then today strategic and operational decision-making increasingly relies on solid empirical data, systematic and rigorous market analysis, the ability to accurately predict consumer behavior, and utilize information technology and artificial intelligence optimally and strategically (Ladian & Fauzi, 2025). This fundamental paradigm shift in decision-making is very clearly seen in the rapid development of MSMEs in Indonesia that have begun to use digital technology massively as an innovative and cost-effective means of marketing, more efficient and timely product distribution, measurable and real-time inventory management, and seamless integrated customer relationship management (CRM). Indonesia is one of the countries with the largest and fastest growth digital economy in the Southeast Asian region, with the value of e-commerce transactions experiencing double-digit growth every year and is expected to continue to increase in the coming years (Ladian & Fauzi, 2025).

The increasing number of internet users which has reached more than 200 million people and the penetration of the use of mobile devices which have become a daily habit for the majority of Indonesians has created large and wide business opportunities for business actors to expand their market reach geographically without having to have a large, expensive, and significant capital investment physical store infrastructure. However, the huge market growth opportunity is also accompanied by an increase in the intensity of competition that is increasingly sharp and fierce as traditional geographical boundaries become increasingly irrelevant and meaningless in a borderless digital ecosystem. Business actors now have to compete not only with local business competitors around their physical locations, but also with established national companies and even international companies that offer similar or similar products and services through the same digital platforms with much greater brand awareness and financial resources (Ladian & Fauzi, 2025).

In the face of this complex, dynamic, and uncertain competitive conditions, the concept of managerial economics is becoming increasingly important, relevant, and practical because it provides a rigorous and systematic and evidence-based analytical framework, helping companies, especially MSMEs that still have limited resources, to make rational, measurable, and efficient decisions in the midst of the uncertainty of the volatile external business environment. Managerial economics is a practical and operational application of microeconomic theory and macroeconomic theory in the business decision-making process, both strategic and operational, which aims to maximize profits, increase value creation for all stakeholders, and achieve long-term organizational goals by utilizing limited resources optimally and efficiently (Luju, Marina, & Marlay, 2024). In the specific context of Indonesian MSMEs who are facing challenges and opportunities for digitalization transformation, literacy and a strong understanding of the principles of managerial economics can help business actors make appropriate and calculated technology investment decisions, allocate limited resources efficiently and strategically, establish a pricing strategy that is competitive but still profitable and sustainable, manage business risks better and comprehensively, and respond to market dynamics in a more responsive and adaptive manner (Pradana et al., 2024).

This article aims in depth and comprehensively to discuss, analyze, and provide insights on how the concepts and principles of managerial economics are applied in real business practices in Indonesia, especially in the MSME sector that is facing serious structural challenges and enormous transformative opportunities due to the disruptive digital revolution, as well as how MSMEs can develop survival strategies and growth strategy) in the midst of increasingly fierce competition from digital platforms. The relevance of this discussion is increasingly urgent considering that the majority of MSME actors in Indonesia, especially those in the small city and rural tiers—still do not have a deep and applicable understanding of the application of managerial economic principles in the context of dynamic digital business (Sakinah, 2024). Many MSMEs make business decisions based on experience alone without rigorous systematic analysis of the cost, benefit, opportunity, and risk of the available alternatives (Sakinah, 2024). In fact, in a digital era full of technological disruption, business model innovation, and rapid changes in consumer behavior, decisions that are not based on rational and data-driven analysis can result in significant resource waste, massive opportunity loss, or even business failure and bankruptcy in the medium to long term.

Managerial Economics and Business Decision Making Analysis Framework By understanding more fundamentally the concepts of managerial economics such as demand elasticity analysis, cost analysis at various levels of production (fixed cost, variable cost, marginal cost, average cost), optimal pricing strategy (pricing strategy and price discrimination), break-even point analysis to determine the minimum sales level required, investment evaluation using various methods such as Net Present Value (NPV) and Internal Rate of Return (IRR), systematic risk and uncertainty management, as well as competitive strategies in the form of oligopolistic or monopolistic competitive markets, MSME actors will be better able to develop sustainable and profitable business strategies in the long term (Luju, Marina, & Marlay, 2024).

Managerial economics at its essence is a powerful combination of abstract economic

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theory with concrete and applicable business management practices. Economic theory provides a conceptual foundation and understanding of how markets work, how consumers make decisions, how firms compete, and how resources are allocated efficiently in the economy. In contrast, business management focuses on operational implementation and practical strategies to achieve organizational objectives by using limited resources optimally. Managerial economics bridges these two perspectives by applying economic principles in the context of real-world business decision-making and facing actual constraints. The main focus of managerial economics is how companies can allocate inherently limited resources (labor, capital, materials, information) in order to generate maximum benefits in the form of profits, efficiency gains, or value creation for stakeholders.

In its business practice, managerial economics encompasses various operational and strategic aspects such as: (1) demand analysis to understand how the volume of product demand changes in response to changes in product prices, consumer income, consumer preferences, and other factors; (2) cost analysis to understand the company's cost structure at various output levels and to identify opportunities for cost reduction or efficiency improvement; (3) pricing strategy to determine the optimal price level that maximizes profits while remaining competitive and acceptable to the market; (4) production and operations management to optimize production and operations processes to achieve economies of scale and economies of scope; (5) market structure analysis to understand the level of competition in the industry and strategize the right competitive positioning; (6) risk and uncertainty management to identify and manage various business risks that may occur; and (7) investment evaluation to evaluate whether an investment in a new project or technology will provide adequate returns (Pradana et al., 2024).

One of the important concepts in managerial economics that needs to be understood by every decision maker is the concept of efficiency. The company must be able to produce maximum output with minimal and optimal use of resources, or on the contrary produce certain outputs by using the least minimum resources. In the contemporary digital era, efficiency is not only related to the physical production process, but also includes more targeted and cost-effective marketing, more efficient distribution, more efficient logistics, responsive and personalized customer service, and intelligent and actionable data and information management. Another aspect that is equally important is the concept of opportunity cost. Every decision the company makes will come at the expense of other alternatives that may provide different benefits and returns. For example, if an MSME decides to invest their limited capital in an e-commerce platform technology, then the opportunity cost is that the capital cannot be used for product inventory expansion, hiring additional labor, or upgrading physical production facilities. Therefore, managers must be able to evaluate the benefits, costs, and opportunity costs of each alternative option before making a final decision (Ladian & Fauzi, 2025).

Digitalization of MSMEs as a Practical Implementation of Managerial Economics. One of the most real, concrete, and urgent forms of managerial economics in Indonesia is the digital transformation of the MSME sector which is the backbone of the national economy. Digitalization allows businesses to significantly increase their operational productivity, expand their market access range without having to invest in large physical infrastructure, and improve operational efficiency in various business functions such as purchasing, production, inventory management, and customer service. Empirical research conducted by Luju, Marina, and Marlay (2024) shows with strong evidence that good digital capabilities and effective implementation are proven to have a significant positive and statistically meaningful relationship to improving business performance because it allows business people to reach a larger and wider market, speed up the transaction process with consumers, increase customer satisfaction through better service delivery, and reduce operational costs through automation and efficiency improvement.

From a managerial economic perspective, MSMEs' decision to digitalize and adopt technology is a form of strategic investment that requires careful analysis and evaluation. Business actors must spend substantial costs to buy technology hardware and software, train human resources to use technology effectively, conduct cost-intensive online promotions, or join marketplace platforms that often take commissions from every transaction that occurs. The costs of such technology investments are immediate and can be measured accurately. However, the expected benefits of the technology investment are future benefits that will only be realized in the medium to long term in the form of increased revenue, expansion into new markets, increased profit margins, and sustainable competitive advantages. Therefore, MSMEs need to conduct a careful cost-benefit analysis and NPV calculation to evaluate whether the digitalization investment will generate adequate returns and will provide an acceptable payback period within a reasonable timeframe (Sakinah, 2024).

Research conducted by Sakinah (2024) shows that digitalization contributes significantly to increasing the productivity of MSMEs through efficiency improvements in business operations and substantial market access expansion. Digitalization also helps business actors to adapt and respond more quickly to changes in consumer behavior who increasingly rely on technology and digital channels in the process of purchasing products and services in the contemporary era. As a very concrete and relatable example, many MSMEs in the culinary and food and beverage sectors that previously only served customers spread around the physical location of their business can now reach and serve consumers from various regions and regions even from outside the city by utilizing digital platforms and application-based delivery services. The decision to utilize marketplaces and digital platforms is a practical form of managerial economic implementation because the decision is based on a careful analysis of the costs that must be incurred (commission fee, operational cost, technology investment) and the expected benefits (expanded market reach, increased sales volume, improved brand visibility) from the use of these technologies (Luju, Marina, & Marlay, 2024).

Case Study: Marketplace Competition and Application of Managerial Economic Principles. The development of digital marketplace platforms such as Shopee, Tokopedia, Lazada, Blibli, and TikTok Shop provides a very real, concrete, and instructive picture of how the concepts and principles of managerial economics are applied in the highly competitive and dynamic modern business world. The competition that occurs among these digital platforms shows very clearly the importance of strategic, data-driven, and analytical framework-based decision-making in the face of market dynamics that continue to change at high speed and in a very short timeframe.

From a managerial economic perspective, these digital platform companies must understand in detail and accurately consumer behavior, purchasing preferences, elasticity of demand to various factors, and competitive positioning of competitors before determining the marketing strategy, product positioning strategy, and pricing strategy to be implemented. Various competitive incentive programs and aggressive promotions such as free shipping, substantial tiered discounts, cashback incentives, flash sales with deep discounts, and various other attractive promotions are the result of an in-depth and sophisticated analysis of the elasticity of consumer demand, preference and willingness to pay, competitor behavior, market dynamics, and customer acquisition cost (CAC) versus lifetime value (LTV) of customers (Ladian & Fauzi, 2025).

The aggressive and subsidiary-based promotional strategy has proven to be effective in increasing the number of transactions, sales volume, and market share in the short term because it can attract new customers and increase repeat purchase rates from existing customers. However, these digital platform companies must also rigorously take into account the large and growing costs incurred to subsidize these promotions so as not to interfere with the profitability and sustainability of their business in the long term. This is a perfect example of how the principles of managerial economics are applied in actual business practices: business decisions cannot only focus solely on increasing top-line revenue and market share, but must also carefully consider business sustainability, adequate profitability margins, efficiency of operational cost structures, as well as a clear pathway to sustainable profitability (Pradana et al., 2024).

The case of marketplace competition in Indonesia empirically shows that truly successful and sustainable companies are those that are able to achieve a delicate balance between aggressive growth strategies and growth based on strong fundamentals with strict operational efficiency and disciplined capital allocation in managing their cost structure. If the promotion strategy is carried out excessively, undisciplined, and not measurable without carefully considering the actual costs incurred by the company, the expected projected return on investment (ROI), and break-even points, then the gross profit obtained will be smaller, the operating margin will continue to shrink, cash flow will deteriorate, and the company can experience accumulating operating losses and even face a liquidity crisis and potential bankruptcy (Sakinah, 2024). In terms of MSMEs who act as sellers or merchants on various digital marketplace platforms, they also need to apply the principles of managerial economics in making various daily operational and strategic decisions. They must carefully analyze what is the optimal production volume to maximize profits while minimizing the risk of unsold inventory, which products need to be focused on based on demand patterns and profitability analysis, what is the right and competitive selling price to maximize profits while remaining attractive to consumers, how to minimize operational and logistics costs without sacrificing service quality, and how to use the most effective marketing strategies and efficient in using the limited budget available (Luju, Marina, & Marlay, 2024).

The Challenges of MSMEs in Facing Digital Transformation and Economic Complexity Although digitalization provides many opportunities and potential benefits for Indonesian MSMEs to develop and grow, not all business actors, especially traditional MSMEs, are able to adapt quickly and effectively to these fundamental and disruptive changes. One of the most urgent structural and fundamental challenges is the low level of digital literacy and information technology understanding owned by most micro and small business actors who still use traditional systems. Ladian and Fauzi (2025) explained through their empirical research that adequate digital literacy and good technological capabilities are important factors and determinants that greatly determine the success or failure of digital transformation at the MSME level. Business actors who have adequate digital capabilities and a deep understanding of information technology tend to use digital technology more easily, faster, and more effectively to utilize digital technology to improve their operational efficiency in a compound way, expand their market reach to new areas, and increase the overall productivity of their business.

On the other hand, business actors with low levels of digital literacy and minimal understanding of technology often find it difficult to make optimal use of digital platforms and tend to be conservative and risk-averse in adopting new technologies that are not yet familiar. Another structural challenge is significant business capital constraints, which are the main obstacles and critical bottlenecks in the digitalization and technology adoption process. The majority of MSMEs are still unable to allocate sufficient funds for technology investments such as the purchase of hardware and infrastructure, hiring expertise, HR training, or subscription payments for the necessary software because they must focus on meeting short-term operational cash flow needs and day-to-day business survival (Pradana et al., 2024). In fact, from a long-term oriented managerial economic perspective, technology investment can provide long-term benefits that are much greater, more substantial, and more profitable than the costs incurred at the present time, as long as they are analyzed correctly using the present value method and appropriate discount rates as well as rigorous cost-benefit analysis.

Another challenge that is equally significant and no less urgent is the exponential and unprecedented increase in the intensity of market competition in this borderless digital era. Contemporary consumers can now compare prices, product quality, product reviews from other users, and service levels very easily and quickly in just a matter of seconds through the internet and mobile applications, so consumers have very high bargaining power and very low switching costs. As a result, businesses can no longer rely on traditional competitive advantages such as strategic locations or geographical proximity to consumers as the main and sustainable competitive advantage as in the past. Instead, they must be able to create a unique and distinctive value proposition, clear differentiator, and tangible value added through superior product quality, consistent service excellence, continuous innovation in product design and service delivery, and effective and efficient marketing strategies using a limited budget (Ladian & Fauzi, 2025).

The Role of the Government and the Business Ecosystem in Supporting the Economic Efficiency of MSMEs. In facing these complex, multi-dimensional, and challenging economic challenges and digital competition, the Indonesian government has a strategic, substantial, and critical role in creating and developing a conducive business environment and supporting ecosystem for the growth and sustainability of MSMEs. Various government programs and initiatives that have been carried out such as the Digital MSME Movement, comprehensive entrepreneurship training programs, grassroots-oriented digital literacy programs, and the development of digital infrastructure and financial inclusion through programs such as payment digitalization and access to digital credit have become concrete forms of support to increase the overall competitiveness of national businesses (Pradana et al., 2024).

According to Pradana et al. (2024), successful, sustainable, and inclusive digital transformation requires strong synergy and collaboration from various parties and stakeholders, including the government that acts as a wise policy maker and regulator, formal and informal financial institutions that provide access to capital and financial services, educational institutions that develop human resources and an entrepreneurial mindset, and the private sector that acts as innovation drivers and active market players that competitive. Effective and genuine multi-stakeholder synergy and coordination is needed so that MSMEs can have wider, more inclusive, and more affordable access to the latest technology, affordable financing on reasonable terms, and potential and profitable market opportunities for their business expansion.

In addition, the government also has a crucial and non-negotiable role in maintaining and ensuring healthy, fair, and productive business competition through intelligent regulations, consistent law enforcement, and pro-competitive and pro-growth policy-making. The right policies and regulations are very important so that companies can compete based on the dimensions of operational efficiency, innovation capability, and real value creation,

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not solely based on the strength of capital or market dominance that is unfairly owned by several large companies. With a fair and consistent regulatory framework, competition in the market will be healthy and productive, which will ultimately provide benefits to consumers through competitive prices and better product quality (Sakinah, 2024). Thus, a deep understanding of the managerial economy, combined with the support of a supportive ecosystem and conducive policies, will enable Indonesian MSMEs to not only survive but also grow and thrive in this digital era full of disruption and opportunity.

METHODS

This study uses a qualitative approach with a literature review and integrated case study analysis to understand and analyze the application of managerial economic principles in the context of Indonesian MSME digital business. The qualitative approach was chosen because it aims to gain a deep, contextual, and comprehensive understanding of the complex phenomenon being researched—namely how Indonesian MSMEs navigate business decisions and strategies in adopting digital technology in the midst of fierce competition using the principles of managerial economics. The literature review research method is carried out through a systematic search and collection of the latest academic sources from various trusted research databases such as Google Scholar, JSTOR, ResearchGate, and leading international journals that publish research on managerial economics, digital transformation of MSMEs, and platform economy in Southeast Asia. Sources collected include peer-reviewed journal articles, academic textbooks, research reports from leading research institutions, and empirical case studies relevant to the research topic. The data and information collected are then critically analyzed and synthesized to identify patterns, key themes, research gaps, and insights that can contribute to the understanding of managerial economics in the digital age. Integrated case analysis was also carried out by focusing on real cases from marketplace platforms (Shopee, Tokopedia, Lazada, TikTok Shop) and MSMEs that have implemented digital strategies to extract practical lessons on how the principles of managerial economics are implemented in actual business decisions.

The data analysis procedure in this study is carried out through several systematic stages. First, the categorization and thematization stage is carried out to group research sources based on the main themes such as managerial economic concepts, digitalization applications in MSMEs, pricing and demand analysis strategies, cost structure optimization, risk management, and competitive strategies on digital platforms. Second, critical content analysis is carried out to evaluate the quality, credibility, and relevance of each source and identify the most meaningful and applicable arguments, evidence, and insights for the context of Indonesian MSMEs. Third, integrative synthesis is carried out by linking theoretical concepts from the managerial economics literature with empirical findings from practical cases to produce a holistic and contextual understanding. Validation of research rigor is carried out through several mechanisms: (1) triangulation of sources by utilizing multiple sources of evidence from various disciplines (economics, management, business technology, and entrepreneurship) to ensure the comprehensiveness of the analysis; (2) member checking is carried out through consultation with MSME business practitioners and managerial economics academics to validate the interpretation and relevance of the findings produced; (3) Transparent trail audit by documenting all stages of research, analytical decisions, and reasoning behind each conclusion taken so that the research results can be trusted and accounted for methodologically. This research approach is expected to produce valuable and actionable insights on how Indonesian MSMEs can utilize the principles of managerial economics to develop more effective, efficient, and sustainable business strategies in the digital era full of uncertainty and disruptive change.

RESULTS AND DISCUSSION

Results

Based on a systematic analysis of the latest literature and case studies from various platforms and MSMEs that have adopted digital technology, this study identifies five main findings on the application of managerial economic principles in the context of Indonesian MSME digital business.

First, the findings show that managerial economics is a very relevant and practical analytical framework to help MSMEs make more rational and evidence-based business decisions, especially in the context of digital technology investment and market penetration strategies. The literature consistently studied emphasizes that decisions to digitize MSMEs must be based on rigorous cost-benefit analysis and mature NPV (Net Present Value) evaluation, not solely following trends or competitors' decisions without in-depth analysis (Sakinah, 2024; Luju, Marina, & Marlay, 2024). Empirical research from Luju, Marina, and Marlay (2024) shows that MSMEs that apply managerial economic principles in their digital transformation decision-making experience a significant increase in operational performance by 23-35 percent in the first two years of implementation.

Second, an analysis of the platform marketplace case study shows that a deep understanding of consumer demand elasticity and price sensitivity is the key to an effective and sustainable pricing and promotional strategy. Digital platforms such as Shopee, Tokopedia, and Lazada that have been successful in maintaining their market share show a similar pattern: they use sophisticated econometric analysis to understand the elasticity of demand across various consumer segments and product categories, then use those insights to optimize their discount strategies and promotional calendars in order to maximize revenue while still achieving ambitious market share targets (Ladian & Fauzi, 2025).

The third finding reveals that MSMEs still face significant difficulties in applying the principles of managerial economics consistently, especially related to detailed operational cost analysis and accurate cost accounting. Research by Pradana et al. (2024) shows that only about 35 percent of the MSMEs studied have an adequate cost tracking system and a clear understanding of their operational cost structure, which in turn leads to suboptimal pricing strategies and lower than maximum profitability margins.

Fourth, the literature analyzed shows that digital transformation in MSMEs is highly dependent on the quality and availability of the institutional support ecosystem which includes entrepreneurship training, access to affordable financial capital, and adequate digital infrastructure. Programs that have been implemented by the Indonesian government such as the Digital MSME Movement have had a positive impact but still have not achieved optimal penetration and effectiveness, especially in tier-2 and tier-3 cities as well as in rural areas (Pradana et al., 2024).

The fifth finding confirms that competition in marketplace platforms has created a very intense and dynamic competitive landscape, which forces MSMEs to not only understand the principles of managerial economics but also to be able to apply these principles quickly and adaptively in response to changes in market dynamics that occur with high velocity (Sakinah, 2024). MSMEs that are able to conduct rapid experimentation and quick iteration in testing various pricing strategies, product positioning, and marketing campaigns using the analytical framework of managerial economics show significantly superior performance compared to MSMEs that still use traditional approaches that are intuitive and reactive.

Sixth, case studies of various MSMEs that have successfully carried out digital transformation show that a critical success factor is the ability to integrate several managerial economic principles simultaneously, rather than focusing on just one aspect. For example, successful culinary MSMEs on marketplace platforms not only focus on optimal pricing, but also on optimizing production cost structures, efficiency in logistics and distribution, sophisticated inventory management using demand forecasting, and cost-efficient and targeted customer acquisition strategies based on consumer behavior analysis (Luju, Marina, & Marlay, 2024). Overall, the results of the analysis show that although there is a significant gap between theory and practice, the principles of managerial economics have enormous potential to increase the effectiveness and sustainability of Indonesian MSMEs in the face of a digital era full of disruption and opportunity.

Discussion

The first finding in this study that emphasizes the relevance of managerial economics for Indonesian MSMEs is in line with the theoretical perspective put forward by contemporary managerial economists that in the era of radical uncertainty and rapid market change, decision-making based on systematic analysis and quantitative rigor is becoming increasingly important and valuable (Luju, Marina, & Marlay, 2024). In the specific context of Indonesian MSMEs, this relevance is even higher because MSMEs typically operate with very limited resources, so every investment decision and resource allocation must be very carefully thought out and carefully calculated in terms of opportunity cost. The results of the study showing that MSMEs that apply managerial economic principles have experienced an increase in performance by 23-35 percent provide strong evidence of the value that can be created through the application of sound analytical frameworks. However, these findings need to be understood with a nuanced perspective, because the increase in performance is not only due to the application of managerial economics, but is also influenced by other factors such as the quality of the digital technology used, the capability level of the human resources that run, and favorable market conditions in the measurement period. The practical implication of these findings is that MSMEs and governments need to increase investment in training and capacity building in the field of managerial economics, rather than just focusing on the technical skills aspects of digital technology itself.

The second finding on the importance of demand analysis and pricing strategies based on an understanding of demand elasticity provides powerful insights into why some marketplace platforms succeed while others struggle to maintain profitability amid intense competition. Analysis of the promotional and pricing strategies of leading platforms shows that they use sophisticated econometric models and machine learning algorithms to perform real-time estimation of price elasticity in various market segments (Ladian & Fauzi, 2025). With an accurate understanding of demand elasticity, they can dynamically optimize their price and adjust their discount strategy based on actual market conditions, rather than based on a rigid promotional calendar determined at the beginning of the period. For MSMEs, this insight is crucial because it shows that even if MSMEs don't have the resources to develop sophisticated AI/ML models, they can still leverage fundamental managerial economic principles (such as understanding price elasticity, cross-price elasticity, and income elasticity) to optimize their pricing decisions. The third finding that reveals that the majority of MSMEs are still weak in terms of cost accounting and cost tracking shows a fundamental weakness that must be addressed immediately, because without an accurate understanding of the cost structure, MSMEs will continue to mispricing and experience margin erosion that is not detected properly.

The fourth finding on the importance of institutional support ecosystems amplifies the long-standing argument in the literature on entrepreneurship development that entrepreneurial success does not only depend on individual initiative and technical competence, but is also strongly influenced by the quality of the supporting environment (Pradana et al., 2024). In the context of digital transformation of MSMEs, a comprehensive institutional support ecosystem must include not only technical training on e-commerce platforms and digital marketing, but also formal and informal training on business economics, financial management, and strategic decision-making. Programs that have been implemented by the government and private sector partners have made valuable contributions, but there are still significant gaps, especially in tier-2 and tier-3 cities where the concentration of MSMEs is very high but access to quality training and advisory services is still very limited. The implication of this finding is that the government and the private sector need to develop and scale up various innovative delivery mechanisms for training and capacity building that are more accessible, affordable, and relevant for MSMEs in various city tiers and various industry sectors. Technology-enabled solutions such as online courses, webinars, and peer learning communities facilitated through digital platforms can be potential solutions to overcome geographic and cost barriers in access to training on managerial economics.

The fifth and sixth findings which emphasize the importance of agility, rapid experimentation, and integrated application of various managerial economic principles simultaneously provide important implications about how the skills and mindset needed by MSME leaders and decision makers in the digital era have fundamentally changed. In the past, successful MSME leaders were those who had a deep domain of knowledge about specific industries and customers, coupled with strong intuition developed through years of experience. However, in the digital era, these success factors are still needed but no longer sufficient. Today's MSME leaders also need to have an analytical mindset and basic understanding of business economics and analytical frameworks that can help them make sense of the huge volumes of data available, identify actionable patterns and insights, and adapt their strategy quickly based on these findings (Sakinah, 2024). This means that investment in human capital development and continuous learning is very critical for the sustainability of MSMEs in the digital era. Contextually, the findings in this study provide strong evidence that the gap between the theory of managerial economics and practice at the MSME level is still very significant and requires urgent attention from various stakeholders including the government, educational institutions, the private sector, and MSMEs themselves. Closing this gap will not happen on its own but requires deliberate efforts, coordinated actions, and sustained commitment from all parties to develop and scale up various initiatives that can improve the literacy and capability of MSMEs in applying the principles of managerial economics.

CONCLUSION

Managerial economics is a very important approach in helping companies make effective and efficient business decisions. In Indonesia, the implementation of managerial economics can be seen in real terms through the process of digitizing MSMEs and the rapid development of the e-commerce industry. Digitalization provides great opportunities for business actors to increase productivity, expand the market, and increase competitiveness. However, these benefits can only be obtained if business actors are able to utilize technology optimally and make decisions based on rational analysis.

Various studies show that digital capabilities, innovation, and management quality have a positive influence on the performance of MSMEs. These findings are in line with the research of Sakinah (2024), Luju et al. (2024), and Ladian and Fauzi (2025) which shows that digitalization and managerial capabilities contribute to increasing business productivity and competitiveness. Therefore, business actors need to continue to improve managerial skills and digital literacy in order to be able to adapt to changes in the business environment. On the other hand, the government needs to strengthen support for the digital transformation of MSMEs so that the growth of Indonesia's digital economy can take place sustainably.

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