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UNRAVELING THE INFLUENCE OF FACTORS ON MICRO SMALL AND MEDIUM-SIZED ENTERPRISES' ADOPTION OF SOCIAL MEDIA MARKETING AND ITS BUSINESS IMPACT

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ABSTRACT

The continuously growing opportunities in the digital economy have prompted the Indonesian government to encourage Micro, Small, and Medium-sized Enterprises (MSMEs) to undergo digital transformation. While there are various approaches available, marketing products/services through social media is believed to be one of the most effective methods. To maximize the benefits of social media marketing adoption for MSMEs, it is indeed crucial to identify the influential factors related to its adoption. Therefore, this study aims to quantitatively identify the factors influencing social media adoption among MSMEs in Indonesia. In this study, attention is directed toward five factors: performance expectancy, social influence, effort expectancy, facilitating conditions, and operating costs. The study incorporated 136 actively participating MSMEs that employed social media marketing. We opted to employ Partial Least Squares Structural Equation Modeling (PLS-SEM) due to its suitability for our sample size and potential data characteristics. As we were unsure about the normality of our data and the presence of measurement issues, PLS-SEM provided a robust and flexible approach. It allows us to analyze complex models and handle potential non-normal data and measurement concerns, ensuring reliable results even if such issues arise. Data is processed using the SmartPLS 3.0 software. The research findings indicate that the usage of social media marketing is influenced by performance expectancy and social influence. However, factors such as effort expectancy, facilitating conditions, and costs do not have a significant impact on social media adoption among MSMEs. Furthermore, the results of the study highlight the positive impact of utilizing social media for marketing on the performance of MSMEs, particularly in terms of increasing sales, enhancing customer relationships, improving productivity, and fostering creativity. These findings suggest that MSMEs can leverage social media platforms to achieve tangible benefits and enhance various aspects of their business operations.

Keywords: UTAUT; Micro, Small and Medium-sized Enterprises; Social Media Marketing

INTRODUCTION

The role of Micro, Small, and Medium Enterprises is crucial for the development of the newly industrialized country's economy. MSMEs play a central role in Indonesia's economy, making substantial contributions to both the Gross Domestic Product (GDP) and employment generation (Remmang et al., 2023; Sarfiah et al., 2019). The state minister for Cooperatives Small and Medium Enterprises reports that approximately 99.9% of business entities in Indonesia belong to the MSME category, amounting to around 64.2 million entities as of 2018. MSMEs employ 117 million workers, comprising 97.0% of the total workforce in Indonesia's business sector. MSMEs make up approximately 61.1% of the GDP, with the remaining 38.9% attributed to large enterprises, showcasing their significant contribution to the national economy (Sangsoko, 2020).

The global outbreak of COVID-19 has necessitated swift adaptation to new environmental conditions and behavioral patterns, commonly referred to as the "new normal." Consequently, the integration of digital technology has become a fundamental element of everyday life, encompassing MSMEs that have undergone business transformations (Dzul Fikry et al., 2023). Amidst the pandemic, digital platforms have risen as the optimal solution, aiding MSMEs in effectively carrying out their operations (Nelly, 2021). The survey results by McKinsey in March 2022 indicated a clear shift in consumer shopping behavior, transitioning from offline channels (brick-and-mortar retail stores) to online channels across almost all product categories (Arora et al., 2022).



The surge in internet user growth in Indonesia creates a valuable opening for digital MSMEs to enhance their market presence. Internet users in Indonesia have consistently increased over the past 5 years. By January 2022, it had reached 204.7 million users. This number accounts for 73.7% of the total national population, which is approximately 277.7 million people, and represents a 54.3% increase compared to internet users in 2018 (We Are Social, 2022). Furthermore, Indonesia possesses significant potential for digital economic growth, positioning it as a prospective leader within the ASEAN region. In 2020, Indonesia achieved the highest digital economy transaction value in Southeast Asia, amounting to US\$44 billion. Future forecasts suggest that by 2025, Indonesia's digital economy will soar to an estimated US\$124 billion (Bain & Company et al., 2020).

The growing adoption of social media in newly industrialized countries has emerged as a pivotal strategy for fostering the development of MSMEs. Social media has become one of the most popular choices as it facilitates rapid and transparent communication between two parties (such as businesses and customers), empowering businesses to proactively understand and effectively address customer needs (Qalati et al., 2021). Social media platforms also offer substantial potential for product sales. A survey conducted by We Are Social found that the search for products to purchase ranks 7th among the reasons why individuals use social media, accounting for 25.3% of respondents (We Are Social, 2023). SMEs can capitalize on this opportunity, given that the survey highlights how 25% of social media users actively employ these platforms to explore and make purchases.

However, data from the state minister for Cooperatives Small and Medium Enterprises in December 2022 indicates a low number of businesses that have undergone digitalization in Indonesia, with only 20.76 million out of a total of 64 million entities (Dewanto & Suyitno, 2023). The government is making concerted efforts to enhance digitalization among MSMEs, aiming to digitally onboard 30 million MSMEs by 2024 (Smesco & Kemenkopukm, 2021). As such, this study seeks to analyze the determinants that shape MSMEs' digital market share growth, with the aim of assisting stakeholders in devising policy strategies to expedite the achievement of the digital MSME target.

RESEARCH METHOD

Hypothesis

There have been several previous studies to gain insight into the factors that shape businesses' adoption of social media. Some of the theories that are often used, for example, TAM and UTAUT. Researchers use UTAUT because the theory was coined by (Venkatesh et al., 2012) as the addition and integration of several existing acceptance technology models. The variables in UTAUT can also explain the acceptance of technology with R2 reaching 69%, higher than previous theories (Venkatesh et al., 2012). The researcher also found several studies in other countries which provide insights into the elements influencing the utilization of social media marketing by MSMEs using the UTAUT theory.

In research conducted by (Puriwat & Tripopsakul, 2021) in Thailand, individuals believe that a system can assist in their work to improve performance is the factor that most influences business people in using social media marketing. There are also several other studies where it appears that there is a notable and positive correlation between performance expectancy and the adoption of technology. (Chatterjee & Kumar Kar, 2020; Syaifullah et al., 2021) observed that business individuals tend to embrace social media for business marketing when they have a higher level of confidence in the positive impact it can have on their marketing efforts. In the midst of a pandemic, social media is also the optimal solution to help MSMEs in maintaining their business performance (Syaifullah et al., 2021).

Users will not hesitate to adopt a technology that can help if the use of the technology is easy (Kuo & Yen, 2009; Venkatesh et al., 2012). Compared to other online platforms, social media is a platform with the fewest efforts and applications that are quite familiar among business people, because people are used to using social media for alternate functions like communicating or socializing with friends and family (Puriwat & Tripopsakul, 2021).

SI is defined as the level of interest someone has in social media perceived based on the beliefs and attitudes of others in using social media platforms (Sullivan & Koh, 2019). Previous research by (Abdat, 2020; Jabeen et al., 2022; Puriwat & Tripopsakul, 2021), described the significant role of social influence in the acceptance and utilization of social media applications. The stronger the influence of the social environment on business stakeholders, the more it will shape their behavior in utilizing social media for business operations (Abbas et al., 2019; Puriwat & Tripopsakul, 2021).

Previous studies have shown that the availability of affordable training facilities on social media marketing techniques for employees, supported by IT facilities such as internet network connectivity, and the support from all parties to create a conducive environment are motivating factors for the utilization of social media for marketing purposes (Chatterjee & Kumar Kar, 2020; Hung & Lai, 2015; Schaar et al., 2014). MSMEs would readily embrace SMM when their employees have good training facilities and affordable internet facilities. If the facilities do not support it, then MSMEs will be resistant to the use of social media marketing (Syaifullah et al., 2021).

Numerous studies emphasize a connection between cost and the adoption of technology (Chatterjee & Kumar Kar, 2020; Chong & Chan, 2012; Syaifullah et al., 2021). Efforts to achieve cost efficiency aim to maintain stability and increase business competitiveness, especially because current business developments continue to grow rapidly, resulting in increasingly fierce competition (Febryanti et al., 2019). Price savings orientation is not only assessed in terms of savings, but can also be seen from other aspects, such as not incurring additional costs for purchasing products or using services (Yeo et al., 2017). The role of cost is significant when it comes to the adoption of technology (Chong & Chan, 2012). MSME participants would refrain from utilizing social media marketing (SMM) if the associated costs are elevated. (Syaifullah et al., 2021). Their motivation to employ social media stems from the minimal entry barriers, cost-effectiveness, and the absence of a necessity for advanced IT skills (Derham et al., 2011). SMM also allows businesses to gain cost savings in communicating and identifying consumer needs (Chatterjee & Kumar Kar, 2020).

In Indonesia, approximately 167 million people are active users of social media, spending an average of 3 hours and 18 minutes per day on these platforms (Hassan et al., 2022; We Are Social, 2023). These statistics highlight the substantial market opportunity presented by social media, as it has emerged as a convenient platform for sharing information online between companies and consumers, as well as among consumers worldwide, without any time limitations. The utilization of social media is particularly well-suited for MSMEs considering their limited resources, such as financial constraints and technical expertise (Fraccastoro et al., 2021; Rana et al., 2019). Marketing on social media can enhance trust and brand loyalty for a business. Furthermore, social media marketing facilitates consumers in obtaining information about products sold by companies with minimal effort (Agnihotri et al., 2016; Chung & Koo, 2015; Puspaningrum, 2020; Zaglia, 2013). Previous research has also indicated a positive association between social media marketing and trust, closeness, and customer loyalty (Khoa, 2020; Li et al., 2020). In addition, other studies found that the use of social media by companies brings about convenience in brand building and facilitates their business activities (Chatterjee & Kumar Kar, 2020; Jibril et al., 2019; Sullivan & Koh, 2019). The conceptual framework of this study is illustrated in Figure 2.

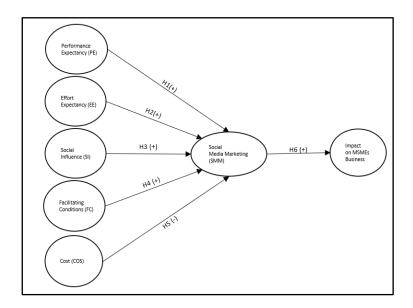


Figure 2. SEM-PLS Result (Inner Model)

The hypotheses are as follows:

- H1. PE has a positive and significant influence on SMEs' adoption of SMM
- H2. EE has a positive and significant influence on SMEs' adoption of SMM
- H3. SI has a positive and significant influence on SMEs' adoption of SMM
- H4. FC has a positive and significant influence on SMEs' adoption of SMM
- H5. The cost has a negative and significant influence on MSMEs' adoption of SMM
- H6. The utilization of Social Media Marketing (SMM) has a significant and positive impact on the performance of MSMEs.

Research Design and Data Collection

The aim of this study was to explore the factors influencing the adoption of social media marketing among micro, small, and medium enterprises (MSMEs), as well as its repercussions on business outcomes. The objects of the research carried out are micro, small and medium entrepreneurs who meet the criteria in (Undang-Undang (UU) Nomor 20 Tahun 2008 Tentang Usaha Mikro, Kecil, Dan Menengah, 2008) and are active in using social media. The research employed a quantitative approach, utilizing the partial least squares structural equation modeling (PLS-SEM) technique to confirm the hypothesized relationships and authenticate the proposed theoretical framework. The study's participants encompassed various micro, small, and medium enterprises situated in Indonesia. The process of gathering data involved the distribution of an online survey through popular social media platforms such as Facebook, Instagram, and Whatsapp. According to (Hair et al., 2021), the inverse square root approach can be used in determining the minimum number of samples. Assuming a general level of power of 80% and a significance level of 5%, the minimum sample size (nmin) can be calculated using the formula:

Significant Level 5% =
$$n_{min} > \left(\frac{2.486}{|p_{min}|}\right)^2$$

nmin = numbers of minimum sample pmin = path coefficient minimum

The minimum sample size can be calculated after the researcher collects data from distributing questionnaires and performs an inner model analysis to acquire the lowest path coefficient value among the variables that have a significant effect. In case there is an

insufficiency of gathered data, the researcher will again increase the number of samples. Researchers collected data for 3 weeks, and 136 samples were successfully collected. When the data is processed, the smallest path coefficient value in this study is 0.369. By entering this value into the formula above, the number 45.38 is obtained, so that the minimum number of samples in this study has been fulfilled.

Questionnaire Development

Based on the indicators that have been developed, a pretesting process is carried out to guarantee the non-redundancy, reliability, and suitability of the indicators used. In the final questionnaire, there are 26 indicators used, which are presented in Table I. The questionnaire consists of closed-ended questions, utilizing a 5-point Likert scale (ranging from 1 for Strongly Disagree to 5 for Strongly Agree).

Table 1 Operational Variables

Construct	Items	Indicator		
Constituct	TUTHIS			
Performance Expectancy (PE)	PE1	Social media will be useful in running a business (Puriwat & Tripopsakul, 2021)		
	PE2	Social media will increase your business profits (Puriwat & Tripopsakul, 2021).		
	PE3	Social media can help you increase customer satisfaction (Chatterjee & Kumar Kar, 2020).		
	PE 4	Social media will accelerate you in achieving business goals (Puriwat & Tripopsakul, 2021).		
	EE1	Social media will be easy for you to learn in running a business (Puriwat & Tripopsakul, 2021).		
Effort Expectancy	EE2	Becoming skilled in utilizing social media for business purposes can be achieved effortlessly (Puriwat & Tripopsakul, 2021).		
(EE)	EE3	You can do sales transactions on social media quickly (Puriwat & Tripopsakul, 2021).		
	EE4	You can easily advertise business products and services on social media (Chatterjee & Kumar Kar, 2020).		
Social Influence (SI)	SI1	Individuals of significance recommend your engagement in utilizing social media for business motives (Puriwat & Tripopsakul, 2021).		
	SI2	Individuals who have an impact on your actions propose the utilization of social media for business intentions (Puriwat & Tripopsakul, 2021).		
	SI3	Individuals whose viewpoints you hold in high regard propose your involvement in using social media for business objectives (Puriwat & Tripopsakul, 2021).		
	SI4	People around you suggest that you use social media for business purposes (Puriwat & Tripopsakul, 2021).		
	FC1	You possess the required knowledge to effectively employ online social media for business endeavors (Puriwat & Tripopsakul, 2021).		
Facilitating Condition (FC)	FC2	You possess connections who can provide assistance with any social media challenges you might encounter (Puriwat & Tripopsakul, 2021).		
	FC3	You have access to the necessary resources to effectively utilize social media for business purposes (Puriwat & Tripopsakul, 2021).		
	FC4	Social media seamlessly integrates with other platforms you have employed (Puriwat & Tripopsakul, 2021).		
Cost (COS)	COS1	The costs required to interact with customers will decrease after using social media (Chatterjee & Kumar Kar, 2020).		

	COS2	The expense related to discovering new customers will be diminished by utilizing social media (Chatterjee & Kumar Kar, 2020).		
	COS3	Social media will make the costs needed to increase brand awareness cheaper (Chatterjee & Kumar Kar, 2020).		
Cocial Madia	SM1	Marketing on social media is useful in advertising your business products and services (Chatterjee & Kumar Kar, 2020).		
(SMM)	SM2	You use social media as a marketing tool because your competitors use it too (Chatterjee & Kumar Kar, 2020).		
	SM3	Employing social media marketing techniques contributes to the enhancement of the business (Chatterjee & Kumar Kar, 2020).		
	IOB1	After engaging with social media, your customers experience a heightened sense of connection to your business (Chatterjee & Kumar Kar, 2020).		
Impact on	IOB2	Social media helps businesses in identifying customer needs (Chatterjee & Kumar Kar, 2020).		
Business (IOB)	IOB3	Your product sales have increased compared to before using social media in business (Chatterjee & Kumar Kar, 2020).		
	IOB4	Marketing on social media helps in increasing the creativity of the employees (Chatterjee & Kumar Kar, 2020).		

RESULT AND DISCUSSION

Descriptive Statistics Result

The majority of respondents are MSME actors with the business category being in the type of micro business and domiciled in Banten, DKI Jakarta, Bengkulu. All respondents have used social media in marketing their business. A significant portion of participants are females belonging to the age group of 25 to 42 years (millennial generation) and possess a bachelor's degree. The demographic characteristics of the survey respondents are detailed in Table 2.

 Table 2 Descriptive Statistics

Category	Description	No	%
Gender	Male	44.0	32.35%
Gender	Female	92.0	67.65%
E-4i	Small (Rp 300 M – Rp 2.5 B)	25.0	18.38%
Enterprise Category	Medium (Rp 2.5B – Rp 50 B)	22.0	16.18%
Category	Micro (0 – Rp 300 M)	89.0	65.44%
	Banten	50.0	36.76%
	Bengkulu	27.0	19.85%
Domicile	DKI Jakarta	33.0	24.26%
Domicile	Jawa Barat	13.0	9.56%
	Others	6.0	4.41%
	Sumatera Selatan	7.0	5.15%
	25 - 42 years	95.0	69.85%
A ~~	43 - 57 years	23.0	16.91%
Age	< 25 years	14.0	10.29%
	> 57 years	4.0	2.94%
	Associate Degree	6.0	4.41%
Last	Bachelor	82.0	60.29%
Education	S2	15.0	11.03%
	Senior High School	33.0	24.26%

Before testing the hypothesis, the researcher first measured the model (outer model) using

SEM-PLS. Construct validity pertained to the degree of accuracy with which a collection of observed variables authentically portrays the latent variables intended to be theoretically measured. Criteria introduced by (Hair et al., 2017) were employed to assess convergent validity, discriminant validity, and reliability. The results substantiated a combined count of 26 items encompassing PE (four items), EE (four items), SI (four items), FC (four items), Cost (three items), SMM (three items), and IOB (four items) meet the requirements of the validity and reliability test. Every indicator displays item loadings exceeding 0.5, and the Average Variance Extracted (AVE) value for each construct also surpasses the 0.5 threshold as proposed by (Hair et al., 2017). Cronbach's alpha coefficient for the instrument varies between 0.847 and 0.921, while the composite reliability scores for the instrument fall within the range of 0.909 to 0.944. The measurement model results are presented in both Table 3 and Table 4.

Table 3 Reliability and validity of constructs

Indicator	Converge	nt Validity	Internal Consis	Internal Consistency Reliability		
	Loadings	AVE	Composite	Cronbach's		
			Reliability	Alpha		
	> 0,70	> 0,50	> 0.70	> 0.70		
PE1	0,877					
PE2	0,919	0,779	0.024	0,905		
PE3	0,864	0,779	0,934	0,903		
PE4	0,869					
EE1	0,889					
EE2	0,84	0,735	0,917	0,880		
EE3	0,835	0,733	0,917			
EE4	0,864					
SI1	0,909		0,944	0,921		
SI2	0,894	0,808				
SI3	0,934	0,808				
SI4	0,857					
FC1	0,76		0,909	0,867		
FC2	0,828	0,715				
FC3	0,892	0,713				
FC4	0,896					
COS1	0,864		0,907	0,847		
COS2	0,911	0,764				
COS3	0,846					
SMM1	0,805			0,868		
SMM2	0,927	0,793	0,919			
SMM3	0,933					
IOB1	0,896			0,903		
IOB2	0,916	0.777	0.022			
IOB3	0,909	0,777	0,933			
IOB4	0,799					

The convergence validity indicators are standardized through Factor Loadings and the Average Variance Extracted. All indicators achieved recommended values by (Hair et al., 2017) represented convergent validity acceptance. To assess internal consistency reliability, standardization is achieved through Composite Reliability (CR) and Cronbach's Alpha (Hair et al., 2017). All constructs achieved recommended values by (Hair et al., 2017). Table 4 presents the results of the discriminant validity test. Discriminant validity was successfully established as evidenced by the fact that the value of the HTMT Confident Interval does not have a value of 1 (Hair et al., 2017).

 Table 4 Heterotrait-Monotrait Ratio (HTMT)

	cos	EE	FC	IOB	PE	SI	SM
COS							
EE	0,765						
FC	0,679	0,913					
IOB	0,750	0,705	0,732				
PE	0,719	0,742	0,684	0,867			
SI	0,740	0,738	0,724	0,700	0,724		
SM	0,745	0,745	0,723	0,855	0,835	0,849	

Structural Model and Hypotheses Testing

After the assessment of the measurement model, the subsequent phase involved the development of the structural model (inner model). The outcomes of the proposed path model are depicted in Figure 1, and the detailed results can be seen in Table 5.

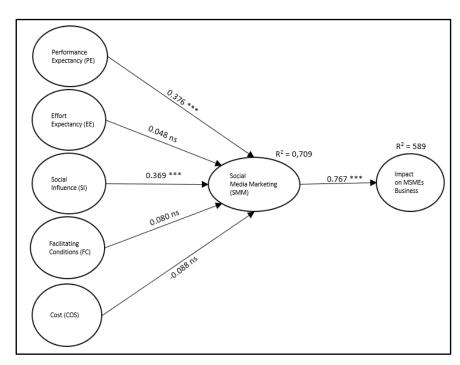


Figure 1 SEM-PLS Result (Inner Model)

Table 5 Results of Hypothesis Testing

Effect	Path	p-value	R2	Remarks
	Coefficient			
Effect on SMM			0,709	
by PE	0,376	0,000 (*** p < 0,001)		Supported
by EE	0,048	0,309 (ns p > 0,05)		Not Supported
by SI	0,369	0.000 (*** p < 0,001)		Supported
by FC	0,080	0,191 (ns p > 0,05)		Not Supported
by COS	-0,088	0.125 (ns p > 0.05)		Not Supported

Effect on IOB		0,5	589
by SM	0,767	0.000 (*** p < 0,001)	Supported

Seven constructs and twenty-six statement-based questions (items) were discerned. Drawing upon the literature, a conceptual model was constructed, leading to the formulation of six hypotheses. The conceptual model's validity was verified using PLS-SEM analysis. Following the validation process, it became evident that among the six initially formulated hypotheses, three hypotheses (H2, H4, H5) were not substantiated. This implies that the presumed impact of Effort Expectancy (EE), Facilitating Conditions (FCO), and Cost (COS) on Social Media Marketing (SMM) adoption has not been supported. Calculation of determinant coefficients (R2) indicates that Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Conditions (FC), and Cost (COS) collectively account for 70.9% of the variability in Social Media Marketing (SMM), as the corresponding coefficient of determination is 0.709 (R2). Among all the independent variables (PE, EE, SI, FC, and COS), the impact of PE on SMM (H1) stands out as the strongest, with a path coefficient of 0.376 and a high level of significance ***(P < 0.001). On the other hand, the influence of EE on SMM (H2) is relatively modest, indicated by a path coefficient of 0.048 and non-significant (ns) level of significance (p > 0.05). Furthermore, Social Media Marketing (SMM) accounts for approximately 58.9% of the explanation of Impact on Business (IOB) (H6), given the coefficient of determination (R2) of 0.589.

CONCLUSION

The characteristics of the respondents in this research survey are that the majority are MSME actors with the business category being in the type of micro business and the majority are domiciled in Banten, DKI Jakarta, Bengkulu, and have used social media to market their business. The majority of respondents are also female, aged 25-42 years (millennial generation) with an undergraduate degree. The use of social media as a marketing tool greatly influences the development of MSME businesses. The results of the study show that the use of Social Media Marketing in MSMEs will have an impact on business benefits, such as increasing product sales, better relationships with consumers, ease in identifying customer needs, and increased employee creativity. Expectations for increased performance have the strongest influence on MSME behavior in adopting social media as a marketing tool. In addition, the opinions of people in the social environment of MSME actors are quite influential on the behavior of MSMEs to use social media as a marketing tool in running their businesses. As for the ease of use of marketing techniques on social media, the condition of available facilities, and the cost savings factor, it has not been proven to influence the behavior of MSMEs to adopt marketing on social media in running their business. MSMEs in Indonesia still find it difficult to adopt social media marketing in running their business. Some MSMEs cannot yet use social media marketing properly. Apart from that, the available facilities, such as training and infrastructure, are still inadequate to encourage MSMEs to adopt social media marketing. Improved facilities and effective training will be able to help MSME players in adopting social media marketing in the future which will have an impact on improving business performance.

In the research conducted, data dissemination was carried out using the researcher's social media account, so that the number of respondents obtained was still not optimal. In addition, the respondents obtained are also still in a scope that is too spread out. Further research can be done by limiting certain regions/provinces to get an overview of an area. In addition, it is also possible to modify the research model and add variables, such as adding variables from TAM theory, as well as UTAUT2 or UTAUT 3, and the research model can be supplemented with moderating variables such as age, level of education, gender and type of business category. In future studies, it is recommended to further clarify and direct the criteria of respondents to the industry as well as the requirements for activity on social media, for example, limiting the criteria of respondents to a creative industry, or setting a minimum frequency of using social media, so that the selected respondents are truly active in using the media social. In subsequent studies, the approach is still

using a single cross-sectional design, where the number of samples is only taken once. Subsequent research can use a longitudinal design to get an overview of differences in business performance, before and after adopting social media marketing.

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