

Enhancing Social Media Usage on Business Performance: MSEMs During The COVID-19 Pandemic in Indonesia

Seprianti Eka Putri
Universitas Bengkulu
Email: seprianti.ep@unib.ac.id

Abstract

The purpose of this study is to examine the impact of the increase in social media users on business performance in micro, small, and medium-sized enterprises (MSMEs). This research uses a quantitative approach, with an analytical tool SEM PLS. A total of 250 responses social media users collected from respondents through purposive sampling technique with data collection used an online questionnaire. With research findings, perceived utility, and perceived ease of use, compatibility all influence social media use. Further, The usage of social media for marketing has a positive effect on the business performance of SMEs in terms of improving sales, customer relations, productivity, and creativity. The contribution of this study is to provide more relevant insights into the usage of social media on SMEs in Indonesia that are directly affected by the COVID-19 outbreak.

Keywords: Social media usage, business performance, MSMEs, COVID-19

INTRODUCTION

While to the spread of COVID-19, many nations have taken serious measures. Many economic actors, especially MSME and startup businesses, have been taken aback by lockdowns and limitations on most community activities and economic activity. (Kuckertz et al., 2020). The International Labor Organization (ILO) performed a survey to assess the impact of the COVID-19 epidemic on 571 micro, small, and medium-sized businesses. (MSMEs). As a result, 70% of MSMEs reported that they had stopped production due to COVID-19. The survey of MSMEs in Indonesia was conducted between the 6th and 24th of April, 2020. Moreover, the ILO discovered that approximately 63 percent of MSMEs paused and asked their staff to take paid or unpaid leave. There are also MSME employees that have been affected by job loss. The company faces a shortage of raw material supplies due to business disruptions and transportation restrictions by 64 percent. Meanwhile, two-thirds, or 66%, experienced problems with the delivery of the final product. The report also revealed that employers are trying to reduce the impact of the outbreak. 35% of respondents seek to diversify their purchasing or procurement channels, as well as their sales and income. Then, one in every five companies, or up to 21% of respondents, are diversifying their products in response to new demands, such as masks and sanitation.

However, according to research, only one in every five businesses can diversify their offerings. On each side, some businesses reduce production. A quarter of businesses stated they couldn't find enough staff to manage their operations for a variety of reasons, including migration limitations. Another issue is that consumer demand has decreased across the board in all types of enterprises. Nonetheless, certain items and services are in high demand. To address the issue of MSMEs facing a crisis as a result of COVID-19, the government should not only provide short-term assistance such as emergency capital, which is very small in value, but should also implement long-term policies such as utilizing available resources more effectively so that existing potential can develop and grow up to innovative products, as well as developing a strong entrepreneurial culture. (Kuckertz et al., 2020). Based on these problems, many MSMEs use social media to boost sales or marketing channels. According to an ILO survey, only one in every five businesses is effective in expanding their goods. This implies that the ability of MSMEs to diversify their products is still quite limited, especially in terms of their social media marketing capabilities. It is highly fascinating to investigate the influence of adopting social media as an effective tool on the appearance of Indonesian MSME businesses during the COVID-19 pandemic. There has been minimal research into MSMEs' ability to sell their products on social media, mainly during the COVID-19 pandemic.

The use of physical or social separation indicates a shift away from traditional commercial operations to online business. (PATMA et al., 2020). There has been a lot of research on the use of social media as a marketing tool, but there is still a lack of research during this pandemic. The usage of MSME social media for marketing demonstrates that ease of use, perceived convenience, and compatibility all have a substantial impact on social media marketing. (Cheung et al., 2021). The analyzed the impact of social media on business performance. (Tajvidi, 2021). The study discovered the the potential of marketing to mediate the relationship between social media and firm performance. Crick and Crick (2020) executed a business-to-business marketing strategy research during a pandemic. His research findings reveal that, while cooperation and competition have an impact on performance, it is vital to understand how cooperation and competition can be implemented to increase a company's performance. According to the findings of a study conducted by (Chatterjee & Kar, 2020) and (Tajvidi, 2021) the role of social media for marketing is crucially important for accelerating progress; thus, the influence will be reviewed in this study. This study is crucial to understanding MSMEs' abilities to use digital marketing and deal with market changes.

METHOD

This study employs a quantitative approach, with the analytical tool Structural Equation Modeling (SEM) based on Partial Least Squares. This study's sample consisted of micro, small, and medium-sized companies (MSMEs) from various locations. Purposive sampling was employed as a sample strategy. An online questionnaire distributed over social media platforms such as Facebook

and Instagram was used to collect data. This study involved 250 MSME participants who are engaged on social media platforms such as Facebook, Instagram, and WhatsApp. In this study, the independent variables are facility conditions, cost, compatibility, reported utility, and perceived ease of use. The dependent variable is the performance of SMEs, and the mediating variable is social media marketing. The instrument used in this study had 32 items as its source.

Discriminant Validity

To determine whether there was no link between latent variable constructs and other factors, a discriminant validity test was used. Table 2 shows the results of the discriminant validity test. The square root value of AVE for each construct is known to be bigger than the correlation value, implying that the constructs in this research model have good discriminant validity.

Table. 1. Outer Loading (Measurement Model) Indicators

Variable Latin	Code	Outer Loading
Facilitating condition	FCO1	0.790
	FCO2	0.875
	FCO3	0.896
	FCO4	0.860
	FCO5	0.872
	FCO6	0.856
Cost	COST1	0.701
	COST2	0.931
	COST3	0.902
	COST4	0.914
Compatibility	COM1	0.801
	COM2	0.879
	COM3	0.807
	COM4	0.693
Perceived of Use	PEU1	0.735
	PEU2	0.859
	PEU3	0.881
	PEU4	0.854
	PEU5	0.741
Perceived Ease of Use	PEO1	0.837
	PEO2	0.872
	PEO3	0.870
	PEO4	0.850
	PEO5	0.849
Social Media Marketing	SMM1	0.911
	SMM2	0.900
	SMM3	0.800
SMEs Performance	PERF1	0.894
	PERF2	0.917
	PERF3	0.757
	PERF4	0.893
	PERF5	0.881

Source: Data processed

Table 2. Discriminant Validity

	FCO	COST	COMP	PEU	PEO	SMM	PERF
FCO	0.860	0.533	0.573	0.423	0.548	0.522	0.611
COST	0.530	0.868	0.431	0.488	0.514	0.403	0.601
COMP	0.574	0.435	0.771	0.433	0.468	0.768	0.588
PEU	0.423	0.488	0.433	0.871	0.498	0.491	0.469
PEO	0.548	0.513	0.468	0.498	0.856	0.548	0.657
SMM	0.522	0.403	0.765	0.491	0.548	0.873	0.554
PERF	0.611	0.601	0.585	0.469	0.657	0.554	0.871

Source: Data processed

Reliability

The construct consistency of the external model can be tested in two ways: the value of composite reliability and Cronbach's alpha. If the composite reliability value and Cronbach's alpha value are both more than 0.70, the construct is considered reliable (Ghozali, 2014). Table 3 displays the results of the reliability test. Since the composite reliability of all constructs and Cronbach's alpha value is greater than 0.70, it can be said that all constructs have good reliability within the required minimum value. The AVE value is also more than 0.5 and varies from 0.638 to 0.764, indicating that the model is well accepted and supports the validity results. The AVE and factor loading were used to determine convergent validity. The predictability of convergent validity can also be predicted using reliability (Hair Jr et al., 2017).

Table 3. Reliability Test

Variable	Composite Reliability	Cronbach's Alpha	AVE
FCO	0.943	0.928	0.741
COST	0.923	0.887	0.756
COMP	0.873	0.807	0.638
PEU	0.988	0.874	0.670
PEO	0.930	0.908	0.733
SMM	0.905	0.843	0.764
PERF	0.939	0.919	0.761

Source: Data processed

The Goodness of Fit Model

The structural model is evaluated by examining the quality of fit model. The fit model is used to assess the entire research model's adequacy. The fit model's outcomes are as follows: Path coefficient on average (p 0,05) Average R-squared (p 0.05), Average adjusted R-squared (p 0.05), Average block VIF (1,723), Average full collinearity VIF (2,265), Tenenhaus GoF (0,602), R-squared contribution ratio (1,000. Based on the results of testing the goodness of fit model, it is possible to conclude that all tests are acceptable, implying that the model in this study is appropriate or the model's suitability is really excellent. The research methods should elaborate on the method utilized in addressing the issues including the method of analysis. In both quantitative and qualitative research, the use of appropriate methods of participants sampling, study design,

measures, and statistical analysis critically influences the study's methodological soundness.

RESULTS AND DISCUSSION

Evaluation of Constructs

Convergent Validity

A convergent validity test is used to test the relationship between an indicator and its latent variable or construct. Correlation between item scores and latent variable scores was obtained to evaluate this test. If a construct has a loading factor greater than 0.70, it will be considered acceptable. However, a loading value of 0.5 to 0.6 is quite enough. (Ghozali, 2014). Table 1 presents the findings of PLS data processing. The majority of the indicators in this study had a loading value greater than 0.70, with the exception of the compatibility 4 indicator, which has a loading value less than 0.70 but greater than 0.5. This illustrates that the indicator variable loading value greater than 0.70 has a high level of validity, the loading factor value of 0.5-0.7 has a moderate level of validity in convergent validity.

Structural Model Results

The coefficient of determination

The coefficient of determination with the social media marketing variable as the dependent variable is 68.1 percent, and the coefficient of determination with the dependent variable on MSMEs' performance is 31.5 percent, indicating that the value of the coefficient of determination on the main dependent variable (MSME performance) is greater than 10%, indicating a good value and predictive.

Structural path coefficient

The results of the structural analysis of equation modeling with PLS can be seen in Table 5. SEM analysis results show that the effect of facility conditions (FCO), cost (COST) has significant effect on social media, and than compatibility (COMP), perceived use (PEU) and perceived ease-of- use (PEO) have a positive and significant effect on social media marketing. The structural model show that all hypotheses are supported. H1 resulted in $\beta = 0.34$, significant at p-value 0.05, the estimated effect of perceived usefulness on the use of social media for MSMEs is supported. H2 resulted in ($\beta = 0.21$, p-value $0.001 < 0.05$) and H3 ($\beta = 0.30$, p-value $0.002 < 0.05$) expressing the association between Compatibility and the use of social media also supported by the test. H4 ($\beta = 0.11$, p-value $0.003 < 0.05$) and H5 ($\beta = 0.230$, p-value $0.001 < 0.05$). H6 ($\beta = 0.236$, p-value $0.001 < 0.05$). Social media has a positive effect on the performance of MSMEs. The results of the structural analysis of equation modeling with PLS analysis results show that the effect of facility conditions (FCO), cost (COST) has significant effect on social media, compatibility (COMP), perceived use (PEU) and

perceived ease-of-use (PEO) have a positive and significant effect on social media. The results of the analysis also show that social media has a positive and significant effect on the performance of MSMEs.

The results of the analysis also show that social media marketing has a positive and significant effect on the business performance. The COVID-19 pandemic has a huge impact on the performance of MSMEs in Indonesia. This is due to social and physical restrictions, so that community activities are very limited, this causes many businesses or companies to physically close down. One alternative for running business activities is to use online media, one of which is by using social media in marketing. The use of social media marketing for MSMEs is new, so many things need to be considered. Several factors that influence the use of social media marketing include conditions of facilities, costs, compatibility, technology related to using, and ease-of-use (Chatterjee & Kumar Kar, 2020).

The use of social media for marketing UMKM products requires supporting facilities and infrastructure, so it requires good investment and expertise so that the use of social media can be maximized for marketing. The results of this study indicate that the condition of the facility does not have a significant effect on social media marketing. This is because MSMEs do not have adequate infrastructure, lack of maximum means for promotion on social media, lack of investment in social media, do not have expert resources in social media, employees are not given training on social media, and lack of in house facilities training owned by MSMEs to study social media. These results support research conducted by (Venkatesh et al., 2012) and (Chatterjee & Kar, 2020). The use of social media for marketing costs a lot, especially for paid advertisements. Costs are also used to improve the human resource capabilities of the company through training and infrastructure development. The results of this study indicate that costs do not have a significant effect on social media marketing. This is because SMEs have not fully used paid advertising media to promote their products. Most of the UMKM players still use unpaid media in promoting their products, so their target and target consumers are also very limited. Also, during the COVID-19 pandemic, the ability of MSMEs to spend the budget for advertising is still low. These results do not support research conducted by Kim and Shin (2015), and Zhang et al. (2019). Company compatibility greatly affects the use of social media as a marketing tool because not all products or types of companies, especially MSMEs, need social media as a means of promotion. The use of social media for promotion for MSMEs is adjusted to the type of product.

CONCLUSION

The COVID-19 pandemic has had a significant impact on the performance of Indonesian MSMEs. This is due to social and physical constraints that limit community activities, causing many businesses or companies to close. One method of conducting business is to use online media, one of which is social media. To be able to use social media for business, you must have supporting facilities such as infrastructure, prices, compatibility, information technology knowledge, and the ease of information technology for the company. According

to the findings of this study, compatibility, opinions about the use of information technology, and ease of use all have a major impact on the use of social media.

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