The Impact of Social Media for Marketing in Small Medium Enterprises

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Annotation: The challenge for Micro, Small and Medium Enterprises (MSMEs) is to continue to survive in the midst of globalization competition which is increasing rapidly by using the internet. The internet is able to affect almost all business sectors. From large-scale companies to small online shops, they use the internet for product branding, marketing, product sales or other business functions. The purpose of this study was to analyze the influence of the role of social media on marketing in MSMEs. This research is a quantitative research with a survey method, where the primary data used is obtained through the distribution of online questionnaires with google form. Measurements in this study used a Likert scale. The sampling technique used is purposive sampling with the aim that the selected respondents can meet the criteria in accordance with the research objectives. The results of the research that have been obtained have proven that these variables have a positive effect on SMEs that use social media. The variable that proves that this variable is positive and significant is Social Media with a value of 0.884 MSMEs in this study have used social media. It is identified that these variables have become a big influence for MSME actors where social media plays an important role in managing the business.

Keywords: Social Media, Marketing, Small Medium Enterprises.

Introduction

Information technology gave birth to the internet, which offers many benefits (Xiao et al., 2022). Through the potential that is utilized from information technology, humans are no longer concerned about the boundaries of distance, space and time. One type of technology implementation in terms of increasing business, selling and purchasing products is to use Electronic Commerce (e-commerce) to market and buy various products or services, both in physical and digital form (Helmy Mohamad et al., 2022) (Helmy Mohamad et al., 2022) (Reuschke and Mason, 2022). The increasing number of internet users has attracted various kinds of businesses to promote their products on the internet and at the same time to conduct trade transactions. Millions of people around the world search and buy the things they want on the internet. The internet is able to affect almost all business sectors. From large-scale companies to small online shops, they use the internet for product branding marketing, product sales or other business functions. They are many sectors that have developed because of using the internet, one of which is the trade sector for the micro, small and medium enterprises (MSMEs) class (Ghobakhloo, 2018). The number of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia this number reaches 99.99% of the total businesses in Indonesia. Meanwhile, large-scale businesses only amounted to 5,637 units or equivalent to 0,01%. In detail, as many as 64.6 million units are micro-enterprises. Through the internet,

SMEs can increase their product marketing (Mahdi, 2022). In addition, the internet also provides the benefit of increasing the opportunity for SMEs to collaborate with other entrepreneurs. One of the internet technologies that is developing rapidly and has the potential to encourage SME marketing is social media (SI, 2015). Social media has the potential to connect many people easily and for free. The problem with MSMEs today is that most of them are too focused on production while they are weak in terms of marketing. Even though the demand for daily needs has increased due to restrictions on activities outside the home caused by covid 19 (Bilinska- Reformat and Dewalska-Opitek, 2021) (El Ouadi et al., 2021). Indonesian MSMEs are becoming more difficult because they are dealing with the wider ASEAN economy with more competitors and more challenging product quality. One of the most crucial problems faced by MSMEs is the low level of capital. The problem is, there are still a few MSMEs that use IT. According to Eko Wahyudi (Director of Cooperative and MSMEs Development at Bappenas), stated that of the 245 thousand potential MSME units in Indonesia, only 12% have utilized IT. The problem is, there are still a few MSMEs that use IT. According to Eko Wahyudi (Director of Cooperative and MSMEs Development at Bappenas), stated that of the 245 thousand potential MSMEs units in Indonesia, only 12% have utilized IT. Weak access to IT resulted in many business opportunities could not be exploited. If MSMEs do not fix their marketing strategies to increase sales, MSMEs will be threatened with bankruptcy. For this reason, MSMEs need to look at various potential alternative media to be used as marketing media.

Basically, social media has changed the way consumers interact and companies market their products, although in Indonesia the trend is still relatively small, but the growth is quite fast. By 2021, the value of sales via social media is expected to increase to US$732 billion. Then, its value continues to increase with an average annual growth projected of 31.54%. The value of global sales via social media platforms is estimated to reach US$2.9 trillion by 2026, according to the Influencer Marketing Hub. Marketing strategies through social media can be an option for MSMEs actors in conducting promotions at an efficient cost but providing optimal but measurable results. The existence of this social networking site is used as a good business opportunity to market or promote the products to be sold. There are many advantages that can be taken from marketing through social networks, including as a means of communicating with consumers, as a medium for collaborating when there is consumer dissatisfaction, as a promotional medium, and building a brand. Social media has the potential to connect many people easily and for free. The internet and social media add a wider marketing space for micro- entrepreneurs to develop their business in the regions. The use of social media such as Twitter, Facebook, Instagram, TikTok, WhatsApp, and other social media for business services also benefits consumers. Social Media has now become a trend in marketing communications; social media is required to promote an E- Commerce. Social media is a very potential medium to find consumers and build an image about the brand of a product (Alam and Mohammad Noor, 2009) (Priambada, 2015) (Mohamad and Ismail, 2009). The value of global sales via social media platforms is estimated to reach US$2.9 trillion by 2026, according to the Influencer Marketing Hub. Based on this prediction, the value of sales on social media even shot up to 400% compared to 2020. At that time, the value of sales on social media was estimated at around US $ 560 billion. Sales on social media are expected to continue to increase as many people prefer to shop online from home using their mobile phones, especially during the pandemic. By 2021, the value of sales via social media is expected to increase to US$732 billion. Then, its value continues to increase with an average annual growth projected of 31.54% (Dihni, 2022). The weakness of E-Commerce that uses social media is that it cannot transact and is also prone to fraud. The ease of dissemination of information and the increasingly free competition have increased consumer awareness of the many choices of goods and services to choose from.

The novelty of this research is the analysis specifically on the marketing factors of SMEs in using social media. Therefore, this research is very important to measure the impact of social on the growth of MSMEs. The purpose of this study is to analyze the role of social media on sales SMEs whether it has an effect or not. The benefit of this research is to become a research reference in the field of marketing through social media.

Research Method

This type of research is quantitative research using survey methods. Where the primary data used was collected by distributing online questionnaires through social media. The selection of the sample technique used is purposive sampling with the aim that the selected respondents can meet the criteria in accordance with the research objectives. The criteria for selecting respondents are people who are in the age range of 17 years to 50 years and have used social media in MSMEs. The data analysis technique in this study involved collecting data based on the questions contained in the questionnaire and analyzing information from the participants, namely the respondents who were the sample in this study. Then the data that has been collected is analyzed using smart PLS software which is a tool for calculating the SEM model (structural equation model). The data analysis technique used is descriptive and inferential analysis. Descriptive analysis in this study was carried out by interpreting respondents' answers through factor loading values, while inferential analysis in this study was carried out through validity, reliability, coefficient of determination, R-square test and hypothesis testing.

Result and Discussion

Respondents in this study were MSME actors who were in the age range of 17 years to 50 years and had used social media Facebook, Instagram, TikTok, WhatsApp, and other social media for MSMEs. The respondents are divided into several characteristics based on gender, age, and occupation. In this study, respondents were dominated by male respondents, namely 50.8%. According to age, it is dominated by the age group of 19-50 years with a percentage of 13.8%. According to occupation, it is dominated by students by 15.4%. Furthermore, the answers obtained from the respondents are interpreted using the interpretation table of the respondents' values. The results of statistical calculations begin with testing the validity and reliability to ensure the level of validity and reliability of the instrument used. The results of the validity test were measured using the loading factor test, the Average extracted test, the fornel lacker criterion test and the cross-loading test. The loading factor test results are valid if the value is > 0.7. Factor loading is a value that is owned by each indicator. The interpretation of the respondents' percentage values can be seen in table 1 which explains the very high interpretation between 0.7-1.0, high 0.4-0.7, low 0.2-0.4 and very low 0.00-0.20.

Table 1. Interpretation of Respondent Percentage Value

Loading Factor	Interpretation
0,70-1,00	Very high
0,40-0,70	High
0,20-0,40	Low
0,00-0,20	Very low

Source: Data Process, 2022

Based on this interpretation, the results of the loading factor of respondents' answers to the statement items related to the research variables given through the questionnaire can be seen in table 2. The results that describe the high interpretation are declared to have good valid values.

Table 2. SME (MSMEs) Loading Factor Calculation Results

Variabel	Indikator	Loading Factor	Interpretasi
Small Medium Enterprise's marketing	SME1	0.723	Very High
	SME2	0.765	Very High
	SME3	0.814	Very High
	SME4	0.781	Very High
	SME5	0.812	Very High
	SME6	0.709	Very High
	SME7	0.817	Very High
	SME8	0.730	Very High

Source: Data Process, 2022

Based on the data, it is known from the loading factor calculation, all respondents' answers to the Small Medium Enterprise variable have a very high average loading factor value. This means that MSME actors whouse social media are very high with good validity. See table 3.

Table 3. The Result of Calculating The Loading Factor of Social Media

Variabel	Indikator	Loading Factor	Interpretasi
Social Media	SMED1	0.865	Very High
	SMED2	0.816	Very High
	SMED3	0.786	Very High
	SMED4	0.867	Very High
	SMED5	0.766	Very High
	SMED6	0.796	Very High
	SMED7	0.788	Very High

Source: Data Process, 2022

The results of the validity test were continued with the average extracted (AVE) test. The AVE test resultsare the values owned by each variable. The value is valid if the AVE value is > 0.5. the result is that all variablesare valid. See table 4.

Table 4. Average extracted (AVE) Test Results

Factor	AVE
Sosmed	0.661
SME's marketing	0.595

Source: Data Process, 2022

The results of the validity test are continued by testing the fornel lacker criterion value which is part of discriminant validity and is the value between the value of the variable itself and the value of other variables. Valid if the value of the variable itself is greater than the value of other variables. The test results show that it is valid and can be used. Likewise, with the results of the discriminant validity test which shows the test resultsthat have been valid. Thus, it is known from the calculations, all respondents' answers to the very high Social Media and SME's variables have a very high validity value and have a good validity level.

The results of statistical calculations are continued by testing the reliability, to determine the reliability of the research instrument. Based on the test results that can be seen in table 5, each variable can be seen that has met the criteria to be said to be reliable, because an item can be declared valid if the AVE value has a valueof more than 0.5, and can be declared reliable if it has a composite reliability value. and Cronbach's alpha is more than 0.7. From the

calculation results, the SME's variable has a composite reliability value of 0.921 and Cronbach's alpha 0.902 and has exceeded the acceptance value of 0.7. as well as the calculated value on the social media variable which shows the composite reliability value of 0.932 and Cronbach's alpha 0.914 and has also exceeded the acceptance value of 0.7. Thus, it can be concluded that the variables in this study can be seen as valid and reliable so that they can be used in this study.

Table 5. Reliability Test Results

Variabel	Average Variance Extracted (AVE)	Composite Reliability	Cronbach's Alpha
SME'S marketing	0.593	0.921	0.902
SOSMED	0.661	0.932	0.914

Source: Data Process, 2022

Furthermore, testing the R-Square test. This calculation is intended to analyze how big the level of relationship (relation) between social media and marketing variables in SME's (UMKM). the results can be seen in table 6. The results of the R-square calculation show that the variable has a value of 0.782 which exceeds the acceptance rate of 0.5. This means that social media variables have a close relationship with marketing variables in SMEs.

Table 6. R-Square . Test Results

Variabel	R Square	R Adjusted	Square
SME'S marketing	0.782	0.778	

Source: Data Process, 2022

Furthermore, to test the hypothesis, a path analysis test was carried out to determine the values that affect each variable. Path analysis will show the direction of positive or negative values. If > 0 then positive and < 0 means negative. The results of the path analysis can be seen in table 7. The results of the analysis with path analysis calculations show that the path coefficients value is 0.884. This means that Path analysis will show the direction of positive values.

The next calculation is continued by conducting a significance test using the T-statistical test. The T- statistical test to measure the significance level with the acceptance value is If the T-statistic > 1.96 or P-value

< 0.05 then it is significant, otherwise it is not significant. This can be seen in table 8. The results of the calculation show that the T-statistic value is 24,858 with a P-value of 0.000. This means that the T-statistical value is greater than the acceptance value and the P-value is smaller than 0.05. Thus, it can be concluded that the Social Media variable has a positive and significant effect on the Small Medium Enterprise variable.

Table 8. T-Statistic Test Results

Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation(STDEV)	T Statistics	P Values
Social Media □ Small Medium Enterprise's Marketing	0.884	0.883	0.036	24.858	0.000

Source: Data Process, 2022

Based on hypothesis testing, it can be seen that the original value of the Social Media sample in this study was 0.884. This result is reinforced by the results of the Predictive relevance observation test which analyzes how well the observed and generated values are. If > 0, then the observation value is good. The calculation results show that the Predictive relevance observation value is 0.435 which is greater than 0 as the acceptance value. This means that the observations that have been made on the research variables have been good and can be used to draw valid and convincing research conclusions.

The results of this study indicate that Social Media can change the way SME business actors make it easier to reach by consumers. The many benefits that can be felt by SMEs by using social media is one of the strong driving factors for SMEs to continue to use social media in order to develop products, communicate with consumers, dealers and suppliers, and develop a wider market network. This study shows that the use of social media in SMEs has helped increase the sales volume of SMEs. The results of this study are in accordance with previous research which concluded that social media is a very effective marketing communication medium, can increase consumer interest in the brands offered, so that ultimately it can increase sales (Iris Uitz, 2012). Based on the analysis and testing of research hypotheses, the results obtained from the factors that influence the marketing of MSMEs with the independent variables consisting of Social Media. The results of the study prove that these variables have a positive effect. The variable that proves that this variable is positive and significant is Social Media with a value of 0.884 MSMEs in this study have used social media. It is identified that these variables have become a big influence for MSME actors where social media plays an important role in managing the business.

The findings of this study are in line with the findings of other researchers who show that social media accessed through mobile applications can encourage MSMEs to continue to have sustainability even during the COVID-19 pandemic (Rakshit et al., 2021). Along with these findings, the opinion expressed by ztamur, et.al is also in line with these findings which suggest that social media can be a new marketing tool in encouraging the progress of MSMEs (Öztamur & Karakadılar, 2014). This indicates that MSMEs in North Sulawesi must continue to pay attention to aspects of marketing through social media which can encourage MSMEs to obtain a wider and diverse market. Findings from Troise, et.al also show that there is a strong associative relationship between social media and the growth of MSMEs, especially in the era of digital transformation (Troise et al., 2022). One interesting finding that is in line with this study is that perceived usefulness, perceived ease of use and compatibility positively affect the impact of social media after being adopted by MSMEs. The condition of facilitation has an insignificant impact while costs have a significant but negative effect on the use of social media by MSMEs (Chatterjee & Kumar Kar, 2020). It is very important for SMEs to carry out business transformation through the adoption of information technology according to the level of ability to adopt information technology (Scuotto et al., 2021). This is like the findings of Lee, et.all which states that the adoption of social media and digital platforms has a strong influence on the development of MSMEs broadly (Lee et al., 2022). Thus, it is very important for MSMEs to use social media to increase marketing. Therefore, it is very important for MSMEs to adopt and utilize social media by providing interesting content, fast and responsive service to customers who place orders for products through social media. MSMEs also need to provide clear product information through social media so that they can attract new customers and reach a wider marketing area.

Conclusion

This study concludes that social media has a significant influence on marketing in MSMEs. This shows that social media has an important role in marketing to SMEs. This can be seen

from the social media variables that have a positive and significant influence on MSME marketing with a value of 0.884. MSMEs in this study have used social media. It is identified that these variables have become a big influence for MSME actors where social media plays an important role in managing the business. This research can be used as a reference and consideration for SMEs as a benchmark for increasing their business in order to provide strategies and maximize profits. For SMEs, this research can add insight into what factors affect the running of a business/business using social media. This research can also be used as a benchmark for further similar studies, it is hoped that other variables can be added so that other factors can influence social media on SMEs.

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