

# The Effect of Social Media Usage to the Nonfinancial Performance and Financial Performance of Small Medium Enterprises (SMEs) Kampung Batik Semarang

*by* Riandhita Eri Werdani

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# The Effect of Social Media Usage to the Nonfinancial Performance and Financial Performance of Small Medium Enterprises (SMEs) Kampung Batik Semarang

Riandhita Eri Werdani\* and W. Handojo Djoko

Vocational School, Diponegoro University, Indonesia;  
Faculty of Social Science and Political Science, Diponegoro University, Indonesia

Social media usage is one of the marketing strategy of small medium enterprise Kampung Batik Semarang to faces the ASEAN economic community (AEC). The purpose of this study is to know what the dominant social media often use to promotion, the influence factors of SMEs Kampung Batik Semarang used social media as a marketing strategy and then to measure the effect of social media usage to SMEs Kampung Batik Semarang performance, both of nonfinancial and financial performance. This study utilizes quantitative method research approach by applied qualitative research to gain preliminary research and conduct quantitative research to test the hypothesis. Preliminary research on February 2017, found that some SMEs Kampung Batik Semarang trust on using social media as marketing tools can push their strategy marketing.

**Keywords:** Media Social, Performance, Small Medium Enterprises (SMEs), Kampung Batik Semarang.

## 1. INTRODUCTION

ASEAN Economic Community (AEC) had running since 31st December 2015 in ASEAN country, not exception in Indonesia. For Indonesia small medium enterprise especially Kampung Batik Semarang, AEC not only become opportunities to expand market share but also become a threats to free trading competitive. SMEs usage social media as one of the marketing strategic and can pressing the promotions costs.

The purpose of the study is to know what the dominant social media often use to promotion, the influence factors of SMEs Kampung Batik Semarang used social media as a marketing strategy and then to measure the effect of social media usage to SMEs Kampung Batik Semarang performance, both of nonfinancial and financial performance. The contribution of the research can be divided into two areas. In theoretical contribution area, this research could enrich the literature of social media usage and SMEs performance. Whereas in practical contribution area, in Marketing, the output of this research can give a valuable insight execute more effective business strategy of Kampung Batik Semarang SMEs.

## 2. THEORETICAL FRAMEWORK

### 2.1. Small Medium Enterprise

From many definitions of SME, Undang-Undang No. 9 Tahun 1995 SME is defined as small-scale business activities carried out by individuals or groups of less than 100 workers, having a net worth of 200 million (excluding land and buildings) with revenues of 100–200 million. The purpose are to grow and expand its business in order to build a national economy based on a just economic democracy. SME have an important role in economic development, due to the relatively higher labor intensity and smaller investment, so that micro enterprises are more flexible in dealing with and adapting to market changes.

### 2.2. Social Media

Philip Kotler dan Keller,<sup>2</sup> social media is a means for consumers to share text, image, audio and video information with each other and with companies and vice versa. There are three platform social media base on Philip Kotler dan Keller:<sup>2</sup>

#### 1. Online Communities and Forum

Online communities and forums come in all shapes and sizes, many of which made by customers or groups of customers with no commercial interest or affiliated companies. Some

\*Author to whom correspondence should be addressed.

are sponsored by companies whose members communicate with companies and with each other through posts, instant messaging, and chat discussions about special desires related to company products and brands.

## 2. Blogs

There are three million blog users and they are very varied, some personal to friends-close friends and family, others are designed to reach out and influence a wide audience.

## 3. Social Networks

Social networks have become an important force both in business to consumer and business to business marketing. One of them Facebook, Twitter, Blackberry Messenger, etc. Different networks offer different benefits to the company.

### 2.3. The Factor Influence the Use of Social Media for Promotion

Ainin et al.,<sup>3</sup> there are several factors that influence the SMEs using social media as a tool of promotion, the most frequent factors are:

#### 1. Compatibility

Refers to the extent to which innovation conforms to the values that exist in its potential users, previous practices and current needs.<sup>4</sup> Compatibility has been considered an important factor for the adoption of innovation.<sup>5,6</sup>

#### 2. Cost Effectiveness

Previous research highlighted the importance of costs in the adoption and utilization of technology<sup>7</sup> and found a direct and significant link between cost and technology adoption (Natural and Noor, 2009). Research finds cost effectiveness to be an important variable in adopting new technologies (Premkumar and Roby, 1999).<sup>8</sup> Social media is suitable for SMEs because of low cost, low barriers to participation and low levels of IT skills required to use them.<sup>9</sup>

#### 3. Trust

Trust is multidimensional. The authors have investigated the different types of trust in their studies. What is more suitable for this research is institutional trust. Mcknight et al.<sup>10</sup> described two types of institutional trust-situational normality and structural guarantees. Situational normality refers to the belief that success is anticipated because of the normal situation. Whereas structural guarantees refer to results with the belief that the benefits may be due to contextual structures, such as contracts, rules and guarantees.

#### 4. Interactivity

Social media like Facebook is considered an interactive medium. This allows two-way communication rather than one-way transmission or distribution of information to the audience.<sup>11</sup> Handayani and Lisdianingrum<sup>12</sup> investigate the adoption and use of Facebook in two Indonesian SMEs, and argue that Facebook can be used effectively if effective online marketing tools can be managed properly.

### 2.4. The Impact of Social Media on Organization Performance

Johnson (2006) performance is a description of the level of achievement of the implementation of an activity/program/policy in realizing the goals, objectives, mission and vision of the organization contained in the strategic planning of an organization.

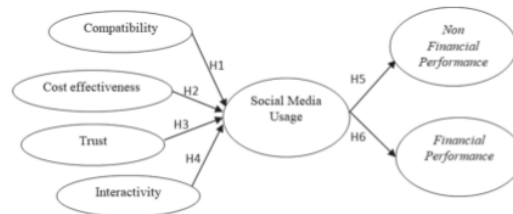


Fig. 1. Hypothesis.

Ainin et al.<sup>3</sup> distinguishes two organizational performance of non-financial performance and financial performance.

To investigate the use of social media with organizations, the effectiveness of the use of social media is considered an important indication of technological success, which can have an impact on organizations.<sup>13</sup> Based on DeLone and McLean, organization performance refers to the benefits received by organizations from using social media in terms of financial and non financial performance.<sup>10</sup>

Wong<sup>14</sup> found that the use of social media has a positive impact on SME businesses.<sup>14</sup> This is supported by findings from Kwok and Yu<sup>15</sup> who say that sales can increase by using social media as a marketing tool. When an organization uses social media, it is likely to have a positive impact both in terms of financial and non financial performance.

## 3. HYPOTHESIS

H1: Compatibility have a positive effect to influence social media usage.

H2: Cost effectiveness of social media have a positive effect to influence social media usage.

H3: Trust in social media have a positive effect to influence social media usage.

H4: Interactivity of social media have a positive to influence social media usage.

H5: Social media usage have a positive effect on non-financial performance.

H6: Social media usage have a positive effect on financial performance.

## 4. RESEARCH METHODOLOGY

This research conducted using quantitative research. The population and sample on this research is SMEs Kampung Batik Semarang who using social media to promotion. Questionnaire was delivered 30, analyzed by using nonprobability sampling, total sampling, Confirmatory Factor Analysis (CFA), Cronbach's Alpha, Kolmogorov-Smirnov test, multiple linear regression.

The measured variables were: compatibility, cost effectiveness, trust, interactivity, nonfinancial performance, and financial performance. The variables of compatibilities are borrowed from Wang et al.,<sup>16</sup> cost effectiveness are borrowed from Kaplan and Haenlein,<sup>17</sup> trust are borrowed from Chail et al. (2011), interactivities are borrowed from Mayfield,<sup>11</sup> Nonfinancial and financial performance borrowed from Ainin et al.<sup>3</sup> The scaling type used Likert scale (0–6).

## 5. RESULTS AND DISCUSSION

### 5.1. Characteristics of Respondent

There are various characteristics of SMEs Kampung Batik Semarang: long standing, profit/month, income/month, social media used and the frequency promotion on social media/month. Based on survey result, there are 40% SMEs Kampung Batik establish for 4 years, 30% SMEs Kampung Batik establish for 5 years and others establish for over 6 years. In this case, SMEs in Kampung Batik as a new generation after previously been quiet. With encouragement from the local government, Kampung Batik Semarang began to wriggle again over the least 5 years. From the profit/month, SMEs Kampung Batik were dominated by 10–20 million rupiah (34%), followed 27% by under 10 million rupiah, 20% by 20–30 millions, 13% by 30–40 million and others 6% by over 50 million. The total income SMEs Kampung Batik Semarang dominated by 30–40 million rupiah (30%), followed 27% by 20–30 million, 20% by 40–50 million, 20% by over 50 million and others 3% by 10–20 million.

Base on survey, social media Instagram (73%) was dominant used SMEs Kampung Batik Semarang. Followed by Facebook (67%), 63% used Line to promote their product, BBM (47%), and website (7%). Instagram and Facebook still become favorite social media to promotion in Indonesia. Not surprisingly, Instagram and Facebook are the most media's owner because Instagram and Facebook are early develop in internet rather than others. So, almost the respondent have a personal account on Instagram and Facebook.

There was 37% respondent choose 20–29 times frequency promotion on social media. It was reasonable because more often promotion more effective, many people knowing their product.

### 5.2. The Factors Influence Social Media Usage

The validity and reliability score can be see in Table I. All of variable in Table I show the KMO more then 0.50, Bartlett less then equal 0.50, significant on 0.00, extracted variance (%) more then equal 60%, and cronbach's alpha more then 0.70. So we conclude all of the variable were validate and reliable.

Four factors influence social media usage in SMEs Kampung Batik Semarang as compatibility, cost effectiveness, trust, interactivity are related significantly to social media usage. Table II showed that among six hypothesis are approve:

H1: Compatibility have a positive effect to influence social media usage.

H2: Cost effectiveness of social media have a positive effect to influence social media usage.

H3: Trust in social media have a positive effect to influence social media usage.

H4: Interactivity of social media have a positive to influence social media usage.

Table I. Validity and reliability.

No	Variabel	KMO	Bartlett	Sig.	Extracted variance (%)	CR $\alpha$
1	Compatibility	0.669	0.000	0.000	75.492	0.836
2	Cost effectiveness	0.696	0.000	0.000	82.647	0.895
3	Trust	0.805	0.000	0.000	68.247	0.873
4	Interactivity	0.578	0.000	0.000	83.074	0.897
5	Sosmed usage	0.663	0.000	0.000	85.875	0.930
6	Nonfinancial perform	0.680	0.000	0.000	78.223	0.906
7	Financial perform	0.720	0.000	0.000	76.689	0.973

Table II. The factors influence social media usage to nonfinancial perform and financial perform.

Dependent	Independent	Beta	Sig.	R <sup>2</sup>
Sosmed usage	Compatibility	0.202	0.000	0.583
Sosmed usage	Cost effectiveness	0.162	0.000	
Sosmed usage	Trust	0.273	0.000	
Sosmed usage	Interactivity	0.617	0.000	
Nonfinancial perform	Sosmed usage	0.765	0.000	0.737
Financial perform	Sosmed usage	0.677	0.000	0.876

H5: Social media usage have a positive effect on non-financial performance.

H6: Social media usage have a positive effect on financial performance.

However, interactivity (beta = 0.617) affect more the social media usage than others dimensions. So, it can be conclude respondent divide social media usage because social media have a feature for interactive communication with customers. This allows two-way communication rather than one-way transmission or distribution of information to the audience. And, the features for vivid responses.

When an organization uses social media, it is likely to have a positive impact both in terms of financial and non financial performance. But, in this case social media usage (beta = 0.765) effect more the nonfinancial performance than financial performance. Increase in sales transactions, increase sales volume, increase in sales enquiries, and increase in number of customers. Its same with Wong,<sup>14</sup> Kwok and Yu<sup>15</sup> they found that sales can increase by using social media as a marketing tool.

## 6. CONCLUSION

This research tried to analyse what the dominant social media often use to promotion, the influence factors of SMEs Kampung Batik Semarang used social media as a marketing strategy and then to measure the effect of social media usage to SMEs Kampung Batik Semarang performance, both of nonfinancial and financial performance. From this research, it can be concluded that Instagram and Facebook were dominant used SMEs Kampung Batik Semarang. Interactivity social media is most influencing factor to SMEs Kampung Batik Semarang using social media to promote their products. The social media usage in SMEs Kampung Batik Semarang is more effect to nonfinancial performance than financial performance. Overall, all of the findings and results presented in this research would give social media usage an advantage to market and organization with the better business strategy.

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