

# The influence of social media in the digitalization era on the motivation and interest of UMKM actors in developing businesses in Kabanjahe

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## ABSTRACT

This study investigates the implementation and effects of social media usage among MSMEs, revealing that platforms such as Instagram, Facebook, TikTok, WhatsApp, and others are widely utilised for marketing, advertising, and communication purposes. The findings indicate that these platforms significantly enhance product visibility and customer engagement, contributing to sales increases of 10-50% for many businesses. Daily updates and a modest budget allocation for social media management are key factors in achieving these gains. Social media also facilitates the creation of product galleries, tracking supplier and distributor needs, surveying target consumers, and direct customer communication. Despite the limitation of relying on self-reported data from MSME owners and managers, the study underscores the substantial benefits of social media in driving MSME growth, aligning with previous research on the importance of information technology. Consequently, social media emerges as a critical, cost-effective tool for MSMEs to expand their market reach and improve business operations.

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## 1. Introduction

Recent technological developments including smartphones and the internet have minimized physical barriers to communication and allowed humans to communicate freely and globally (Banafaa et al., 2023; Fink et al., 2011). According to Kotler, Philip, and Gary Armstrong (2010), the internet is a vast public network that originates from computers and connects all kinds of users around the world and has a very large information storage. Currently, the number of internet users in Indonesia who have utilized internet technology continues to increase along with the development of this technology. Indonesia's population currently reaches 279,158,791 million people (<https://www.worldometers.info/world-population/indonesia-population>). According to a report from the Indonesian Internet Service Providers Association (APJII, 2024), at least 221 million people have been connected to the internet network throughout 2024 (<https://www.apjii.or.id/>). Globalization and the free market are challenges for Micro, Small and Medium Enterprises (MSMEs) to survive. The rapid flow of information and increasingly free competition have increased consumer and customer awareness of the many choices of goods and services that can be selected. If MSMEs do not immediately improve themselves, they will be threatened with losing competition and going out of business. For this reason, MSMEs need to improve themselves and build long-term relationships with consumers and customers (Ghobakhloo et al., 2011; Ha, 2020; Schubert, 2003).

One of the potentials that can be utilized is the potential of information technology. Information technology offers many benefits for MSMEs to increase their productivity and marketing. In addition, it also increases the opportunity for MSMEs to cooperate with other entrepreneurs (Arifin et al., 2021; Subagyo et al.,

2020). One of the information technologies that is growing rapidly and has great potential to encourage the performance of MSMEs is social media.

to encourage the performance of MSMEs is social media. Social media has the potential to connect many people easily and for free (Girsang, 2021; Kuzma et al., 2014; McCarthy et al., 2022). Especially during the COVID-19 pandemic, it has a major impact on all aspects and sectors of people's lives, especially in the economic sector. When the COVID-19 pandemic occurred and is still ongoing, people carry out their activities online. Therefore, social media can be used as a tool to develop and optimize businesses, especially micro, small and medium enterprises (MSMEs), especially to promote their business. The choice of using marketing through digital media, especially social media, can be the main choice made by business actors, now that the use of social media has become the main pillar in delivering information.

One of the advantages of social media is that it has a lot of potential for the progress of a business. Social media can be used to communicate in business, help market products and services, communicate with customers and suppliers, complement brands, reduce costs and for online sales (Hidalgo & Albors, 2008; Saravanakumar et al., 2012).

In the digital era, social media has now become a trend in marketing communication. Social media is an online media, where users can easily participate, share, and create content including blogs, social networks, wikis, forums and virtual worlds. Blogs, social networks, and wikis are the most common forms of social media used by people around the world (Geria et al., 2018; Ilgaz Sümer, 2020; Killian & McManus, 2015).

There are several social media that are currently booming, including Whatsapp, Instagram, TikTok, Twitter, Line, Telegram, Facebook, Youtube, and others. Someone must have various motivations for using social media. Just to communicate with other people, to find out the development of something, to share information or to follow one of the current trends, namely using social media as a form of self-existence. People who want to be recognized by the wider community through social media will usually use open social media such as Instagram, Facebook, Line, or Twitter (Macarthy, 2021; Shane-Simpson et al., 2018). Because through social media this is where we can freely and openly interact. So that the number of status updates and posts we have is one form if we want to be widely recognized.

Social media is indeed very attractive to MSMEs to develop their business. Social media has a huge influence, people receive information more quickly via the internet. With easy and fast access, this is utilized by MSME small entrepreneurs to be more courageous in promoting their products because the internet network is very wide and there are no time and regional restrictions to make it an effective marketing medium (Ismawati & Setiawan, 2020).

With the introduction of this digital marketing system, it is hoped that MSME players in Kabanjahe can further optimize and increase knowledge about digital marketing systems or online marketing systems, because through digital marketing systems or online marketing systems, products from MSMEs will be better known by the public, orders can be made online, so that it can facilitate buyers and MSME players in buying and selling transactions.

The influence of the use of social media on MSME business sales is reinforced by several previous researchers, including research by Ayuni et al. (2019) which states that there is a positive and significant relationship between the use of digital media and the level of sales. Chang et al (2018) which concluded that the number of tweets/tiktok and the number of instagram followers had a significant effect on the level of sales. Kwahk, Kee-Young (2017) which states that social media has a positive effect on purchasing decisions.

Based on the description above, the researcher is interested in conducting a study entitled: "The Effect of Social Media in the Digitalization Era on the Motivation and Interest of MSME actors in Developing Business in Kabanjahe".

## 2. Research Method

### Research Design and Object of Research

This research is a descriptive observational study on Micro, Small and Medium Enterprises (MSMEs) in the Tanah Karo area, Kabanjahe City (Sugiyono, 2019; Waldan, 2022). Medium Enterprises (MSMEs) in the Tanah Karo area, Kabanjahe City. This research uses structured interviews, in-depth interviews and observation of MSMEs and the social media used. The objects in this study were owners, managers, and employees of MSMEs selected by purpose sampling. Subjects were selected according to the following criteria:

1. Are owners or managers of MSMEs,
2. Are employees of MSMEs,
3. Have used social media in company communication,

#### 4. Willing to become a research object.

The total number of objects recruited in the study was 15 MSMEs.

#### Data Collection Method

This research uses primary data obtained based on structured interviews and in-depth interviews with MSME owners and managers. The data obtained includes data on the use of social media in the company, including the objectives, benefits and obstacles faced. The data is complemented by the results of researchers' observations of MSMEs and the social media used.

#### Data Analysis

The data analysis technique used in this research is descriptive statistics and qualitative analysis and is displayed in the form of tables and graphs.

### 3. Results And Discussions

#### Implementation of Social Media in MSMEs

All MSMEs used as objects in this study have implemented social media as a medium for company information and communication. Most MSMEs utilize various types of social media to market and advertise the company's merchandise and services. Almost all MSMEs use Instagram, Facebook, Twitter and TikTok social media to display company profiles and company product galleries. Most companies use WhatsApp and e-mail for company information/communication media and marketing of company products. In addition, some MSMEs also use Blog, Line, and Youtube media to display company profiles and as media for company information. Almost half of the observed MSMEs allocate an operational cost budget of Rp.500,000-Rp.1,000,000 to manage social media as a medium for company information/communication and marketing. And most MSMEs update information on social media every day.

Table 1. Implementation of Social Media Usage in MSMEs

Variable	n	(%)
Types of Social Media		
Instagram	15	100%
facebook	15	100%
TikTok	14	93,33%
WhatsApp (WA)	13	87%
E-mail	13	87%
Twiter	13	87%
Blog	8	53,33%
Youtube	2	13,33%
Operating costs for social media/month		
Rp.200.000-350.000	5	33,34%
Rp.350.000-500.000	4	26,67%
Rp.500.000-1.000.000	6	40,00%
social media update frequency		
Daily	10	66,60%
Weekly	5	33,33%
Monthly	0	0,00%

From the results of research conducted by researchers, it shows that social media Instagram, Facebook, and TikTok, tend to be preferred because of their ease of sharing information and attracting attention from the target market. Facebook, Instagram, and TikTok with the like/Love function and the ease of sharing features to share information among users provide a viral effect that can improve product marketing performance, coupled with the ease of interacting with previous comments provides a domino effect to strengthen product image. Twitter and YouTube with retweet, follower, and subscriber features can make it easier to share product information and provide tremendous benefits in marketing products. Instagram with the ease of posting visual displays in the form of still images and short videos, will make the most frequently uploaded products will have a higher tendency to attract attention from consumers. Other types of social media that have potential and can also be utilized as company marketing communications but have not been used by the object of this research include Google+, LinkedIn, Pinterest, Tumblr, MySpace

#### Effect of Social Media Implementation on MSME Development

The implementation of social media in MSMEs provides benefits including as a product gallery, recording supplier needs, recording distributor needs, surveying target consumers, and monitoring consumers. In addition, social media is also useful as a discussion forum, helping decision making, responding to consumers, recording consumer needs, as a marketing and advertising medium, and as a suggestion for personal contact with consumers.

### Benefits of Social Media Use



Figure 1. Benefits of using social media

The many benefits of using social media in developing MSMEs are one of the strong driving factors for MSMEs to continue to utilize social media in order to develop their business, increase product sales, communicate with consumers, and develop a wider market network. this is in line with previous research (Alam S.S.Noor, 2009), which shows that the perception of the benefits of using information technology is one of the driving factors for MSMEs to use information technology media.

Social media is one of the media that facilitates interactive communication between entrepreneurs and anyone, including consumers, and various interested parties, anytime and anywhere. Social media is very helpful as a link of information and communication from producers to consumers wherever they are and regardless of distance. Social media is a very potential media to find consumers and build an image about a product brand (Merril T, et al, 2011). Not only that, the development of information from all over the world can also be accessed anywhere and by anyone. Therefore, the use of information technology and social media can help MSMEs to continue to develop their products and greatly assist in making business decisions (R. Miller, N. Lanmass, 2009). And most importantly, the benefit of social media is that it is free and does not require special software.

### Increased UKM Sales

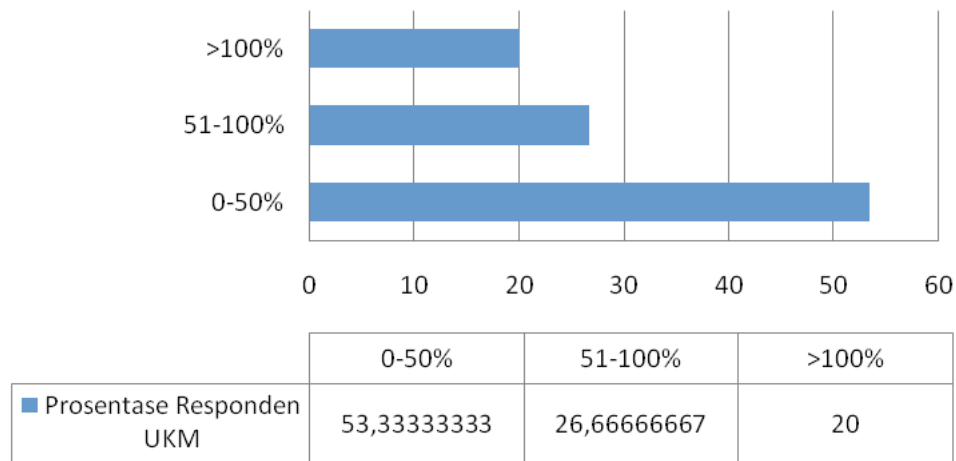


Figure 2. Increased sales of SME products after the use of social media

This study shows that the use of social media in MSMEs helps increase sales volume in MSMEs. The increase in sales was mostly felt by MSMEs by 10-50%. This is in line with the results of previous research which states that social media is a product or service marketing tool in addition to a forum for interaction with customers to try to solve their own problems (Edomwan, S., Prakasan, S.K., Kouame, Watson, Seymour, 2011).

The use of social media can increase the number of sales of MSMEs by more than 100%, but most of the increase in sales is still less than 50%. Based on observations of MSMEs and the social media used, MSMEs that have succeeded in increasing sales by more than 100% because they use social media as the spearhead of marketing and communication of MSME information, always updating product and company information every day. Meanwhile, MSMEs with an increase in sales of less than 50%, mostly because it is relatively rare to update information with a weekly or even monthly update frequency.

The limitation of this study is that it was conducted cross-sectionally and the assessment of sales increase was based on interviews with MSME owners or managers, so that changes in sales volume between before and after using social media could not be measured.

#### Discussion

The implementation of social media in MSMEs has proven to be a highly effective tool for enhancing business development and sales performance. By utilising platforms such as Instagram, Facebook, TikTok, WhatsApp, and others, MSMEs are able to market their products, engage with consumers, and establish a strong online presence. The ease of sharing information, visual content, and interactive features on these platforms significantly boosts product visibility and customer interaction, leading to a viral marketing effect. The allocation of a modest budget towards social media management and the frequent updating of content further contribute to improved sales, with many businesses experiencing a sales increase of 10-50%. The study underscores the substantial benefits of social media in creating product galleries, tracking supplier and distributor needs, surveying target consumers, and facilitating direct communication with customers. Despite the study's limitation of relying on self-reported data from MSME owners and managers, the findings align with previous research highlighting the importance of information technology in driving MSME growth. Overall, social media serves as a critical, cost-effective medium for MSMEs to expand their market reach and enhance business operations

#### 4. Conclusion

This study concludes that the observed MSMEs have used social media in their companies. The most widely used social media are Instagram, TikTok, and Facebook. For most MSMEs, the benefits of using social media are for personal communication with consumers, marketing and advertising, recording consumer needs, responding to consumers, helping decision making and as a discussion forum with consumers. Based on research, the use of social media can increase sales by more than 100% if companies consistently update information through social media every day. MSME entrepreneurs need to optimally utilize social media and

consistently update information every day to develop market share and increase product sales. Further research needs to be done to measure the increase in sales accurately so that the analysis of the effect of using social media on increasing sales can be done more accurately. One limitation of this study is its cross-sectional design and reliance on self-reported data from MSME owners or managers, which prevents precise measurement of sales volume changes before and after the implementation of social media. Additionally, the assessment of sales increases was based on interviews, introducing potential bias and inaccuracies in the data. Future research should employ longitudinal studies to track sales performance over time and utilise objective sales data to provide a more accurate analysis of the impact of social media usage on sales growth. Researchers should also consider exploring a broader range of social media platforms and examining the specific content and engagement strategies that most effectively drive sales and market expansion for MSMEs.

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