

Social Media Usage On MSMEs' Performance: The Moderating Role Of Innovation Capability

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Abstract: This study aims to determine whether using social media such as TikTok, Instagram, and Facebook can improve the performance of MSMEs if innovation capability is used effectively. The research employs a quantitative approach, involving 300 respondents who are MSME owners or managers in Kebumen Regency. The analysis utilizes the Partial Least Square (SmartPLS) method to assess the seven hypotheses proposed in this study. The results indicate that social media platforms like TikTok, Instagram, and Facebook positively influence MSMEs' performance. Additionally, innovation capability exhibits a positive impact on MSMEs' performance. Furthermore, innovation capability moderates the connection between Instagram usage and MSMEs' performance. However, it does not exert a similar moderating effect on the relationship between TikTok and Facebook usage and MSMEs' performance. These findings offer valuable insights for MSME owners and managers, enabling them to navigate and leverage the evolving landscape of social media marketing to maintain their competitiveness and performance.

Keywords: Social Media; Innovation Capability; MSMEs' Performance.

Abstrak: Penelitian ini bertujuan untuk mengetahui apakah penggunaan media sosial seperti TikTok, Instagram, dan Facebook dapat meningkatkan kinerja UMKM jika kemampuan inovasi digunakan secara efektif. Penelitian ini menggunakan pendekatan kuantitatif, dengan melibatkan 300 responden yang merupakan pemilik atau manajer UMKM di Kabupaten Kebumen. Metode Partial Least Square (SmartPLS) digunakan untuk menganalisis tujuh hipotesis yang diajukan dalam penelitian ini. Temuan penelitian ini menunjukkan bahwa penggunaan platform media sosial Tiktok, Instagram, dan Facebook memiliki pengaruh positif terhadap peningkatan kinerja UMKM. Kemampuan inovasi berpengaruh positif terhadap kinerja UMKM. Kemampuan inovasi memoderasi hubungan antara penggunaan Instagram dan kinerja UMKM. Namun, tidak memiliki efek moderasi yang sama pada hubungan antara penggunaan Tiktok dan Facebook terhadap kinerja UMKM. Hasil penelitian ini memberikan wawasan berharga bagi pemilik dan manajer UMKM, membantu mereka menghadapi dan memanfaatkan tren dalam pemasaran media sosial untuk mempertahankan daya saing dan kinerja.

Kata Kunci: Media Sosial; Kemampuan Inovasi; Kinerja UMKM.

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) play a crucial role in developing nations' economic development (Sempala et al., 2018). In Indonesia, their significance goes beyond being the largest employers, as they contribute substantially to the country's gross domestic product (GDP) (Bank Indonesia, 2022). Indonesia is home to approximately 64.200 million MSMEs, constituting 61 per cent of the nation's GDP. Furthermore, MSMEs play a crucial role in employment, with nearly 97 per cent of



Indonesia's total workforce, approximately 119.600 million people, employed within this sector (Limanseto, 2022).

Despite their dominance and contribution to the national economy, MSMEs encounter various challenges that affect their competitiveness and performance. These challenges encompass limited access to capital, market reach difficulties, and obstacles in acquiring information related to resources and technology (Prasanna et al., 2019). Limited access to information on technology and resources also leads to unequal competition with larger companies (Takacs et al., 2022). Consequently, the emergence of social media is warmly welcomed by MSMEs owners and managers (Gbandi & Iyamu, 2022) because it provides a low-cost tool to combine marketing and sales for MSMEs (Dwivedi et al., 2021).

As recently defined, social media encompasses digital platforms, services, and apps centred around content sharing, public communication, and interpersonal connection (Bengtsson & Johansson, 2022). For small and medium-sized enterprises (MSMEs), effective utilization of social media can yield many benefits. These advantages include expanding their consumer base, increasing revenue, monitoring business activities, and reducing costs, particularly in areas like marketing, logistics, and shipping (Dwivedi et al., 2021). Furthermore, social media empowers MSMEs to engage in interactive conversations with customers about their products and services while providing customers with a platform to share information about these offerings. Consequently, social media opens new avenues for customer engagement (Garrido-Moreno et al., 2018). Engaging with consumers on social media platforms allows MSMEs to demonstrate their commitment to addressing customer needs and willingness to listen to feedback (Borah et al., 2022). social media equips MSMEs with valuable insights into their target audience and offers a straightforward means to track campaign performance, enabling a better understanding of customer preferences. This information can enhance products, services, and marketing strategies (Dwivedi et al., 2021).

In practice, MSMEs need to catch up in adopting this new media. According to the MSME Empowerment Report 2022, only about 40 per cent of MSMEs in Indonesia utilize social media for business purposes (DailySocial, 2023). MSMEs owners' hesitancy to adopt social media can be attributed to their reluctance to embrace new technology (Salam et al., 2021), the organization's limited experience with social media (Hanafizadeh et al., 2021), and the absence of a clear social media strategy (Belas et al., 2021). Given the significant advantages of social media, MSME owners and managers should develop a comprehensive social media strategy to enhance business performance. This strategy should undoubtedly include an assessment of the social media platforms that align best with the organization's goals and objectives.

Numerous studies have shown a positive relationship between social media usage and business performance (Odoom et al., 2017; Dodokh & Al-Ma'aitah, 2019; Martín-Rojas et al., 2020; Oyewobi et al., 2021; Qalati et al., 2021; Tajvidi & Karami, 2021; Yasa et al., 2021; Le & Chakrabarti, 2023;). However, research by (Alraja et al., 2019) found that social media does not significantly impact the performance of MSMEs in the United Arab Emirates, as many businesses only engage in it due to competitive trends. Another study by (Garrido-Moreno et al., 2020) concludes that social media does not significantly impact organizational performance. Given these mixed results, gaps remain in understanding the relationship between MSMEs' performance and social media usage.



Meanwhile, (Tajvidi & Karami, 2021) suggest that MSMEs can further improve performance when supported by robust internal innovation capabilities. However, few empirical studies examine social media's collaborative use for innovation among firms (Hardwick & Anderson, 2019), particularly incorporating innovation capability as a moderating variable (Fan et al., 2021). Furthermore, some argue that social media can accelerate innovation and entrepreneurship (De Zubielqui et al., 2019; Olanrewaju et al., 2020). However, contrasting perspectives exist, as certain studies indicate inadequate empirical research on social media and innovation benefits within MSMEs (Fan et al., 2021; Borah et al., 2022).

This research introduces several novelties. **First**, while prior research has focused on individual social media platforms like TikTok, Instagram, and Facebook, this study comprehensively examines the effects of these three major platforms. This approach enables researchers to present a more complete view of the influence of social media on MSMEs, which is crucial for businesses frequently navigating multiple platforms to reach diverse target markets effectively.

Second, the research incorporates innovation capability as a moderating variable, addressing the under-researched question of how firms' internal capabilities shape social media's influence. This addition enhances the understanding of how firms' internal capabilities, particularly innovation, shape the impact of social media on performance. This is particularly crucial in today's digitally connected business landscape, where innovation capabilities are pivotal in navigating rapid market changes and intensifying competition.

Third, the study's focus on Kebumen Regency MSMEs provides valuable insights for businesses in regional areas beyond major cities. The multi-platform, innovation-focused approach offers contemporary and practical insights for MSMEs, guiding them on leveraging social media during rapidly evolving usage patterns. By elucidating the relative impacts of different platforms and highlighting the strategic role of innovation capability, the research aims to empower MSMEs with knowledge for optimal resource allocation and capability development to enhance performance.

THEORETICAL REVIEW

Resource-Based View Theory. The Resource-Based View (RBV) theory, introduced by (Wernerfelt, 1984) and refined by (Barney, 1991), explores the connection between a firm's internal characteristics and performance. RBV asserts that a firm's unique internal resources, rather than external conditions, are critical for achieving sustainable competitive advantage (Barney, 1991).

Specifically, RBV examines how a firm's resources relate to competitive advantage. It posits that organizations comprise valuable, rare, hard-to-imitate resources like skills, processes, and knowledge. These resources enable value-creating strategies that competitors cannot easily replicate, the source of sustainable competitive advantage (Rockwell, 2019).

Since RBV is premised on leveraging internal resources and capabilities for competitive advantage, it suggests that firms can harness resources and capabilities like social media marketing for enhanced performance (D'Oria et al., 2021).



This study emphasizes intangible assets requiring effective management to generate value and expand MSMEs' limited resources. RBV is relevant as it underscores innovation capability as a crucial internal factor for competitiveness and performance (Tjahjadi et al., 2022). RBV provides a valuable foundation for understanding social media adoption and innovation among MSMEs.

Social media usage and MSMEs' performance. Social media is a technological tool in a company's communication, transaction, and relationship-building functions, leveraging a network of customers and prospects to create shared value (Oyewobi, 2021). Meanwhile, (Gnizy, 2019) describes social media as a new strategic tool for generating new ideas, customer analysis, and market research. Social media evolves in parallel with advancements in information technology, impacting every industry and business (Yasa et al., 2020). The adoption of social media is considered highly significant due to its extensive reach and boundless potential, offering numerous advantages to entrepreneurs. These benefits encompass consumer engagement, new customer acquisition, sales, stakeholder involvement, and customer relationships (Dwivedi et al., 2021). Furthermore, using social media facilitates establishing robust business relationships between marketers and consumers through social media consumer networks (Olanrewaju et al., 2020). Social media platforms offer companies modern and interactive ways to bolster their competitive standing, solidifying their status as crucial business tools in the 21st century.

Several studies have examined the relationship between using specific social media platforms and business performance. (Alraja et al., 2020), (Ghanem & Hamid, 2020) and (Lee et al., 2021) provided empirical evidence suggesting that Facebook usage can enhance company performance. Additionally, (Akbar, 2021), (Gbandi & Iyamu, 2022), and (Fakhreldin et al., 2023) conducted separate studies that indicated Instagram can positively impact business performance. Moreover, research has highlighted the positive effects of incorporating TikTok for business continuity, as demonstrated by (Luthen & Soelaiman, 2022). According to these various research findings, we propose the following hypothesis:

H1: TikTok usage positively influences MSMEs' performance.

H2: Instagram usage positively influences MSMEs' performance.

H3: Facebook usage positively influences MSMEs' performance.

Innovation capability and MSMEs' performance. The concept of innovation capability has a well-established research history rooted in the resource-based view (RBV) theory (Wang et al., 2020). Innovation capability refers to an organization's capacity to generate novel concepts, procedures, goods, and services that contribute to their success and differentiate them from competitors (Wang & Dass, 2017). Innovation capability is a fundamental aspect of corporate strategy and a significant resource that can lead to superior performance (Fan et al., 2021). Companies with limited innovation capability often need help to initiate and sustain innovative projects, which are vital for enhancing their competitive advantage, performance, and overall business operations (Farida & Setiawan, 2022).

When studying the relationship between innovation and business performance (Aas & Breunig, 2017) argues that firms must continuously improve their existing services and



processes to maintain successful business activities, which often involve embracing innovation processes. As (Taylor, 2017) described, innovation encompasses both the process and outcome of creating something new and valuable, resulting in broader impacts on the economy and technological advancements. Innovation is vital for the survival of micro, small, and medium enterprises (MSMEs) because it enables organizations to leverage their knowledge, skills, and expertise to create new technologies, processes, products, or services that enhance their business operations (Phuangrod et al., 2017).

The firm's innovation ability is crucial for competitive advantage in highly turbulent market conditions. Innovation capability enables organizations to continuously develop innovations in response to the changing market environment (Rajapathirana & Yan, 2018). (Ferreira et al., 2020) she described innovation capability as intricate activities that generate and embrace new ideas, resulting in various products, services, or business models. Furthermore, (Ganguly et al., 2020) defined innovation capability as the capacity to assemble and oversee resources to create diverse products and services.

Innovation capability also empowers companies to implement necessary technological updates to develop new products and meet customer needs, aligning with strategies for competition (YuSheng & Ibrahim, 2020). Numerous studies have examined the direct relationship between firm performance and innovation capability (Odoom & Mensah, 2019; Bahta et al., 2021; Fang et al., 2022). In most cases, innovation capability is categorized into two forms: technological innovation and managerial innovation (Kim & Jin, 2022); however, in this study, the focus is on managerial innovation. Based on our previous explanation, we propose the following hypothesis:

H4: Innovation capability positively influences MSMEs' performance.

Moderating role of innovation capability. Innovation has been acknowledged as a crucial factor in organizational performance as it moderates the effects of various performance antecedents (Fan et al., 2021). However, a limited number of studies have employed innovation capability as a moderator, as observed in studies by (Vakulenko, 2021), (Fan et al., 2021), and (Aziz, 2023). MSMEs should leverage their capabilities, such as innovation capabilities, to enhance performance by harnessing the relationship between internal resources and overall performance (Odoom & Mensah, 2019). Our rationale for including innovation capability as a moderating variable is aligned with (Olanrewaju et al., 2020), which suggests that a comprehensive assessment of the impact of social media adoption on MSMEs' performance is essential. Incorporating innovation capability as a moderating variable will enable scholars and practitioners to evaluate whether the utilization of social media enhances MSMEs' performance more significantly when innovation capabilities are effectively applied.

Therefore, innovation capability can potentially reinforce the link between social media usage and MSMEs' performance. Based on this rationale, we propose the following hypothesis:

H5: Innovation capability moderates the relationship between TikTok usage and MSMEs' performance.



H6: Innovation capability moderates the relationship between Instagram usage and MSMEs' performance.

H7: Innovation capability moderates the relationship between Facebook usage and MSMEs' performance.

Based on the explanation provided above, the research model proposed by the researcher can be observed in **Figure 1** as follows:

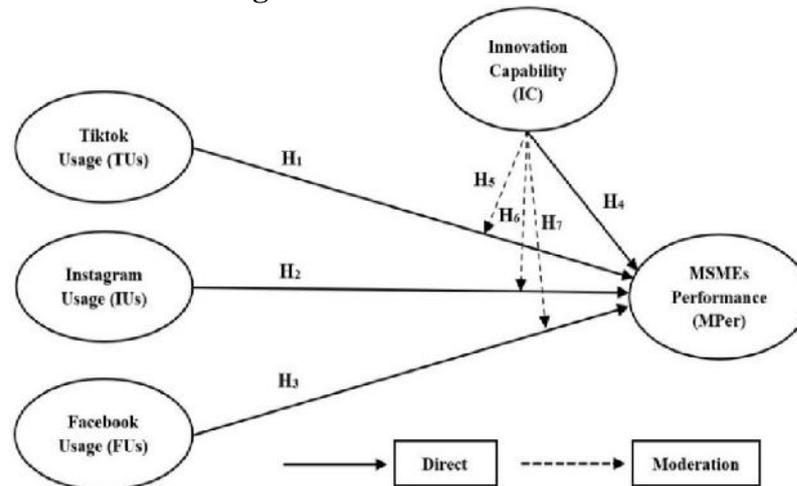


Figure 1. Research Model

Source: Author's Personal Conception (2023)

METHODS

This research follows a quantitative, exploratory, and causal approach with the primary objective of gathering information from respondents through a structured questionnaire survey method. The data collected is cross-sectional. An offline survey method was employed to collect information from MSMEs in Kebumen Regency. To determine the minimum required sample size, the researchers utilized the Krejcie Morgan approach. According to data from The Office of Cooperative and Micro, Small, and Medium Enterprises of Central Java Province, there are approximately 10,000 MSME enterprises in the Kebumen district in 2023 (The Office of Cooperative and Micro Small and Medium Enterprise Province of Central Java, 2023). With a confidence level of 90 per cent and a margin of error of 5 per cent, a minimum sample size of 264 respondents was needed.

The researchers used a non-probability sampling technique, specifically purposive sampling, to select participants for the study. The criteria for selection included MSMEs owners who use social media platforms such as TikTok, Instagram, and Facebook as part of their marketing strategies. Hypothesis testing was conducted using Partial Least Square (PLS) analysis, processed with SmartPLS version 3 software. PLS was chosen because it is a suitable method for testing complex path models and can handle data with a small sample size and high multicollinearity.

Measurement. All construct measures were adapted from existing studies. Specifically, social media usage was assessed using seven items adapted from (Tajudeen



et al., 2018). Innovation capability was measured using four items adapted from (Odoom & Mensah 2019). MSMEs' performance was measured using three items adapted from (Fan et al., 2021) and three additional items from (Fang et al., 2022). All questionnaire measurement items used a 5-point Likert scale, ranging from "strongly disagree" (1) to "strongly agree" (5). The complete set of measurement items employed by the researchers is detailed in **Table 1**.

Table 1. Measurement Item

Construct	Item Code	Items	References
TikTok usage	TU.1	TikTok helps in promoting business	(Tajudeen et al., 2018)
	TU.2	TikTok makes it easier to find information about consumers.	
	TU.3	TikTok makes it easier to build relationships with consumers.	
	TU.4	TikTok helps in customer service activities.	
	TU.5	TikTok helps to receive consumer feedback (suggestions, questions, complaints, testimonials).	
	TU.6	TikTok makes it easy to find information about competitors.	
	TU.7	TikTok makes it easy to get trend information in the market.	
Instagram usage	IUs.1	Instagram helps in promoting business	(Tajudeen et al., 2018)
	IUs.2	Instagram makes it easier to find information about consumers.	
	IUs.3	Instagram makes it easier to build relationships with consumers.	
	IUs.4	Instagram helps in customer service activities.	
	IUs.5	Instagram helps to receive consumer feedback (suggestions, questions, complaints, testimonials).	
	IUs.6	Instagram makes it easy to find information about competitors.	
	IUs.7	Instagram makes it easy to get trend information in the market.	
Facebook usage	FUs.1	Facebook helps in promoting business	(Tajudeen et al., 2018)
	FUs.2	Facebook makes it easier to find information about consumers.	
	FUs.3	Facebook makes it easier to build relationships with consumers.	
	FUs.4	Facebook helps in customer service activities.	
	FUs.5	Facebook helps to receive consumer feedback (suggestions, questions, complaints, testimonials).	
	FUs.6	Facebook makes it easy to find information about competitors.	
	FUs.7	Facebook makes it easy to get trend information in the market.	
Innovation capability	IC.1	Consistently come up with new ideas.	(Odoom & Mensah, 2019)
	IC.2	Consistently introducing new products/services.	
	IC.3	Creativity in running a business.	
	IC.4	We are looking for new ways to innovate.	
MSMEs' performance	MPer1	Increase customer base.	(Fan et al., 2021), (Fang et al., 2022)
	MPer2	Improve customer relationships.	
	MPer3	It improved brand visibility.	



Construct	Item Code	Items	References
	MPer4	Save time-related costs in marketing or customer service.	
	MPer5	Increase sales transactions.	
	MPer6	Increase sales volume.	

Source: Primary Data Processed (2023)

RESULTS

Participant characteristics. This study included 300 eligible respondents who met the specified criteria. These respondents are either MSME owners or managers utilizing TikTok, Instagram, and Facebook for business activities. The data reveals that most respondents are over 40 years old (38 per cent), followed by those between 25 and 30 (25 per cent). Male respondents slightly outnumber female respondents, accounting for 60 per cent of the sample.

Regarding educational background, most respondents hold a bachelor's degree (38 per cent), followed by those with a diploma (24 per cent). Regarding the duration of using social media for their businesses, the majority have been using it for 1 to 2 years (41 per cent), with a smaller proportion using it for less than a year (3 per cent). The culinary sector is the most prevalent in the business category, representing 48 per cent of the respondents, followed by the manufacturing sector at 26 per cent. As for the ownership category, most MSMEs in Kabupaten Kebumen are individual companies (50 per cent), followed by partnership companies (49 per cent). Further details can be seen in **Table 2**.

Table 2. Participant Characteristics (N of 300)

Variable	Frequency	Per centage
Gender		
Male	179	60
Female	121	40
Age		
Less than 25 years	51	17
Between 25 and 30 years	74	25
Between 31 and 40 years	60	20
More than 40 years	115	38
Education		
Elementary School	53	18
Junior High School	26	9
Diploma	73	24
Bachelor Degree	115	38
Master Degree	5	2
Did not receive formal education	28	9
Duration of Utilizing Social Media for Business		
Lees than one year	102	34
Between 1 and 2 years	123	41
More than two years but less than five years.	51	17
More than five years	24	8
Business Category		
Services	23	8
Manufacture	77	26



Variable	Frequency	Per centage
Culinary	144	48
Fashion	18	6
Other	38	12
Category of Ownership		
Individual Company	151	50
Partnership Company	146	49
Limited Company	3	1

Source: Primary Data Processed (2023)

Validity and reliability test. Two methods were employed to assess the validity of the constructs in this study. The first method involves evaluating convergent validity, which examines the loading factor values for all questionnaire items. When the loading factor values for the items are equal to or greater than 0.708, it indicates that these items are considered valid, as suggested by (Hair et al., 2019). All the statement items in **Table 3** have loading factor values greater than 0.708, confirming their validity.

Table 3. Evaluation of Measurement Model

Construct	Item Code	Item Loading	Cronbach's Alpha	CR	AVE
TikTok usage	TU1	0.877	0.941	0.952	0.739
	TU2	0.890			
	TU3	0.868			
	TU4	0.848			
	TU5	0.853			
	TU6	0.858			
	TU7	0.821			
Instagram usage	UI1	0.900	0.953	0.961	0.779
	UI2	0.900			
	UI3	0.891			
	UI4	0.863			
	UI5	0.887			
	UI6	0.879			
	UI7	0.857			
Facebook usage	FU1	0.863	0.939	0.950	0.733
	FU2	0.877			
	FU3	0.868			
	FU4	0.830			
	FU5	0.850			
	FU6	0.846			
	FU7	0.859			
Innovation capability	IC1	0.895	0.918	0.942	0.803
	IC2	0.919			
	IC3	0.894			
	IC4	0.875			
MSMEs' performance	MPer1	0.836	0.928	0.944	0.736
	Mper2	0.847			
	Mper3	0.813			
	Mper4	0.877			
	Mper5	0.884			
	Mper6	0.888			

Source: Primary Data Processed (2023)



The second method assesses discriminant validity by calculating each variable's average variance extracted (AVE) value. Discriminant validity is considered good when a variable's AVE value is equal to or greater than 0.500, following the criteria outlined by (Hair et al., 2019). In **Table 3**, it is evident that all variables, including Tiktok usage with a value of 0.739, Instagram usage at 0.779, Facebook usage at 0.773, innovation capability at 0.803, and MSMEs' performance at 0.736, surpass the AVE criterion of 0.500 or higher. This confirms that each variable exhibits good discriminant validity, signifying that they are distinct constructs effectively measuring different aspects of the research.

Table 4. Discriminant Validity with Fornell and Larcker Approach

	FU	IC	IU	Mer	TU
Facebook usage	0.886				
Innovation capability	0.641	0.896			
Instagram usage	0.834	0.775	0.883		
MSMEs' performance	0.830	0.450	0.869	0.898	
Tiktok usage	0.879	0.855	0.854	0.887	0.860

Source: Primary Data Processed (2023)

Discriminant validity can also be confirmed by comparing the Average Variance Extracted (AVE) square root with the correlation values between latent variables. According to the Fornell-Larcker Criterion, the square root value of AVE should be greater than the correlations between latent variables (Ghozali, 2021). **Table 4** demonstrates that the square root value of AVE exceeds the correlation values between latent variables. Therefore, all statement items in the research instrument are valid and can be used as measurement tools.

To assess the reliability of our research instruments, we conducted composite reliability tests and calculated Cronbach's alpha values for all variables. An instrument is considered reliable if the composite reliability and Cronbach's alpha values are equal to or greater than 0.700 (Ghozali, 2021). As displayed in **Table 3**, all variables in our study exceed this threshold, with composite reliability and Cronbach's alpha values exceeding 0.700. This outcome indicates that all variables used in this research are reliable.

Structural model test. We analyzed the structural model, known as the inner model. In the first stage, we assessed the R-square value associated with each endogenous latent variable. These R-square values indicate the predictive power of the structural model, helping us understand how specific exogenous latent variables affect endogenous variables and whether these effects are statistically significant (Ghozali, 2021). The R-square value is vital if it exceeds 0.670, moderate if it is higher than 0.330 but below 0.670, and weak if it is above 0.190 but lower than 0.330 (Hair et al., 2019).

Table 5. R-Square Result

	R-Square	R-Square Adjusted
MSMEs' performance	0.874	0.871

Source: Primary Data Processed (2023)

According to the results from the Bootstrapping output in **Table 5**, the R-square value is 0.874, which falls into the category of solid influence. This value suggests that



approximately 87.400 per cent of the variance in MSMEs' performance can be explained by the constructs TikTok usage, Instagram usage, Facebook usage, innovation capability, and their interactions. The remaining 13.600 per cent of the variance is attributed to other unexamined variables.

Table 6. Construct Cross-validated Redundancy Result

	SSO	SSE	Q ² (=1 SSE/SSO)
Facebook usage	2100.000	2100.000	
Innovation capability	1200.000	1200.000	
Instagram usage	2100.000	2100.000	
Tiktok usage	2100.000	2100.000	
MSMEs' performance	1800.000	659.567	0.634

Source: Primary Data Processed (2023)

In the second stage of testing the inner model, we evaluated the results of the Blindfolding ratio. This Blindfolding test assessed the Q-square value to determine the relevance of the constructed model (Hair et al., 2019). They also recommended using cross-validated redundancy as a measure of Q-square because it incorporates the critical element of the path model, which is the structural model, to predict excluded data points. When the Q-square value exceeds 0.050, it indicates that the model developed in this study effectively describes the phenomenon.

Table 6 shows that the Q-square value is 0.634, greater than 0.050. Therefore, the model used in this study possesses relevant predictive value. The model can explain approximately 63.400 per cent of the information in the research data.

Table 7. F-Square Result

	MSMEs' Performance
Facebook usage	0.113
Innovation capability	0.062
Instagram usage	0.030
TikTok usage	0.092

Source: Primary Data Processed (2023)

In the third stage of testing the inner model, we evaluated the F-square, which assesses the relative impact of an influencing exogenous variable on the affected endogenous variable. The F-square value of the model helps determine the effect size of endogenous latent variables on exogenous latent variables. When the F-square value is equal to or greater than 0.350, it indicates a strong influence of the latent variable predictor. The range of 0.150 to 0.350 suggests a medium effect, and from 0.020 to 0.150 it signifies a weak influence (Hair et al., 2019).

Based on the information presented in **Table 7**, it is evident that all four constructs used to predict MSMEs' performance variables fall into the medium effect category. This classification is based on their respective F-square values falling within the range of 0.150 to 0.350.



Table 8. Model Fit Result

	Saturated Model	Estimated Model
SRMR	0.043	0.043
d_ULS	0.900	0.933
d_G	1.111	1.129
Chi-Square	1795.183	1778.904
NFI	0.836	0.838

Source: Primary Data Processed (2023)

Additionally, the research model exhibits a good fit. As indicated in **Table 8**, the SRMR (Standardized Root Mean Square Residual) value is 0.043, below the threshold of 0.080, as recommended by (Hair et al., 2019). The path coefficients for the structural equation model can be observed in **Figure 2**.

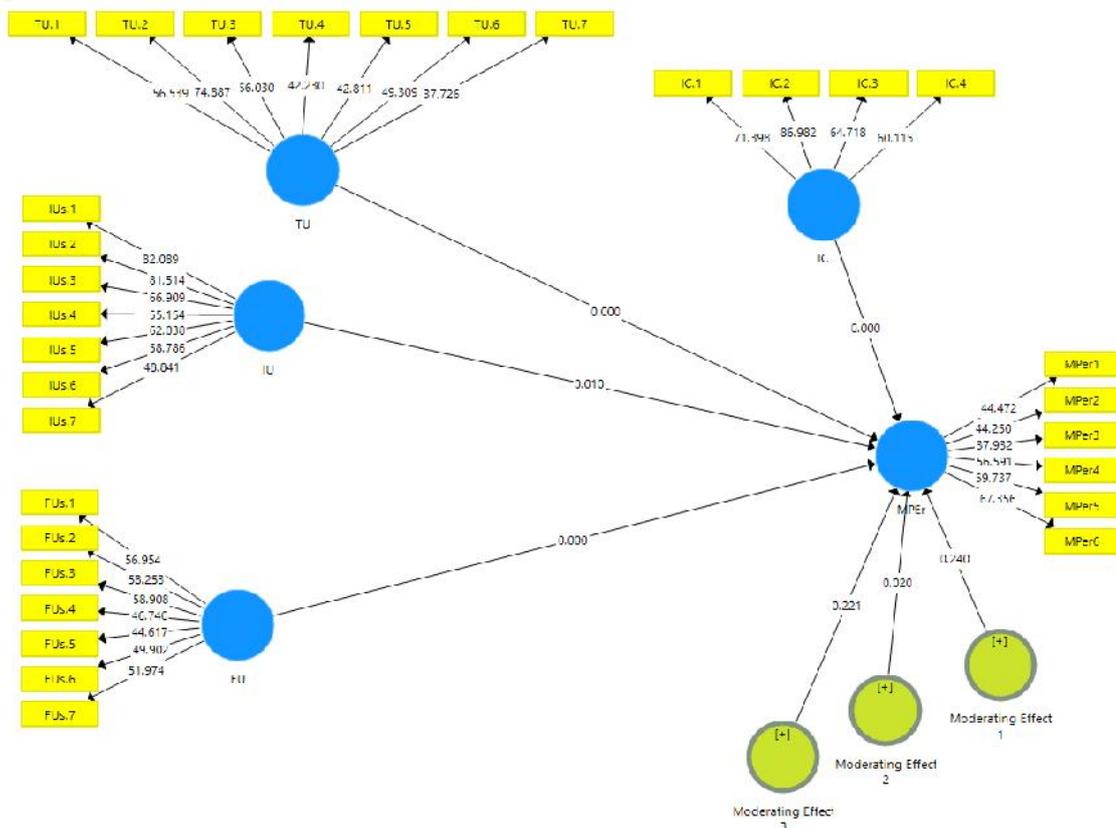


Figure 2. Structural Equation Modeling

Source: Primary Data Processed (2023)

Hypothesis test. Hypothesis testing was carried out using the Bootstrapping feature in SmartPLS 3 software. The typical significance level in research is 5 to 10 per cent, which is widely accepted in economics and management studies. Hypotheses are considered valid when the significance level, denoted by the P-value, is equal to or less than 0.050 and when the T-statistic value exceeds the minimum criterion of 1.960. This signifies a significant influence between exogenous and endogenous variables.



Conversely, if the P-value exceeds 0.050 and the T-statistic value falls below 1.960, the effect is considered insignificant, indicating no influence on the relationship between exogenous and endogenous variables (Ghozali, 2021).

Table 9. Path Coefficient and Hypotheses Testing

Hypothesis	Relationship	Original Sample	Mean	SD	T-statistics	P-values	Description
H ₁	TU -> MPer	0.262	0.267	0.065	4.000	0.000	Supported
H ₂	IU -> MPer	0.145	0.144	0.056	2.592	0.010	Supported
H ₃	FU -> MPer	0.311	0.302	0.060	5.157	0.000	Supported
H ₄	IC -> MPer	0.197	0.197	0.051	3.834	0.000	Supported
H ₅	TU -> IC -> MPer	-0.110	-0.130	0.093	1.177	0.240	Not Supported
H ₆	IU -> IC -> MPer	0.164	0.156	0.070	2.342	0.020	Supported
H ₇	FU -> IC -> MPer	-0.096	-0.077	0.079	1.225	0.221	Not Supported

Note: TU=Tiktok usage, IU=Instagram usage, FU=Facebook usage, IC=innovation capability, MPer=MSMEs' performance

Source: Primary Data Processed (2023)

In the results presented in **Table 9**, we observe the following: The relationship between Tiktok usage and MSMEs' performance demonstrates an original sample value of 0.262 (indicating a positive influence), a P-value of 0.000 (lower than 0.050), and a T-statistic value of 4.000 (exceeding the T-table threshold of 1.960). Therefore, Tiktok usage positively and significantly influences MSMEs' performance, supporting Hypothesis 1.

Similarly, the relationship between Instagram usage and MSMEs' performance shows an original sample value of 0.145 (indicating a positive influence), a P-value of 0.010 (lower than 0.050), and a T-statistic value of 2.592 (exceeding the T-table threshold of 1.960). Therefore, Instagram usage positively and significantly influences MSMEs' performance, supporting Hypothesis 2.

The relationship between Facebook usage and MSMEs' performance shows an original sample value of 0.311 (indicating a positive influence), a P-value of 0.000 (lower than 0.050), and a T-statistic value of 5.157 (exceeding the T-table threshold of 1.960). Therefore, Facebook usage positively and significantly influences MSMEs' performance, supporting Hypothesis 3.

It is essential to highlight that the original sample value of the Facebook usage variable is the highest among the three social media platforms analyzed in the study, at 0.311 or 31.110 per cent. This result indicates that Facebook usage has the most impact on improving the performance of MSMEs compared to the other social media platforms examined in this study, namely Instagram and TikTok.

Regarding the relationship between innovation capability and MSMEs' performance, the statistical analysis shows an original sample value of 0.197 (indicating a positive influence), a P-value of 0.000 (lower than 0.050), and a T-statistic value of 3.834 (exceeding the T-table threshold of 1.960). This suggests that innovation capability positively and significantly influences MSMEs' performance, supporting Hypothesis 4.



Moderation analysis. To examine the moderating role of innovation capability, this study utilizes the SmartPLS moderating approach. Here are the findings for each hypothesis:

In Hypothesis 5, the analysis showed that the T-statistic value for the effect of innovation capability moderating the impact of TikTok usage on MSMEs' performance is 1.177, which is less than the critical T-table value of 1.960, and the corresponding P-value was 0.240, exceeding the significance level of 0.050. These results indicate that innovation capability does not moderate the relationship between Tiktok usage and MSMEs' performance; thus, Hypothesis 5 is unsupported.

In Hypothesis 6, the analysis revealed that the T-statistic value for the effect of innovation capability moderating the impact of Instagram usage on MSMEs' performance was 2.342, surpassing the T-table value of 1.960, and the associated P-Value was 0.020, which is less than 0.050. These findings indicate that innovation capability moderates the relationship between Instagram usage and MSMEs' performance, supporting Hypothesis 6.

Meanwhile, in Hypothesis 7, the analysis showed that the T-statistic value for the effect of innovation capability moderating the impact of Facebook usage on MSMEs' performance was 1.225, which is lower than the critical T-table value of 1.960, and the corresponding P-value was 0.221, exceeding the significance level of 0.050. These results suggest that innovation capability does not moderate the relationship between Facebook usage and MSMEs' performance; thus, Hypothesis 7 is unsupported.

DISCUSSION

Based on the direct relationship testing results, the posed questions have been adequately addressed. Moreover, the research model effectively elucidates the significant role of several variables influencing MSMEs' performance. The analysis of the hypotheses indicates a positive impact of TikTok usage on MSMEs' performance. The results of this relationship research suggest that increasing the utilization of TikTok as a digital marketing medium, which includes MSMEs quickly promoting their business, finding consumer information, building relationships, assisting in customer service activities, and receiving feedback (such as suggestions, questions, complaints, and testimonials) can be achieved through TikTok. Furthermore, using TikTok, MSMEs can easily access information about competitors and stay informed about market trends. This influence can prompt MSME owners to enhance their social media marketing efforts, improving MSMEs' performance overall.

These findings align with (Luthen & Soelaiman, 2022) and (Adyatma, 2022), showing that TikTok significantly improves business performance. However, those studies focused on Jakarta MSMEs, which often have more resources like marketing budgets, staff, and equipment to manage complex social media campaigns. In contrast, Kebumen MSMEs in this study may need more resources and sophisticated tools, constraining their social media use. Still, TikTok offers similar performance benefits for MSMEs in capital and district areas.

TikTok is well-suited for promotional content and networking, providing value for marketers and consumers. Its features, like comments and messages, encourage interaction and communication (Rangaswamy et al., 2020). Using TikTok empowers MSMEs to reach



a broad audience without costly advertising (Genoveva, 2022). This cost savings allows efficient resource allocation. TikTok enhances MSME branding through shared, engaging content (Genoveva, 2022). Direct audience interaction builds trust and loyalty, increasing sales and growth (Dwivedi et al., 2021).

Utilizing Instagram also positively impacts the performance of MSMEs. The results of this relationship research indicate that increasing the use of Instagram as a digital marketing tool provides various advantages for MSMEs. These include facilitating the promotion of businesses, gathering information about consumers, building relationships, aiding in customer service activities, and receiving feedback (comprising suggestions, questions, complaints, and testimonials) from consumers through Instagram. Moreover, MSMEs can use Instagram to easily access information about competitors and stay informed about market trends. This can encourage MSME owners to refine their social media marketing strategies, leading to an overall enhancement in the performance of MSMEs.

These findings align with research by (Gbandi & Iyamu, 2022) and (Fakhreldin et al., 2023), emphasizing Instagram's role in driving performance growth among small and medium enterprises. Additionally, a study (Akbar, 2021) supports that leveraging Instagram significantly impacts the financial and non-financial dimensions of MSMEs' performance. However, there are some differences from previous studies. For instance, research by (Fakhreldin et al., 2023) and (Akbar, 2021) incorporates two endogenous variables, financial performance and non-financial performance, providing more comprehensive and specific findings. In contrast, this study employs one endogenous variable, performance, resulting in more general outcomes.

Instagram provides numerous features and tools that MSMEs can exploit to enhance their marketing efforts. Its user-friendly interface simplifies the creation of visually compelling content that can attract potential customers. Furthermore, MSMEs can establish personalized relationships with their target audience by engaging with users through comments, direct messages, and interactive features like polls and quizzes (De Veirman et al., 2017). Another notable advantage of using Instagram for MSMEs is its capability to showcase products and services through images and videos. This visual aspect plays a crucial role in capturing the attention of potential customers and effectively conveying the unique selling points of a product or service (Emmanuel et al., 2022). Instagram's ability to reach a broad and engaged consumer base is also a valuable asset for MSMEs (Gbandi & Iyamu, 2022).

Facebook usage also positively influences the performance of MSMEs. The findings of this relationship research reveal that increasing the use of Facebook as a digital marketing medium, including promoting businesses, gathering consumer information, building relationships, aiding in customer service activities, and receiving feedback (comprising suggestions, questions, complaints, and testimonials), contributes to the overall improvement of MSME performance. Additionally, research findings indicate that increasing the utilization of Facebook enables MSMEs to effectively promote their business, gather information about consumers, build relationships, enhance customer service activities, and receive feedback. MSMEs can also utilize Facebook to obtain information about competitors and stay informed about market trends. Ultimately, this can influence MSME owners to enhance their social media marketing efforts, leading to an overall improvement in the performance of MSMEs.



These findings align with (Alraja et al., 2020), (Ghanem & Hamid, 2020), and (Lee et al., 2021), showing Facebook's significant role in business growth. Studies by (Siagian et al., 2022) reveal that Facebook provides MSMEs customer service, sales, and marketing benefits. However, those studies involved national-scale respondents, while this study focused on Kebumen Regency MSMEs. Still, Facebook offers similar performance benefits for MSMEs.

Furthermore, (Alraja et al., 2020) observed that MSMEs actively integrating Facebook into their marketing strategies experienced higher customer acquisition and retention rates, leading to increased sales and profitability. Beyond its impact on customer service and sales, Facebook can enhance the internal operations of MSMEs. Traditional marketing methods, such as television and print ads, can financially burden MSMEs with limited resources. Social media platforms like Facebook offer a cost-effective alternative for MSMEs to engage with their target audience. This advantage is particularly significant for MSMEs operating within tight budget constraints, as noted by (Alraja et al., 2020).

Innovation capability also positively influences MSMEs' performance. The findings of this relationship research show that improving innovation capabilities, which include consistently generating new ideas, introducing new products/services, being able to always be creative in running a business and finding new ways to innovate, is proven to improve the overall performance of MSMEs.

These findings align with research conducted by (Odoom & Mensah, 2019), (Bahta et al., 2021), and (Fan et al., 2021), emphasizing the role of innovation capability in driving performance growth in small and medium enterprises. RBV theory further supports the notion that gaining a competitive advantage hinges on applying an organization's resource pool, particularly innovation capability. MSMEs must innovate to survive in an ever-changing market with evolving customer needs and demands (Timotius, 2023). Customers seek new and different products, and MSMEs that can fulfil these evolving needs thrive. Therefore, to remain viable, MSMEs must continue innovating (Imran et al., 2019). These findings agree that innovativeness positively and significantly impacts business performance (Byukusenge & Munene, 2017; Lestari et al., 2020). The higher the capacity for innovation, the better a company's performance (Rajapathirana & Hui, 2018). Furthermore, a study conducted by (Saunila, 2020) showed that innovation capability is a one-dimensional concept encompassing actions that can be implemented to enhance performance. MSMEs with higher innovativeness are more likely to initiate and sustain innovative projects, which are crucial for enhancing their competitive advantage, performance, and overall business operations.

Innovation capability is considered necessary for the future growth and performance of MSMEs, according to research conducted by (Rumanti et al., 2022). The study found that innovation capability is a determinant of firm success and is one of the main ways firms can thrive in the market. An intriguing insight from these findings is that MSMEs in Kebumen Regency exhibit a proclivity for innovative practices to enhance their business performance. This is commendable, especially considering that most of these businesses have only been operating for 1 to 2 years. It is noteworthy that some established businesses tend to resist adapting to changes in the business environment and become complacent, a stance that can be perilous. One plausible explanation for these findings is that MSME owners recognize that innovation is a crucial trait of successful entrepreneurs.



The study also found that innovation capability plays a moderating role in strengthening the relationship between Instagram usage and MSMEs' performance. However, it did not have a similar moderating effect on the relationship between TikTok and Facebook usage with MSMEs' performance. Despite having relatively strong innovation capability (observed in the descriptive statistics table), Kebumen Regency MSMEs need help fully utilizing it on specific social media platforms to enhance their company's performance.

Several factors may contribute to this situation. First, each platform attracts a different user demographic. For example, TikTok is renowned for its younger user base, while Facebook and Instagram encompass a broader age range (DataReportal, 2023). Innovation should align with the preferences and behaviours of the target audience on each platform. Second, each platform presents unique content formats and limitations. TikTok is primarily video-focused, with short-form content, while Instagram offers a mix of photos, videos, and stories. Facebook supports various content types, including text, images, videos, and long-form articles. Innovation must adapt to these formats. Third, limited resources can hinder MSMEs' capacity to explore and implement innovative strategies on specific social media platforms. Fourth, many owners or managers may need to be updated with social media trends. For instance, TikTok's algorithm prioritizes ranking creative, entertaining, and engaging content, which requires trending hashtags to reach a broader audience (Hafez, 2022). This is particularly crucial given TikTok's reputation for high reach, allowing MSMEs to gain visibility more rapidly (Sharabati et al., 2022).

In contrast, the reason behind innovation capability strengthening the use of Instagram for firm performance can be attributed to Instagram's user-friendly interface (De Veirman et al., 2017). This interface simplifies creating and managing business profiles, uploading content, and interacting with target audiences for MSMEs (Subarna & Arianti, 2020). Further research is necessary to delve into the moderating effects of diverse outcomes.

Managerial implications. This study provides valuable insights for MSME owners and managers seeking to build a robust social media presence. It underscores recognizing social media's integral role given the substantial number of daily users. A deepening understanding of platforms like TikTok, Instagram, and Facebook, which significantly boost performance, can strengthen marketing efforts.

For Kebumen Regency MSMEs, leveraging these platforms is recommended through tailored, engaging images and videos suited to each platform's features. Investing in employee training on the latest social media trends and best practices is advised. Utilizing social media for prompt customer support also enhances engagement. By committing to social media as a critical marketing tool, MSMEs can grow their online presence, connect with audiences, and improve performance.

The positive relationship between innovation capability and performance indicates that owners and managers should promote workplace creativity, open communication, rewards for innovative contributions, dedicated innovation teams or resources, and embracing change as part of innovation. Fostering an organizational culture valuing fresh thinking and ideas is crucial. Owners can hold brainstorming sessions, provide creative outlets, and recognize employees who devise novel solutions. Securing expert guidance on innovation best practices may provide an objective outside perspective.



Ultimately, the varied innovation capability effects show that targeted strategies are needed for each platform's unique traits. Though Kebumen MSMEs have strong innovation skills, fully leveraging performance gains requires aligning innovations with each platform's specific users, content, and features. Innovation cannot be one-size-fits-all across social media. Instead, owners must analyze platform parameters to develop customized approaches. MSMEs can gain a significant competitive advantage by building strategic innovation skills tailored to each platform beyond generic solutions.

CONCLUSION

The research findings reveal several critical insights into the relationships between social media usage, innovation capability, and MSMEs' performance.

Regarding social media platforms, the analysis shows that TikTok, Instagram, and Facebook usage each directly enhances MSMEs' performance. The positive effects span promoting the business, gathering customer information, building relationships, aiding customer service, and receiving feedback. These platforms empower MSMEs to reach broad audiences cost-effectively, interact directly with customers, and strengthen branding.

Moreover, the analysis indicates that innovation capability significantly enhances MSMEs' performance. The research highlights a noteworthy trend in Kebumen Regency, where relatively new businesses operating for 1 to 2 years demonstrate a remarkable inclination towards embracing innovative practices. The positive correlation between innovation and improved business performance underscores the importance of fostering creativity and adaptability for sustained success in the dynamic business landscape. These findings contribute valuable knowledge to the field, underscoring the significance of promoting innovation among MSMEs, irrespective of their operational tenure, to navigate and thrive in an ever-evolving market environment.

Additionally, the study revealed nuances in how innovation capability moderates the impact of social media. Instagram usage displayed a robust synergistic relationship with innovation capability, enhancing performance. This is attributed to Instagram's visual nature and user-friendly interface, facilitating content creation and audience engagement. Conversely, the same moderating effect was not observed for TikTok and Facebook. This indicates that Kebumen MSMEs encounter challenges in fully leveraging their innovation skills on these platforms. Possible reasons include variations in user demographics, content formats, resource constraints, and a need for updated platform knowledge. The findings showcase how MSMEs' innovation efforts must align with each platform's features and audience. Innovation cannot be applied uniformly across different social media. Targeted innovation strategies are needed based on the specific platform.

Limitations and Suggestions for Future Research. Despite the results obtained, this study still has some limitations that create avenues for future research. First, this study only uses three popular social media platforms (TikTok, Instagram, and Facebook). As a result, our findings are limited to these three platforms, and academics should be mindful of making universal generalizations about other social media. Second, the study employs a deductive approach, relying solely on questionnaires for data collection. Future studies may benefit from employing a qualitative approach through in-depth interviews and focus group discussions to gather more comprehensive and detailed insights into the utilization



of social media, innovation capability, and business performance among MSMEs. Third, this study focuses solely on internal resources, namely social media usage and innovation capability. There is considerable opportunity for future research to explore external factors, including the influence of government support. Examining how external factors, such as supportive government policies, may contribute to or impact MSMEs' performance would provide valuable insights for a more comprehensive understanding of the dynamics influencing these businesses.

Fourth, the study's scope is limited to micro, small, and medium enterprises within a specific region. Replicating the study with a broader population is essential to validate the results and enhance their applicability. Lastly, conducting a comparative study that explores the research framework using data from medium-sized, small, and micro firms may provide valuable insights to advance theoretical understanding further.

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