

# THE INFLUENCE OF SOCIAL MEDIA USAGE ON THE PERCEIVED BUSINESS VALUE AND ITS IMPACT ON BUSINESS PERFORMANCE OF SILVER CRAFT SMES IN CELUK VILLAGE, GIANYAR - BALI

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## ABSTRACT

*This research aims to determine the role of perceived business value in mediating the influence of social media usage on the performance of Silver Craft SMEs in Celuk Village, Gianyar Regency. The sample in this research is determined using the purposive sampling method and the total sample is 100 respondents. The data analysis techniques used in this research are the confirmatory factor analysis, the Path Analysis technique, and the Sobel test to test the hypothesis regarding the mediation role.*

*The result of this research shows that the usage of social media and perceived business value has a significant and positive influence on business performance. Additionally, perceived business value is also able to significantly mediate the influence of social media usage on business performance. This result affirms that a good usage of social media can increase the perceived business value felt by the silver craft SMEs, which will also have an effect on the increase in business performance.*

**Keywords:** Social Media Usage, Perceived Business Value, Business Performance.

## INTRODUCTION

Small and Medium Enterprises (SME) have an important and strategic role in the national economy. SMEs have a role in providing economic services to the public, support the income equalization, improve the income of the people, boost economic growth, and to achieve national stability. One of the SME that has a strategic role in Bali is the Silver Craft SME. This is because the silvercraft industry sector is one of the sectors that have the greatest contribution on Bali's export value. The silver craft SMEs, which have an important role as the devisa contributor in Bali province are found in a large number in Gianyar Regency, specifically in Celuk village. Consequently, the silver craft SMEs need to be given more attention in order to maintain their existence and continuity. However, a pre-research survey conducted on 10 silver craft business practitioners stated that their business performance (annual sales, market share, and profit) have experienced a fall over the last three years. There are many factors that can cause the fall in business performance, which can be categorized as external or internal factor. External factor comprises competition, economic growth, market preference, technology, and government regulation. All these factors are outside the control of the company. On the other hand, the internal factors such as resources owned or activities held, all are under the control of the company.

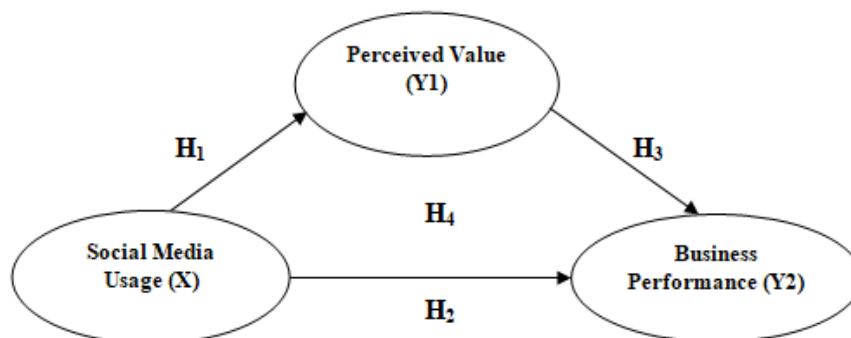
Among the most detrimental resources over the recent years is the way in which the company conducts marketing communication to the market. Along with the development of information technology, the methods of communication also experience changes. In the recent years, there are more companies that use social media to conduct marketing

communication or promotions for their product. The usage of social media by companies surely has a positive effect on the goal achievement or company performance. This phenomenon has been studied by other researchers, among others: Fiscer dan Reuber (2011); Montalvo (2011); Divol et al. (2012); Stockdale et al. (2012); and McCann & Barlow (2015). Their research results stated that a more intensive usage of social media for product marketing will result in greater business performance. This is because companies are more able to reach a wider market and are able to conduct intensive communication with customers which will have an effect on the satisfaction, loyalty, and eventually the increase in annual sales.

The usages of social medias such as Instagram, Facebook, You Tube and Line have also been adopted by the silver craft industries in Bali. The usage of social media is certainly expected to increase the annual sales. There are other studies that have shown that internet usage is not able to increase business performance (Hoffman & Fodor, 2010; Taylor, 2011). This may be due to the usage of a social media that is not in line with the market they target and consumers might not have felt the benefit of using that social media.

Consequently, there is a need to conduct further research by entering a mediator variable namely perceived value which is felt by the company such as cost reduction, increase in brand power, increase in sales, and improvement in relationship with customers. The perceived value is also able to increase business performance such as by increasing annual sales, increasing profit, and increasing market share (Nair, 2011; Angel & Sexsmith, 2011; Stockdale et al., 2012). The greater the benefit felt by the company, the higher the performance of the companies.

The purposes of this research are : (1) to explain the influence of social media usage on the business performance of silvercraft SMEs in Celuk Village Gianyar Regency, (2) to explain the influence of social media usage on the perceived value of silvercraft SMEs in Celuk Village Gianyar Regency, (3) To explain the influence of perceived value on the business performance of silvercraft SMEs in Celuk Village Gianyar Regency, (4) to explain the role of perceived value in mediating the influence of social media usage on business performance. Research hypotheses and conceptual framework (Figure 1) are mentioned below.



**FIGURE 1**  
**RESEARCH CONCEPTUAL FRAMEWORK**

- $H_1$      *The usage of social media has a positive and significant influence on business performance.*
- $H_2$      *The usage of social media has a positive and significant influence on the perceived value.*
- $H_3$      *Perceived value has a positive and significant influence on business performance.*

$H_4$  Perceived value is able to significantly mediate the influence of social media usage on the business performance.

## Research Method

This research utilize the associative quantitative approach, because this research discusses regarding the influence of social media usage on business performance, the influence of perceived value on the business performance, and also to study the mediator variable, namely the perceived value which is suspected to strengthen the influence of social media usage on business performance. The location selected is Celuk Village Gianyar Regency, because Celuk Village is well known as the center of the silvercraft industry in Bali.

The variables analyzed in this research are : (1) the exogenous variable, namely social media usage (X), the use of various types of social media; (2) the mediator variable, namely the perceived business value ( $Y_1$ ), value or benefit gained by the silver craft SMEs from the use of social media for product promotions; and (3) an endogen variable, namely the business performance ( $Y_2$ ), the results obtained by SMEs as measured by increased sales, increased market share, and increased operating profits. The variables and indicators in this research are summarized in the following Table 1.

No	Variable	Indicators	Source
1	Social Media Usage (X)	a) Utilize various types of social medias ( $X_1$ ) b) Use social media for promotions ( $X_2$ ) c) Use the newest social medias ( $X_3$ )	McCann & Barlow (2015).
2	Perceived Business Value ( $Y_1$ )	a) Customer service value ( $Y_{1,1}$ ) b) Rise in sales value ( $Y_{1,2}$ ) c) The increase in brand awareness value ( $Y_{1,3}$ ) d) Cost reduction value ( $Y_{1,4}$ ) e) Product promotion value ( $Y_{1,5}$ ) f) Customer relationship value ( $Y_{1,6}$ )	Hoffman & Fodor (2010); Divol et al., (2012); and Barlow (2015)
3	Business Performance ( $Y_2$ )	a) Annual sales increase over the last three years ( $Y_{2,1}$ ) b) Market share increase over the last three years ( $Y_{2,2}$ ) c) Business profit increase compared to last year ( $Y_{2,3}$ )	Lee & Yang (2011); Andreou et al., (2014); Pinho et al., (2014)

The population in this research is all the silvercraft SMEs in Celuk Village, Gianyar Regency, both those that are registered in the Department of Industry and Commerce of Gianyar Regency and those that are not. The sampling method in this research is the non-probability sampling method, because the population members do not have the same probability to be selected as a sample. The non-probability sampling technique used in this research is the purposive sampling method, in which the sample is determined to be at a certain amount with certain criterions. The sample selection criterion in this research are as follows: (1) Managers of silvercraft SMEs that are still operational, (2) aged 17 years old or above and has completed their highschool education or equivalent degrees because they are deemed to be able to understand the content of the questionnaires, (3) silvercraft SMEs that have been using social media (such as Instagram, Line, and Facebook).

The total number of sample in this research is 120 respondents, but there are only 100 questionnaires that have been completely filled. Consequently, there are 100 samples used. The analysis tools in this research are the validity test and the reliability test, while the data analysis tool is the Path Analysis, and the Sobel Test.

## RESULTS AND DISCUSSION

The validity test is conducted by calculating the Pearson correlation value. The statements in this questionnaire can be said to be valid if the correlation coefficient is  $\geq 0.03$  (Sugiyono, 2018). Displayed in the Table 2 below are the validity test results.

No.	Variable	Indicator	Correlation Coefficeint	Description
1	Social Media Usage (X)	X <sub>1</sub>	0.891	Valid
		X <sub>2</sub>	0.902	Valid
		X <sub>3</sub>	0.843	Valid
2	Perceived Value (Y <sub>1</sub> )	Y <sub>1.1</sub>	0.692	Valid
		Y <sub>1.2</sub>	0.764	Valid
		Y <sub>1.3</sub>	0.589	Valid
		Y <sub>1.4</sub>	0.701	Valid
		Y <sub>1.5</sub>	0.757	Valid
		Y <sub>1.6</sub>	0.639	Valid
3	Business Performance (Y <sub>2</sub> )	Y <sub>2.1</sub>	0.889	Valid
		Y <sub>2.2</sub>	0.851	Valid
		Y <sub>2.3</sub>	0.740	Valid

Source: Computed Primary Data

Table 2 shows that all the indicators of the social media usage variable, perceived business value and the business performance variable all have Pearson Correlation values of greater than 0.30. Thus, it can be explained that all the indicators of the variables are valid research instruments.

The reliability test shows how far the measurement tools can be trusted or relied on. This test is conducted on the instruments by assessing the Cronbach's Alpha coefficient. If it is greater than 0.60, the instrument used is deemed reliable. Displayed in the Table 3 below is the reliability test result.

No.	Variable	Cronbach Alpha	Description
1	Social Media Usage	0.926	Reliable
2	Perceived Value	0.839	Reliable
3	Business Performance	0.740	Reliable

Source : Computed Primary Data

Table 3 shows that the three research instruments, namely the usage of social media, perceived value, and business performance, have a Cronbach Alpha coefficient of greater than 0.60. Thus, it can be concluded that all the indicators of the variables in this research are reliable, and can be used as research instruments.

To determine the overall assessment on the research variables, the average scores are used with the the following criteria: 1.00-1.79 = Significantly Not Good. 1.80-2.59 = Not Good. 2.60-3.39 = Good Enough. 3.40-4.19 = Good. 4.20-5.00 = Very Good. Based on the research results, the respondent's answers regarding each indicator are as follows: the social media usage variable, with a total average of 3.29 which means that in general, respondents have a good perception regarding the usage of social media. The perceived business value has an average total of 3.76, which means that in general respondents have a good perception regarding the business value attained from the usage of social media by Silvercraft SMEs. The business performance variable, with an average total of 3.91, means that in general

respondents have a good perception regarding the business performance achievement of Silvercraft SMEs in Celuk Village, Gianyar Regency.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.472	0.209		11.824	0.000
Social media Usage	0.391	0.062	0.536	6.289	0.000
$R_1^2$	0.288				
F Statistics	39.553				
Sig F	0.000				

Source : Computed Primary Data

Based on the results of the path analysis on substructure 1, which is displayed in Table 4, the substructure equation is as follows:

$$Y_1 = \beta_1 X + e_1$$

$$Y_1 = 0.536X$$

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.819	0.434		4.186	0.000
Social Media Usage	0.247	0.98	0.267	2.510	0.014
Percieved Business Value	0.341	0.135	0.269	2.529	0.013
$R_2^2$	0.220				
F Statistics	13.691				
Sig F	0.000				

Source : Computed Primary Data

Based on the results of the path analysis on substructure 2, which is displayed in Table 5, the substructure equation is as follows:

$$Y_2 = \beta_2 X + \beta_3 Y_1 + e_2$$

$$Y_2 = 0.267X + 0.269Y_1$$

The direct influence: the influence of the social media usage variable (X) on the percieved value ( $Y_1$ ) is  $\beta_1 = 0.536$ . The influence of the social media usage variable (X) on business performance ( $Y_2$ ) is  $\beta_2 = 0.267$ ; while the influence of the percieved value variable ( $Y_1$ ) on the business performance ( $Y_2$ ) is  $\beta_3 = 0.269$ .

The indirect influence: the influence of the social media usage variable (X) on business performance ( $Y_2$ ) with percieved value as the mediating variable ( $Y_1$ ):

$$\begin{aligned} \text{Indirect Influence} &= \beta_1 \times \beta_3 \\ &= 0.536 \times 0.269 \\ &= 0.144 \end{aligned}$$

The total influence; the total influence of the social media usage variable on business performance through percieved value is as follows:

$$\begin{aligned} \text{Total influence } t &= \beta_2 + (\beta_1 \times \beta_3) \\ &= 0.267 + (0.536 \times 0.269) = 0.411 \end{aligned}$$

Based on substructure model 1 and 2, the final path diagram model can be designed. Before the final path diagram model is formed, it is first calculated with the standard error value as follow:

$$\begin{aligned} e &= \sqrt{1 - R_1^2} \\ e_1 &= \sqrt{1 - R_1^2} = \sqrt{1 - 0.288} = 0.844 \\ e_2 &= \sqrt{1 - R_2^2} = \sqrt{1 - 0.220} = 0.883 \end{aligned}$$

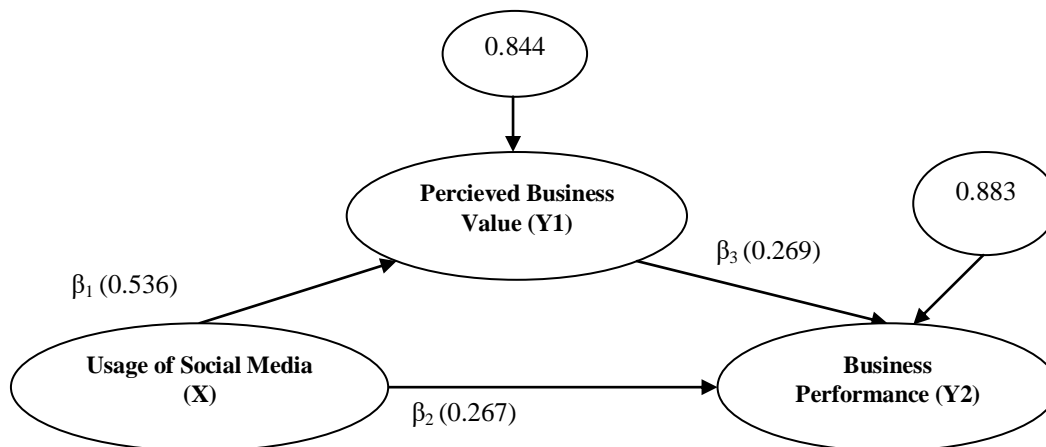
Based on the calculation of the error  $Pe_1$ , the influence of error  $Pe_1$  is 0.844 while the influence of error  $Pe_2$  is 0.883. The total coefficient of determination is as follows:

$$\begin{aligned} R^2m &= 1 - (Pe_1)^2 (Pe_2)^2 \\ &= 1 - (0.844)^2 (0.883)^2 \\ &= 0.445 \end{aligned}$$

A total determination value of 0.445 means that 44.5% of the business performance variable is influenced by the variation in the usage of social media and perceived business value, while the remaining 54.5% is explained by other factors that are not included in the model.

If the F-coefficient  $\leq 0.05$  with a coefficient of significance  $\leq 0.05$ , then  $H_1$ , in which social media usage and perceived value have a simultaneous influence on business performance, is accepted. Thus, it can be concluded that from the F test, the structural equation has fulfilled the Goodness of Fit requirements.

Based on the results of analysis on the influence of social media usage on perceived value, the sig. t is 0.000 with a beta coefficient value of 0.536. Based on the sig. t value which shows that the value is  $0.000 < 0.05$ , it can be explained that  $H_0$  is rejected and  $H_1$  is accepted. Thus, the usage of social media has a positive and significant influence on the perceived value.



**FIGURE 1**  
**VALIDATION OF THE FINAL PATH DIAGRAM**

Based on the analysis results regarding the influence of social media usage on business performance, the sig. t value is 0.000 with a beta coefficient value of 0.267. Based on the sig. t value which is  $0.014 < 0.05$ , it can be concluded that  $H_0$  is rejected and  $H_1$  is accepted. Thus, the usage of social media has a positive and significant influence on business performance.

Based on the results of analysis regarding the influence of perceived value on business performance, a sig. t of 0.000 is attained with a beta coefficient value of 0.269. Based on the sig. t value which is  $0.013 < 0.05$ , it can be explained that  $H_0$  is rejected and  $H_1$  is accepted. Thus, the perceived value has a positive and significant influence on business performance.

The path coefficients of each research hypothesis are displayed in Figure 1.

In Figure 1, it can be seen that the social media usage variable has the largest influence with a path coefficient value of 0.536 on the perceived value variable and the social media usage variable also has an influence on the business performance variable with a path coefficient of 0.267, and social media usage has an indirect influence through the perceived value on the business performance variable with a path coefficient of 0.144.

<b>Variable Influence</b>	<b>Direct Influence</b>	<b>Indirect Influence Through Perceived Business Value (Y<sub>1</sub>) = (β<sub>1</sub> x β<sub>3</sub>)</b>	<b>Total Influence</b>
X → Y <sub>1</sub>	0.536	-	0.536
X → Y <sub>2</sub>	0.267	0.144	0.411
Y <sub>1</sub> → Y <sub>2</sub>	0.269	-	0.269

Source : Computed Primary Data

On Table 6, the influence of X on Y<sub>1</sub> is 0.536. There is no indirect influence, thus the total influence is 0.536. The influence of X on Y<sub>2</sub> is 0.267. The indirect influence of X on Y<sub>2</sub> through Y<sub>1</sub> is  $0.536 \times 0.267 = 0.144$ . Therefore, the total influence of X on Y<sub>2</sub> through Y<sub>1</sub> is  $0.267 + 0.144 = 0.411$ . This means that the utilization of social media variable has an indirect influence on business performance through perceived value.

The sobel test is an analysis tool to test the significance of the indirect relationship between the independent variable and the dependent variable mediated by the mediator variable. If the Z value is greater than 1.96 (with a 95 percent level of confidence), the mediator variable is deemed to be significant. Displayed in the Table 7 below is the Sobel test results.

<b>Z Value</b>	<b>Sig</b>
2.04	0.000

Source: Computed Primary Data

Based on Table 7, the Z value is known to be  $2.04 > 1.96$  with a significance level of  $0.000 < 0.05$ . This means that the perceived value variable is deemed as significantly able to mediate the influence of social media usage on the business performance variable.

### **The Influence of Social Media Usage on the Perceived Business Value**

Based on the analysis results of the influence of social media usage on business performance, the beta coefficient value is 0.536 with a significance level of  $0.000 (\leq 0.05)$ . This means that  $H_0$  is rejected and  $H_1$  is accepted. This result can be interpreted as social

media usage variable has a positive and significant influence on the perceived value. Thus, the more intensive the usage of social media, the greater the business value received by the silvercraft SMEs in Celuk Village, Gianyar Regency. This is in line with the research results by Stockdale et al. (2012); McCann & Barlow (2015); Hollebeek et al. (2018); and Kosiba et al. (2018).

### **The Influence of Social Media Usage on Business Performance**

Based on the analysis results regarding the influence of social media usage on business performance, a beta coefficient value of 0.267 is attained with a significance level of 0.014 ( $\leq 0.05$ ) which means that  $H_0$  is rejected and  $H_1$  is accepted. This means that the social media usage variable has a positive and significant influence on business performance. This also means that a greater degree of social media usage by silvercraft SMEs will increase the business performance achievements. This research result also strengthens the results of previous research conducted by Fiscer and Reuber (2011); Montalvo (2011); and Divol et al. (2012).

### **The Influence of Perceived Business Value on Business Performance**

Based on the analysis results regarding the influence of perceived business value on business performance, a beta coefficient value of 0,269 is attained with a significance level of 0,013 ( $\leq 0,05$ ). This means that  $H_0$  is rejected and  $H_1$  is accepted. These results can be interpreted as perceived business value has a positive and significant influence on business performance. This means that the better the perceived business value felt by the SME, the greater its business performance will be.

This research result strengthens the previous research results by Angel & Sexsmith (2011); Schau et al. (2009); Stockdale et al. (2012); and Lee et al. (2014). The perceived business value has a large impact on the company, and it can be assumed that a good perceived business value can increase the business performance. Hence, perceived business value has a positive and significant influence on business performance, which means that with a better perceived business value felt by the silvercraft SME businessmen, the higher the business performance achievement as well.

### **The Role of Perceived Business Value in Mediating the Influence of Social Media Usage on Business Performance**

The utilization of social media has been proven to have a positive and significant partial influence on business performance. Likewise, perceived business value has a positive and significant partial influence on business performance. Based on the test, the hypothesis regarding the role of perceived business value in mediating the influence of social media usage on business performance is accepted with a total influence value of 0,411. This result is strengthened with the Sobel Test result regarding the role of perceived business value in mediating the influence of social media usage on the business performance of silvercraft SMEs in Celuk Village. This proves that the perceived business value is significantly able to mediate the influence of social media usage on business performance, with a Z value = 2.04 > 1.96 and a significance level of 0.000 < 0.05. As the influence of the usage of social media on business performance by involving perceived business value has a value of 0.411 > 0, perceived business value in this research is a partial mediator.



## CONCLUSIONS AND RECOMMENDATIONS

The results of this research are: 1) the usage of social media has a positive and significant influence on the perceived business value. This result means that as the usage of social media becomes better, the perceived business value will also increase. 2) Social media usage has a positive and significant influence on business performance. This result means that a better usage of social media will result in the increase in business performance. 3) Perceived business value has a positive and significant influence on business performance. This means that a better perceived business value will increase the business performance. 4) Perceived business performance significantly mediates the usage of social media on the business performance. The mediation in this research model has partial characteristics. In other words, the perceived business value variable has a function to bridge or mediate the influence of social media usage on business performance. However, due to the partial characteristics of the mediation, even without the perceived business value variable, the usage of social media is still able to positively and significantly influence business performance. This result shows that with a better usage of social media, the perceived business value will be strengthened, and this will eventually increase the business performance.

The usage of social media in this research is measured by using three indicators and among the three indicators; the usage of new social media attained the lowest average score. Thus, silvercraft SMEs are expected to improve their ability in using another platform of new social medias, for the example Instagram, Line, and you tube. The perceived business value in this research is measured by using six indicators and among the six indicators; the customer service value attained the lowest average score. Thus, it is important for SMEs to improve their customer services in order to achieve a better business performance. The research was only carried out in the silver industry area in Bali, namely the village of Celuk, Gianyar, so the results of the study could not be generalized to the silver industry at different locations.

Future researchers are expected to develop this research by referring to the research limitations that have been conveyed earlier and add in other factors which they suspect to mediate the relationship between social media usage and business performance. Those factors must also be adjusted with the dynamics and developing trends in the digital era.

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