

The Influence of Social Media on MSME Performance with Product Innovation as a Mediating Variable

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Abstract: *The increasing use of social media as a digital marketing tool, however, its effectiveness in improving business performance still shows mixed results. The purpose of this study is to analyze the influence of social media and product innovation on company performance in the MSME sector in Pesanggrahan District. This research methodology used a quantitative approach, with a total population of 308 and a sample of 175 selected through purposive sampling. The survey method used was questionnaires distributed to MSMEs in Pesanggrahan District, and SEM-PLS was used for analysis. The results showed that social media use has a direct effect on MSME performance. However, social media has a positive and significant effect on product innovation. Furthermore, product innovation has a positive and significant effect on MSME performance. The results of the mediation analysis showed that product innovation significantly mediates the relationship between social media and MSME performance. These findings confirm that social media utilization will be more effective in improving MSME performance if it is accompanied by the business owner's ability to innovate products. This research contributes to MSMEs optimizing the use of social media as a means of developing product innovation and serves as an academic reference for developing studies on digital marketing and MSME performance.*

Keywords: *Social Media, Product Innovation, MSME Performance*

Introduction

Micro, Small and Medium Enterprises or what we usually call MSME, have an important role in creating jobs and reducing unemployment problems (Sufiani Zahra, 2022). With their high flexibility and accessibility, MSMEs can absorb a significant workforce, particularly from the lower-middle class. Their presence can also contribute to economic equality, as they can expand across various regions, not just large cities, and support local economies. Law No. 20 of 2008 concerning MSMEs, Chapter 1, Article 1, which states, "Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Businesses as stipulated in this law" (Asep Hidayat dan Surya Lesmana, 2022).

MSMEs also play a vital role in national economic development as they are a key pillar of the Indonesian economy, contributing significantly to Gross Domestic Product (GDP) and employment. According to data from the Indonesian Chamber of Commerce and Industry (Kadin), by 2023, there will be approximately 66 million MSMEs, contributing 61% of the national GDP, equivalent to IDR 9,580 trillion, and employing approximately 117 million workers, or 97% of the total workforce. The Indonesian MSMEs and the Ministry of Cooperatives have published information on business developments in the categories of Micro, Small, and Medium Enterprises (MSMEs) and Large Enterprises (UB).

In the era of the industrial revolution 4.0, digital technology is currently an important asset for developing a business industry (Kumala, 2021). With the current digital technology, business actors are expected to quickly adapt to the

digital era, not just as an option but has become an urgent need so that business actors can survive and thrive amidst increasingly fierce competition. Social media is also an internet platform that makes it easier for users to interact, search for information, and build extensive networks. Social media is a group of internet-based applications that allow users to share, participate in, and create content (Zahwa et al., 2022). With MSMEs using digital technology in their business processes, they will reap significant benefits, both in terms of marketing, sales, payments, inventory management, and customer service.

A crucial aspect in improving MSME performance is the ability to innovate, particularly in terms of the products offered. Product innovation can encompass developing new products or improving existing ones, spurring customers to meet changing consumer needs (Eliora Lorensa dan Nur Hidayah, 2022). Social media plays a crucial role in this innovation process, providing information such as market trends and consumer preferences, promoting innovative products, and providing feedback that can be used to guide product development. Therefore, social media is not only a marketing tool but also a source of encouragement for the development of product innovation, which in turn can impact the performance of MSMEs.

According to data released by Jakarta Entrepreneur (Jakpreneur), Pesanggrahan District reported that in 2022, there were 883 MSMEs, 391 in 2023, and 308 in 2024. The program launched by the government to empower MSMEs, named Jakarta Entrepreneur (Jakpreneur), as a platform for DKI Jakarta residents, especially in Pesanggrahan District, to express their creativity, facilities, and collaboration with the entrepreneurial ecosystem, has been linked to the regulation of the Governor of the Special Capital Region of Jakarta Number 53 of 2021, concerning the Organization and Work Procedures of the Department of Industry, Cooperatives, Small and Medium Enterprises (Muhammad Qurtubi dan Muhtadi, 2024).

The role of innovation in creating new differentiation by MSMEs can improve the quality of their products, which is one strategy for maintaining competitiveness in the market. Little research has examined the mediating role of product innovation in the context of the influence of social media on MSME performance, particularly in Pesanggrahan District.

Method

The research method applied in this study is a quantitative approach. This quantitative method is a research method that can be measured to answer the research questions. The data is collected through surveys, questionnaires, or experiments, and tested using data analysis. that the quantitative research data method is data that is present or expressed in the form of a number that we obtain from field results, or can also be called quantitative data that is expressed in the form of a number that is obtained and will be changed from a qualitative value to a quantitative value (Priadana & Denok., 2021).

A population is all objects or subjects within an area that meet certain criteria related to the problem being studied. The target population of this study was MSMEs in Pesanggrahan District, South Jakarta. Data obtained from the MSME division at the Pesanggrahan District office. Respondents in October 2025 were recorded from a population of 308 MSMEs in Pesanggrahan District, South Jakarta, in 2024. The sample size for this study was 175 respondents. The data collection technique used was a questionnaire (survey) via Google Form. A questionnaire is a data collection technique that involves systematically structured questions (Ardiansyah et al., 2023).

The partial least squares (PLS) method can be used to assist researchers in data analysis. PLS has several advantages, including its complex model, strong prediction capabilities, and the ability to analyze mediating and moderating variables. PLS can be categorized as Structural Equation Modeling (SEM).

Result

Discriminant validity is also determined by comparing the square root of the AVE value and the correlation between constructs, where the square root of the AVE should be greater than the correlation between constructs.

Tabel 1. Outer Loadings

Konstruk	Indikator	Loading Factor	Hasil
Media Sosial	MS 1	0.878	Valid
	MS 2	0.881	Valid
	MS 3	0.856	Valid
	MS 4	0.896	Valid
	MS 5	0.818	Valid
Inovasi Produk	IP 1	0.876	Valid
	IP 2	0.859	Valid
	IP 3	0.790	Valid
	IP 4	0.856	Valid
	IP 5	0.798	Valid
Kinerja UMKM	KP 1	0.861	Valid
	KP 2	0.846	Valid
	KP 3	0.733	Valid
	KP 4	0.848	Valid
	KP 5	0.874	Valid

Sumber: Output PLS (2025)

Based on the evaluation results of the outer loading, all indicators in this study met the criteria for convergent validity. The data presented in Table 1 shows that each indicator has a value > 0.70.

Tabe 2. Nilai Loading Factor, Cronbach's Alpha dan Composite Reliability

Konstruk	Indikator	Loading Factor	Cronbach's Alpha	Composite Reliability
Media Sosial	MS 1	0.878	0.917	0.938
	MS 2	0.881		
	MS 3	0.856		
	MS 4	0.896		
	MS 5	0.818		
Inovasi Produk	IP 1	0.876	0.892	0.921
	IP 2	0.859		
	IP 3	0.790		
	IP 4	0.856		
	IP 5	0.798		
Kinerja UMKM	KP 1	0.861	0.890	0.919
	KP 2	0.846		
	KP 3	0.733		
	KP 4	0.848		

	KP 5	0.874		
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Sumber: Output PLS (2025)

This confirms that all indicators have loading factor values above 0.6, making them suitable for inclusion in the next stage of analysis, namely reliability testing and Average Variance Extracted (AVE).

Tabel 3. AVE Square Root Value and Correlation Between Constructs

Konstruk	$\sqrt{\text{AVE}}$	Correlations		
		IP	KP	MS
Inovasi Produk (IP)	0.700	0.836	-	-
Kinerja UMKM (KP)	0.695	0.792	0.834	-
Media Sosial (MS)	0.750	0.888	0.785	0.866

Sumber: Output PLS (2025)

shows that the square root of the AVE value for each construct exceeds the correlation value between constructs, which indicates good discriminant validity. This is in line with established guidelines, which state that the square root of the AVE should be greater than the correlation value between constructs.

Tabel 4. R-Square Test

Konstruk	Nilai R-Square	Nilai R-Square Adjusted
Media Sosial		
Inovasi Produk	0.789	0.788
Kinerja UMKM	0.659	0.655

Sumber: Output PLS (2025)

The R-square value for the product innovation construct is 0.655 and the adjusted R-square value for the product innovation construct is 0.789. This indicates that 78.9% of the variability in product innovation can be explained by the independent variables in this model, namely social media and MSME performance, while the remaining 21.1% is explained by other variables outside the model. Meanwhile, the MSME performance construct has an R-square value of 0.659, while the adjusted R-square value for the MSME performance construct is 0.655. This means that 65.9% of the variability in MSME performance can be explained by social media variables, while 34.1% can be explained by other variables outside this research model.

Tabel 5. Estimation Results of Relationships Between Constructs

Description Path	Path Coefficient	T-Statistic	P-Value	Ket
Media Sosial → Kinerja UMKM	0.387	3.606	< 0.000	Sign
Media Sosial → Inovasi Produk	0.888	36.271	< 0.000	Sign

Inovasi Produk → Kinerja UMKM	0.448	4.279	< 0.000	Sign
Inovasi Produk → Media Sosial Kinerja UMKM	0.398	4.276	< 0.000	Sign

Sumber: Output PLS (2025)

Discussion

The Influence of Social Media on MSME Performance

The results of this study indicate that social media has a direct positive and significant impact on MSME performance. This is explained by the path coefficient of 0.387 and the p-value of <0.000. Although this effect is small, it confirms the findings of previous research conducted by. Hansiadi Yuli Hartanto (2022), Komariah et al., (2022). The study found that social media has a positive impact on the performance of MSMEs in DKI Jakarta in both financial and non-financial sectors.

The implementation of social media among MSMEs has a significant impact on improving their performance in the current digital era. Particularly within Pesanggrahan District, it can help MSMEs develop their operations. Therefore, the role of social media must continue to be developed in greater depth to benefit all MSMEs, particularly those in Pesanggrahan District.

The Influence of Social Media on Product Innovation

The results of this study indicate that social media has a positive and significant impact on product innovation. This is explained by the path coefficient of 0.888 and the p-value of <0.000, indicating that the relationship is statistically significant. This research confirms the results of previous research conducted by. Indah Sari et al., (2020), Mauren Kumendong et al., (2022), which states that the many features provided by social media can be beneficial and have a positive influence on business actors in innovating their products.

The research found that MSMEs in Pesanggrahan sub-district support this finding, as business owners need product innovation to develop their products through current technology.

The Influence of Product Innovation on MSME Performance

The results of this analysis indicate that product innovation has a positive and significant impact on MSME performance, as demonstrated by a path coefficient of 0.448 and a P-value of <0.000. This research indicates that the more MSMEs innovate their products, the higher their performance.

The results of this study indicate that product innovation has a greater impact on MSME performance than social media. This can be seen from the respective path coefficient values: the path coefficient for product innovation is 0.448, while the path coefficient for social media is 0.387. The differences between these two variables are not significant, but product innovation has the greatest impact on MSME performance. This is consistent with previous research conducted by, Juven Anderson & Nur Hidayah (2023), Hasna & Kunci (2020), Eliora dan Hidayah (2022). The study found that high levels of creativity and innovation can have a positive impact on MSME performance.

The Influence of Social Media on MSME Performance Through Product Innovation

The results of this study indicate that the innovation variable plays a positive and significant role in mediating the influence of social media on MSME performance. The indirect path coefficient of 0.398 and a P-value of <0.000 indicate that the

majority of social media's influence on MSME performance is explained through product innovation.

The Variance Accounted For (VAF) calculation shows a value of 50.7%, indicating a partial mediation role in this relationship. Thus, product innovation has proven to be an important mechanism bridging the relationship between social media and MSME performance. Overall, the results of this discussion clarify the combination of social media and product innovation to improve MSME performance in Pesanggrahan District. This is in line with previous research conducted by, Fadilah Nurbaiti et al., (2022), The study explains that product innovation acts as a mediating variable that bridges the relationship between social media and MSME performance. Thus, social media contributes indirectly by improving MSMEs' ability to create, develop, and adapt products to market needs.

Conclusion

This study provides empirical evidence that social media and product innovation play a significant role in improving the performance of MSMEs in Pesanggrahan District, involving 175 MSMEs as respondents. The results of the study indicate that social media has a positive and significant effect on MSME performance and product innovation, while product innovation has also been shown to have a positive effect on MSME performance. In addition, product innovation acts as a mediating variable that strengthens the influence of social media on MSME performance, so that effective use of social media and continuous product innovation are important strategies for increasing the competitiveness and success of MSME businesses.

It is recommended that the government increase mentoring, training, and policy support programs for MSMEs, particularly in the utilization of social media and strengthening product innovation. MSMEs also need to utilize social media optimally and continue to innovate according to market needs to improve business performance sustainably. Furthermore, further research is expected to expand the scope of the research area, add other variables, and use more diverse methods to ensure more comprehensive and more generalizable research results.

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