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THE EFFECT OF SOCIAL MEDIA USE AND BUSINESS CAPITAL ON MSMEs PERFORMANCE IN THE DIGITAL ERA

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ABSTRACT

This study aims to analyze the influence of Social Media Utilization and Business Capital on the Performance of Micro, Small, and Medium Enterprises (MSMEs). The research is motivated by the growing importance of digital engagement and capital access as key drivers of MSMEs competitiveness. Using a quantitative approach, data were collected from 230 MSMEs respondents through questionnaires. The results of the validity and reliability tests confirm that the research instruments are both valid and reliable. The multiple linear regression analysis indicates that Business Capital has a positive and significant effect on MSMEs Performance, while Social Media Utilization shows no significant impact. The coefficient of determination (R^2) value of 0.421 reveals that 42.1% of MSMEs performance variation can be explained by both variables. These findings suggest that adequate capital remains a primary determinant of MSMEs success, whereas social media strategies may require more effective implementation to yield measurable performance outcomes. The study provides practical insights for policymakers and entrepreneurs to focus on capital empowerment while optimizing digital platforms for business growth.

Keywords: Utilization of Social Media, Business Capital, MSMEs Performance

INTRODUCTION

MSMEs constitute a strategic pillar of the Indonesian economy due to their substantial contribution to economic growth and employment creation. At the national level, MSMEs account for approximately 61% of Indonesia's Gross Domestic Product (GDP) and absorb nearly 97% of the workforce, underscoring their central role in sustaining economic activity (Detik Finance, 2025). At the regional level, their importance is equally evident, as MSMEs in North Sumatra Province contribute more than 46% to Gross Regional Domestic Product (GRDP), while Deli Serdang Regency hosts 140,059 MSMEs (Sada, 2025). Despite their significant economic contribution, strengthening MSMEs performance remains a critical policy and academic concern, particularly in the context of rapid digital transformation.

The following Table 1 presents the indicators Profile at the National and North Sumatra Levels. from 2024 to 2025. The data were obtained from (Detik Finance, 2025).

Table 1. MSMEs Indicator Profile at the National and North Sumatra Levels.
Source : Detik Finance, (2025)

Indicator	National (Indonesia)	North Sumatra Estimate
GDP Contribution (%)	61%	More than 46%
Employment Contribution (%)	97%	Highly significant (no precise figures available)
Digital Adoption Rate (%)	Data varies	Target of 20% "go digital" by 2024
Prevalence of Capital Constraints	Data varies	KUR (People's Business Credit) distribution increased by 10% as of June 2025

Based on the table above, MSMEs play a very important role in the economy at both the national level and in North Sumatra Province. Nationally, MSMEs contribute 61% to Indonesia's Gross Domestic Product (GDP) and absorb approximately 97% of the workforce, indicating that MSMEs are a key sector in driving economic growth and job creation. In North Sumatra, MSMEs are estimated to contribute more than 46% to regional GDP and also play a significant role. The table also shows that the level of digital adoption among MSMEs remains varied. In North Sumatra, the government has targeted that 20% of MSMEs will have "gone digital" by 2024 as part of efforts to enhance business competitiveness. From a capital perspective, a 10% increase in the distribution of People's Business Credit (KUR) up to June 2025 reflects government support in improving access to financing to address the capital constraints faced by MSMEs. An increase in MSMEs' contribution to GDP has a positive impact on economic growth and employment (Kaseng et al., 2024). This increase reflects improvements in MSMEs' productivity and competitiveness, while (Khotmi et al., 2024) emphasize that economic growth driven by labor-intensive sectors such as MSMEs can expand employment opportunities and reduce unemployment. These conditions are closely related to the utilization of social media and business capital.

Utilization of social media enables MSMEs to expand market reach and increase sales through more effective promotion Nugroho et al., (2025). Digitalization has been widely promoted as a strategic approach to improving MSMEs' performance by enhancing operational efficiency and expanding market access. (Sapthiarsyah et al., 2024) shows that the adoption of digital technologies, particularly social media and digital platforms, can positively influence MSMEs' performance through increased productivity and broader market reach. However, the effectiveness of digitalization is not uniform across MSMEs. (Nurmala, 2022) demonstrates that social media utilization does not necessarily lead to improved performance unless it is supported by appropriate marketing strategies, consistent content management, and the ability of business actors to optimize digital platforms. These mixed findings indicate that digital adoption alone may not guarantee performance improvement.

Meanwhile, the availability of business capital allows MSMEs to increase production capacity and improve business quality (Fiska et al., 2025). Financial capacity remains a persistent challenge in the digitalization of MSMEs. (Chairuman et al., 2023) state that the implementation of digital business practices requires adequate capital to support internet access, digital infrastructure, and the development of promotional content. (Deviyanti et al., 2024) highlight that limited access to capital is one of the main barriers to digital adoption among MSMEs, particularly for small-scale enterprises with constrained financing options. As a result, MSMEs often face a dual challenge: increasing pressure to adopt digital technologies on the one hand, and insufficient financial resources to support such adoption on the other.

From an empirical perspective, regional economic centers provide an important context for examining the interaction between digitalization and capital constraints in shaping MSMEs' performance. The Cemara Asri area, located in Deli Serdang Regency, has developed into a prominent culinary and commercial hub that attracts consumers from various regions and offers significant growth potential for MSMEs operating in both local and digital markets. Nevertheless, the extent to which digital adoption can effectively enhance MSMEs' performance in such regional contexts remains underexplored, particularly when financial limitations are taken into account.

A review of the existing literature reveals that most studies on MSMEs' performance in Indonesia tend to examine digitalization and business capital as separate determinants. Limited attention has been given to understanding how these two factors interact and

jointly influence MSMEs' performance, especially at the regional level. This research gap indicates the need for empirical studies that integrate digital adoption and capital constraints within a single analytical framework. Therefore, this study aims to analyze the effects of digitalization and business capital on MSMEs' performance in the Cemara Asri area of Deli Serdang Regency. By focusing on a regional economic center with growing digital activity, this study seeks to fill the existing research gap by providing empirical evidence on the combined role of digital adoption and financial capacity in shaping MSMEs' performance. The findings are expected to contribute to the MSMEs and digital economy literature and to offer practical insights for policymakers and stakeholders in designing more effective strategies to support sustainable MSMEs development.

LITERATURE REVIEW

Utilization of Social Media

Recent studies consistently indicate that social media plays a strategic role in influencing consumer behavior and MSMEs performance (Nugroho et al., 2025). (Gunawana et al., 2023) demonstrate that social media enhances brand visibility, facilitates interactive communication, and strengthens consumer trust, which ultimately increases purchase intention. While (Purba et al., 2025) emphasize the persuasive role of digital content, (Gunawana et al., 2023) highlights the importance of peer reviews and recommendations, whereas (Rezeki et al., 2025) underlines real-time and personalized engagement as key drivers of sales conversion. These findings suggest that social media utilization functions not only as a promotional tool but also as a mechanism for relationship building and market intelligence among MSMEs.

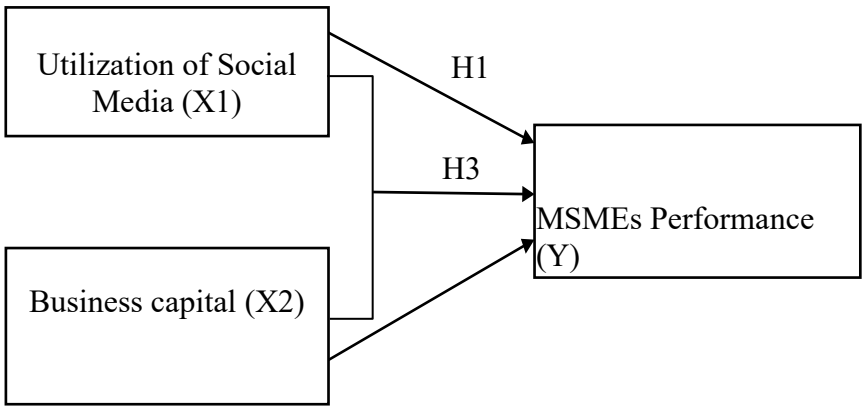
Business capital

Business capital is widely recognized as a fundamental determinant of MSMEs sustainability and growth. (Fiska et al., 2025), (Salinding et al., 2022) and (Aulia et al., 2021) collectively argue that adequate capital enables MSMEs to expand production capacity, maintain operational continuity, and respond to market opportunities. While (Salinding et al., 2022) distinguish between investment and working capital, (Aulia et al., 2021) focus on capital structure and access constraints. These differences suggest that MSMEs performance is influenced not only by the amount of capital but also by how effectively it is structured and utilized.

MSMEs Performance

MSMEs performance is a multidimensional construct encompassing both financial and non-financial aspects. (Afrida, 2024) , (Kaseng et al., 2024) and (Shofwatun et al., 2021) emphasize that financial indicators such as profit and sales growth must be complemented by customer satisfaction, innovation capability, and digital adoption. In the digital era, (Shofwatun et al., 2021) highlight that technology utilization enhances marketing effectiveness, yet, (Afrida et al., 2024)stresses that digital tools alone are insufficient without adequate business capital and managerial capacity. This indicates that MSMEs performance is shaped by the interaction between digital utilization and internal resource readiness.

Figure 1. Theoretical Framework of Thought



The hypothesis in this study is:

H1: The use of social media has a positive and significant impact on the performance of MSMEs in the digital era.
H2: Business capital has a positive and significant effect on MSMEs performance in the digital era.
H3: Utilization of Social Media and Business Capital has a positive and significant effect on MSMEs performance in the digital era.

RESEARCH METHOD

This study employed a quantitative research design using primary data collected through a structured questionnaire. A quantitative approach was adopted because it enables objective measurement and statistical testing of the relationships between variables, allowing the study to empirically examine the effects of social media utilization and business capital on MSMEs performance. This design is particularly suitable for testing causal relationships formulated in the research hypotheses.

The study was conducted in the Cemara Asri area of Medan between June and September 2025. This area was selected because it represents a dynamic regional MSMEs hub, particularly in the culinary sector, where digital platforms especially social media are actively used to support business operations. The characteristics of MSMEs in this area align closely with the focus of the study on digital-era business practices and capital utilization.

The population of this study comprised all culinary MSMEs operating in the Cemara Asri area that met the predefined research criteria. These criteria were used solely to define the accessible population, namely MSMEs that had been operating for more than one year and were actively engaged in daily business activities. This requirement was applied to ensure that respondents possessed sufficient experience in managing business capital and utilizing social media for business purposes.

Table 2. Sampling Criteria

No	Criteria	Total Respondents
1	Culinary MSMEs located in Cemara Asri Complex	325
2	Culinary MSMEs that have not operating for more than 2 years	(95)
3	Culinary MSMEs selected as research samples	230

Based on the established sampling criteria, this study selected 230 culinary MSMEs that fulfilled the minimum business experience requirement. This criterion was applied to ensure that respondents had sufficient experience in managing their business capital.

Given that the number of MSMEs meeting these criteria was limited and fully accessible, this study applied a saturated sampling technique, the use of saturated sampling was considered appropriate to maximize representativeness and minimize sampling bias, as all eligible MSMEs owners had equal opportunities to be included in the analysis. Data were collected using a structured questionnaire designed to measure three main variables: social media utilization, business capital, and MSMEs performance. The questionnaire items were developed based on relevant theoretical frameworks and prior empirical studies to ensure content validity. All indicators were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), which is widely used in social science research to capture respondents' perceptions in a standardized and quantifiable manner.

Social media utilization was measured using indicators related to ease of use, trust, interaction, and information quality. Business capital was measured through indicators reflecting capital structure, utilization of capital for operational activities, access to capital, and business conditions after capital investment. MSMEs performance was assessed using indicators of business growth, customer growth, and profit growth. These indicators were selected to capture both operational and financial dimensions of performance and to align with the study's conceptual framework.

The collected data were processed and analyzed using SPSS version 25. Data analysis began with descriptive statistics to provide an overview of respondents' characteristics and the distribution of research variables. Prior to hypothesis testing, classical assumption tests were conducted to ensure the suitability of the regression model, including tests of normality, multicollinearity, and heteroscedasticity. These tests were necessary to confirm that the data met the assumptions required for valid statistical inference.

To test the research hypotheses, multiple linear regression analysis was employed. This method was selected because it allows simultaneous examination of the effects of social media utilization and business capital on MSMEs performance. The partial effects of each independent variable were evaluated using the t-test, while the simultaneous effect of all independent variables was assessed using the F-test. The coefficient of determination (R^2) was used to assess the proportion of variance in MSMEs performance explained by the independent variables included in the model.

RESULTS

Validity Test

Validity testing is conducted to determine the extent to which the research instrument is capable of measuring what it is intended to measure. In this study, the validity test employs the Pearson Product Moment correlation. an item is considered valid if the correlation coefficient (*r-count*) exceeds the critical value in the Pearson *r-table* at a significance level of 0.05.
The *r-table* value is determined based on the degrees of freedom (df = N − 2). With a sample size of N = 30, the degrees of freedom are therefore df = 28. Referring to the Pearson correlation table at the α = 0.05 significance level, the critical *r-table* value is 0.361.

Table 3. Utilization of Social Media (X1)

Question	r_{count}	rtable	Criteria	Information
1	0.721	0.361	$r_{count} > r_{table}$	Valid
2	0.425	0.361	$r_{count} > r_{table}$	Valid
3	0.551	0.361	$r_{count} > r_{table}$	Valid
4	0.640	0.361	$r_{count} > r_{table}$	Valid
5	0.770	0.361	$r_{count} > r_{table}$	Valid
6	0.871	0.361	$r_{count} > r_{table}$	Valid
7	0.871	0.361	$r_{count} > r_{table}$	Valid
8	0.871	0.361	$r_{count} > r_{table}$	Valid
9	0.466	0.361	$r_{count} > r_{table}$	Valid
10	0.466	0.361	$r_{count} > r_{table}$	Valid

Source: Processed data, 2025

All items in the Social Media Utilization variable show *r-count* values greater than the critical value of 0.361, indicating that each item is valid. The strongest indicators are Item 6 and Item 7 (both 0.871), reflecting their substantial contribution to the construct. Item 2 (0.425) is the weakest indicator, yet still exceeds the validity threshold. Overall, the items demonstrate adequate construct alignment and validity.

Table 4. Results of the Validity Test of Business Capital (X2)

Question	r_{count}	rtable	Criteria	Information
1	0.605	0.361	$r_{count} > r_{table}$	Valid
2	0.708	0.361	$r_{count} > r_{table}$	Valid
3	0.566	0.361	$r_{count} > r_{table}$	Valid
4	0.585	0.361	$r_{count} > r_{table}$	Valid
5	0.733	0.361	$r_{count} > r_{table}$	Valid
6	0.761	0.361	$r_{count} > r_{table}$	Valid
7	0.825	0.361	$r_{count} > r_{table}$	Valid
8	0.825	0.361	$r_{count} > r_{table}$	Valid

Source: Processed data, 2025

All items for the Business Capital variable have *r-count* values above 0.361, confirming their validity. Item 7 (0.825) is the strongest indicator, while Item 3 (0.566) and Item 4 (0.558) display the lowest correlations, though they remain valid. These results indicate that the X2 instrument shows consistent measurement capability across all items.

Table 5. Results of the MSMEs Performance Validity Test (Y)

Question	r_{count}	rtable	Criteria	Information
1	0.517	0.361	$r_{count} > r_{table}$	Valid

Question	r_{count}	rtable	Criteria	Information
2	0.688	0.361	$r_{count} > r_{table}$	Valid
3	0.688	0.361	$r_{count} > r_{table}$	Valid
4	0.587	0.361	$r_{count} > r_{table}$	Valid
5	0.587	0.361	$r_{count} > r_{table}$	Valid
6	0.375	0.361	$r_{count} > r_{table}$	Valid
7	0.640	0.361	$r_{count} > r_{table}$	Valid
8	0.640	0.361	$r_{count} > r_{table}$	Valid

Source: Processed data, 2025

All items in the MSMEs Performance variable exceed the *r-table* value of 0.361, confirming that each item is valid. Item 3 and Item 8 (both 0.640) serve as the strongest indicators, whereas Item 6 (0.375) is the weakest but remains above the validity threshold. Overall, the items effectively represent the construct of MSMEs performance.

Based on the validity test results, all questionnaire items across the three variables utilization of social media, business capital, and MSMEs performance, demonstrated r-count values exceeding the critical r-table value of 0.361. These findings confirm that all measurement instruments used in this study are valid and suitable for subsequent reliability testing and hypothesis analysis.

Reliability Test

Reliability testing was conducted to assess the internal consistency of the measurement instruments used to evaluate Utilization of Social Media (X1), Business Capital (X2), and MSMEs Performance (Y). Internal consistency reflects the extent to which items within a construct consistently measure the same underlying concept. The reliability analysis in this study was performed using Cronbach's Alpha with the assistance of SPSS version 25.
an instrument is considered reliable when its Cronbach's Alpha coefficient is equal to or greater than 0.70, indicating an acceptable level of internal consistency Ghozali, (2021). Therefore, the threshold of $\alpha \geq 0.70$ was adopted as the criterion for evaluating the reliability of the measurement instruments in this study.

Table 6. Results of the Reliability Test of Utilization of Social Media (X1)

Cronbach's Alpha	N of Items
0.866	10

Source: Processed data, 2025

The results of the reliability test for Utilization of Social Media (X1) variable show a Cronbach's Alpha value of 0.866 for 10 measurement items. This value exceeds the recommended minimum threshold and indicates excellent reliability. The high alpha coefficient suggests a strong level of internal consistency among the items, implying that they consistently capture the same underlying construct of social media utilization among MSMEs.

Table 7. Business Capital Test Results (X2)

Cronbach's Alpha	N of Items
0.854	8

Source: Processed data, 2025

the reliability analysis produced a Cronbach's Alpha value of 0.854 across 8 items. This value falls within the category of high reliability, indicating that the items are strongly correlated and stable in measuring the concept of business capital. The results suggest that the instrument is reliable for assessing capital-related aspects of MSMEs operations.

Table 8. Results of MSMEs Performance Reliability Test (Y)

Cronbach's Alpha	N of Items
0.724	8

Source: Processed data, 2025

The reliability test for MSMEs Performance (Y) yielded a Cronbach's Alpha value of 0.724 based on 8 items. Although this value is lower than those obtained for X1 and X2, it still meets the minimum acceptable reliability threshold. This result indicates adequate internal consistency, confirming that the MSMEs performance items are sufficiently reliable for further statistical analysis.

Based on the results of the reliability testing, all measurement instruments used in this study, Utilization of Social Media (X1), Business Capital (X2), and MSMEs Performance (Y) demonstrate Cronbach's Alpha values greater than 0.70. Therefore, all instruments meet acceptable reliability standards and are appropriate for subsequent hypothesis testing and regression analysis.

Descriptive Statistics

Descriptive statistics are employed to provide an overview of the characteristics of respondents and the general tendencies of the research variables, namely Utilization of Social Media (X1), Business Capital (X2), and MSMEs Performance (Y). (Ghozali, 2021) descriptive statistical analysis is useful for summarizing data through measures such as minimum values, maximum values, means, and standard deviations, thereby helping researchers understand data distribution patterns prior to inferential analysis. In this study, descriptive statistics serve to describe the level and variability of each variable among MSMEs respondents and to ensure that the data are suitable for further hypothesis testing.

Table 9. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Standard Deviation
Utilization Of Social Media	230	19	45	33.84	5,441
Business capital	230	10	40	27.23	6,302
MSMEs Performance	230	16	35	26.06	3,390
Valid N (listwise)	230				

Source: Processed data, 2025

The descriptive statistics indicate that the study involved 230 MSMEs owners operating in the Cemara Asri area of Medan. The Social Media Utilization (X1) variable shows a mean value of 33.84, which suggests a moderate to high level of social media usage among MSMEs. The standard deviation of 5.441 indicates a moderate dispersion of responses, reflecting variations in how intensively MSMEs utilize social media for business activities.

The Business Capital (X2) variable records a mean score of 27.23, indicating a moderate level of business capital among respondents. The relatively higher standard deviation of 6.302 suggests greater variability in capital ownership and utilization, which may reflect differences in business scale and access to financial resources among MSMEs.

Meanwhile, MSMEs Performance (Y) has a mean value of 26.06, indicating a moderate level of performance across respondents. The lower standard deviation of 3.390 suggests that MSMEs performance is relatively more homogeneous compared to the other variables, implying that most respondents experience similar performance levels in terms of business growth, customer growth, and profit growth.

Overall, the descriptive statistics reveal meaningful variations in utilization of social media and business capital among MSMEs, while MSMEs performance appears more stable. These findings provide an important empirical foundation for subsequent inferential analysis, particularly regression testing, to examine how social media utilization and business capital influence MSMEs performance.

Normality Test

The normality test is used to determine whether the independent and dependent variables are normally distributed (Sahir, 2021), where data are considered normal if the significance value exceeds 0.05 and abnormal if it is below 0.05; this test is crucial because it ensures that the residuals of the regression model follow a normal distribution, which is an essential classical regression assumption that enables valid hypothesis testing and ensures that parameter estimations remain unbiased and efficient.

Kolmogorov-Smirnov Test

In this study, the Kolmogorov Smirnov test was used because the sample size exceeds 50 respondents. Based on statistical guidelines, the Kolmogorov Smirnov test is more appropriate for large samples, whereas the Shapiro Wilk test is recommended for small to medium sample sizes (≤50). Therefore, the Kolmogorov Smirnov test provides a more suitable method for assessing the normality of the residuals within the context of this dataset.

Table 10. Kolmogorov Smirnov Normality Test Results

		Unstandardized Residual
N		230
Normal Parametersa,b	Mean	.0000000
	Standard Deviation	2.58014531
Most Extreme Differences	Absolute	.036
	Positive	.032
	Negative	-.036
Test Statistics		.036
Asymp. Sig. (2-tailed)		.200c,d

Source: Processed data, 2025

a. Test distribution is Normal
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the test results, the Asymp. Sig. (2-tailed) value of 0.200 is greater than the significance level of 0.05. This indicates that the residuals do not significantly deviate

from the normal distribution. Thus, the regression model satisfies the normality assumption and is appropriate for further statistical analysis.
Beyond the significance value, visual inspection also supports this conclusion. No substantial skewness or extreme outliers are observed in the residual distribution, implying that the data structure does not threaten the validity of the regression model. The combination of numerical and visual evidence strengthens the argument that the residuals follow a normal distribution.

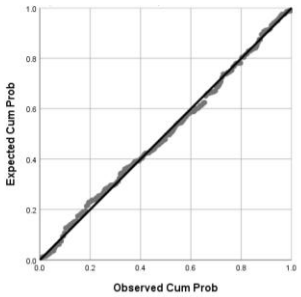


Figure 2. P-Plots
Source: Processed data, 2025

Figure 2 shows that the data points align closely with the diagonal reference line. This pattern suggests that the observed residuals match the expected values under a normal distribution. The absence of major deviations or curvature in the plot further confirms that the residuals exhibit normality.

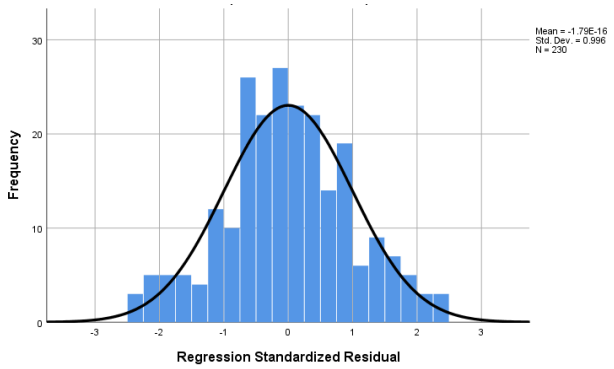


Figure 3. Histogram
Source: Processed data, 2025

Figure 3 displays a histogram with a bell-shaped curve that is symmetric around the mean. The distribution approximates a normal curve, and no substantial clustering, heavy tails, or extreme data points are detected. This visual pattern complements the Kolmogorov Smirnov results and reinforces the conclusion that the residuals are normally distributed.

Heteroscedasticity Test

Heteroscedasticity test is to see whether there is inequality in variance from the residuals of one observation to another observation (Sahir, 2021). Data is declared not heteroscedastic if the significance value is > 0.05, and vice versa if the significance value is < 0.05 then the data is declared heteroscedastic.

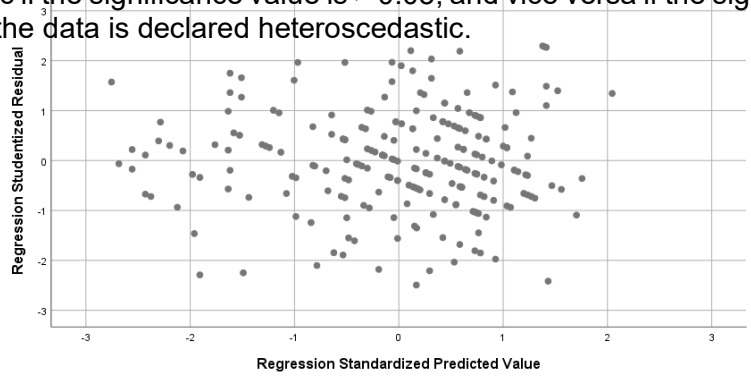


Figure 4. Heteroskedastisitas
Source: Processed data, 2025

Based on Figure 4 above, it can be explained that the data processing points are spread below and above the origin point (number 0) on the Y axis and there is no heteroscedasticity or homoscedasticity.

Multicollinearity Test

The multicollinearity test is conducted to determine whether the independent variables in a regression model have a high correlation with one another (Sahir, 2021). High multicollinearity can weaken the reliability of coefficient estimates, inflate standard errors, and reduce the statistical power of the model. To detect multicollinearity, the Variance Inflation Factor (VIF) and Tolerance values are commonly used.
A regression model is considered free from multicollinearity if the Tolerance value is ≥ 0.10 and the VIF value is ≤ 10 (Ghozali, 2021). These thresholds are widely used in regression research because values beyond these limits indicate unstable coefficients and potential redundancy among predictors.

Table 11. Multicollinearity Test Results

Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	UTILIZATION OF SOCIAL MEDIA	.176	5,698
	BUSINESS CAPITAL	.176	5,698

Source: Processed data, 2025

Based on Table 11, both Utilization of Social Media (X1) and Business Capital (X2) have Tolerance values of 0.176 (> 0.10) and VIF values of 5.698 (< 10). These results indicate that the two independent variables do not exceed the critical threshold for multicollinearity. Although the VIF value is moderately high and suggests a noticeable relationship between the predictors, it still remains within acceptable limits and does not threaten the stability of the regression model.

Multicollinearity testing is important in this study because it ensures that Utilization of Social Media x and Business Capital can be assessed independently when examining their effects on MSMEs performance. Since the obtained values meet the required criteria, both variables can be interpreted reliably in the subsequent regression analysis. In conclusion, the regression model is free from serious multicollinearity issues, allowing for accurate and meaningful interpretation of the independent variables' effects on MSMEs performance.

Multiple Linear Regression Analysis

Multiple linear regression analysis was employed to examine the simultaneous and partial effects of social media utilization and business capital on MSMEs performance. This method was selected because it allows for statistical estimation of the magnitude, direction, and significance of the relationships between independent variables and the dependent variable within a single analytical model (Ghozali, 2021).

The regression model is specified as follows :

Where :

$$Y = \alpha + \beta 1X1 + \beta 2X2 + e$$

Y : MSMEs Performance
X1 : Social Media Utilization
X2 : Business capital
α : Constant
β1,β2 : Regression coefficient
e : Error term

Table 12. Results of Multiple Linear Regression Analysis

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	16,085	1,208	
	UTILIZATION OF SOCIAL MEDIA	0.039	0.075	0.062
	BUSINESS CAPITAL	0.318	0.065	0.591

Source: Processed data, 2025

Table 12 presents the results of the multiple linear regression analysis, including unstandardized coefficients, standardized coefficients, t-values, and significance levels. The inclusion of t-statistics and p-values ensures transparency and provides the empirical basis for statistical inference.

MSMEs Performance = 16.085 + 0.039 (Social Media Utilization) + 0.318 (Business Capital) + e. The constant value of 16.085 is statistically significant (p = 0.000), indicating that MSMEs performance maintains a baseline level when social media utilization and business capital are held constant at zero. This baseline performance may reflect fundamental operational activities and accumulated business experience.
The regression coefficient for social media utilization is positive (B = 0.039); however, the effect is not statistically significant (t = 0.520; p = 0.603 > 0.05). This result indicates that social media utilization does not have a significant partial effect on MSMEs performance in the Cemara Asri area. Consequently, H1 is not supported. The finding suggests that the use of social media alone is insufficient to generate measurable performance improvements without complementary managerial or strategic capabilities.
In contrast, business capital exhibits a positive and statistically significant effect on MSMEs performance (B = 0.318; t = 4.892; p = 0.000 < 0.05). This result indicates that increased business capital substantially enhances MSMEs performance, supporting H2. Adequate capital enables MSMEs to expand production capacity, sustain operational activities, and improve overall business efficiency.
Overall, the regression results demonstrate that business capital plays a dominant role in explaining variations in MSMEs performance, while social media utilization does not exert a significant independent effect. All classical assumption tests were satisfied, indicating that the regression model is appropriate and that the estimated coefficients provide valid and reliable statistical inference. The joint effect of the independent variables on MSMEs performance is therefore primarily driven by business capital, supporting H3.

T-test

The t-statistic test shows how far the influence of one independent variable individually in explaining the dependent variable (Ghozali, 2021).

Table 13. T-Test Results

Model		T	Sig.
1	(Constant)	13,318	0.000
	Utilization Of Social Media	0.518	0.605
	Business capital	4,903	0.000

Source: Processed data, 2025

The t-test in multiple regression is used to examine the partial effect of each independent variable on the dependent variable, allowing an assessment of how much each predictor individually contributes to the model . The t-table value for 230 samples at a significance level of α = 0.05 (two-tailed) and degrees of freedom (df) = N – k = 230 – 2 = 228 is 1.970, derived from standard t-distribution tables.

Based on the results shown in Table 13, the Social Media Utilization variable (X1) has a t-count of 0.518, which is below the t-table value of 1.970, with a significance level of 0.605 (> 0.05). The regression coefficient for X1 is positive, yet statistically insignificant, indicating that although social media use may show a positive direction, it does not meaningfully influence MSMEs performance. This insignificant effect may suggest that MSMEs have not yet fully optimized digital platforms or lack the digital capability needed to leverage social media effectively to enhance business outcomes.

In contrast, the Business Capital variable (X2) has a t-count of 4.903, which exceeds the t-table value of 1.970, and a significance level of 0.000 (< 0.05). Therefore, Business Capital has a significant positive effect on MSMEs Performance. These results suggest that business capital plays a more critical role in improving MSMEs performance compared to social media utilization. The insignificance of the social media variable may indicate that MSMEs have not yet fully optimized digital platforms to support their business operations effectively.

F test

The f-statistic test aims to determine the influence of independent variables together on the dependent variable (Ghozali, 2021).

Table 14. F Test Results

Model		F	Sig.
1	Regre ssion	82,392	.000b
	Residual		
	Total		

Source: Processed data, 2025

Based on the F-test results, it can be concluded that social media utilization (X1) and business capital (X2) simultaneously have a significant effect on MSMEs performance. With 230 samples and a significance level of 0.05 (df1 = 2 and df2 = 227), the calculated

F-value (82.392) is greater than the F-table value (3.04), and the significance value (0.000) is below 0.05. This confirms that the regression model is statistically significant. This result indicates that both variables together contribute meaningfully to explaining variations in MSMEs performance. In practical terms, improved use of social media alongside adequate business capital can enhance operational efficiency, market reach, and overall business outcomes for MSMEs.

Coefficient of Determination Test

The coefficient of determination test is used to measure the model's ability to explain variation in the dependent variable (Ghozali, 2021). The coefficient of determination value is between zero and one. A value close to one indicates that the independent variables provide nearly all the information needed to predict variation in the dependent variable.

Table 15. Results of the Determination Coefficient Test

Model R	R Square	Adjusted R Square	Std. Error of the Estimate
.649a	.421	.415	2,591

Source: Processed data, 2025

The analysis results show an R Square value of 0.421, meaning that 42.1% of the variation in the MSMEs Performance variable (Y) can be explained by the Social Media Utilization (X1) and Business Capital (X2) variables. The remaining 57.9% is explained by other variables outside this study.

DISCUSSION

The Influence of Social Media Utilization on MSMEs Performance

The statistical results indicate that social media utilization does not significantly affect MSMEs' performance, as shown by the t-value of 0.518 < 1.970 and a significance level of 0.605 > 0.05. The rejection of H1 suggests that simply using social media is not sufficient to generate meaningful performance improvements. From the perspective of digital marketing theory, the effectiveness of social media depends not only on platform usage but also on the quality of content, consistency of engagement, and strategic integration with broader marketing activities. Therefore, the insignificant effect found in this study may indicate that MSMEs in the sampled population utilize social media only at a basic operational level, such as posting products occasionally rather than engaging in structured digital marketing practices.

Contextually, this result may be influenced by several characteristics of MSMEs, including limited digital literacy, lack of professional content creation, or inadequate understanding of how to leverage social media analytics to support business decision-making. Many MSMEs tend to use social media merely as an online catalog rather than as an integrated promotional tool, which reduces its potential impact on performance. These factors may explain why the findings differ from prior studies. For instance, although (Khotmi et al., 2024) and (Nurlia et al., 2024), social media enhances marketing reach and customer engagement, their studies focused on MSMEs with moderate to high adoption levels of digital marketing strategies. In contrast, the MSMEs analyzed in this study may not have reached that level of strategic usage, leading to weaker performance outcomes. Thus, the discrepancy highlights the importance of not only adopting social media but also maximizing its strategic value.

The Influence of Business Capital on MSMEs Performance

The results show that business capital significantly affects MSMEs performance, with a t-value of 4.903 > 1.970 and a significance level of 0.000 < 0.05, leading to the acceptance of H2. This finding aligns strongly with the Resource-Based View (RBV), which posits that valuable, rare, and well-managed resources, such as business capital, serve as foundations for competitive advantage. Adequate business capital enables MSMEs to increase production capacity, improve product quality, and invest in marketing infrastructure, all of which directly enhance performance outcomes.This result is consistent with previous studies (Khotmi et al., 2024), demonstrate that higher levels of business capital strengthen MSMEs performance by enabling firms to acquire essential resources, expand operational capacity, and withstand market uncertainties. Similarly, (Purwaningsih et al., 2024) find that well-managed business capital enhances operational resilience and improves market responsiveness. The consistency between these earlier findings and the results of the present study reinforces the theoretical assertion that business capital remains a primary determinant of MSMEs growth, sustainability, and overall performance.

The Influence of Social Media Utilization and Business Capital on MSMEs Performance

The simultaneous test indicates that social media utilization and business capital together have a significant effect on MSMEs performance, as shown by an F-value of 82.392 > 3.04 and a significance level of 0.000 < 0.05. The acceptance of H3 suggests that while social media alone may not yield substantial performance improvements, its effectiveness is strengthened when supported by adequate business capital.

From a theoretical standpoint, this interaction aligns with the RBV and strategic alignment theory. Adequate financial resources enable MSMEs to utilize social media more effectively, for instance through targeted advertising, professional content production, and the use of paid promotional tools (Purwaningsih et al., 2024), The integration of internal resources, particularly business capital, with innovative marketing strategies further enhances a firm's market presence and strengthens customer engagement. Likewise, (Sitanggang et al., 2022) argue that combining multiple business resources produces synergistic effects that generate sustainable competitive advantage.

CONCLUSION

Based on the research findings, it can be concluded that the utilization of social media and business capital simultaneously has a significant effect on the performance of MSMEs. However, the partial test results reveal that social media utilization does not significantly influence MSMEs performance, while business capital has a positive and significant effect. This indicates that the greater the capital owned by MSMEs actors, the higher their ability to enhance business performance. In contrast, social media utilization has not yet made a substantial contribution to improving MSMEs outcomes.

Furthermore, the F-test results confirm that both independent variables collectively influence MSMEs performance, with a coefficient of determination (R^2) of 42.1%. This suggests that 42.1% of the variation in MSMEs performance can be explained by social media utilization and business capital, while the remaining 57.9% is affected by other factors beyond the scope of this study.

Overall, these findings emphasize that business capital remains the dominant factor driving MSMEs performance improvement. On the other hand, the insignificant effect of social media utilization suggests that MSMEs actors may need to optimize their use of digital platforms through better marketing strategies, digital literacy, and technology adoption. Future research could explore additional factors such as innovation capability, managerial competence, and market orientation to provide a more comprehensive understanding of MSMEs performance determinants.

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