

## RESEARCH ARTICLE

# Impact of social media on business performance: with reference to small and medium enterprises, Western Province, Sri Lanka

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**Abstract:** Social media plays as an advertising mechanism an integral part in enabling business organisations to reach new horizons in the modern world. Inspired by the rapid penetration of clientele made possible by social media platforms, organisations across the globe embark on exploring opportunities available for them to strengthen their brand relationships and promote their goods and services in new territories. Against this background, this paper aims to identify the impact of social media on the marketing aspect of small and medium-scale enterprises (SMEs) in Sri Lanka. It involves conducting empirical research to test the hypothesised relationships between SMEs and social media based on the conceptual framework developed after reviewing the relevant literature. The data were gathered by distributing a structured questionnaire among a sample of 101 respondents from the Western Province of Sri Lanka who operate their businesses along with an established social media presence. In the course of analysing the data, the hypotheses were tested using the method of multiple regression analysis. The results reveal that the incorporation of social media in advertising helps SMEs boost their awareness of customer perspectives and strengthen their customer relations and thereby having a significant impact on their business performance. The study also explains the implications and benefits of social media in developing the marketing aspect of SMEs.

**Keywords:** Advertising, awareness, customer relations, SMEs, social media

## INTRODUCTION

There has been a phenomenal rise in the popularity and commercial significance of social media, as they permit individuals to create, gather and share information and

enable organisations to build relationships with their stakeholders (Motwani *et al.*, 2014). Undoubtedly, social media have become allied with the main marketing techniques for the majority of the businesses that start as small-scale firms with a vision to get established as giant global-level business corporations (Parveen *et al.*, 2015). As defined by Kaplan and Haenlein (2010, P.61), social media are considered “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and allow the creation and exchange of user-generated content.” There is a growing popularity for web-based social media because they facilitate individuals to interact with various organisations. Similarly, through online forums, they help peer communication among the existing and potential customers of a given organisation, which makes it easy to upload comments and reviews about its products. Thus, the market for a company’s offerings can be strongly influenced by social media-based consumer-to-consumer interactions (Gensler *et al.*, 2013). In an era when social media have revolutionised marketing practices, it is crucial that organisations carefully monitor and analyse the user-generated content concerning their brands (Hanna *et al.*, 2011).

Today, small and medium enterprises (SMEs) have begun to utilise social media as a marketing tool, and indeed, it is a low-cost strategy for reaching out to a wide variety of customers (Adegbuyi *et al.*, 2015). SMEs play a pivotal role in satisfying consumer needs as well as sustaining the domestic economy and are considered the backbone of the economy due to their contribution to economic growth, employment generation, and

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**Table 1:** Definition of SMEs

| Sector         | Criterion           | Medium          | Small          | Micro                              |
|----------------|---------------------|-----------------|----------------|------------------------------------|
| Manufacturing  | Annual turnover     | Rs. Mn. 251-750 | Rs. Mn. 16-250 | Rs. Mn. 15 or less than Rs. Mn. 15 |
|                | Number of employees | 51-300          | 11-50          | 10 or less than 10                 |
| Service Sector | Annual turnover     | Rs. Mn. 251-750 | Rs. Mn. 16-250 | Rs. Mn. 15 or less than Rs. Mn. 15 |
|                | Number of employees | 51-200          | 11-50          | 10 or less than 10                 |

Source: Ministry of Industry and Commerce, Sri Lanka (2016)

innovation (Beaver, 2002). Based on the economic census 2013-2014, the Department of Census and Statistics, Sri Lanka (2015), states that the number of establishments in the SME sector of Sri Lanka is 1.019 million and they are responsible for generating 45% of the total employment requirement of the nation. The definition of SMEs in the Sri Lankan context, presented by the Ministry of Industry and Commerce (2016), is depicted in Table 1.

Although organisations see the value of social media in their promotional activities, they encounter various challenges and obstacles (Kwayu *et al.*, 2018). For instance, organisations may lack the expertise to formulate effective social media strategies and manage the implementation of such strategies (Kietzmann *et al.*, 2011; Bharati *et al.*, 2014). Although the use of social media could reduce the publicity cost, it necessitates the investment and deployment of other organisational resources, especially in the area of social media capabilities (Braojos-Gomez *et al.*, 2015). Therefore, social media presence alone is not adequate. The relevant technology must be used effectively to reap the benefits and thereby have an impact on the organisational performance (Parveen *et al.*, 2015). Accordingly, selecting the right social media platform, sharing the appropriate content, and understanding how customers perceive such shared content appear to be skills that are crucial for the modern marketers (Pham & Gammoh, 2015). This became a timely concern during the COVID-19 pandemic when contactless delivery of products and services was vital for the survival and performance of organisations. It is observed that Sri Lanka has a long way to go in social media marketing, since it is evident that its strategic potential has not yet been adequately exploited by most the SMEs (Lugoda, 2020). There is a dearth of research studies on the level of awareness that SMEs possess about the impact that social media exposure can have on their performance in production and propagation.

In this backdrop, the current study aims to explore how social media for advertising enhances the business performance of SMEs; identify their awareness of customer perspectives of social media and its impact on their business performance, and to analyse the impact of using social media for customer relations on the business performance of SMEs

## LITERATURE REVIEW

Social media that facilitate organisations to connect with their customers in a timely, direct, and cost-effective manner (Kaplan & Haenlein, 2010) are beneficial to SMEs (Salam & Hoque, 2019) which do not have large financial and managerial resources to support extensive marketing campaigns (Tarsakoo & Charoensukmongkol, 2020), and provide them with the opportunity to reach large groups of target customers (Charoensukmongkol & Sasatanun, 2017). Even though social media marketing presents new possibilities and advantages for businesses, research reveals that many social media marketing initiatives undertaken by SMEs have turned out to be unsuccessful (Weber, 2008).

Small businesses face great challenges, which limit their capacity to execute effective social media marketing (Tarsakoo & Charoensukmongkol, 2020) as a result of their inadequate knowledge and understanding of social media marketing techniques. As Sasatanun and Charoensukmongkol (2016) point out, the failures suffered by many SMEs in Thailand can be attributed to their lack of understanding of social media marketing and inappropriate strategic planning. Among the studies examining the rising popularity of social media for promoting products, most are centred on customer perception of social media adoption (Maecker *et al.*, 2016; Alalwan *et al.*, 2017; Alalwan, 2018; Carlson *et al.*, 2018; Ranasinghe *et al.*, 2020). For example, Kwayu *et al.* (2018) examine the strategic use of social media as a tool for enhancing competitiveness by conducting

a case study of a telecommunication organisation in Tanzania. The findings reveal that the adoption of social media improved competitiveness through product development and refinement. Charoensukmongkol and Sasatanun (2017) provide empirical evidence to support the adoption of social media by SMEs for enhancing customer relationships and as a marketing technique that may assist Thai micro-entrepreneurs to achieve better business performance. Tarsakoo and Charoensukmongkol (2020) also explore the social media marketing capability of organisations and the impact it had on their business performance in the context of Thailand. This study reveals that organisations that gather required market information and customer insights via social media when developing new products will achieve enhanced financial performance. Bakar *et al.* (2019) investigate the technological, organisational, and environmental factors that are likely to influence the adoption of social media by SMEs established in the United Arab Emirates.

Samarasinghe *et al.* (2016) study the impact of social media on business performance among apparel and fashion brand retailers in Sri Lanka, and they discovered that social media awareness significantly influences organisational performance. Furthermore, factors that support or hinder social media adoption by SMEs in the Eastern Province of Sri Lanka are investigated by Samsudeen *et al.* (2021). Accordingly, technological, organisational, and environmental factors tend to have a significant effect on SME performance. In contrast to the above findings, Ahmad *et al.* (2019) claim that social media adoption does not have a significant impact on SME performance according to a study in the United Arab Emirates. The authors support the argument put forward by Blanchard (2011) that organisations can benefit from social media adoption by using them as a tool to match with the existing organisational objectives and strategies, but not as an end in itself.

Despite the growing popularity of social media, SMEs still face challenges in making the best use of social media platforms for marketing purposes, which is an issue that needs to be further investigated academically (Kwayu *et al.*, 2018). The existent studies recommend further investigation of social media adoption by firms and the enhancement of performance that it can deliver (Qalati *et al.*, 2021). Moreover, Tajvidi and Karami (2021) state that examination of both customer relationship management and social media advertising is needed in any future research that intends to analyse social media usage by SMEs. Consumers sometimes tend to develop a negative attitude towards the marketing messages posted by certain vendors on social media platforms when they

are pushed onto customers too frequently or aggressively (Diffley *et al.*, 2011). Therefore, it is necessary to investigate the organisations' awareness and concern about customer perception of social media marketing. Hence, further studies on the adoption of social media by SMEs are required to bridge these gaps.

### Social media for advertising

Organisations use social media for advertising through various methods such as brand pages, embedded videos, banner ads, sponsored content, animations, surveys, *etc.* (Ahmad & Raziq, 2018). Social media advertising was defined by Taylor *et al.* (2011) as:

“a general term capturing all forms of advertising – whether explicit (e.g., banner advertising and commercial videos) or implicit (e.g., fan pages or firm related tweets) that are delivered through social network sites” (Taylor *et al.*, 2011: p. 260).

A comprehensive model for advertising is developed by Pollay and Mittal (1993), including three personal utility factors (product information, social image information, and hedonic amusement) and four socioeconomic factors (good for the economy, fostering materialism, corrupting values, and falsity/no-sense). Based on this framework, subsequent scholars too emphasise the importance of product information in the context of social media advertising (Wang & Sun, 2010; Chu *et al.*, 2013; Ahmad & Raziq, 2018).

An important point that SMEs should note is that when product information is made freely available through advertising it will allow greater marketplace efficiencies. It will enhance the compatibility between the consumers' expectations and the firm's offerings (Pollay & Mittal, 1993). Social media platforms have made this much easier through their potential for advertising products and services. Accordingly, by resorting to social media for promotion, organisations gain the opportunity to communicate product information to the customers and interact with them, leading to an increase in sales (Nobre & Silva, 2014). Reaching potential customers at a personal level is easily done through social media platforms via messaging, commenting, and notifying. This will enable SMEs to enhance their business performance (Algharabat *et al.*, 2020). Moreover, Derham *et al.* (2011), also identify social media as a best-fit concept as it allows SMEs to successfully target the niche audience and disseminate information about their products virtually and instantaneously. Utilising social media to convey rich information with improved customer support promptly will contribute to increased yearly sales and financial benefits for SMEs (Dodokh &

Al-Maaitah, 2019). Therefore, it is hypothesised that,

H1: The use of social media for advertising has an impact on SME business performance.

### **SMEs' awareness of customer perspectives on social media**

Social media have further complicated the traditional dyadic interactions between organisations and customers by involving multiple parties such as customers, non-customers, firms, and various other stakeholders (Larivière *et al.*, 2017).

“The power of the internet makes it easier for people to fall in love with you faster. However, beware, it also makes easier for them to fall out of love with you faster, as it is a double-edged sword” (Scott, 2009, p. 11).

Organisations that implement social media marketing strategies after taking customer concerns and ideas into consideration may emerge as winning organisations (Diebes & Iriqat, 2019). The theoretical framework of the present study is based on a model for a customer engagement cycle introduced by Sashi (2012), which encompasses seven stages, namely, connection, interaction, satisfaction, retention, commitment, advocacy, and engagement. The connection was identified as a fundamental requirement to establish relational exchange and relationships between firms and customers. This was explored further in a study by Shawky *et al.* (2020), in which the authors define connection as a one-way communication through which organisations attract and retain followers using social media pages with appropriate messages. Their findings reveal that even though certain customers are attracted to the promotional matter posted by the organisations, they do not evince any interest publicly by clicking on the ‘like’ button or by posting a positive comment. Hence, organisations must become aware of how customers perceive social media by utilising their capacity to connect with them.

It is observed that the drive towards social media began with LinkedIn in 2003, and thereafter many platforms have been introduced including My Space, Facebook, YouTube, Twitter, and Instagram, which have all captured a large number of regular users across the globe in less than a decade (Barker *et al.*, 2013). These diverse platforms possess different characteristics and offer unique features that are very useful for advertising purposes. Therefore, to reap the benefits of social media marketing and boost firm performance, such efforts need to be aligned and congruent with the varying needs of the customers (Zhu & Chen, 2015). The authors have

concluded that customers perceive different social media platforms for different products under consideration. For instance, the music industry may benefit from YouTube while products such as fashion brands or home decoration may yield better results on Pinterest or Instagram. Hence, SMEs should carefully monitor the preferences of consumers so that they will know which social media platform would be the most suitable for their product offerings, and thereby enhance their organisational performance. Shawky *et al.* (2020) have stated that organisations should be aware of the different ways in which customers interact on social media platforms. Some customers simply click on the ‘like’ button whereas others may use the click and hold option for expressing different emotions via other emojis. Many successful businesses put in significant effort to connect with potential customers via social media platforms. They assess how people spend their time online and create entertaining content to boost brand exposure (Lindsey-Mullikin & Borin, 2017). Therefore, there is a timely need for organisations to understand how customers perceive and react to the shared content on social media, if they are to boost their organisational growth (Diebes & Iriqat, 2019). Hence, the following hypothesis is formulated:

H2: SMEs' awareness of customer perspectives towards social media has an impact on business performance

### **Social media for customer relations**

The customer engagement cycle introduced by Sashi (2012) emphasises the importance of *connection* and *interaction*. Accordingly, interaction constitutes a two-way communication between customers and firms that ensures sound relationships (Shawky *et al.*, 2020), enabling the organisations to reach new customers, serve them efficiently, provide timely information, and obtain feedback (Parveen *et al.*, 2015). Under globalisation, organisations are compelled to pursue efficient customer relationships as it is a necessity in conventional marketing. Moreover, maintaining sound customer relations is an interactive process that goes beyond mere business transactions (Hoque *et al.*, 2017).

SMEs that undertake customer relationship management strategies will see an improvement in their business performance (Sin *et al.*, 2006). It is also important that organisations should change their marketing patterns in such a way that it helps strengthen the relationships with customers; this would, in turn, create value and enhance performance (Samson & Jaroenwanit, 2016). Organisations may, via social media, share information about products, facilitate customers to interact, encourage word-of-mouth promotions, and even collaborate

with influencers (Mitic & Kapoulas, 2012). They must develop the competency in obtaining the required information from customers, integrating, and responding to them through social media technologies to achieve growth (Trainor *et al.*, 2011). For small businesses, the social media approach could be a solution that renders customer relationship management easier by way of market expansion as well as cost reduction (Sasatanun & Charoensukmongkol, 2016). To reap the maximum benefits, improved social media techniques should be employed for customer relationship management at an appropriate level (Wang & Kim, 2017). To survive and even thrive in the fast-changing environment, SMEs have to build and maintain their relationships with customers on social media platforms through innovative means (Al Qershi *et al.*, 2020). Accordingly, it is hypothesised that,

H3: Social media for customer relations has an impact on business performance.

### Business performance

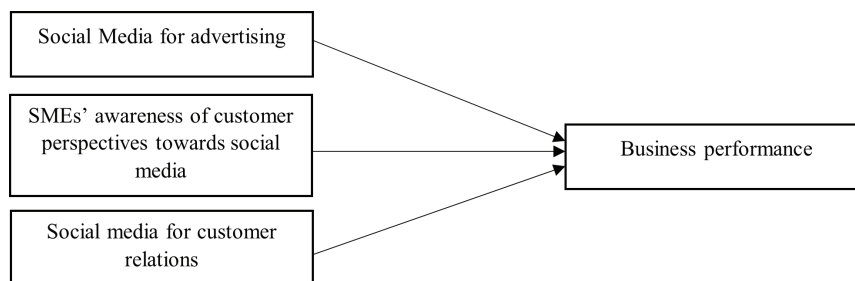
Business performance is a widely used concept by both practitioners and academics. Nevertheless, it has proved rather difficult to agree on a common definition of it as well as a method to measure it (Yıldız & Karakaş, 2012). The concept of performance is widely explained using quantitative or qualitative determinants (Yildiz, 2010). Among the various methods available for measuring business performance, objective and subjective methods are commonly used in academic literature. The objective methods can be quantified whereas the subjective methods are mostly qualitative (Yıldız & Karakaş, 2012; Vij & Bedi, 2016). Combining both these methods to measure performance will facilitate the analysis of firm performance. However, Dess and Robinson (1984) have stated that subjective performance data can be used instead of objective data when it is impossible to obtain the relevant quantitative information on the firm performance.

Because SMEs are often reluctant to make their financial performance publicly available, researchers often depend on subjective measures with Likert scale items (Zulkiffli & Perera, 2011). Sustainable competitive advantages that emerge from improved customer-employee satisfaction, ability to develop innovative products, and maintenance of superior quality standards can drive an organisation towards success. Thus, operational indicators should be included when measuring organisational performance (Vij & Bedi, 2016). While analysing the impact of SMEs' social media usage on organisational performance, Dodokh and Al-Maaitah (2019) include rapid adaptation, time to market, cost reduction, and innovation. Therefore, in line with the existent literature, the current study also focuses on subjective measures in explaining SME performance.

## METHODOLOGY

### Sample and data collection

The fundamental theoretical basis of the study is the positivist approach to business performance. The unit of analysis is a small and medium-scale enterprise. The selected population comprises SMEs in the Western Province of Sri Lanka that uses social media for their business activities, for which an exact count is hardly available in a background that 45% of micro-enterprises and 10% of small enterprises in Sri Lanka are not registered (Department of Census and Statistics, 2015). Accordingly, the non-probability convenience sampling technique is adopted for the primary data collection. From each company, one employee in a managerial position or the employer him/herself was selected as respondents in this study. Of the 150 copies of the structured questionnaire distributed by the researchers, 109 were returned on completion. Subsequently, while the responses were being screened and tested for outliers, 08 were discarded for incompleteness. Accordingly, the



**Figure 1:** Conceptual Framework  
Source: Authors

final sample consists of 101 business units, which are used here for the data analysis.

### Measures

The study employed three independent variables, with business performance as the dependent variable. Its conceptual framework is depicted in Figure 1. The description of the variables along with the indicators and the sources are summarised in Table 2. A five-point Likert scale anchor (Strongly Agree to Strongly Disagree) is used for the measurement of indicators.

To ensure that the questions are relevant and comprehensive, the researchers carried out a pilot test. The reliability and validity levels of the questionnaire are verified to determine its capacity to produce meaningful and unambiguous responses, using a sample of 30 participants for the pilot test, and subjecting the data to statistical analysis with SPSS software.

## RESULTS

### Normality

The researchers drew on statistical analysis and visual examination to check the Skewness (lack of consistency) and Kurtosis (sharpness) issues about it, to determine whether the data were normally distributed, followed by removing the weaknesses in questions. In this concern,

Hair *et al.* (2010) state that the Skewness value should be within -1 to + 1, and to confirm that the variables are normally distributed, and the Kurtosis value should be within -3 to + 3. Accordingly, the researchers examined the normality of the data and the values of Skewness and Kurtosis of each variable as illustrated in Table 3. Accordingly, all Skewness and Kurtosis values of the variables are found within the prescribed levels as per the research results. Therefore the data are deemed to be distributed with a high approximation to normality.

### Reliability and validity of measures

In terms of maintaining the reliability and validity of the measures, the questionnaire was evaluated using Cronbach's Alpha whose value is higher than 0.7 (Fornell & Larcker, 1981). Accordingly, the reliability results depict Cronbach's Alpha value of social media for advertising as 0.854, the SMEs' awareness of customer perspectives towards social media as 0.861, the impact of social media on customer relations as 0.876, and that on business performance as 0.906. In this concern, the Kaiser-Meyer-Olkin (KMO) test is used to determine the validity, and ideally, the KMO result should be between 0 and 1. If the value of the KMO is close to 1, it implies that the gathered information is acceptable, and if the result of KMO performance for a set of variables is greater than 0.7, the factor analysis is considered reasonable; and if the result is 0.9, it is excellent, while 0.8, 0.7, 0.6 and 0.5 are classified as worthy, middling, mediocre,

**Table 2:** Operationalisation table

| Construct  | Indicators  | Source   |
|--|---|--|
| Social media for advertising                                 | Use of social media to communicate product information.<br>Obtaining information on appropriate methods to promote the brand on social media.<br>Vigilance of new trends and social media sites to reach customers. | Teo & Choo (2001); Dodokh & Al-Maaaitah (2019)   |
| SMEs' awareness of customer perspectives toward social media | The extent to which an organisation uses social media to understand customers.<br>Attempts to identify suitable social media promotion platforms according to customer preference.                                  | Akar & Topçu, (2011); Zhang <i>et al.</i> , (2020)   |
| Social media for customer relations                          | The organisation tries to establish long-term relationships with the customers.<br>The organisation keeps in touch with the customers constantly.<br>Obtains and monitors customer feedback and comments.           | Dodokh & Al-Maaaitah (2019); Parveen <i>et al.</i> (2015); Sasatanun & Charoensukmongkol, (2016) |
| Business performance   | Cost reduction.<br>Customer satisfaction.<br>Innovation.  | Tarutė & Gatautis, (2014); Parveen <i>et al.</i> (2015); Dodokh & Al-Maaaitah, (2019)            |

Source: Authors

**Table 3** : Normality Test

| variables  | Skewness | Std. Error of Skewness | Kurtosis | St. Error of Kurtosis |
|--|----------|------------------------|----------|-----------------------|
| Social media for advertising                                 | -0.395   | 0.240                  | -0.477   | 0.476                 |
| SMEs' awareness of customer perspectives toward social media | -0.211   | 0.240                  | -0.130   | 0.476                 |
| Social media for customer relations                          | -0.078   | 0.240                  | -0.245   | 0.476                 |
| Business performance   | -0.346   | 0.240                  | -0.500   | 0.476                 |

Source: Authors survey data

and unsatisfactory respectively (Bryman & Bell, 2007). Accordingly, the study's KMO test result remains 0.732, indicating that the sample is middling.

### Multicollinearity

The variance inflation factor (VIF) is utilised to test whether there is any multicollinearity between the explanatory variables as it reflects by how much the variation or standard deviation is elevated when multicollinearity occurs. In this regard, the tolerance value must generally be higher than 0.1, and if the tolerance level is "0", it implies perfect multicollinearity while tolerance of "1" does not imply multicollinearity. Accordingly, the VIF should be less than 10 (Field, 2005). As presented in Table 4, all tolerance levels are higher than 0.1, and the VIF values are lower than 10, signifying there is no multicollinearity.

### Sample characteristics

Certain demographic factors that were obtained from the questionnaire were analysed to calculate the indicators

of the relevant variables to assess the feedback of the respondents. Of the sample that consisted of 101 SMEs in the Western Province of Sri Lanka, 57% operate in the services sector; 29% in the manufacturing sector; and 14%, in the plantation and agriculture sector. Further, 48% of the SMEs concerned are sole proprietorships, 30% are private limited companies, and 14% are partnerships.

Based on the definition of SMEs given by the Ministry of Industry and Commerce (2016), as presented in Table 1, 46% of the small-scale enterprises in the sample have an annual turnover from Rs. 16 to 250 million; 28% of the sample is comprised of micro-enterprises, which have the annual turnover less than Rs. 15 million; whereas 27% of the respondent SMEs identified as medium scale enterprises that have the annual turnover ranging from Rs. 251 to 750 million.

### Regression analysis

In the model summary (Table 5), the adjusted R<sup>2</sup> value is given as 0.224, which indicates that 22.4% of the

**Table 4:** Multicollinearity Test

| Model  | Tolerance | VIF   |
|--|-----------|-------|
| Social media for advertising                                 | 0.413     | 2.424 |
| SMEs' awareness of customer perspectives toward social media | 0.568     | 1.760 |
| Social media for customer relations                          | 0.566     | 1.760 |

Source: survey data

variation in the business performance is explained by the independent variables employed in the study. Similar results with relatively low adjusted R<sup>2</sup> have been reported in previous studies that focused on social media and business performance (Adegbuyi et al., 2015; Samarasinghe et al., 2016; Ahmad et al., 2019). The regression model is considered here valid as per the ANOVA table that is depicted in Table 6. Therefore, the regression model indicates the 0.00 (p<0.05) level of significance, statistically and significantly predicts the dependent variable.

The results of the regression analysis are shown in Table 7. The following regression formula can be derived by considering the beta coefficients of the independent variables, social media for advertising (SMA), SMEs' awareness of customer perspectives towards social media (CPSM), and social media for customer relations (SMCR).

$$\text{Business performance} = a + 0.209 (\text{SMA}) + 0.252 (\text{CPSM}) + 0.242 (\text{SMCR}) + \epsilon$$

The data in the current sample support the argument that using social media for advertising has an impact on the business performance of SMEs. The relationship between the social media and the business performance of SMEs is deemed to be significant at a 5% significance level, and with a significance value of 0.038, it shows acceptance of hypothesis, H1. A positive relationship is thus observed between social media for advertising and business performance as the beta value is found to be 0.209. As for the second exogenous variable, regression results indicate that SMEs' awareness of customer perspectives about social media has an impact on business performance, thereby compelling them to accept the alternative hypothesis H2. As the significance value is 0.008 (p<0.05), the relationship can be stated as significant at a 5% significance level. Moreover, a positive relationship is observed between the two variables with a beta value of 0.252. It is observed that the use of social media for customer relations has an impact on business performance, and this relationship too is significant at a 5% significance level as shown in the regression results with a P value of 0.012. Therefore, the third hypothesis

**Table 5:** Model summary

| Model | R    | R square | Adjusted R square | Std. error of the estimate |
|-------|------|----------|-------------------|----------------------------|
| 1     | .497 | .247     | .224              | .419                       |

Source: Authors (based on survey data)

**Table 6:** ANOVA test

| Model      | Sum of squares | Df  | Mean square | F      | Sig.              |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 5.590          | 3   | 1.863       | 10.605 | .000 <sup>b</sup> |
| Residual   | 17.044         | 97  | .176        |        |                   |
| Total      | 22.634         | 100 |             |        |                   |

Source: survey data

**Table 7:** Regression results

| Model      | Unstandardised Coefficients |            | Standardised Coefficients | t     | Sig.  |
|------------|-----------------------------|------------|---------------------------|-------|-------|
|            | B                           | Std. Error | Beta                      |       |       |
| (Constant) | 1.076                       | 0.586      |                           | 1.835 | 0.70  |
| SMA        | 0.179                       | 0.085      | 0.209                     | 2.103 | 0.038 |
| CPSM       | 0.291                       | 0.107      | 0.252                     | 2.711 | 0.008 |
| SMCR       | 0.312                       | 0.122      | 0.242                     | 2.555 | 0.012 |

Source: survey data



(H3) is also accepted. The beta value is 0.242, and there exists a positive relationship between the use of social media for customer relations and business performance.

## DISCUSSION AND CONCLUSION

The current study explores the impact of social media on SME performance. The regression results support all hypotheses that are proposed. The first research objective of the study is to examine the impact of social media for advertising on the business performance of SMEs. Vance, *et al.* (2009) state that the usage of social media for advertising purposes has paved the way for organisations to reap more benefits at a lower cost with faster communication to reach a wider customer base. The benefits are realised from the enhanced customer engagement made possible by using the social media as an advertising tool in favour of SMEs for improving their local as well as global presence (Amoah & Jibril, 2021). The existent literature also presents similar findings regarding the impact that social media advertising can have on the business performance of SMEs (Parveen *et al.*, 2015; Dodokh & Al-Maaitah, 2019). The results of the current research appear thus to confirm the findings of the previous studies.

The second research objective focuses on examining the impact that SMEs' awareness of customer perspectives of social media has on business performance. The study finds a positive impact, which is in harmony with the existent literature. Chu *et al.* (2013) note that the way customers perceive an organisation's marketing activities can be an important driver of their successful use of social media and that it can contribute to organisational performance. Further, the investigation into customers' preferences on social media can help marketers to think of better approaches to attract the target market via social media and identify the activities that interest the customers more. This is intended to raise customer satisfaction to a higher level, enabling better organisational performance (Erdoğan & Çiçek, 2012). Organisations need to keep themselves updated on customer tastes, their activities, and the current market trends. The customers' feedback on their various social media initiatives is another factor that organisations should pay attention in order to reap the maximum benefits for the company from social media (Gruen *et al.*, 2006). Moreover, Dutot and Bergeron (2016) claim that a large number of SMEs have stressed the point that finding the right social media platform and deciding on the appropriate style and content are important, yet challenging tasks. Hence, the findings of the study are congruent with the previous literature.

The results thus reveal that the use of social media for customer relations has a positive and significant impact on the business performance, addressing the third objective of the study. Similar arguments are present in the existing literature as well. Cheong and Morrison (2008) state that using social media sites allows organisations to interact directly with their customers and receive customer feedback on their products and brands, besides monitoring their business discussions that are meant to convince the customers that the organisation is genuinely interested in their views. Customers too may express their preferences over social media, and it would exert pressure on the companies to embrace and utilise social media to better fulfil their needs. In this manner, better customer relationship management via social media platforms will contribute significantly to firm performance (Foltean *et al.*, 2019). The use of the ubiquitous mobile device technology to access social media applications, will enable SMEs to instantly interact with their customers and thus maintain better customer relationships. Accordingly, both the SMEs and their customers would receive instant feedback, thereby speeding up the interactive business activities (Amoah & Jibril, 2021). The findings of the current study further reveal that social media has enabled SMEs to strengthen their relationship with the customers, facilitate interactions with the customers, and most importantly share information at a low cost, thereby boosting organisational performance.

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## IMPLICATIONS

Overall, this study was carried out to fill the knowledge gap by studying the extent to which social media usage could strengthen the performance of SMEs. Since entrepreneurs are the major driving force behind the economy of a country, it is necessary to create a strong base in the local enterprises to achieve stability within the society at large. SMEs are deemed as the backbone of strengthening local production and generating employment opportunities. Therefore, recognising the challenges faced by SMEs, and taking necessary and timely actions to overcome obstacles while improving the SME sector are deemed important.

Considering the current business ecosystem, SMEs in the country are encouraged to use strategic techniques such as social media promotion to address the competitiveness in the industry. Despite the difficulties faced by SMEs in investing in cutting-edge technology and infrastructure to execute better customer relations, social media has paved the way to overcome such issues (Charoensukmongkol & Sasatanun, 2017). However, the major barrier to this transition is the community's

resistance to embracing social media as an instrument for business development. Some still believe that social media is simply an instrument for networking and connecting with friends and family and have not yet grasped the opportunities that social media brings to organisations.

The study emphasises how social media can enhance organisational performance. Hence, organisations could further engage customers through better customer relationships and interactions by following this route. However, the important thing to note is that the mere presence of the SMEs on social media by creating business pages to sell their product will not be sufficient for them to enhance their performance (Charoensukmongkol & Sasatanun, 2017). Even in the Sri Lankan context, Samarasinghe *et al.* (2016) point out that small and medium-scale fashion retailers have not used the appropriate strategies to harness the potential of social media marketing to ensure better performance. Fashion marketers have focused more on raising awareness about their products than on laying emphasis on the customer relations aspect.

Particularly, the research findings suggest that SMEs should be keenly aware of how the customers perceive social media, how they have an understanding of what platforms to use for the particular product or service they offer, and also how they should present the information to the customers. This will enable the organisations to make the best use of social media and promote innovative ideas to address customer requirements. Presenting such innovations and ensuring the customer satisfaction will enhance organisational performance. Therefore, rather than simply advertise on social media, organisations should strive to derive the maximum benefits by using social media platforms with a purpose, aligning their marketing strategies to meet the needs and preferences of the customers.

## LIMITATION AND FURTHER RESEARCH

With a sample, limited to the Western Province of Sri Lanka, the current study is undoubtedly subject to certain limitations but opens up avenues for further research. The study employed the deductive approach using only questionnaires for data collection, but the researchers suggest that future studies should employ in-depth interviews and focus group discussions together with the questionnaires to obtain more comprehensive and holistic data on the impact that the use of social media can have on business performance. Further research may be undertaken to compare various social media platforms

and the difference in results when organisations operate on multiple platforms (Wang & Kim, 2017). Moreover, social media influencers (SMIs) are also beginning to participate in contemporary social media marketing (Tafesse & Wood, 2021). This is a trend that needs to be further investigated to assess the impact of influencer endorsement on SMEs' performance.

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