

Impact of Social Media on Entrepreneurial Performance: Special Reference with Small and Medium Scale Enterprises in Batticaloa District

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Abstract

Social media applications have become most efficient and effective tool for Small and medium enterprises (SMEs) also it plays a vital role not only in developing countries' job creation, productivity, innovation and economic growth but also in developed countries [2]. Further at present, firms of all types are adopting Information and Communication Technologies (ICT) around the globe, not only for cutting costs and improving efficiency, but also for providing better customer service to the customer. In this line Online social media is a new world of networking, where people can exchange ideas, experiences, and contacts [3]. Therefore, this study examines the relationship between impact of social media on entrepreneurial performance in Batticaloa District in Sri Lanka and its four factors which are Increase in sale, Customer relationship, Market Access and Cost reduction. The study was conducted through a survey questionnaire covering a convenient sample of 100 respondents drawn from 120 SMEs which use the online social media in Batticaloa District in Sri Lanka. Both qualitative and quantitative methods were used to analyze data. The findings reveal social media allows businesses to communicate speedily and cheaply with customers. Further the result show social media support to manage and communicate with their customers more effectively. However, training of social media and provision of business solutions can encourage more SMEs to adopt the use of social media on their business which lead to their growth. In addition, government should be keen on the current trends of technological adoption by SMEs to come up with policies that encourage the growth of the SME sector.

Key words: social media, Small and medium enterprises, perception, performance

1. Introduction

Online social media is a new world of networking, where people can exchange ideas, experiences, and contacts. Information Technology is playing a vital role in enhancing the productivity and competitiveness of Small & Medium Enterprises (SMEs). SMEs have emerged as a dynamic and vibrant sector of the economy. Information

Technology also helps the businesses to increase their worthiness, develop strategic partnerships and increase their contact with customers and suppliers. It has become important for business owners and marketers to understand how social media work as a communication and marketing tool and how they can significantly grow their businesses. Recently, online social networks have found application in e-

commerce, especially for advertisements and other business transactions. Such as MySpace, Facebook, Twitter, Hi5, Flixster, Bebo, LinkedIn, Ning, Myyearbook, Blog, Forum, Chat, Wiki, LinkedIn, youtube Flicker and Classmate are the some of the most important social media in the world. Social media is a phenomenon that has transformed the interaction and communication of individuals throughout the world. In recent times, social media has impacted many aspects of human communication. Social-media is not only a communication tool for amusing, but it is also an important part of marketing strategies in business life.

Online social networks are gradually replacing and complementing the offline social networks. A growing number of businesses are gradually changing from offline social networks into online social networks, due to the significant potentials marketing opportunities derive from online social networks [4].

The developments in social networks marketing have created vast potentials by reducing the costs of product and service delivery, increasing production volume, improving product and service qualities, and extending geographical boundaries in bringing consumers and business owners together (Legris et al., 2003; Thompson, 2005). However, with the vast growth in the use of social networks marketing, consumers and SMEs in Batticaloa District have not maximized the usage of the technology in their business transactions, compared to their counterparts in developed countries. Therefore, this study focuses on the impact of social media on entrepreneurial performance in Batticaloa District in Sri Lanka.

2. Problem Statement and Objectives of the study

Entrepreneurship fuels economic growth, with new and young businesses accounting for nearly all new job creation. Increasing the number of entrepreneurs, and creating conditions for them to succeed, has the potential to improve economic opportunities for growing economy.

This paradigm, knowledge resources rather than physical resources determine growth. Scholars such as Burton-Jones (1999) proposed models based on knowledge - led growth, knowledge-centered organizations and knowledge supply to enable companies to thrive in this novel economic environment. However, the adoption and use of social media by small enterprises has been below expectations [4] and reports on the success of information-rich economies, many developing countries are still not catching up with the trend [1]. It is therefore important to analyze the Impact of Social Media on Entrepreneurial Performance like Sri Lanka.

The general objective of this research is to investigate the impact of Social Media on Entrepreneurial Performance in Batticaloa district. Furthermore, it would also look at the relationship between dependent variables such as Increase in sale, Customer relationship, Market Access and Cost reduction and independent variable of entrepreneurial performance.

3. Literature Review

[1] examined the effect of social media marketing on small scale business performance of selected SME's in Ota Metropolis. They administrated questionnaire

to owner-managers and employees and they found continuous improvement in their business.

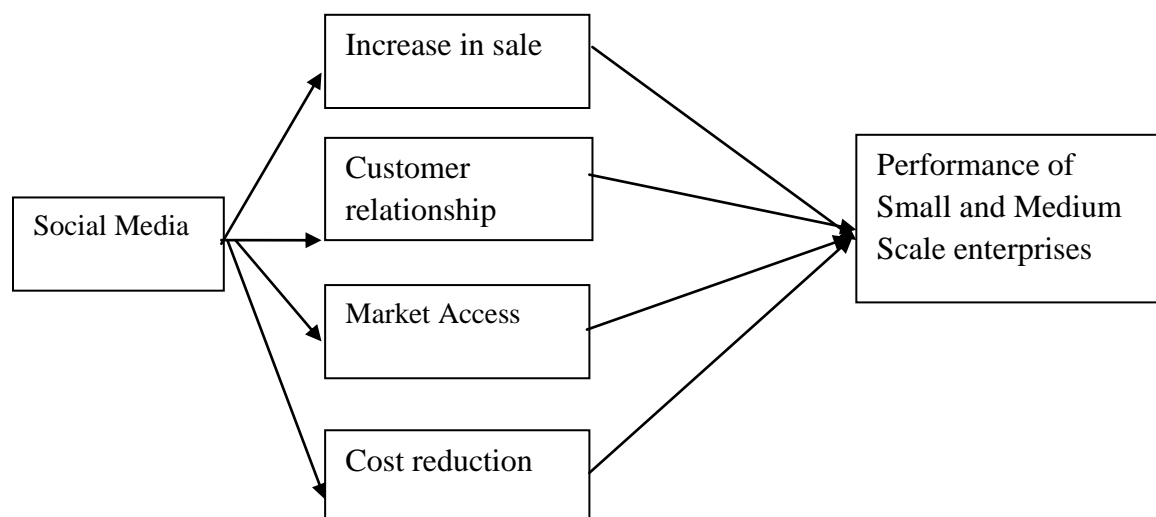
[2] in their study The Social Media and Entrepreneurship Growth focused on the effect of social media on the growth of SMEs in Nairobi. The study found that social media tools offer greater market accessibility and CRM which in turn have a significant impact on the growth of SMEs.

[4] examines the possibilities of different sections of society following different trends of communication.

This study talks about the usage of product promotion on social media, by the multinational companies in India especially in the FMCG sector.

[3] found internet based social media one person can communicate with thousands of other people about products, services and the companies which provide them. and social media is a hybrid element of the promotion mix because in a traditional sense it enables companies to talk to their customers, while in a non-traditional sense it enables customers to talk directly to one another.

4. Conceptual Framework



Source: [1] with some modification

5. Research Design and Methodology

The main objective of this study is to investigate the relationship between the dependent variable (Entrepreneurial Performance) based on its covariance with all the independent variables (Social Media).

To reach the objective of the study the structured questionnaire was administrated among the 100 respondents of SMEs owners and managers in Manmunai North D.S division in Batticaloa district,

Sri Lanka from the population of 120 SMEs. A purposive sampling was conducted in this division in order to reach the targeted sample from June 2017 to August 2017. The questionnaire is designed based on the objective and existing literature of impact of Social Media in SMEs.

Descriptive data was analyzed by use of arithmetic mean and standard deviation. The Likert type scale was used using a scale of SD – Strongly Disagree; D – Disagree; N – Neutral; A – Agree; and

SA – Strongly Agree as recommended by Alan (2001).

In addition, a multiple regression analysis was conducted in order to determine factors affecting the impact of Social Media adoption in small and medium enterprises in Batticaloa district. Further simple Correlation analysis also was employed in order to bring out the relationship between SME performance and Social Media adoption in Batticaloa district. The SPSS software was used for this purpose.

To investigate the relationship, the following hypothesis are developed.

H₀: Social media does not influence significantly on SMEs performance in Batticaloa district.

H_A: Social media influences significantly on SMEs performance in Batticaloa district.

The multivariate regression equation $Y = \text{Social Media adoption in SMEs}$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

X_1 = Increase in sale
 X_2 = Customer relationship
 X_3 = Market Access
 X_4 = Cost reduction
 ε = Error term

Validity and Reliability

The measurement of reliability provides consistency in the measurement of variables. Internal consistency reliability is the most commonly used psychometric measured assessing survey instrument and scales [4]. Cronbach alpha is the basic formula for determining the reliability based on internal consistency Kim and [3]. The values of alpha for Increase in sale, Customer relationship, Market Access and Cost reduction yields reliability co-efficient of 0.876 and above. The value of 0.876 generates a strong indication that there is an internal consistency in the measurement.

6. Results and Discussion

The main objective of this study is to measure the impact of social media on performance of SMEs and investigate the relationship between social media adoption and performance of SMEs in Batticaloa in Sri Lanka. The table - 1 analysis the General Profile of SMEs.

Table 1 General Profile of SMEs

Variable	Percentage (%)
Gender	
Male	63
Female	37
Age	
<25 years	13
26 – 30years	58
31 – 35 years	18
36 – 40 years	06
Above 40	05
Educational Background	
Undergraduate	56
University graduate	21

Masters'	20
PhD	03
Age of the Business	
Less than 5 years	55
More than 5 years	45
Most preferred social media	
Facebook	58
Youtube	29
Others	13
Ethnicity	
Tamil	52
Muslim	46
Burghers	02
SNM use	
Don't Use	78
Use in future	12
Status	
Owners	58
Managers	42
N = 100	

According to the above table among the total sample of SMEs 55% of SMEs has less than five years of business experiences and 45% of SMEs has more than five years of business experiences. And three most preferred social media networks used by SMEs which resulted in Facebook 58%, Youtube 29% and other popular social media networks like as Linkdin, Twitter and google 13%. Also 78% of SMEs are using social media for the purpose of business only 12% of SMEs didn't use the social media for their business.

Table 2 Correlation between SMEs performance and Social Media adoption

Pearson Correlation: r	0.368**
Sig. (2-tailed)	0.000

** Correlation is significant at the 0.01 level (2-tailed) (Source: Survey Data)

Impact of Social Media on SMEs	Coef.	Std. Err.	P value
Intercept	.332	.257	.196
Increase in sale **	.179	.047	.005
Customer relationship	.162	.046	.005
Market Access **	.178	.065	.013
Cost reduction **	.231	.042	.0001
*p≤0.05; **p≤0.01; N=100 Overall model: F=50.04; p ≤ 0.0001; R ² =0.758; Adjusted R ² =0.743			

Table 2 indicates the relationship between social media usage and Entrepreneurial Performance in Batticaloa District Sri Lanka. There is highly significant relationship between social media usage and entrepreneurial Performance in Batticaloa district. whereas Person Correlation (p=.000) and significance (2 tailed =.368). After the application of parametric test correlation, shows highly significant (p=.000) relationship among the usage of social media and entrepreneurial performance. Thereby, accept the Hypothesis (H_A), the impact of social media significantly influences on SMEs performance in Batticaloa district.

Further the above table shows that all the SMEs able to use Social Media successfully for increasing sales, maintain the customer relationship, market access and cost reduction. The analysis demonstrates that with the use of social media, 75% of respondents presumed that Social Media has helped them to reduce the money spent on advertisement, and were able to transact business globally. In addition, more than half of the respondents assumed that through the implementation of Social Media, they were able to understand their customers' needs and complains.

Table 3 Regression Analysis

Table 3 shows that dependent variable "SMEs impact of Social Media is explained well by independent variables increase in sale, Customer relationship, Market Access and Cost reduction and to a large extent as demonstrated by R² of 75%. This means that the independent variables explain 75% of the variation in the dependent variable in this study, which is high large.

Conclusions

According to the results, all the dependent variables such as increase in sale, customer relationship, market Access, cost reduction has strong, significant relation to the adoption of social media in SMEs. Most of the respondents believe that doing business

over the social media will generate desired returns in terms of profit.

Further the result show social media support to manage and communicate with their customers more effectively. However, training of social media and provision of business solutions can encourage more SMEs to adopt the use of social media on their business which lead to their growth.

Recommendation

- Entrepreneurs should not lag behind in joining social networks that will help them to get current and relevant information from far and wide to run their businesses.
- Entrepreneurs should adopt networking in their businesses in order to enhance business

efficiency thereby creating more demands and new market.

- Government should help in providing adequate infrastructural facilities that will enhance ICT growth in Sri Lanka.
- Investment should be made on ICT and particularly on the right social media that will enhance the efficiency of their operations to be of high quality, reliable and effective.

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