The Social Media Affecting Performance of SMEs in Sri Lanka

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Abstract—Due to the current debate on the positives and negatives of social media, most organizations are in an unclear state regarding the adoption of social media. Therefore, this paper aims to expand on earlier research relevant to the use of social media, which looked at three variables: social media for marketing, customer relations, and services, as well as information accessibility. It also looked at the impact of these variables on the performance of small and medium-scale enterprises in the Southern Province of Sri Lanka, specifically in terms of cost reduction, innovation, sales growth, and customer satisfaction. The data were gathered by distributing a structured questionnaire among a sample of 202 respondents from the Southern Province who operate businesses along with an established social media presence. While analyzing the data, the hypotheses were tested using the multiple regression analysis. This study considered three independent variables to assess business performance namely, social media marketing, social media usage for customer relations, and social media usage on information accessibility. The results of the study showed that social media usage has a very strong positive impact on business performance. If future researchers examine additional social media factors that affect the business success of small and medium-scale enterprises, such findings too will lead to improvement in the level of performance of the businesses.

Index Terms: Business performance, social media usage, Customer relations, SMEs.

INTRODUCTION
Developed or developing countries around the world consider Small and medium-sized enterprises (SMEs) as the backbone of their economies. In a transition economy with limited SME impact, accomplishing the Sustainable Development Goals (SDGs) becomes difficult [17]. A substantial influence is created by these institutes on social well-being, economic empowerment, and job creation among people without access to proper job markets in these economies [20]. This emphasizes the responsibility of the government to mediate the growth of SMEs as the main beneficiaries [14]. Usually, SMEs are operated by business owners according to their opinions and principles, and their success or failure relies on the resources available to them [17]. In Sri Lanka, an enterprise with less than 300 employees having annual sales of less than 750 million rupees is termed a medium enterprise which has a strong contribution to the economy and is known to be the sound base of the economy. For generations, these SMEs have been serving a vital role in employment generation in Sri Lanka while the number is around 0.5 million in 2015. A definition for SMEs was formulated by the Ministry of Industry and Commerce in the National Policy Framework for enhancing the growth of SMEs which contribute about 52% of the GDP [20].

Since there is evidence that there are quite several SMEs in the Southern province and they make use of technology more often than other provinces, it was selected for this study [21]. Nevertheless, these businesses do not show a sufficient level of improvement due to inadequate knowledge of applications, and imperfect use of technology and innovation [21]. Hence, this study attempts to examine the factors that influence the usage of social media by institutes and its subsequent effect on small and medium business performance in Sri Lanka to fill up the above gaps. The current research intends to find answers to the questions: what is the effect of social media marketing on the business performance of SMEs in the Southern province of Sri Lanka? what is the effect of social media usage for customer relations on the business performance of SMEs in the Southern province of Sri Lanka? what is the effect of social media usage on information accessibility and the business performance of SMEs in the Southern province of Sri Lanka? Is there an effect of social media on the business performance of SMEs in the Southern province of Sri Lanka?
LITERATURE REVIEW
SMEs are generally considered to be the foundation of an economy. It was revealed through a survey conducted by the Ministry of Industry and Commerce of Sri Lanka (2017) that SMEs add up to 75% of all businesses and are responsible for 45% of employment and these have a 52% contribution to the Gross Domestic Product (GDP). In addition, this survey highlighted that SMEs are identified as a crucial strategic segment for assisting the economic and social development of Sri Lanka. Further, the important role played by SMEs in enhancing revenue, reducing poverty, creating jobs, and fostering regional development has been accepted worldwide. Hence, the economic vitality of a nation is significantly enhanced by SMEs since these improve originality and resourcefulness. Therefore, SMEs are regarded as vital in many countries all over the world.[21]

Small and Medium Enterprises (SMEs)
SMEs contribute immensely to a country’s GDP and employment sector through various industries in manufacturing, services, and agriculture making a crucial fragment of its economy, [21] These institutes play a major part in the creation of jobs, and reduction of poverty by assisting a considerable percentage of the population. The Sri Lankan government, despite the challenges such as limited access to resources like finance and technology, has acknowledged their vitality and started the SME Development Authority to establish a favorable atmosphere for the development of businesses. Considering the nature and the problems SMEs come across to fulfill the requirements of the people, it is indispensable to have a government-led involvement and proper support mechanism to expand and strengthen this sector. This SME Policy Framework attempts to support the SMEs that have a high-potential and capability with a view to enhance the business climate to thrive in the current globalized economy. Further, this Policy Framework intends to improve the development of small businesses to progress as medium-sized enterprises, medium businesses to expand as large enterprises, and large enterprises to grow as globally competitive enterprises [14].

Social Media
Social media is a user-friendly tool that is currently very popular [10]. There are many different social media platforms and Facebook, Instagram, Twitter, and LinkedIn are the most popular tools among them. Social media can be described as a cyberspace where people interact with others by sharing and exchanging information and ideas among communities and networks. Some researchers define this by illustrating social media as a gathering of web-based applications constructed on conceptual and scientific foundations, that ease the formation and sharing of information created by users [16]. Further, social media allows internet users all over the world to connect, relate, and exchange thoughts, content, opinions, experiences, information, and form relationships while it consists of numerous web-based applications prevailing on the Web 2.0 platform [10].

[5] states that social media interaction is similar to keeping many customers in the garage; it collects information from the consumer which could be used to spread to create an existence in the market. The notion of social media involvement has progressed over time. [10] believe that usage of social media is consuming many web-based tools that help users create and exchange information with others [7]. Web technology and conceptual principles led to the creation of these tools [19]. This study intends to scrutinize the effect of social media usage on enterprise performance, concerning the system-to-value sequence and downstream research viewpoint [16].

Social Media Marketing
Social media offer a multipurpose platform for collaboration, promotion, and sales which has developed into an essential element of marketing strategies in the world of business. [19] suggested a complete tool of advertising with socioeconomic and personal utility features [19]. The socio-economic features consisted of factors such as input to the economy, promoting materialism, demeaning values, and inaccuracy/no sense, whereas personal utility factors included information about products, social image, and hedonic amusement. Consequently, research has highlighted the importance of product information in adhering to social media advertising.

Market efficiency is increased, in line with customer expectations through advertising product information on social media platforms. Businesses communicating with customers through submitting product information is simplified by the ease of advertising on social media platforms which finally boosts sales. Features such as texting, commenting, and alerts on social media allow direct and personal contact with potential customers which enhances customer interaction resulting in improved company performance [7].

Social Media Usage for Customer Relations
The customer involvement sequence establishes the finest contact and linking. Hence, this collaboration is a two-way process that nurtures sturdy relationships and allows businesses to have new customers, serve them efficiently, provide
information quickly, and get feedback [18]. To achieve development, businesses need to be skillful at obtaining the necessary information from customers, participating, and collaborating with them through social media platforms. Small enterprises can use the social media strategy as a means to streamline customer relationship management by way of market development and cost savings [22]. It is essential to use improved social media strategies for customer relationship management at the proper level, to obtain the benefits.

Social Media Usage for Information Accessibility
institutes make use of social media to expand their social network prominence, bring their enterprises to attention, and create online contacts with the people. Hence social media serves as an essential tool for enterprises to link with their customers and other people, have contacts, and gain knowledge on market trends. Irrespective of their size organizations use social media to enhance their social network range, generate interest in their enterprise, and have online links with the general public.[21] Social media provides extra information about the market, developing trends, business data, customer requirements and preferences, rivalry strategies, as well as product feedback which could improve the availability of information [18] Therefore, businesses can promptly make people aware of corporate information through social media [6].

Business Performance
The financial and non-financial benefits obtained by a business as a consequence of social media involvement can be explained as business performance[13] Previous research in this field reveals a direct/positive relationship between the use of social media and business performance. This positive relationship between the use of social media and performance was confirmed by[15]. Further, the positive impact of both the financial and non-financial advantages of SMEs' performance with social media involvement was proved [1]. Although, much previous research has examined the factors leading to the implementation of social media in enterprises, its effect on business performance has not been studied broadly. [18]. are of the view that social media has a positive influence on business performance by way of cost reduction, revenue increase, enhanced customer interactions, favorable relationships, saving time, and convenient information accessibility.[2]

Business performance and resource-based theory (RBT) are interconnected. Among theories, RBT displays a strong framework for understanding and improving organizational performance. Hence RBT is one of the main pillars of business performance theories. It allows businesses to evaluate and enhance their assets to obtain long-lasting success and ensure great performance in a lively business environment. RBT regards a business as an assortment of resources and competencies [9]). Corbett and Claridge (2002) state that it is a very valuable model for understanding how internal resources and competencies can used to have a competitive advantage. Both tangible and intangible business assets are known as resources that can be used effectively[7] believe that the ability to use its resources to obtain a desired result is the capability of an enterprise.

[7] are of the view that any enterprise that uses organizational processes to produce intermediate goods displays enhanced productivity of its resources. Capabilities are built and an interaction of many knowledge bases and more organization-specific which gives a competitive advantage and is less transferable than resources [26] [13] view new entries into the business field in a broader sense. [24] discuss this viewpoint in relation to [14] differentiation of the entrepreneurship sector with his classification of entrepreneurial activities to explain and operationalize the description of the new entries. [14] believes that establishing a new enterprise itself is an entrepreneurial activity, irrespective of the company operations and this process of entering the market require some amount of innovation. Providing a new product or service, joining parts of a current product or service in an innovative way, developing a new product with market relationship, and intensifying a company range into new markets are the aspects of entrepreneurial activity and new entrance. [23].

Innovation
This research study defines innovation as the performance of any organization that implements numerous types of novelty to obtain a complete improvement in modernization capability, as explained by [6] It is also evident that top businesses develop their ability for innovation, enabling them to implement efficient innovation activities to produce new goods, services, and procedures as well as improve corporate performance [25]. Sometimes it is known as innovation when a new item, process, or service is presented to the market by creating an idea or improving an invention[4] Innovation is generally considered as an essential value accumulation which is one of the most noteworthy viable tools. Therefore, innovation could be seen in the areas of product, process, market, factor, and organization.[16]. [3]), state that to demonstrate specific consumption behaviors, disseminate ideas and recommendations, and circulate information, businesses and consumers use media [3] Social media, allows communication systems to be effective networks enabling people to give publicity to goods and services [10].
Sales growth
Farlex Inc., explains sales growth as the sum received from sales during a period over the previous amount. A continuous increase in sales is considered as advantageous for the survival of the company and profitability. The company can promote the items by advertising on social media which may increase sales and profit. In addition, social media assists organizational processes in the advancement of strategies, product sales and suitable environmental changes [16].

Cost Reduction
Cost reduction can be described as getting a continuing decrease in the unit cost of goods produced or services provided without intentionally impairing their suitability for the requirement. Cost reduction differs from cost saving or cost control, the former could be a temporary action that could affect quality, whereas the latter conserves the vital properties and quality of the good or service [16].

Customer Satisfaction
[15], defines customer satisfaction as the sensation of pleasure on obtaining a service or product or level of contentment from consumption, including stages of under-fulfillment and over-fulfillment. The complete assessment of the products and services which has an emotional effect on the customer is the foundation of customer satisfaction. This infers that a consumer may purchase more items in the future if that person is happy with their purchase. Intrinsic motivation is more important to satisfaction than evaluation. When a customer feels happy about the goods, they are likely to purchase them repeatedly and write good reviews on social media, persuading other people to do the same [15].

Methodology
The research approach and methodology adopted to achieve the goals of the study are explained in this section. The basis of the study is to examine the effect of social media on the operational efficiency of SMEs in the southern province of Sri Lanka. There is a conspicuous gap in the manner SMEs make decisions on the influence of social media on their business performance in Sri Lanka's southern province.

Conceptual Framework
The conceptual framework for this study is formulated based on the previous literature and the research question of this study. It was decided considering the causal relationships between several variables and outlining the relationship between social media and the business performance of SMEs. Figure 1 presents the Conceptual Framework. Figure 1: Conceptual Framework

The most significant parts of social media are recognized as social media marketing, customer relations, and information accessibility by the findings of [16] [18]. These writers have shown how social media affects business performance in their respective fields and settings about the factors mentioned above.

The performance of SMEs in the southern province of Sri Lanka was selected as the dependent variable, and the above-mentioned characteristics were selected as the dimensions of social media which was the independent variable. Innovation, customer satisfaction, cost reduction, and sales growth were the components of the dependent variable. The dimensions of cost reduction and customer satisfaction were selected from the research study of [18] and [16], while sales growth was chosen from the studies of [3]. Based on the variables and dimensions selected, the implemented research model for the study is depicted below. The conceptual framework indicates the relationship between the three components of social media and business performance as per evidence from the literature. This validates the link between the study constructs adapted in the conceptual framework. Hence these associations were expanded to create theories that suit the objectives of the study by formulating the following hypotheses.
H1; There is an impact of social media marketing on the business performance of SMEs in the Southern Province of Sri Lanka
H2; There is an impact of social media usage for customer relations on the business performance of SMEs in the Southern Province of Sri Lanka
H3; There is an impact of social media usage on information accessibility on the business performance of SMEs in the Southern Province of Sri Lanka

This deductive approach was adhered as the research design in this research study development. Therefore, the hypotheses were created based on acknowledged theories and research methods were used to evaluate the viability of the hypotheses in a particular situation. This method starts with theory and works down to get testable hypotheses based on observation. This research study adopts a similar method, testing ideas based on social media about small and medium-sized enterprises in the southern province of Sri Lanka. A substantial number of samples were used to evaluate the theories. The explanatory research approach was used to explain the nature of the relationship between the variables. Since data was collected only once for this research study, considering the time horizon it can be classified as cross-sectional. This data collection was done to study the effect of social media on the business performance of SMEs with special reference to the southern province. The techniques and procedures of data collection and analysis were decided as the final step of the design process. The researcher selected the Statistical Package for the Social Sciences (SPSS) for data organization and analysis to achieve the objectives of the study.

To examine the impact of social media on the business performance of SMEs in Southern Province, data collection was carried out on a one-to-one questionnaire survey and interview. The sample was selected from the Southern province and through this survey primary data was collected from the entrepreneurs who use social media. This study employed a variety of data collection techniques for collecting both primary and secondary data. During the initial stages of the research process, secondary data and other relevant information were obtained from online publications, scholarly journals, annual publications, and research articles to decide on the scope of the research, the fieldwork needed, and its constraints.

Collecting accurate information from all the SMEs utilizing social media for business functions proves somewhat challenging in the Sri Lankan context. Consequently, a sample was selected methodically through a sampling process for accuracy and relevance.

The Population and Statistics Department of Sri Lanka states that there are about 1,035,000 micro businesses and only 60% of them, have been registered while some are being registered now. Within this micro business group, about 85,000 are small and medium-scale businesses of which 52% are in the western province. The rest of the SMEs operate in other provinces, while around 15% of these businesses exist in the southern province. While it is not possible to have the exact number of SMEs in the southern province it is expected to be between 12000 and 15000.

Considering the study sampling framework of 430 SMEs, 202 were selected as the sample size. The sample size was calculated using the equation provided by Krejcie and Morgan tables. A simple random technique has been used as the sampling technique for the study. A structured questionnaire was used as the data collection tool in this study, as it allows us to examine and explain the relationships between the constructs of the study. The structured questionnaire method facilitated the process of interviewing SME owners and managers consisting of a sizable sample, despite their heavy agendas while suitably collecting data. In developing the questionnaire of the study, it was tested for reliability and validity by carrying out pre-, pilot, and actual surveys. Thereafter, the revised questionnaire was sent to SMEs that make use of social media for business, in the southern province of Sri Lanka. the data-collecting process was carried out over four weeks. Considering the workload involved, the researcher decided to continue the activity for one more week. On completing the individual data collection, the information was then uploaded to SPSS, a computer application. Reports, graphs, and comparisons were produced on the entire set of data gathered from the respondents.

RESULTS AND DISCUSSION
This part includes the processes of reviewing the data, analysis, evaluating its reliability through triangulation, interpreting the results, and presenting and applying the results. The results of the data analysis were presented using both inferential and descriptive statistics. Both the path coefficient results and the measurement characteristics of the data-gathering method were considered in the data analysis. Thereafter, the objectives of the research study were compared with the findings.

The key descriptive statistics for the constructs; social media marketing (ASMM), customer relations (ASCR), and information accessibility (ASI), as independent variables and, business performance (BF) as the dependent variable were examined in the research model. Social media marketing (ASMM) indicates a central tendency with a mean of 3.6970, a median of 3.6000, and a mode of 3.60, and a standard deviation of 0.60256, indicating a distribution of moderate variability. Social media usage for customer relations (ASCR) has a median of 4.0000, a mean of 3.8733, and
a mode of 3.60, signifying the focus of the score and a standard deviation of 0. 60691. The social media usage for information accessibility exhibits a standard deviation of 0. 53463 with a mean of 3.8337, a median mirroring ASMM at 3.6000, and a mode of 3.60. The dependent variable of the study business performance has a mean value of 3.5786, median of 3.5833 as, and mode of 3.58. Reliability analysis depicts the internal consistency and stability of the different constructs in a research model [12]. Cronbach’s alpha coefficient measures the degree of correlation between the survey dimensions and their assigned latent variable on a scale of 0 to 1, where higher values show greater reliability [5]. It is widely accepted that a cut-off threshold of 0.7 is reasonable although some studies depend on 0.6 during the initial stages of scale development [9]. The results of this study show a reliability score of more than 0.7 for all the constructs as given above. Hence the responses received can be accepted to be more reliable. Further, this also proves that the questions in the questionnaire provide dependable results. Therefore, even if the data collection was repeated from the sample, the results of the study will not change. To find out whether the survey questions characterize and measure the constructs as intended, validity is useful [9] Factor Analysis techniques are used to examine construct validity and to evaluate the relationship between items by theory and allocated latent factors as per empirical data. Sampling adequacy depicts data suitability for factor analysis by Kaiser-Meyer-Olkin (KMO) measure on a 0 to 1 scale, with 0.6 as the minimum cut-off point. Bartlett's test tests correlations between items that are significantly large for factorization [8]. All the KMO values for the dimensions have more than 0.50, which complies with Kaiser's principle. The sig value is commonly known as the p-value which has to be lower than 0.05 to be considered statistically significant. The data obtained show that sig values are less than 0.05 for all the variables and are statistically significant. Further, all factors satisfy the threshold criteria having KMO values between 0.631 to 0.814, crossing the 0.6 base mark and Bartlett's test p-value is at 0.000 significance level. This affirms that the survey dimensions inclined suitably towards their selected constructs of social media marketing, social media usage for customer relations, social media usage on information accessibility, innovation, sales growth, cost reduction, customer satisfaction, and business performance ensuring construct validity. Hence it confirms the accuracy of the measurement scale version in the context of Sri Lankan SMEs and the appropriateness of regression testing to investigate their effects as hypothesized in the conceptual framework to solve the research problem.

To obtain the linear relationship between two variables in this study, the Pearson Correlation was used which can only utilized when there is a linear relationship between the elements. It can either have a positive or negative value provided that the connection is meaningful. Correlation is often used in a group study, to assess ideas. The positive linear relationship between the variables means a testable study hypothesis in the forecasting methodology. When the sig value is less than 0.05 correlations between the dependent variable and the independent variables are statistically significant. Statistically significant relationships are present between social media marketing, social media usage for customer relations, social media usage on information accessibility, innovation, sales growth, cost reduction, customer satisfaction, and business performance of SMEs. Since none of the matched inter-construct relationships had a correlation coefficient higher than 0.827 the model does not have multicollinearity. The relationships between the variables were evaluated using regression analysis which is carried out when there is more than one independent variable. Therefore, this test enables us to find the impact of one or more independent variables on the dependent variable. Hence, the study findings were obtained through several linear regression tests. The linear regression was carried out by SPSS taking into account the set of linear regression at any given time which yielded the results,

**Model Summary** The multiple regression model summary depicts the combined effect of social media marketing (ASMM), social media usage for customer relations (ASCR), and social media usage on information accessibility (ASIA), on business performance (BP) of SMEs. An exceptional degree of correlation between the social media adoption dimensions and SMEs' success levels is shown by the high multiple R-values of 0.871. The extremely good fit of the models is indicated by the 75.8% variance in TBP accounted for by the linear combination of input factors about the R-square value.

**ANOVA** The significant value of the ANOVA test is 0.000, which is lower than 0.05, which shows the overall model is significant at the 5 percent level of significance. Hence the business performance of SMEs which is the dependent variable is affected by the independent variables.

**Coefficients** All dimensions of social media marketing show statistical significance individually towards SME business performance at p<0.05 ensuring their relevant illustrative powers. This allows a comparison of factors controlling social media alignment strategies for the success of small businesses. Further, the beta value expresses the effect of the independent variables on the dependent variable. The fact that independent variables have a substantial effect on the dependent variable, it is possible to find their impact on obtaining the beta value. According to the results of the analysis, social media marketing indicates a 38.2% minimum effect on
SMEs' business performance, social media usage for customer relations indicates a low impact of 12.7%, and social media usage on information accessibility demonstrates a maximum influence of 30.3%. Nevertheless, it shows similarity to the R square value to a certain extent. Furthermore, the beta value expresses the amount of the independent Variance Inflation Factor's (VIF) effect that was utilized as an instrument to evaluate and measure the inflated variance. Initially, a pilot survey was carried out, in order to adjust the questionnaire taking into account the responses. The validity and reliability measures were in order in relation to the specified tests for checking the same. Numerous analyses have been conducted and results were explained in the contents of this research paper. The different analyses included frequency analysis, variable frequencies, descriptive statistics, validity and reliability testing, normality tests, correlation analysis, and regression analysis. Based on the results the survey’s findings were presented. The major finding was that the performance of SMEs in the southern province of Sri Lanka's is positively impacted by social media.

**CONCLUSION**

The main purpose of this study was to fill the information gap in the use of social media for SMEs' performance by examining the potential benefits. There was limited research done in the Sri Lankan context on social media usage and business performance, especially in SMEs. It was revealed that SME performance was influenced by social media marketing, social media usage for customer relations, social media usage on information accessibility, and usage of social media business activities. Academically, this research would add valuable insight into the use of social media and its impact on the performance of businesses in the Sri Lankan context.

The findings of the study reveal that the involvement of social media in business activities has a positive impact on business performance in the Southern Province of Sri Lanka. A strong relationship is shown between social media for customer relations and information accessibility with the business performance of SMEs while social media marketing demonstrated a strong and significant relationship.

This research offers vital awareness among different sectors of society. There is a dearth of research investigating the effect of social media on the business performance of SMEs in the Sri Lankan context. Although many previous studies were based on current social media usage for marketing, this study shifted the focus to future applications, including vital areas like social media marketing, social media for customer relations, and information accessibility. Besides, social media is being used as an important tool for searching market opportunities based on information posted on their pages. The study highlights the advantages available to entrepreneurs on social media such as awareness of different market trends and obtaining valuable customer and competitor information. This research is important to entrepreneurs as they get exposed to business intelligence allowing them to improve business performance and attain sustainable growth.

Hence, generating and managing social media platforms are vital to businesses to enhance professional functions as well as provide wide coverage. Further, this becomes useful for business development service providers to plan their training and alertness for SMEs, mainly in improving their competencies in information and communication technology in addition to getting to know online business opportunities through these social media forums.

**REFERENCES:**


