

# The Impact of Social Media Marketing and Financial Technology on MSME Performance in Ambon City

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## ABSTRACT

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Micro, Small, and Medium Enterprises (MSMEs) play a vital role in regional economic development, particularly in archipelagic areas such as Ambon City, which face geographical constraints and limited market access. This study aims to examine the impact of Social Media Marketing and Financial Technology on MSME performance in Ambon City. A quantitative explanatory approach was employed using survey data collected from 200 MSME owners who actively utilize social media and financial technology services. The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that both Social Media Marketing and Financial Technology have positive and significant effects on MSME performance. Financial Technology demonstrates a more dominant influence by improving transaction efficiency, accelerating cash flow turnover, and enhancing financial management practices. Meanwhile, Social Media Marketing contributes to increasing product visibility, expanding market reach, and strengthening relationships with customers. Furthermore, the findings reveal that the integration of financial technology and digital marketing creates a synergistic effect that enhances overall MSME performance. These findings highlight the importance of adopting an integrated digital strategy to improve MSME competitiveness and sustainability in archipelagic regions. The study provides practical insights for MSME owners and policymakers in designing more effective digital empowerment strategies.

*Keywords:* MSME Performance, Social Media Marketing, Financial Technology, Digital Transformation, Ambon City

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## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in driving regional economic growth, generating employment opportunities, and improving societal welfare. In Indonesia, MSMEs constitute the backbone of the national economy, including in archipelagic regions such as Ambon City, which are characterized by unique geographical conditions and relatively limited market access. These conditions require MSMEs to adopt innovative and technology-based strategies to enhance business performance and maintain competitiveness in an increasingly dynamic business environment [5], [15].

The rapid development of digital technology has significantly transformed patterns of interaction between businesses and consumers. One prominent manifestation of this transformation is social media marketing, which enables MSMEs to promote their products more widely, interactively, and at relatively low cost [1], [2]. Social media functions not only as a promotional medium but also as a tool for building customer relationships, strengthening brand image, and obtaining real-time market feedback. Previous studies have demonstrated that social media marketing positively affects MSME performance through increased sales, customer loyalty, and brand visibility [2], [6]. However, the effectiveness of this strategy largely depends on MSME owners' ability to manage content, maintain consistent interactions, and understand digital consumer behavior [12].

In addition to digital marketing, advancements in financial technology (fintech) have emerged as an important factor influencing MSME performance. Fintech provides a wide range of technology-based financial services, including digital payment systems, electronic wallets, and

alternative financing platforms, which can enhance transaction efficiency and expand financial access for MSMEs [3], [4]. For MSME owners in Ambon City, fintech has the potential to overcome limited access to conventional banking services, accelerate cash flow, and support more informed financial decision-making. Empirical evidence indicates that fintech adoption can improve productivity, operational efficiency, and the financial performance of MSMEs [7], [8], [9].

Nevertheless, the level of utilization of social media marketing and fintech among MSMEs—particularly in eastern Indonesia, including Ambon City—remains relatively uneven. Challenges such as limited digital and financial literacy, inadequate technological infrastructure, and low trust in digital financial services constitute major barriers to the optimal adoption of these technologies [10], [14]. Moreover, empirical studies that simultaneously examine the effects of social media marketing and financial technology on MSME performance within the local context of Ambon City are still limited, creating a research gap that warrants further investigation.

The phenomenon observed among MSMEs in Ambon City indicates a mismatch between the potential benefits of social media marketing and financial technology adoption and the actual business performance achieved. Although some MSMEs have utilized social media platforms and digital financial services, their usage remains limited, suboptimal, and insufficiently integrated into coherent business strategies, resulting in an insignificant impact on performance improvement [13], [15]. This condition is further exacerbated by low levels of digital and financial literacy, limited infrastructure, and weak trust in digital technologies, causing MSME performance in Ambon City to fall short of fully reflecting the potential benefits of digital transformation [16].

Based on this background, this study aims to analyze the effects of social media marketing and financial technology on MSME performance in Ambon City. The findings are expected to contribute theoretically to the literature on digitally enabled MSME performance and provide practical implications for business practitioners and policymakers in formulating more adaptive MSME empowerment strategies in the digital era [15].

## 2. LITERATURE REVIEW

### 2.1 *MSME Performance*

MSME performance is a crucial indicator for assessing business success, as it reflects the ability of entrepreneurs to manage resources effectively in order to achieve business objectives [6]. MSME performance is commonly measured using both financial and non-financial indicators, including sales growth, profitability, market share, operational efficiency, and customer satisfaction [8], [9]. In an increasingly competitive and dynamic business environment, improvements in MSME performance depend not only on traditional internal factors but also on the ability of enterprises to adapt to technological developments and digital transformation [5], [15].

### 2.2 *Social Media Marketing and MSME Performance*

Social media marketing is defined as the use of social media platforms to create, communicate, and deliver value to customers through interactive, two-way digital engagement [2], [12]. Social media enables MSMEs to reach broader markets at relatively low cost, build long-term relationships with customers, and enhance brand awareness and brand image [1], [11]. Prior studies indicate that social media marketing has a positive effect on MSME performance, particularly in terms of increased sales, customer loyalty, and business competitiveness [2], [6]. However, the effectiveness of

social media marketing is strongly influenced by MSME owners' ability to manage content, maintain communication consistency, and understand digital consumer behavior. MSMEs that use social media sporadically and without a clear strategic orientation tend to experience limited performance improvements [12].

### 2.3 Financial Technology and MSME Performance

Financial technology (fintech) refers to technology-based financial service innovations, including electronic payment systems, digital wallets, online financing, and other digital financial services [3], [4]. Fintech plays a significant role in enhancing financial inclusion by providing easier access to financial services that were previously difficult for MSMEs to obtain, particularly in regions with limited conventional banking infrastructure [7], [9]. Numerous studies suggest that fintech adoption can improve transaction efficiency, accelerate cash flow turnover, and support more accurate financial decision-making, which ultimately has a positive impact on MSME performance [8], [13]. Nevertheless, low levels of digital financial literacy and limited trust in fintech services remain major constraints on their optimal utilization among MSMEs [10], [14].

## 3. METHODS

This study employs a quantitative approach with an explanatory research design to examine the effects of social media marketing and financial technology on MSME performance in Ambon City. The research population comprises all MSMEs operating in Ambon City. A purposive sampling technique was applied based on specific criteria, namely MSMEs that have been actively operating for at least one year, utilize social media as a promotional tool, and adopt financial technology services in their business activities. A total of 200 respondents were selected, which is considered adequate for multivariate statistical analysis.

The research data were collected through a structured questionnaire using a five-point Likert scale to measure the variables of social media marketing, financial technology, and MSME performance. Data analysis was conducted exclusively using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach with SmartPLS 3. The analysis procedures included evaluation of the measurement model through validity and reliability testing, followed by assessment of the structural model to examine the relationships among variables. All stages of the research were carried out in accordance with research ethics principles, including respondent consent and data confidentiality.

## 4. RESULT AND DISCUSSION

Table 1. Construct Reliability and Validity

	Outer Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
X1_1	0.897	0.921	0.944	0.808
X1_2	0.889			
X1_3	0.884			
X1_4	0.889			
X2_1	0.270	0.914	0.939	0.795
X2_2	0.271			
X2_3	0.289			
X2_4	0.282			

Y_1	0.293			
Y_2	0.262			
Y_3	0.281	0.912	0.938	0.792
Y_4	0.285			

Table 1 indicates that all constructs in this study demonstrate very good reliability, as reflected by Cronbach's Alpha and Composite Reliability values that consistently exceed the minimum threshold of 0.70. Construct X1 records a Cronbach's Alpha of 0.921 and a Composite Reliability of 0.944, while constructs X2 and Y show Cronbach's Alpha values of 0.914 and 0.912 and Composite Reliability values of 0.939 and 0.938, respectively. These results indicate a high level of internal consistency among the indicators for each construct, confirming that the measurement instruments are reliable.

From the perspective of convergent validity, construct X1 meets the criteria very well, as all outer loading values exceed 0.70 and the Average Variance Extracted (AVE) reaches 0.808, indicating that the construct explains a substantial proportion of the variance in its indicators. Although the AVE values for constructs X2 and Y, at 0.795 and 0.792 respectively, also surpass the minimum recommended threshold of 0.50, several indicator outer loadings for these constructs are relatively low. This suggests the need for further verification and evaluation of the measurement model. Overall, the findings confirm strong construct reliability; however, convergent validity for certain constructs requires additional attention to ensure that the measurement model fully meets PLS-SEM standards.

Table 2. Discriminant Validity- Heterotrait-Monotrait Ratio (HTMT)

	<b>Financial Technology</b>	<b>Kinerja UMKM</b>	<b>Social Media Marketing</b>
<b>Financial Technology</b>			
<b>Kinerja UMKM</b>	0.873		
<b>Social Media Marketing</b>	0.862	0.849	

Table 2 presents the results of the discriminant validity assessment using the Heterotrait-Monotrait Ratio (HTMT) approach. The HTMT value between Financial Technology and MSME Performance is 0.873, between Financial Technology and Social Media Marketing is 0.862, and between MSME Performance and Social Media Marketing is 0.849. All HTMT values are below the recommended threshold of 0.90, indicating that each construct in the research model demonstrates adequate discriminant validity and represents a concept that is empirically distinct from the others. Accordingly, these findings confirm that discriminant validity is established and that no significant conceptual overlap exists among the constructs in the model.

Table 3. Path Coefficients

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
<b>Financial Technology -&gt; Kinerja UMKM</b>	0.505	0.504	0.071	7.111	0.000
<b>Social Media Marketing -&gt; Kinerja UMKM</b>	0.377	0.377	0.072	5.237	0.000

Table 3 presents the results of the path coefficient analysis, which illustrates the direct effects among variables in the structural model. The analysis indicates that Financial Technology has a positive and statistically significant effect on MSME performance, with a path coefficient of 0.505, a t-statistic of 7.111, and a p-value of 0.000. These results suggest that higher levels of Financial Technology utilization significantly enhance MSME performance.

In addition, Social Media Marketing is also found to have a positive and significant effect on MSME performance, as reflected by a path coefficient of 0.377, a t-statistic of 5.237, and a p-value of 0.000. This finding indicates that more intensive and effective use of social media in marketing activities leads to improved MSME performance. Overall, these results confirm that Financial Technology and Social Media Marketing are important factors that simultaneously contribute to the enhancement of MSME performance.

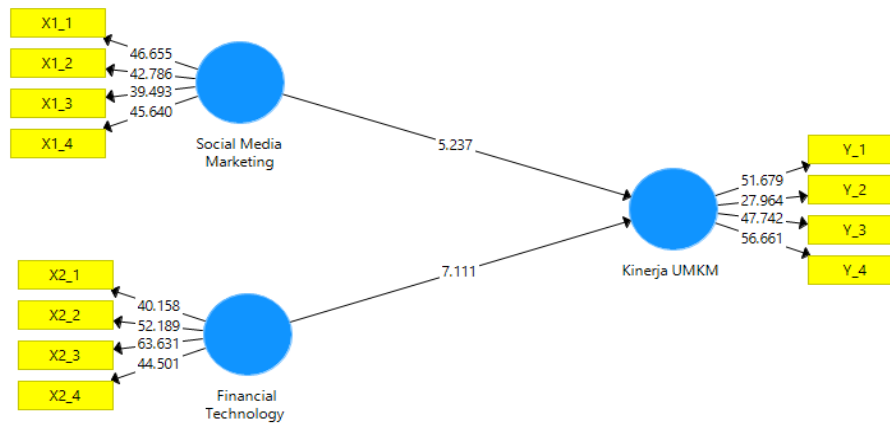


Figure 1. Conceptual Framework

The findings of this study indicate that Financial Technology and Social Media Marketing have positive and significant effects on MSME performance in Ambon City, suggesting that the adoption of digital technologies is a key factor in enhancing MSME competitiveness in archipelagic regions. These results reinforce the view that integrated digital transformation can drive improvements in business performance through greater operational efficiency, market expansion, and stronger customer relationships. This finding is consistent with previous studies that emphasize integrated digital transformation as a key driver of MSME competitive advantage, particularly in overcoming geographical limitations and restricted market access such as those faced by MSMEs in Ambon City [15].

The effect of Financial Technology on MSME performance is found to be the most dominant within the research model. The utilization of fintech services—such as digital payment systems, electronic wallets, and other technology-based financial services—enables MSMEs to improve transaction efficiency, accelerate cash flow turnover, and enhance financial management practices. This result aligns with studies showing that fintech adoption positively affects MSME financial performance, especially when supported by adequate financial literacy [13]. Other studies also confirm that digital financial services significantly contribute to improved operational efficiency and business sustainability of MSMEs in Indonesia [4], [9]. In this context, fintech functions not only as a transactional tool but also as a strategic instrument supporting MSME stability and long-term business performance.

Nevertheless, the effectiveness of fintech utilization is strongly influenced by behavioral factors and the financial literacy of MSME owners. Previous research demonstrates that financial literacy plays an important moderating role in managing financial risks, including financial anxiety and consumptive behavior, which ultimately affects business performance [16]. This finding is further supported by studies on technology acceptance, which reveal that perceived usefulness and ease of use significantly influence the adoption of digital financial services such as e-wallets, thereby shaping financial behavior among MSME actors in Ambon City [14].

Beyond digital finance, the findings of this study also indicate that Social Media Marketing has a positive and significant effect on MSME performance in Ambon City. The utilization of social media enables MSMEs to increase product visibility, expand market reach, and build more interactive relationships with consumers. This result is consistent with previous studies showing

that social media marketing contributes to strengthening brand awareness and attracting consumer interest in the Maluku region [11]. Furthermore, digital marketing has been identified as a strategic solution for MSMEs in archipelagic areas to overcome the limitations of conventional promotion and broaden market access [1].

However, the contribution of Social Media Marketing to MSME performance in this study is relatively smaller than that of Financial Technology. This indicates that the effectiveness of social media marketing largely depends on the quality of marketing strategies, creativity of content, and consistency of interaction with consumers. Prior research emphasizes that the use of social media without a clear strategic orientation tends to generate limited performance improvements [12]. Additionally, marketing strategies that integrate consumer behavior insights and brand strengthening are proven to play a critical role in driving business growth and competitiveness [11].

Simultaneously, the findings of this study show that the synergy between Financial Technology and Social Media Marketing can significantly enhance MSME performance. Financial Technology strengthens internal business efficiency and financial stability, while Social Media Marketing supports external performance through market expansion and revenue growth. These results further confirm that the integration of multiple digital technologies is a key determinant of MSME success in achieving sustainable competitive advantage [15]. Therefore, the development of MSMEs in Ambon City requires a holistic digital strategy that balances the adoption of financial technology and digital marketing.

## CONCLUSION

This study aims to analyze the effects of Social Media Marketing and Financial Technology on MSME performance in Ambon City. The results conclude that both variables have positive and significant effects on MSME performance, indicating that the adoption of digital technologies constitutes a strategic factor in enhancing the competitiveness and sustainability of MSMEs in archipelagic regions. Financial Technology plays a more dominant role in driving performance improvement by increasing transaction efficiency, accelerating cash flow turnover, and enhancing financial management practices. Meanwhile, Social Media Marketing contributes to expanding market reach, improving product visibility, and strengthening relationships with consumers. These findings confirm that the integration of digital financial technology and digital marketing is essential for achieving sustainable improvements in MSME performance in Ambon City.

Based on these findings, it is recommended that MSME owners in Ambon City enhance the utilization of Financial Technology and Social Media Marketing in a more systematic and integrated manner within their business strategies. Local governments and relevant stakeholders are expected to strengthen digital and financial literacy, provide digital marketing training, and support the development of adequate technological infrastructure for MSMEs. Furthermore, future research is encouraged to incorporate additional variables such as financial literacy, consumer behavior, or policy support, as well as to expand the geographical scope of the study in order to obtain a more comprehensive understanding of the factors influencing MSME performance.

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