Social Commerce Adoption in SME’s

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ABSTRACT

Small and medium enterprises (SME’s) has gradually become an economic backbone for several developing country including Indonesia. In several studies, it was assumed that SME’s was a sign of self-sufficiency concept. In the economic strike, SME's could sustain the price of several staple goods that are related to society livelihoods such as food and attire. South Kalimantan Province was well known for its authentic fabric namely sasirangan produced by local SME's spread all around the area. SME's are nowadays are inseparable from IT particularly that related to social media to promote their product. The use of IT infrastructure and platform were usually centered in the large city mainly in the capital of province such as Banjarmasin. As an alternative, the use of social media could be employed to empower SME's at county area. This study was aimed to understand the attitude of county area SME's on the use of social media for commerce purposes. The sample involved in this study was 45 Sasirangan SME’s on 5 off-capital counties at South Kalimantan Province. These works use PLS-SEM due to the nature of research was explore the interaction amongst the variable (exploratory factor analysis). The finding shows that in general, SME's entrepreneur has a great willingness to use their social media for commerce purposes. A further discussion of research finding and research limitation will be further discussed in the end of paper.

Keywords: Social Commerce; SME’s; Social Media; Adoption

1. INTRODUCTION
1.1 Research Background

Small Medium Enterprises (SME’s) has known for decades for their contribution in establishing a self-sufficient based economic system (Sonia & Gianto, 2018). In Indonesia, most of SME's arise from local-based product varies from food to wear products. Those products were repackage considering the today's customer preference, thus where the turnover happened (Salavou, Baltas, & Lioukas, 2004). Sasirangan has become the local fabric produced originated from Banjarese ancestor. The deep philosophy contained start from the production to the pride of wearing it. The Banjarese pride towards Sasirangan was deeply ingrained. Today’s Sasirangan products are not only the traditional Sasirangan fabric but also varies from book-cover to modern t-shirt contain sasirangan motif. The most Sasirangan industry was located in the capital city of Banjarmasin, South Kalimantan Province. These facts were related to the available infrastructure in near Banjarmasin that provide ease of access both for information seeking or transportation necessity (Farida & Zakky, 2017; Sasongko, 2018). Yet, the off-capital industry (sasirangan) still has a great potential to be developed if they are supported by sufficient infrastructure (Gaffar, Singh, & Thomas, 2011). Based on the data by trade service council the population of off-capital sasirangan industry is as follow:
Table 1 Sasirangan SME’s Population

<table>
<thead>
<tr>
<th>No</th>
<th>City/Regency</th>
<th>Micro</th>
<th>Medium</th>
<th>Population</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banjarmasin</td>
<td>49</td>
<td>5</td>
<td>54</td>
<td>55.1%</td>
</tr>
<tr>
<td>2</td>
<td>Martapura</td>
<td>23</td>
<td>0</td>
<td>23</td>
<td>23.5%</td>
</tr>
<tr>
<td>3</td>
<td>Banjarbaru</td>
<td>9</td>
<td>0</td>
<td>9</td>
<td>9.2%</td>
</tr>
<tr>
<td>4</td>
<td>Pelaihari</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>5.1%</td>
</tr>
<tr>
<td>5</td>
<td>Amuntai</td>
<td>7</td>
<td>0</td>
<td>7</td>
<td>7.1%</td>
</tr>
<tr>
<td></td>
<td>Count</td>
<td>93</td>
<td>5</td>
<td>98</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Trade Service Council, 2016

The rise of technology has brought many benefits for any type of enterprise including SME’s. At the early stage, IT infrastructure was a bit pricey for SME’s until the idea of social media arises from its popularity in 2007 (Hajli, 2013). The rise of social media popularity has brought the new ways of doing business by engaging more with people on social networking sites (SNS) platform (Kim & Park, 2013). Social commerce ideas were brought a simpler way of doing electronic commerce and reducing the cost of infrastructure maintenance while increasing the market just on a fingertip. Based on this background this research is trying to investigate the factor that may create the potential adoption of social commerce on off-capital (county) SME’s.

1.2 Research Problem

Based on the argument stated on research background above, this study was aimed to investigates the underlying factor in adopting social commerce on SME’s owner, particularly on Sasirangan SME’s.

1.3 Research Purpose

To better understand the research problem formulated above, this research has several objectives to keep the research problem on the track. The first objective in this study was to investigate the user perception towards social commerce as an alternative of electronic commerce to widely socialize and market their products, and analyzing a factor behind it at the same time. Second objective as to better understand the factor that could mediate the factor in adopting social commerce. In the end, this works will give a recommendation related to the underlying factor in implementing social commerce in SME’s owner as an alternative to high-cost and complicated standalone electronic commerce systems.

2. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

2.1 Intention to Use Social Commerce

Understanding the user intention towards behavior has been used for a long time to understand the antecedent of actual behavior. Digging up the intention towards behavior could create such an understanding of the user preference on a particular behavior. The result may end with revealing factors that affect the intention to use (Hajli, 2014). Understanding the antecedence of intention to use social commerce could create a rich consideration for future decision making on how would be developed. This research is going to find out the greatest factor that may affect the social commerce use on SME’s. The theory was developed by using the framework from a unified theory of acceptance and use of technology. The variables included in this study was the facilitating condition, entrepreneurial expectation, and attitude towards social commerce.
2.2 Facilitating Condition

Facilitating condition has defined as the supporting environment including available systems that consist of hardware such as computer and smart device, internet connection and available platform that supports the use of systems (Laudon & Laudon, 2016). In prior studies, facilitating condition can increase user knowledge about particular issues. The good infrastructure is proven to support the user understanding on social commerce use to support business process particularly that related to customer relationship cheaper alternative (Hamzat & Mabawonku, 2018; Rosyati, Janie, & Nugroho, 2016).

H1: Facilitating Condition have a positive effect on Entrepreneurial Expectation

The increase of users knowledge about social commerce through social media has found it could increase the user perception against social commerce (Li & Ku, 2018). The change of social commerce perception could also change the user attitude on social commerce for the ease of their businesses (Laudon & Laudon, 2012). So it was expected that the change of facilitating condition could increase the user experience with the social media thus changes users attitude towards social commerce (Hamzat & Mabawonku, 2018).

H2: Facilitating Condition have a positive effect on Attitude Towards Social Commerce

Facilitating condition could also affect the user intention to use social commerce. The great infrastructure is able to increase the intention to use social commerce since people social networking are getting wider by removing space barriers (Baloglu, 2000).

H3: Facilitating Condition have a positive effect on Intention to Use Social Commerce

2.3 Entrepreneurial Expectation

The entrepreneurial expectation was developed by using performance expectancy theory borrowed from theories. The performance expectancy was defined as the ones hope of any certain benefit that would happen if they use particular systems (Laudon & Laudon, 2016). The entrepreneurial expectation was defined as the expectation of the SME’s owner on business performance, by using social commerce (Abu, 2016; Abu, Jabar, & Yunus, 2015; Hakim & Nurkamid, 2017).

H4: Entrepreneurial Expectation has a positive effect on attitude towards social commerce.

2.4 Attitude Towards Social Commerce

User attitude on social commerce was defined as the actual user perception on the use of social media for commerce use. User attitude towards social commerce can affect the intention for actual use of social media for commerce purposes. There are several

H5: Attitude towards smart meter have a positive effect on intention to use social commerce

3. RESEARCH METHOD

3.1 Research Design

This research can be categorized as explanatory research due to the reason that this research aims to explain the interaction amongst the proposed variable being researched. The research was done in three months from March to April 2018 in four areas which consist of 44 sample. The research objective was to give an insight of social media framework particularly that related to social commerce in areas in Indonesia. The data used in this study was a primary data collected by using the questionnaire as a research instrument. The questionnaire was developed by using 7 scale
The aim of using semantic differential was to reduce the led-answer by giving a vast area of choices for respondent (Ahmad & Laroche, 2017).

To better understand the operationalization of the proposed construct, table 1 below shows the construct breakdown.

### Table 2 Constructs

<table>
<thead>
<tr>
<th>Construct/ Sources</th>
<th>Code</th>
<th>Item Questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Expectation (Abu, 2016; Abu, Jabar, &amp; Yunus, 2015; Hakim &amp; Nurkamid, 2017)</td>
<td>EE1</td>
<td>Social commerce was easy to understood for business</td>
</tr>
<tr>
<td></td>
<td>EE2</td>
<td>it seems the operationalization of s-commerce is easy for my business on a daily basis</td>
</tr>
<tr>
<td></td>
<td>EE3</td>
<td>it seems the operationalization of social media for commerce implementation is easy to learn and quite enjoyable</td>
</tr>
<tr>
<td>Facilitating Condition (Hakim &amp; Nurkamid, 2017; Khristianto, Kalnadi, &amp; Lestari, 2017)</td>
<td>FC1</td>
<td>I have facilities to run s-commerce (computer, laptop, smartphone, internet access)</td>
</tr>
<tr>
<td></td>
<td>FC2</td>
<td>I know how to operate technology equipment such as computer and smart device (Gadget)</td>
</tr>
<tr>
<td></td>
<td>FC4</td>
<td>If I met difficulties, I could ask everyone since social commerce was a social media based system</td>
</tr>
<tr>
<td>Attitude towards s-commerce (Gaffar, Singh, &amp; Thomas, 2011; Hakim &amp; Nurkamid, 2017)</td>
<td>ATT1</td>
<td>Using S-commerce sounds a great ideas</td>
</tr>
<tr>
<td></td>
<td>ATT2</td>
<td>I think I would use s-commerce</td>
</tr>
<tr>
<td></td>
<td>ATT3</td>
<td>Using s-commerce was a total fun</td>
</tr>
<tr>
<td>Intention to use S-Commerce (Gaffar, Singh, &amp; Thomas, 2011; Thomas, Singh, &amp; Gaffar, 2013)</td>
<td>BI1</td>
<td>I planned to start my own business page soon</td>
</tr>
<tr>
<td></td>
<td>BI2</td>
<td>I planned to use social media frequently to make myself get used to it.</td>
</tr>
<tr>
<td></td>
<td>BI3</td>
<td>I planned to keep using social media as one of my business activity</td>
</tr>
</tbody>
</table>

### 3.2 Population and Sample

This research was aimed to explore the particular Sasirangan SME's in adopting social commerce as an alternative for a complicated and resourceful information system for small business, particularly on county area. Thus the population was Sasirangan SME’s for 100 entrepreneurs all around the province. The sample was drawn by using a purposive sample taken in this research resulting 44 Sasirangan entrepreneur on 4 county area outside the capital city.

### 3.3 Research Framework

Based on the research variables and hypothesis emphasize above the proposed research framework for this study was depicted in Picture 1.
4. RESEARCH RESULT AND ANALYSIS

4.1. Descriptive Analysis

Majority of respondents in this survey have a positive response with the item questionnaire in each construct. This means that they agree that social commerce is perceived as easy and enjoyable technology. They also agree that they already have all facilities/infrastructure like gadget, internet access, laptop to implement social commerce. Therefore, the majority respondents of this research have a positive attitude toward social commerce and planned to use the technology (social media) in their daily business activity.

4.2. Validity and Reliability

In PLS-SEM modeling, there are two types of validity assessment namely discriminant and convergent validity. Convergent validity evaluated by Average Variance Extracted, which the cut-off value was determined for more than 5.00 (Gefen, Straub, Gefen, & Straub, 2005; Jalilvand, Samiei, Dini, & Yaghoubi Manzari, 2012). Based on table 3 above all of the variable was meet the cut-off value. Discriminant validity was evaluated through Fornell-larcker criteria that was evaluated based on square roots of AVE which shows on table 3 by bold-diagonal value. The Fornell-larcker criteria was stated that the square root of AVE should be higher than off-diagonal value on discriminant validity (Hair, Gabriel, & Patel, 2014; Hair, Ringle, & Sarstedt, 2013). Based on the table 3 above the value of diagonal value was larger than the off-diagonal value. Thus the variable has met the cut-off criteria.

Assessing reliability in PLS-SEM was done on construct reliability which evaluated through composite reliability and Cronbach’s alpha (α) which the recommended value for composite reliability was higher than 0.70, and for Cronbach’s alpha was higher than 0.68 (Fornell & Bookstein, 1982; Hair, Ringle, & Sarstedt, 2011; Hair, Gabriel, & Patel, 2014). Based on table 3 above the value of both indicators has met the cut-off value. Thus the model might be further analyzed.
Table 3 Model Evaluation

<table>
<thead>
<tr>
<th>Composite Reliability</th>
<th>AVE</th>
<th>α</th>
<th>Variable</th>
<th>PEOU</th>
<th>PU</th>
<th>ATT</th>
<th>ITB</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.888</td>
<td>0.725</td>
<td>0.81</td>
<td>EE</td>
<td>0.851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.879</td>
<td>0.709</td>
<td>0.792</td>
<td>FC</td>
<td>0.502</td>
<td>0.842</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.840</td>
<td>0.638</td>
<td>0.715</td>
<td>ATT</td>
<td>0.413</td>
<td>0.605</td>
<td>0.798</td>
<td></td>
</tr>
<tr>
<td>0.930</td>
<td>0.815</td>
<td>0.886</td>
<td>ITSC</td>
<td>0.605</td>
<td>0.409</td>
<td>0.461</td>
<td>0.903</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed, 2018

4.3. Research Analysis

There are typically three results in path modeling that arise from direct effect, indirect effect (mediating test) and total effect. Table 4. Below summarize PLS-SEM model assessment output, while Picture 2 illustrate the path model loading and t-test.

Table 4 PLS-SEM Model Assessment

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Direct</th>
<th>Indirect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Path</td>
<td>t</td>
<td>Supported</td>
</tr>
<tr>
<td>FC → EE</td>
<td>0.605</td>
<td>8.278</td>
<td>Yes</td>
</tr>
<tr>
<td>FC → ATT</td>
<td>0.173</td>
<td>1.473</td>
<td>No</td>
</tr>
<tr>
<td>FC → ITSC</td>
<td>0.254</td>
<td>2.575</td>
<td>Yes</td>
</tr>
<tr>
<td>EE → ATT</td>
<td>0.398</td>
<td>3.377</td>
<td>Yes</td>
</tr>
<tr>
<td>EE → ITSC</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ATT → ITSC</td>
<td>0.500</td>
<td>6.328</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed, 2018

Based on Table 4, the finding for direct effect indicates that all hypothesis are positively has a significant effect except for H2 which is the effect of facilitating condition on attitude towards social commerce. Anyway, the largest direct effect was shown by H1 which is the effect of facilitating condition on entrepreneurial expectation. An indirect effect in this study consist of three indirect paths. From table 4 above it was shown that all mediated interaction shows a significant indirect effect. However, the largest effect on indirect effect was shown by facilitating condition on intention to use social commerce. Total effect in this research sums up the indirect and direct effect for the path loading and t-test. From table 4 above it can be concluded that from the whole total effect the largest effect was shown by the effect of facilitating condition on entrepreneurial expectation. The illustration of the hypothesis results both for factor loading and significance test can be seen in Picture 2.
4.4. Research Discussion

The use of social media today was widely expanded for commercial use and thus resulting in a new stream on market and marketing research against the user. The other side of understanding the social media users that are commonly exploring the customer side, the needs on understanding the vendor (producers/seller) is a kind of game changer rationale for business including SME’s. Keep in touch with the techno-update has become an important aspects such as social media. The social media behemoth topics have brought the new streams of commerce as the derivative of electronic commerce namely social commerce (Hajli, 2013). This study was aimed to understand the vendor user’s behavior against the social commerce.

The proposed model was developed by the help of several theories such as theory acceptance model, theory of planned behavior, and unified theory of acceptance and the use of technology for better understanding in analyzing user behavior (Khristianto, Kalnadi, & Lestari, 2017; Rizky, Kusdi, & Yusri, 2017; Zamrudi, Suyadi, & Abdillah, 2017). The proposed model was consist of facilitating condition, entrepreneurial expectation, attitude towards social commerce and intention to use social commerce.

The finding on hypothesis testing above indicates H1, which is the effect of facilitating condition can support the performance expectancy which in this works stated as entrepreneurial expectancy. This finding was currently lack of support, yet the finding on one studies has verified that the use of technology was perceived to enable the business to run better (Devaraj, Krajewski, & Wei, 2007). The finding that summarizes the hypothesis testing above indicates that the only non-significance hypothesis testing was showed by H2 that is the effect of facilitating condition on attitude towards social commerce. Attitude towards social commerce was intended to measure the degree of current social commerce ideas was valued by the SME’s owner. The non-significance results could happen due to lack of motivation and education related to social commerce use, thus the great facilitating condition couldn't stand alone in supporting to use the technology platform (Kim & Park, 2013; Sheikh, Islam, Rana, Hameed, & Saeed, 2017; Wang & Zhang, 2012).
However, one of the factors that affect the user's attitude was the entrepreneurial expectation that measures the intrinsic motivation of using a particular information system (Hakim & Nurkamid, 2017; Samuel, Ernest, & Awuah, 2013). $H_3$ shows that the effect of facilitating condition was positively able to affect the intention to use social commerce. This finding was similar to recent studies that the better infrastructure available around business environment would be able to increase the intention to use particular information systems (Devaraj, Krajewski, & Wei, 2007; Hakim & Nurkamid, 2017). The results of $H_4$ were a high contribution from entrepreneurial expectation to attitude towards social commerce. This finding was supporting current theories that the higher the intrinsic motivation could create a positive attitude (Abu, 2016; Hakim & Nurkamid, 2017). The last direct effect was the $H_5$ that is the effect of attitude towards social commerce on intention to use social commerce. The SME's owner's valuation on current social commerce performance will create a positive intention to use a particular information system. Thus, the higher the valuation of users on social commerce will result in higher intention in using social commerce (Li & Ku, 2018; Thomas, Singh, & Gaffar, 2013).

The indirect effect results, the notable finding was the indirect effect of facilitating condition to attitude towards social commerce mediated by entrepreneurial expectation. The finding sums up that the great technological infrastructure will create such motivation to increase the business performance, thus resulting in greater knowledge about social commerce. The more SME's owner curious and educated in social commerce will create a higher ability to appraise the social commerce, resulting in a positive attitude towards social commerce.

5. RESEARCH CONCLUSION AND LIMITATION

5.1. Conclusion

Social commerce was a new stream in social media and commerce due to the rise of social media popularity in decades. Understanding the user behavior was currently an important aspect to find out most notable topics to define right strategies for enterprises including SME's. This study tries to find out the pattern of social commerce adoption model for SME's. The finding indicates that the higher factor in the proposed model was the effect of facilitating condition on entrepreneurial expectation which means that the better infrastructure available near businesses will make the information search easier resulting in a higher knowledge that can create a high entrepreneurial expectation. The intention to use social commerce was highly affected attitude towards social commerce by SME's owner, which measures the user's ability to evaluate social commerce performance. The finding was supporting the current finding that the better the attitude towards social commerce will result in a higher intention to use social commerce.

5.2. Limitation

After all, this research still has a limitation such as the lack of several theories related to social media and social commerce. The second limitation was the amount of SME owners in the area of Sasirangan on county area. Suggestion for future research was to increase the amount of sample for a better degree of results generalization. An additional variable that wasn't included in this research also able to encourage future research to create better understanding on factors influencing the social commerce adoption.

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