

**THE ROLE OF PRODUCT INNOVATION IN MEDIATING THE INFLUENCE OF
SOCIAL MEDIA MARKETING ON BUSINESS PERFORMANCE
(Study of Silver Crafts MSMEs in Celuk Village)**

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Abstract

The economy in Indonesia continues to experience growth along with advances in information technology and globalization resulting in high competitiveness in various industrial sectors. Large-scale industries and MSMEs are affected by the effects of globalization. One of the MSME sectors that is currently continuing to develop is the crafts sector. The creative economy's most labor-intensive sector, the craft sector helps to boost the earnings of those involved in the creative business. The reason of this observation is to examine how innovation for product influences social media marketing's impact on Silver Craft MSMEs' business performance in Celuk Village. This study was conducted at the Silver Craft MSMEs in Celuk Village, with 117 MSMEs selected using a saturated sampling approach. Data have been accumulated using a method by survey through questionnaire given immediately. The data gathered was subsequently evaluated using path analysis methods. The research results shown that marketing in social media has a good impact in significantly on business performance, social media marketing has a positive and impact in significantly on innovation for product, innovation for product has a good and impact in significantly on business performance, and marketing in social media has an indirect effect on business performance through innovation for product.

Keywords: *Social Media Marketing, Product Innovation, Business Performance*

INTRODUCTION

Based on Statista.com data for the 2018-2027 period, shown that the wide variety of media in social advertising users in Indonesia from 2018 to 2027 increased to 261.7 million. According to these statistics, social media reach in the Indonesian digital advertising market sector is predicted to grow by 17.35 percent between 2023 and 2028, reaching 39.7 million users. After increasing for nine consecutive years, it is estimated to reach 268.48 million users and reach a new peak in 2028. Based on data from the MSME Empowerment

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Report 2022, obtained through the official website stated that 83.8 percent of MSMEs are digitalizing or utilizing technology to support their business operations. With social media use of 40 percent. Therefore, it can be stated that social media is an advertising and marketing tool utilized by most MSME owners to promote their goods.

Social media marketing is among the electronic devices utilized by MSMEs today. The marketing from social media is marketing utilizing platforms of social media to interact with target audiences in order to build a brand, generate sales, and drive website traffic (Harto et al., 2023). Sugito et al., (2022) define social media marketing as a type of advertising that utilizes websites like as Facebook, Twitter, Instagram, WhatsApp, Line, and so on. The marketing in social media is becoming an important communication because it allows consumers and companies to connect with each other about products, services, and brands regardless of time or location constraints (De Zubielqui and Jones, 2023). With social media marketing, it will remove barriers to trade and stimulate increased exports for MSMEs (Sun, 2021). Social media marketing is more efficient and effective for MSMEs compared to traditional marketing (Iankova et al, 2019). This is evident in terms of pace, low price, and extensive geographic reach (Shen et al., 2020). The marketing in social media is the media preferred by companies today due to its ease of use and the time efficiency it offers (Maulani, 2019).

Social media marketing which is currently popular for businesses, namely Instagram is due to the many conveniences offered by businesses through this social media, such as reaching consumers overseas, being more efficient and easier in conveying information (Wuryanta, 2020). Instagram is a social networking site for sharing photographs and videos that were created for mobile usage, intending to allow users to shoot photos on their mobile devices and instantly submit them straight through the Instagram app (Herman, 2014). The Instagram application offers various conveniences and features that will make it easier to market Celuk Village Silver Craft products. Celuk Village Silver Crafts MSMEs use Instagram to market their products to the export market, this is due to the various conveniences provided by the Instagram Application.

Pre-survey concerning the marketing in social media impact on performance o business accomplished on Silver Craft MSMEs in Celuk Village. This was executed using an immediate survey by distributing questionnaires to 20 respondents who were owners of silver MSMEs in Celuk Village. In this case, Celuk Village Silver Crafts MSMEs use the Instagram Application as a instrumen in marketing from social media. The results of the pre-survey on the

impact of Social Media Marketing (SMM) on Business Performance in Silver Craft MSMEs in Celuk Village, Sukawati shown in Table 1.

Table 1. Pre-Survey Research on Silver Craft MSMEs in Celuk Village

| No. | Statement | Respondent's Answer | | |
|-----|---|---------------------|----|-------|
| | | Yes | No | Total |
| 1. | SMM is a sustainable medium for Silver Craft MSMEs. | 12 | 8 | 20 |
| 2. | My company makes it easy to market silver craft products using SMM. | 9 | 11 | 20 |
| 3. | The use of SMM is able to provide marketing sustainability for MSMEs. | 8 | 12 | 20 |
| 4. | The use of SMM can growth MSME income. | 10 | 10 | 20 |
| 5. | SMM is a medium for developing the potential of Celuk Village as a silver center village. | 11 | 9 | 20 |

Source: Processed data, 2023

Table 1 shown that the consequences of a pre-survey conducted on 20 respondents who are owners of Silver Crafts MSMEs in Celuk Village, with a total of five questions shown that the SMM utilized is still less than optimal by owners of Silver Crafts MSMEs in Celuk Village. The phenomenon that occurs shows that Celuk Village silver craft business actors have introduced their items using social media and sell their products. However, there are still many business actors who have not maximized the social media utilized in their digital marketing.

SMM could have a main impact on brand loyalty, sustainability, and commercial performance (Dwivedi, et al., 2021). The SMM strategy for MSMEs with the help of technology shows the great potential that MSMEs can obtain in utilizing social media and technology to increase MSME performance of business (Harto et al., 2023). The success and expansion of MSMEs will be greatly influenced by the implementation of this strategy in facing an increasingly connected digital era. Therefore, it is important to growth the SMM utilized so that the performance of MSMEs can increase.

Based on the pre-survey and interviews that have been conducted as well as the existence of research gaps from previous research, it is necessary to carry out research involving innovation for product as a variable in mediating. The mediating role of innovation for product in relation to the impact of SMM on performance of business is supported by research conducted by De Zubielqui and Jones, (2023) stated that innovation for

product has a major impact on moderating the connection between MSME business performance and SMM. In line with social media marketing, companies can innovate products by releasing new ideas and breakthroughs to develop products and create new products to sell to customers. innovation for product owned by a company can create superior value that can attract customer interest in the products offered there by improving business performance (Saastamoinen et al., 2020).

Product innovation is an attempt made by using business actors to enhance and enhance the excellent of goods made to grow the selling cost and superior price of the product (Ani, 2020). According to Kotler and Bes (2004) there are five types of innovation for product, one of which is design-based totally innovation. design-based total innovation is innovation wherein the product, or packaging, and size offered are the same, but the design or look is modified. The innovation for product capability represents an enterprise's potential to increase, modify, or innovate its product services to satisfy client wishes (Falahat et al., 2020). The more companies innovate their products, the more consumers will be interested in the products they sell which will increase the company's income, so business performance will increase both in financial and non-financial terms.

The product innovation that Celuk Village Silver Crafts is carrying out is by craft forms inspired by Balinese decorative design such as plants and animals. The typical design for Celuk Village silver crafts are the Jejawan, Liman Paya, Buah Gonda, and Bun Jejawan motifs (Srayamurtikanti and Sunarto, 2022). The characteristic design and shapes of silver crafts are characteristics that these craft products are produced in Celuk Village. Celuk Village MSME silver crafts will be an attraction for consumers because of the different distinctive design so that Celuk Village MSME silver crafts will be easy to remember and the first thing consumers think of if they want to buy silver crafts is Celuk Village.

The consequences of research was conducted through Lee et al., (2019) said that innovation for product has a good and significant influence on company performance. Backed by research Rachmasari and Suprpti, (2022) stated that innovation for product has a good and positive influence on performance of business. In related with research done by (Falahat et al., 2020) found that innovation for product has a impact in positive on the business performance of MSMEs exporting. However, the consequences of different research performed by Manahera (2018) observed that innovation for product has a negative impact on MSME performance. Supported through studies conducted through Permana, (2018) observed that innovation for product has an insignificant effect on MSME business performance. According

on the issues and phenomena that have been explained before, as well as the existence of research gaps from different research results, this research must be was conducted with the title "The Innovation for Product role in Mediating Impact of SMM on Business Performance" (Study on Silver Craft MSMEs in Celuk Village).

RESEARCH METHODS

This studies utilized a quantitative method within the shape of associative causal which purpose to decide the connection between the impact on of or more variables (Sugiyono, 2019:65). The data collection method uses a survey approach, namely collecting and assessing respondents from variables using a questionnaire. The questionnaire consists of open questions regarding identity and closed questions containing questions that have been provided which will be measured using a scale of Likert. The instrument was tested before for validity and test for reliability. The data used is based on the population and was sampled using a method of non-probability sampling, using a technique by saturated sampling. The statistics analysis equipment used in this studies are statistical evaluation by descriptive and analysis of inferential statistical, with path evaluation techniques. This research aims to test the independent variable SMM (X) with one dependent variable, namely Business Performance (Y) with a mediating variable, namely innovation for product (Z).

DATA AND DISCUSSION OF RESEARCH RESULTS

Data Analysis Results

Path Analysis Results

Path analysis techniques are used to check information in this research. The analysis of path is a more extension than one analysis of linear regression used to determine the causal hyperlink among two or more variables. The levels in analyzing with analysis of path consists of:

1. Hypotheses Formulates and equations structural

- a. The SMM have impact on innovation for product

Based on the hypothesis that has been prepared, structural equation 1 can be formulated for hypothesis 3 as follows:

$$M = \beta_1 X + e_1$$

- a. The SMM have impact on business performance

- b. The innovation for product have impact on business performance

Structural equation 2 can be formulated for hypotheses 1 and 2 as follows:

$$Y = \beta_2X + \beta_3M + e_2$$

Path coefficient calculations were conducted by SPSS 26 for Windows, results from data processing, path analysis, and equation regression 1 is shown in Table 2.

Table 2. The Analysis of Path Results for Regression Equation 1

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------------------|-------------------------------|-----------------------------|------------|---------------------------|-------|-------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 5,061 | 1,159 | | 4,367 | 0,000 |
| | <i>Social media marketing</i> | 0.550 | 0.058 | 0.661 | 9,441 | 0,000 |
| R ² : 0.437 | | | | | | |
| F statistics:89.129 | | | | | | |
| Sig. F : 0.000 | | | | | | |

Source: Appendix 6 (primary data was processed), 2024

The analysis of path from regression equation 1 produced the following structural equation:

$$M = \beta_1X + e_1$$

$$M = 0.661 X + e_1$$

The coefficient score of path for the direct have impact on of SMM on innovation for product is 0.661, showing that SMM has an effective effect on innovation for product. The R square score of 0.437 demonstrates the importance of the impartial variable's impact on the based variable, indicating that versions in social media marketing influence 43.7 percent of the variation in innovation for product, even as the last 56.3 percent is explained through elements not covered inside the model.

Table 3. The Analysis of Path Results of Regression Equation 2

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------------------|-----------------------------|------------|---------------------------|-------|-------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4,277 | 1,331 | | 3,213 | 0.002 |
| | <i>Social media marketing</i> | 0.359 | 0.083 | 0.366 | 4,345 | 0,000 |
| | <i>innovation for product</i> | 0.519 | 0.099 | 0.442 | 5,235 | 0,000 |

R² : 0.543

F statistic: 67.756

Sig. F : 0.000

Source: (T primary data processed), 2024

Table 3 shown the analysis of path was found for equation of regression 2 as shown in appendix 6, the following equation structural is:

$$Y = \beta_2 X + \beta_3 M + e_2$$

$$Y = 0.366X + 0.442M + e_2$$

Based on this equation, the conclusion that:

- a. The direct coefficient value of social media marketing on enterprise performance becomes 0.366. these effects imply that SMM immediately has a impact in positive to an enterprise's overall performance.
 - b. The direct score of coefficient for innovation for product on business performance turned into 0.442. This result indicates that innovation immediately has a effect in positive to business overall performance. The value of the effect of the variable independently at the structured variable as presented by the entire dedication score (R square) of 0.543 approaches that 54.3 variant in business overall performance percent is motivated through versions in social media marketing and innovation for product, even as the ultimate 45.7 percent is defined by factors. others into the model.
2. Testing the determination coefficient score (R²) and variable was error (e)
Based totally on Structure 1 and Structure 2 models, a final diagram of path model may be prepared. earlier than make the very last diagram model o path, the standard error value is first calculated shown is.

$$Pe_i = 2\sqrt{1-R_i}$$

$$Pe_i = 2\sqrt{1-R_i} = \sqrt{1-0,437} = = 0.750$$

$$Pe_2 = 2\sqrt{1-R_i} = \sqrt{1-0,543} = 0.673$$

The impact of error (Pe₁) was got are 0.750, and the impact of error (Pe₂) was 0.673, as a result of the impact of error (Pe₁) calculations. Following analysis of e₁ and e₂, the following formula is used to get the total coefficient of dedication:

$$\begin{aligned} R^2_m &= 1 - (Pe_1)^2 - (Pe_2)^2 \\ &= 1 - (0.750)^2 - (0.673)^2 \\ &= 1 - 0.562 - 0.452 \\ &= 1 - 0.254 \\ &= 0.746 \end{aligned}$$

The overall dedication score of 0.746 suggests that SMM and innovation for product variables stimulate 74.6 percent of company performance variables, while various factors outside the model's structure define the remaining 25.4%.

3. Calculates path coefficients based on regression coefficients

a. Direct effect

The direct effect occurs if a variable influences another variable without any other mediating variable.

1) The SMM variables (X) impacted on innovation for product (Z):

$$X \longrightarrow Z = 0,661$$

2) The SMM variables (X) impacted on business performance (Y):

$$X \longrightarrow Y = 0,366$$

3) The innovation for product variables (Z) impacted on business performance (Y):

$$Z \longrightarrow Y = 0.442$$

b. Indirect effect

Indirect influence occurs if other variables mediate the relationship between the two variables.

The SMM variables (X) impact on innovation for product (Z) with performance of business (Y) as an intermediary variable:

$$\begin{aligned} X \longrightarrow Z \longrightarrow Y &= (0.661) \times (0.442) \\ &= 0.292 \end{aligned}$$

c. Total effect

To recognize the whole have an impact on, this may be accomplished with the aid of including the direct have an SMM impact on business performance and then generating the direct impact of social media marketing on innovation for product with the direct an effect on innovation for product on business performance. the entire impact of variable X to Y utilized Z may be making formula is:

$$\begin{aligned}\text{Total effect} &= 0.366 + (0.661 \times 0.442) \\ &= 0.658\end{aligned}$$

4. Countpath coefficient simultaneously

The overall test is shown by the ANOVA table. The statistical hypothesis is formulated as follows:

According on the Sig. test was found. F in Tables 2 and 3, which produces Sig.F < 0.05 (0.000 < 0.05) has the have mean, namely SMM and innovation for product have a effect in significantly on business performance. The conclusion is that structural equation modeling has fulfills the goodness of fit requirements through the F test.

5. Calculating path coefficients partially

Test category to give explanation the impact interpretation from all variable consists of:

If Sig.<0.05 so, the results shown Ho is rejected and H1 is accepted.

If Sig. > 0.05 so, the results shown Ho is accepted and H1 is rejected.

a. The influence of SMM on business performance

The hypotheses in the research that will be tested are as follows:

Ho : The SMM does not have a positive and effect in significantly on business performance.

H1 : *Social media marketing* has a good and impact in significantly on business performance.

Primarily according on the statistics processing finding, a chance score in significance is 0.000 became received with a coefficient price of beta of 0.366, through a level in significance of 0.000 < 0.05, so reject for Ho and accepted for H1. these outcomes mean that social media marketing has a positive and impact in significantly on business performance.

b. The influence of the SMM on innovation for product

The hypotheses in the research that will be tested are as follows:

Ho : *Social media marketing* does not have a positive and impact in significantly on innovation for product.

H1 : *Social media marketing* has a positive and impact in significantly on innovation for product.

Primarily according on the outcomes of records finding, a probability of significance score are 0.000 was obtained with a coefficient score of beta in 0.661, through a level of significance at 0.000 < 0.05, so reject for Ho and accepted for H1. those consequences imply that the SMM has a good and impact in significantly on innovation for product.

c. The impact of innovation for product on performance of business

The hypotheses in the research that will be tested are as follows:
 Ho : Innovation for product does not have a good and impact in significantly on business performance.
 H1 : innovation for product has a good and impact in significantly on business performance.

This shown reject for Ho and accepted for H1, mostly because of the results of the records processing, which produced a significant probability score at 0.000 through a coefficient score of beta at 0.442 and a significance level of 0.000 <0.05. These findings indicate that innovation for product has a substantial and beneficial impact on business performance.

6. Summarizing and concluding

Primarily based at the calculations above regarding structural equations, errors calculations, and overall dedication in addition to the effect of variables, it can be concluded that through the path diagram, the position of innovation for product in mediating social media marketing on business performance on this research hypothesis the importance of the impact can be calculated direct and oblique have an effect on and general have an impact on among variables. The impact calculation from variables is summarized as follows:

Table 5. Direct, Indirect and Total Effect Social Media Marketing (X), Product Innovation (Z), and Business Performance (Y)

| Impact of Variables | Direct Effect | Indirect Effect Through Product Innovation (M) $(1 \times 3)\beta\beta$ | Total Effect |
|---------------------|---------------|---|--------------|
| X→Y | 0.366 | 0.292 | 0.658 |
| X→Z | 0.661 | - | 0.661 |
| Z→Y | 0.442 | - | 0.442 |

Source: (primary data processed), 2024

The score for all direct and indirect impact path from variables in all equation of structural that was created using analysis techniques of path are summarized in Table 5. The values in Table 5 have the following meanings:

1. The SMM impact on business performance

The coefficient of path score for the direct impact of the SMM on business performance was 0.366. These results shown that the SMM directly has a good impact on business performance.

2. The SMM impact on innovation for product

The coefficient of path score of the direct the SMM impact on innovation for product was 0.661. These results shown that the SMM directly has a good impact on innovation for product.

3. The innovation impact for product on business performance

The coefficient of path score for the direct impact of innovation for product on business performance was 0.442. These results shown that innovation for product directly has a positive impact on business performance.

4. The role of innovation for product in mediating the impact of social media marketing on performance of business

The coefficient of path score for the indirect impact of innovation for product in mediating the SMM impact on innovation for product was 0.292. These results shown that the SMM has an indirect impact on performance of business through innovation for product.

Classic Assumption Test Results

The test of classical assumption is accomplished to make sure that the findings of the regression analysis shape the essential assumptions. The normality, multicollinearity, and heteroscedasticity tests take a look at the consequences of the classical assumption assessments used in this examination. The subsequent are the findings of test of classical assumption, which were processed using the SPSS 26 for Windows application:

1) **Normality test**

The test of in research was conducted by testing the normality of the residuals by the statistical test of Kolmogorov-Smirnov. Data is considered distributed in normal if the coefficient Asymp. Sig is bigger than $\alpha = 0.05$. The following normality test outcomes are explained below:

Table 6. Results of Structure Normality Test 1

| | <i>Unstandardized Residuals</i> |
|----------------------|---------------------------------|
| N | 117 |
| Asymp.Sig.(2-tailed) | 0.071 |

Source: Primary data processed, 2024

The value of Asymp. Sig. (2-tailed) is 0.071 according to Table 6. Given that the alpha value of 0.05 is less than the asymptotic significance (2-tailed), the regression equation model is considered to be distributed in normal.

Table 7. Results of Structure Normality Test 2

| | <i>Unstandardized Residuals</i> |
|----------------------|---------------------------------|
| N | 117 |
| Asymp.Sig.(2-tailed) | 0.200 |

Source: Primary data processed, 2024 (Appendix 7)

Based on Table 7, the Asymp. Sig. (2-tailed) score is 0.200. The two-tailed asymptotic significance score exceeds the alpha threshold of 0.05, indicating that the regression equation model is normally distributed.

2) Multicollinearity Test

The variance inflation factor (VIF) score and tolerance are used to assess whether multicollinearity exists or not. Multicollinearity does not exist if the tolerance value is higher than 10% or the VIF is lower than ten. The finding multicollinearity test shown in Table 8.

Table 8. Multicollinearity Test Results

| Variable | Tolerance | VIF |
|-----------------------------------|------------------|------------|
| <i>Social media marketing (X)</i> | 0.563 | 1,775 |
| <i>innovation for product (Z)</i> | 0.563 | 1,775 |

Source: Primary data processed, 2024

Table 8 indicates that the tolerance and VIF values for the product variables related to social media marketing and innovation are bigger than 0.10 for each variable, and the VIF score is under than 10, indicating the multicollinearity absence in the equation model of regression.

3) Heteroscedasticity Test

Heteroscedasticity can be detected or ruled out using the Glejser test, which regresses the absolute score on the variable independently. When the significant score exceeds 0.05, it signifies the absence of heteroscedasticity. If the score of significance is more than 0.05, the data does not show signs of heteroscedasticity. The findings of the heteroscedasticity test are described below:

Table 9 Results of Structure Heteroscedasticity Test 1

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------------------|-----------------------------|------------|---------------------------|-------|-------|
| | B | Std. Error | Beta | | |
| (Constant) | 2,116 | 0.684 | | 3,093 | 0.002 |
| 1 Social Media Marketing | -0.009 | 0.034 | -0.024 | 0.254 | 0.800 |

Source: Primary data processed, 2024

Table 9 shown that the social media marketing variable has a score of significance are 0.800. Since the scor is higher than 0.05, it may be the conclusion that the independent variables have no effect on the absolute residual. in order to ensure that the model generated lacks heteroscedasticity symptoms.

Table 10. Results of Structure Heteroscedasticity Test 2

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------------------|-----------------------------|------------|---------------------------|--------|-------|
| | B | Std. Error | Beta | | |
| (Constant) | 3,313 | 0.803 | | 4,129 | 0,000 |
| 1 Social Media Marketing | 0.004 | 0.050 | 0.011 | 0.099 | 0.932 |
| innovation for product | -0.087 | 0.060 | -0.179 | -1,459 | 0.147 |

Source: Primary data processed, 2024

Table 10 shown that the product variable's innovation is 0.147 and the social media marketing variable's significant value is 0.932. Since the value is higher than 0.05, it may be concluded that the variables independently have

no effect on the absolute residual. in order to ensure that the model generated lacks heteroscedasticity symptoms.

Sobel Test

The test of Sobel is a methodical approach to assessing the importance of the mediator-mediated indirect correlation from the independent and dependent variables. The following equation represents the Sobel test. The variable of mediator is considered to strongly mediate the correlation from the variables dependently and independently if the Z calculation result is more than 1.96 (assuming a 95 percent innovation for product level).

1. Hypothesis formulation

Ho : innovation for product is unable to mediate the SMM impact on performance of business.

H1: innovation for product is able to mediate the SMM impact on business performance

2. Test criteria

CriteriaThe tests used are as follows:

- If Z count ≤ 1.96 so the results accept for Ho, meaning innovation for product is not a variable of mediating.
- If Z count > 1.96 so the results reject for Ho, meaning innovation for product variable of is mediating.

3. Calculation of mediating variables uses test statistics.

The test of Sobel is calculated through the formula below:

$$Z = \frac{ab}{\sqrt{b^2 S_a^2 + a^2 S_b^2 + S_a^2 S_b^2}}$$

Information:

$$a = 0.550$$

$$sa = 0.058$$

$$b = 0.519$$

$$sb = 0.099$$

$$Z = \frac{0,550. 0,519}{\sqrt{0,519^2 0,058^2 + 0,550^2 0,099^2 + 0,058^2 0,099^2}}$$

$$Z = \frac{0,285}{0,062}$$

$$Z = 4.596$$

The calculated Z score is $4.596 > 1.96$, the mean is the innovation for product is a variable of mediates the SMM impact on the performance of business at Silver Craft MSMEs in Celuk Village.

VAF Test

The direct effect was determined to be significant (a) when the innovation for product variable (Z) was excluded from the model, which is one of the criteria that the results of the mediation testing using the VAF technique in this study met. Second, it was discovered that the indirect effect (bxc) was also significant after the innovation for the product variable (Z) was added to the model. The paths b and c are also important. Third, use the formula to determine the Variance Accounted For (VAF):

$$VAF = \frac{\text{Indirect effect}}{\text{Direct effect} + \text{Indirect effect}}$$

$$\begin{aligned} VAF &= (0.661 \times 0.442) / (0.366 + 0.661 \times 0.442) \\ &= 0.292 / 0.658 \\ &= 0.443 \text{ or } 44.3 \text{ percent.} \end{aligned}$$

Because the VAF score (44.3 percent) is bigger than 20 percent, so the explanation is a partial mediation effect. Next, the hypothesis states that innovation for product partially mediates the impact of the SMM impact on business performance.

Discussion of the impact of Each Research Variable

Based on the research results that has been done regarding the impact of social media marketing on performance of business with innovation for product as a mediating variable in Silver Craft MSMEs in Celuk Village, it can be concluded that the results obtained in this research are as follows.

The impact of Social Media Marketing on Business Performance in Silver Craft MSMEs in Celuk Village

Based on the analysis results, it shows that the SMM has a good and impact in significantly on business performance. This shows that the better social media marketing implemented by the Celuk Village Silver Crafts MSMEs will improve the MSMEs' performance of business. In this research, it was got that the business performance of the Silver Crafts MSMEs in Celuk Village was based on social media marketing. These results are shown through respondents' answers which illustrate that the Silver Crafts MSMEs in Celuk Village have made good use of the SMM in product marketing activities. The increasing role of technology makes social media, especially Instagram, a significant factor in improving the performance of MSMEs. The community-based target market makes marketing using social media marketing more efficient than using other marketing channels. In this case, Celuk Village Silver Crafts has created content through social media, has created content

containing product information for consumers, social media as a place to communicate with customers, social media as a place to bring together consumers who have the same interests, and social media as a place collaborate with partners.

The research results are in line with research Chatterjee and Kar, (2020) which found that social media marketing has a positive and impact in significantly on the MSMEs in India performance. Supported by research done by Dodokh and Al-Maaitah, (2019) found that the use of social media has a good effect on b performance of usiness in the Jordanian Dead Sea cosmetics sector. In related with research was done by Susanto et al., (2023) which suggests that the social media used has a good impact to the MSMEs performance. Based on the research results was done by Rashid et al., (2019), Sun and Liu (2021) stated that the SMM has a positive effect on company performance.

The impact of Social Media Marketing on innovation for product among Silver Craft MSMEs in Celuk Village

Based on the analysis results, it shows that the SMM has a good and impact in significantly on innovation for product. This means, the better the social media marketing implemented by the Celuk Village Silver Crafts MSMEs will increase the MSMEs' innovation for product. The innovation for product is a way made by business actors to improve and increase the quality of products made to increase the selling value and superior value of the product. Innovation in a product has the potential to increase the score of a company in the eyes of consumers and innovation in a product is the key to a company's success in surviving the intense competition between businesses. Therefore, Celuk Village Silver Craft MSMEs are expected to continue to implement social media marketing in marketing activities for MSME products so that by maintaining the stability of the implementation of social media marketing they can assist companies in developing innovation for product and creating new products.

The research results are in relevan with research De Zubielqui and Jones, (2020) found that social media impact s company innovation, including innovation for product. This is supported by Muninger et al., (2019) was got that the social media used has a good effect on company innovation. In line with research conducted by Borah et al., (2022) found that social media platforms have a positive effect on innovation for product. Social media to promote brands will help companies develop innovative product services. Based on research conducted by Cheng and Shiu (2018), it was found that social media has a positive effect on innovation for product.

The impact of innovation for product on Business Performance in Silver Craft MSMEs in Celuk Village

The hypothesis testing results in shown that innovation for product has a positive and impact in significantly on business performance. So the conclusion that the bigger than innovation for product, the higher the business performance of Silver Crafts MSMEs in Celuk Village. To realize company goals and objectives, it is important for MSMEs to carry out innovation in their business. innovation for product is an crucial factor in improving the performance of MSMEs. innovation for product can encourage companies to develop, compete and meet customer needs. Innovation is regarded as a crucial tool for increasing competitiveness and surviving in the global economic environment. So, the better the innovation for product produced by a business, the better the business performance of that business.

The research results are in relevan with research Rachmasari and Suprapti, (2022) who found that innovation for product has a good and impact in significantly on the business coffee shop SMEs performance in Denpasar City. Falahat et al., (2020) found that innovation for product has a positive effect on the business performance of Malaysian MSMEs in exporting. Supported by research conducted Carmona-Lavado et al., (2020) which states that innovation for product impact business performance in B2B companies in Spain.

The Role of innovation for product in Mediating the Impact of Social Media Marketing on Business Performance in Silver Craft MSMEs in Celuk Village

The hypothesis testing results in shown that innovation for product is easy to mediate the SMM impact on business performance, in another definition, the SMM has an indirect effect on business performance with innovation for product. With existssocial media marketing the good ones will increase innovation for product, so that it will improve the performance of business at Silver Craft MSMEs in Celuk Village.

These results are in line with the theory used in this research, namely resources based theory which explains that company performance will be optimal if the company can utilize abilities and skills that are useful within the company as a competitive advantage for the company. In this case, the skills possessed by Celuk Village Silver Craft MSMEs are the SMM used and the ability to innovate silver products. So, with the abilities and skills they have, the Silver Crafts MSMEs in Celuk Village can compete and improve their company's performance. From the respondents' answers, it is known that the business performance achieved by the Silver Crafts MSMEs in Celuk Village

cannot be separated from implementation *social media marketing* by MSMEs in the midst of current developments in Science and Technology so that it really helps MSMEs in marketing products to the target market they want to reach. Next, after utilizing social media marketing will help MSMEs in developing and creating innovative products. Silver Craft MSMEs in Celuk Village will express their ideas in the form of creating new products and continuously update and innovate these products to maintain the MSME business performance.

The research results is relevan with the research was conducted by Borah et al., (2022) on SMEs from the construction, manufacturing, service and high technology sectors in Jiangsu Province, China using the SEM-PLS (Partial Least Square) data analysis technique shows that using social media in promoting brands will help companies develop innovative products. Apart from creating new products, social media will help companies improve the sustainable performance of MSMEs. Similar research results were also was conducted on De Zubielqui and Jones, (2023) stated that social media marketing supports B2B MSMEs in Australia in interacting and collaborating efficiently with customers with a fast and effective communication model resulting in increased innovation for product. The similarity of the findings with previous research proves that differences in the areas studied and different research objects can produce the same research results. So, this model can be generalized if used in product or service industries related to digital marketing activities and innovation for product.

Based on the results of this research, innovation for product partially mediates the SMM impact on performance of business. Partial mediation occurs if after entering the variable of mediating, the impact of the independent variable on the dependent variable which was previously significant (before entering the mediating variable) remains significant after entering the mediating variable into the regression equation model. In this research, the innovation for product variable is stated as a partial mediating variable proven in the VAF Test which was conducted previously. The VAF test results are 44.3 percent, which is more than 20 percent, so it can be stated that innovation for product partially mediates (partial mediation) the SMM impact on business performance.

CONCLUSION

Based on the research results and discussion that has been was conducted, the conclusion consists of:

1. The SMM has a positive and impact in significantly on performance of business in Silver Craft MSMEsinCeluk Village. These results are meaningfulThe better the social media marketing implemented by Silver Crafts MSMEs in Celuk Village, the better the business performance of Silver Crafts MSMEs in Celuk Village..
2. The SMM has a positive and impact in significantly on innovation for product in silver craft MSMEsinCeluk Village. These results are meaningfulThe better the social media marketing implemented by Silver Crafts MSMEs in Celuk Village, the greater the innovation for product of Silver Crafts MSMEs in Celuk Village..
3. Product innovation has a positive and impact in significantly on business performance in Silver Craft MSMEsinCeluk Village. These results are meaningfulThe higher the innovation for product was conducted by Silver Crafts MSMEs in Celuk Village, the greater the business performance of Silver Crafts MSMEs in Celuk Village.
4. Product innovation is able to mediate the impact of social media marketing on business performanceat Silver Crafts MSMEs in Celuk Village, ameaning, The bigger the level of social media marketing, the greater the innovation for product, which will also improve the performance of business at silver craft MSMEs in Celuk Village.

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