Social Media Adoption, Halal Orientation, and Government Policy: Impacts on Business Performance of Food and Beverage SMEs in Indonesia

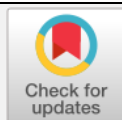**Franky Okto Bernando [1,*]** , **and Erick Lauren Ray [2,]**

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ABSTRACT

This study investigates the influence of social media adoption and halal orientation on the business performance of micro, small, and medium enterprises (MSMEs) in Indonesia's food and beverage (F&B) sector. It also examines the moderating role of government policy in the relationship between halal orientation and business performance. Previous studies have emphasised the strategic importance of social media in enhancing MSME competitiveness, especially amid increasing digitalisation in Indonesia. Data were collected from 372 MSMEs in Jakarta, Indonesia, using purposive sampling based on the Krejcie and Morgan sample size guidelines. Partial least squares structural equation modeling (PLS-SEM) was employed to analyze the data. The results show that government policy significantly moderates the positive effect of halal orientation on business performance, highlighting the critical role of institutional support. This study addresses a gap in the literature concerning the interaction between religious value alignment, digital tool adoption, and external policy support. Nevertheless, the findings are context-specific and may not be generalizable beyond Jakarta. Future research should refine construct measurements related to social media adoption, entrepreneurial orientation, and government support using validated reflective indicators to enhance reliability and broader applicability.

1. Introduction

Micro, small, and medium enterprises (MSMEs) in the food and beverage (F&B) sector play a critical role in Indonesia's national economy. According to Harianto, Director General of Agro-Industry at the Ministry of Industry, the F&B industry is considered a strategic sector that significantly contributes to the country's economic growth. In 2023, the F&B sector accounted for 39.10% of the non-oil and gas industrial Gross Domestic Product (GDP) and contributed 6.55% to the national GDP through the industrial transformation program 4.0 (ANTARA, 2024). Supporting this growth, the expansion of Indonesia's F&B sector is primarily driven by the proliferation of MSMEs, with the food industry ranked as the largest MSME subsector, comprising 1.51 million business units (Katadata Insight Center, 2022a).

This rapid development is closely linked to the strategic adaptability of food SMEs, especially amidst the volatility of the post-pandemic economy. Since the COVID-19 crisis, the business environment has been marked by continuous disruption, compelling SMEs to adopt digital tools such as social media to sustain and expand their market presence (Dirgiatmo et al., 2019). A study by East Ventures reported that 12 million SMEs in Indonesia have adopted social media, which has doubled from the previous year. Their 2023 Digital Competitiveness Index identified Jakarta as the region with the highest rate of digital adoption nationally (East Ventures, 2023). This assessment evaluated nine key pillars, including human capital, ICT utilization, economic conditions, entrepreneurship, infrastructure, employment, financial access, and the capacity of local government regulations (DinarStandard, 2023). The widespread adoption of digital technologies aligns with innovation diffusion theory, which explains how the acceptance of new technologies spreads across societies (Jamshidi & Kazemi, 2019).

Despite growing numbers, the overall social media adoption rate among SMEs remains relatively low, particularly concerning its use for core business operations. Within the framework of innovation diffusion, the adoption of social media can be understood as a marketing innovation shaped by perceived advantages. Various studies have shown that social media positively influences marketing performance by enhancing visibility, customer engagement, and information dissemination (Alkhateeb & Abdalla, 2021; Dirgiatmo et al., 2019; Macharia & Namusonge, 2021; Marolt et al., 2022; Tajudeen et al., 2018; Tajvidi & Karami, 2021; Yasa et al., 2020).

In parallel, halal orientation has become an important strategic consideration for entrepreneurs targeting Muslim consumer markets. Consumer spending on halal food products in Indonesia reached USD 144 billion in 2020, second only to Malaysia, and is projected to grow by 3.1% to USD 1.38 trillion in 2024 (Zailani et al., 2020). Nonetheless, Indonesia's level of halal product consumption remains lower than that of neighboring countries such as Malaysia and Singapore. With increasing access to digital media, SMEs are now better positioned to communicate the halal integrity of their products to consumers, thereby fostering trust and long-term business relationships (Bowen et al., 2021). However, empirical findings on the impact of social media adoption on SME performance remain inconclusive. While some studies report positive outcomes, others suggest negligible or indirect effects (Ahmad et al., 2019; Moy et al., 2020).

To address these inconsistencies, this study investigates the mediating role of halal orientation and the moderating influence of government support policies in the relationship between social media adoption and SME performance in the F&B sector. Including these variables aims to provide a more comprehensive explanation for the divergent findings in the existing literature.

Halal orientation is positioned as a mediating variable based on studies indicating that social media enhances business performance (M. S. Khan et al., 2020). However, Zailani et al. found that halal orientation alone did not significantly improve financial outcomes in the context of SMEs in Yogyakarta, Solo, and Semarang (Zailani et al., 2020). In contrast, Ab Talib et al. highlighted the strategic role of halal-oriented supply chains, emphasizing the relevance of social media in communicating halal product value (Ab Talib et al., 2017). Furthermore, entrepreneurial marketing strategies could drive substantial performance improvements when supported by digital platforms (Rafiana et al., 2021).

This study also evaluates the role of government support policies in strengthening the relationship between halal orientation and business performance. Such policies may enhance the impact of halal strategies by providing institutional resources and regulatory support (Zaato et al., 2022). In this context, social media adoption is a key antecedent of business performance by enabling access to information, fostering communication, and facilitating collaborative networks. Integrating diverse content, such as videos, customer reviews, and product visuals, further empowers SMEs to engage broader audiences and improve performance outcomes (Soni et al., 2021).

2. Literature Review

The use of social media has been shown to positively affect both financial performance, such as increased sales volume, market share, and profits, and non-financial performance, including stronger customer relationships, enhanced brand visibility, and improved product reputation (Ali Qalati et al., 2020). Integrating social media into marketing activities enables SMEs to build long-term relationships, reduce operational costs, and access relevant market information more efficiently (Okadiani et al., 2019; Sumarlinah et al., 2022; Tajudeen et al., 2018; Vrontis et al., 2022). As a digital infrastructure, social media plays a central role in raising consumer awareness, promoting brands, and strengthening customer engagement cost-effectively. It also facilitates interaction and feedback between SMEs and their customers (Luthen & Soelaiman, 2022). These findings align with studies conducted in Bali, where social media adoption significantly contributed to improved SME performance (Yasa et al., 2020). Several indicators positively impact market share, sales processes, customer inquiries, and total revenue (Alkhateeb & Abdalla, 2021).

H1: Adoption of social media has a positive effect on SME business performance.

Zailani et al. define Halal orientation as a strategic approach through which businesses incorporate halal principles into their objectives, policies, and operational procedures (Zailani et al., 2020). When consistently applied, halal orientation ensures that products meet established standards, enhancing competitiveness and organizational performance.

Several studies have explored halal-related consumption and marketing behavior. For example, Halal knowledge and religious awareness influence consumer behavior, mediated by attitude (DinarStandard, 2023). In Malaysia, Zailani et al. demonstrated that halal awareness, certification, and promotional strategies positively influenced non-Muslim consumers' intention to purchase halal products, although food quality had a negative correlation (Zailani et al., 2020). In the Indonesian context, Amalia et al. found that intention and habitual behavior drive halal food purchasing decisions among the younger generation (Amalia et al., 2020).

The influence of halal orientation also extends into the tourism sector. Battour and Ismail defined halal tourism as providing services and facilities that comply with Islamic principles

(Battour & Ismail, 2016). They identified the availability of halal food and Muslim-friendly accommodations as foundational components. Jaelani argued that halal tourism significantly contributes to Indonesia's economic growth and should be integrated into national tourism strategies to position the country as a global leader in halal tourism (Jaelani, 2017). In both Malaysia and non-Muslim majority countries such as Japan, governments and businesses have begun developing infrastructure to meet the needs of Muslim travelers. These include clear halal policies, supply chain logistics, resource management, and performance monitoring. Khan et al. emphasized the need for standardized halal supply chain management (M. I. Khan et al., 2018), and Ab Talib et al. identified several success factors, including government support, certification systems, traceability, and logistics coordination (Ab Talib et al., 2017).

H2: Adoption of social media has a positive effect on halal orientation.
H3: Halal orientation positively affects the business performance of SMEs in the F&B sector.

While many studies in Indonesia focus on halal tourism and its cultural implications (Jaelani, 2017; Musthofa et al., 2023; Sholehuddin et al., 2021), few examine the link between halal culture and business performance. Culture shapes societal norms and organizational behavior, making it relevant to consumers and firms. Zailani et al. investigated halal orientation and financial performance in Malaysian firms, finding that elements such as halal ingredients, storage, and transportation positively influenced financial outcomes (Zailani et al., 2020). Moreover, halal culture was shown to moderate the relationship between production practices and business performance. Given the limited research on this topic in Indonesia, the present study explores how halal orientation contributes to SME performance in the F&B sector.

H4: Halal orientation mediates the influence of social media adoption on SME business performance.

In addition to internal factors like halal orientation, external support also plays a critical role in business success. Government policies that encourage digital adoption and provide institutional support can strengthen the impact of halal orientation on performance (Sophonthummapharn, 2009). Previous studies have shown that the effectiveness of halal orientation is amplified when accompanied by government assistance in areas such as financing, infrastructure, training, and certification (Nguyen et al., 2018; Zaato et al., 2020). Enterprises with greater risk-taking capacity, innovation, and initiative are better positioned to leverage these opportunities. Government support thus enables SMEs to navigate market challenges and seize emerging prospects.

Khan et al. similarly emphasized the importance of policy frameworks and halal benchmarks in improving supply chain adoption (M. S. Khan et al., 2020). Ab Talib et al. reinforced this by highlighting the role of supportive regulation, logistics planning, and certification processes in ensuring supply chain effectiveness (Ab Talib et al., 2017). These findings support the inclusion of government support as a moderating variable in this study.

H5: Government support policies moderate the influence of halal orientation on the performance of food and beverage MSMEs.
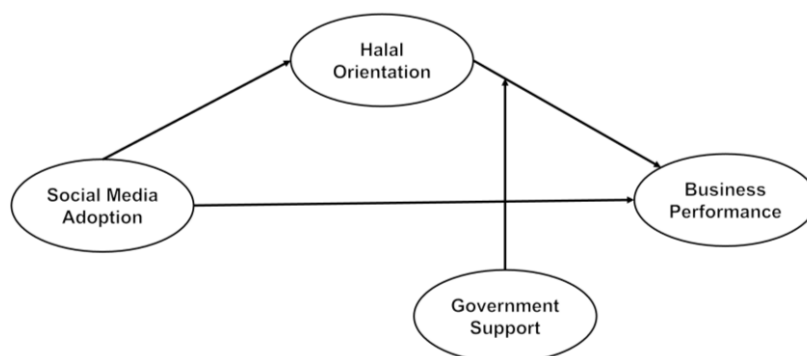
Figure 1. Research Framework

3. Research Methodology

This study applies a quantitative approach using a structured survey method. According to Yuliani, 11,587 halal-certified food and beverage (F&B) MSMEs in Jakarta have adopted social media in their business operations (Yuliani, 2024). The minimum required sample size was determined using the Krejcie and Morgan sample size table (Qhaireenizzati, 2017). For a population between 10,000 and 15,000, a minimum of 372 respondents is considered adequate for statistical analysis. This research focuses specifically on the Jakarta area, which reports the highest level of digital adoption among Indonesian provinces (Katadata Insight Center, 2022b).

Primary data were collected through an online questionnaire distributed via Google Forms between July and December 2023. The sampling technique was purposive sampling, chosen for its practicality in accessing and engaging eligible respondents. SME owners, typically responsible for managing production and marketing activities, were selected as the primary respondents. Their insights are essential for assessing halal product orientation, the extent of social media usage, perceived government support, and overall business performance.

Participants were asked to provide their perspectives on social media to engage with various stakeholders, including customers, suppliers, retailers, and other business partners. They also evaluated their level of focus on halal product compliance, the effectiveness of government support, and their enterprise's commercial outcomes.

The measurement instruments were adapted from previously validated studies (Alkhateeb & Abdalla, 2021; Fan et al., 2021; Kiyabo & Isaga, 2020; Sophonthummapharn, 2009; Tajudeen et al., 2018; Zaato et al., 2022). Residual value diagnostics were used to assess data normality before analysis.

The analytical framework employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS software version 3.2.9. A complete collinearity assessment was conducted to address the risk of standard method bias (Kock & Hadaya, 2018).

4. Results and Discussion

According to **Table 1**, most participating SMEs operate within the food and beverage (F&B) sector. In promoting their products through online channels, most of them rely on a single social media platform, namely WhatsApp. In addition, respondents commonly use Facebook and Instagram for marketing and engagement purposes.

Table 1. Respondent Characteristics

Classification of SMEs	Information	Frequency	Percentage (%)
Types of Products	Food	204	54.84

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Classification of SMEs	Information	Frequency	Percentage (%)
	Drink	168	45.16
Established	<1 Year	11	2.96
	1 Year	38	10.22
	2 Years	44	11.83
	3 Years	47	12.63
	4 Years	88	23.66
	5 Years	68	18.28
	>5 Years	76	20.43
Location of SMEs	West Jakarta	121	32.53
	East Jakarta	82	22.04
	Central Jakarta	47	12.63
	South Jakarta	74	19.89
	North Jakarta	48	12.90

PLS-SEM does not require the data to follow a normal distribution (Sarstedt et al., 2022). However, the absence of normality in the data may introduce bias in the results of multivariate analysis. Convergent validity is assessed by examining the factor loadings of each indicator relative to its corresponding construct. In confirmatory research, a factor loading of 0.70 or higher is generally considered acceptable. **Figure 2** presents the results obtained from the PLS-SEM algorithm, which support the model's convergent validity. The estimation results indicate that all indicators have factor loadings exceeding 0.50. Therefore, the measurement items are considered appropriate for the study and sufficiently reliable in representing their respective constructs.
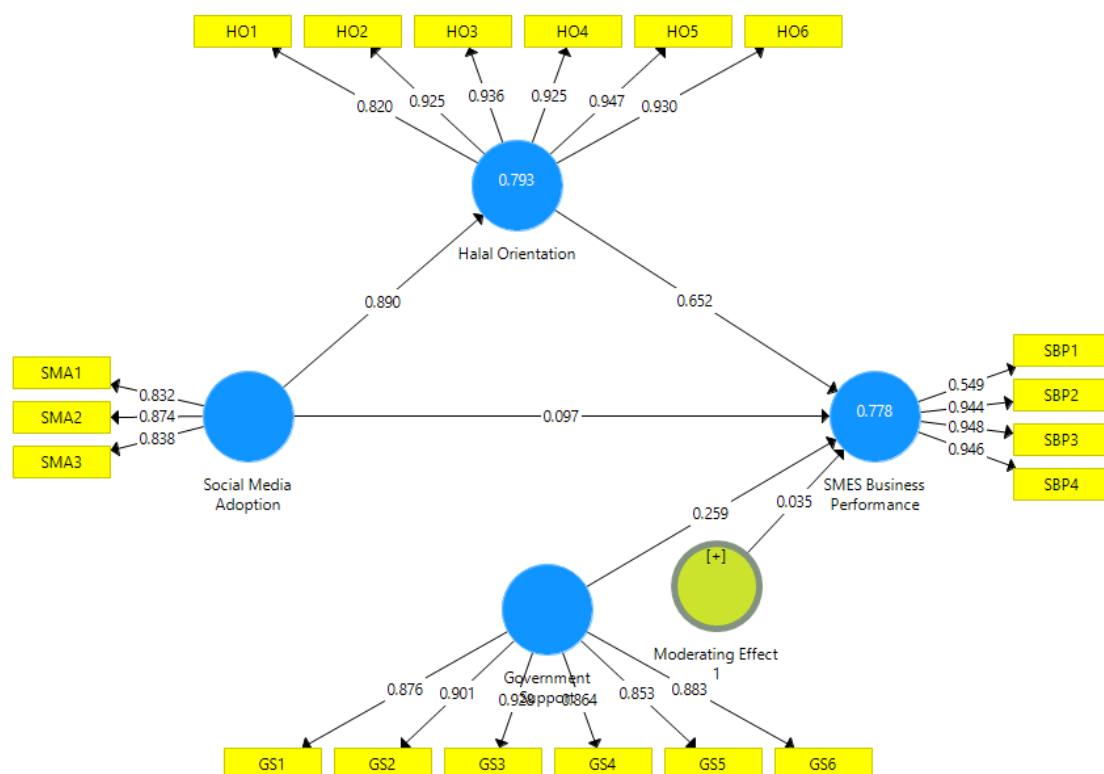

Figure 2. Outer Model Analysis

Table 2. Collinearity Test

Variables	VIF
Social Media Adoption	1.066
Halal Orientation	1.045
Government Support	1.826
SME Business Performance	1.000

The collinearity test results (**Table 2**) show that all Variance Inflation Factor (VIF) values fall below the critical threshold of 3.3, indicating no significant multicollinearity and confirming that common method bias is not a concern (Kock & Hadaya, 2018).

Table 3. Reliability and Validity

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Government Support	0.944	0.948	0.956	0.782
Halal Orientation	0.961	0.962	0.968	0.837
Moderating Effect	1.000	1.000	1.000	1.000
Business Performance	0.873	0.924	0.919	0.746
Social Media Adoption	0.806	0.816	0.885	0.719

The evaluation of the measurement model (outer model) involves several criteria to assess how well the constructs are represented by their respective indicators. According to Sarstedt et al., the factor loadings, Cronbach's alpha, and composite reliability (CR) are expected to exceed 0.70, while the average variance extracted (AVE) should be greater than 0.50 (Sarstedt et al., 2022). **Table 3** reports the values for factor loadings, Cronbach's alpha (α), CR, and AVE.

As shown in **Table 3**, all indicators have factor loadings of at least 0.70. However, two constructs have Cronbach's alpha values slightly below the 0.70 threshold. Based on the guidelines, a Cronbach's alpha of 0.60 is still acceptable, provided that the CR and AVE values meet the minimum reliability standards (Chin & Newsted, 1998; Ghozali, 2018). These results suggest that all constructs demonstrate adequate convergent validity and reliability.

Table 4. Discriminant Validity

	Government Support	Halal Orientation	Moderating Effect 1	SMEs Business Performance	Social Media Adoption
Government Support					
Halal Orientation	0.829				
Moderating Effect 1	0.742	0.752			
SMEs Business Performance	0.771	0.832	0.744		
Social Media Adoption	0.827	0.805	0.786	0.839	

Table 4 presents the results of the discriminant validity test using the Heterotrait-Monotrait Ratio of Correlations (HTMT) method. This approach was adopted due to concerns that the commonly used Fornell–Larcker criterion may be ineffective under certain conditions, potentially leading to incorrect conclusions regarding discriminant validity (Shmueli et al., 2019). The acceptable HTMT threshold values are 0.90 for conceptually similar constructs and 0.85 for conceptually distinct constructs (Sarstedt et al., 2022).

The results indicate that all HTMT values fall below the 0.90 threshold, confirming that each construct demonstrates adequate discriminant validity and is empirically distinct.

The evaluation of the structural (inner) model includes predictive relevance analysis (Q^2) and an assessment of path coefficients and their significance. The blindfolding procedure yields Q^2 values of 0.141 for Halal Orientation and 0.400 for SME Business Performance. A Q^2 value greater than zero indicates that the model has predictive relevance.

The coefficient of determination (R^2) is 0.242 for Halal Orientation—indicating a weak explanatory power—and 0.557 for SME Business Performance—indicating a substantial level of explained variance.

Predictive power is further evaluated using the Q^2_predict metric, which must exceed zero before assessing the distribution of residuals generated by the PLS-SEM algorithm (Shmueli et al., 2019). For models with symmetric residual distributions, Root Mean Square Error (RMSE) is used; Mean Absolute Error (MAE) is used as a secondary reference. Since this study found skewness and kurtosis values within the acceptable ±2 range, RMSE is the primary metric.

The predictive power of the PLS-SEM model is interpreted by comparing its RMSE values with those from a benchmark linear model (LM). If the PLS model yields lower RMSE values than the LM across all indicators, it is said to have high predictive power. The model has moderate predictive power if PLS produces lower RMSE values for most indicators or the same number as LM. A model is considered to have low predictive power if it outperforms the LM on only a few indicators. If the PLS model performs worse than the LM across all indicators, the model is said to have no predictive power (Shmueli et al., 2019).

Table 5. PLS Predict Results

Indicator	RMSE	MAE
HO1	0.681	0.533
HO5	0.571	0.444
HO3	0.532	0.406
HO2	0.541	0.402
HO6	0.516	0.394
HO4	0.572	0.437
SBP1	0.537	0.893
SBP2	0.667	0.513
SBP3	0.576	0.446
SBP4	0.597	0.459

Table 5 shows that 5 out of 10 indicators have lower RMSE values in the PLS-SEM model than the linear model (LM). According to Shmueli et al., the model possesses moderate predictive power (Shmueli et al., 2019). The hypotheses were tested using a bootstrapping procedure with 10,000 resamples, applying a percentile bootstrap approach, one-tailed testing,

and a significance level of 0.05 (Kock & Hadaya, 2018). A hypothesis is supported when the p-value is less than or equal to 0.05. The test results are presented in **Table 6**.

To support the identification of priority areas for managerial intervention aimed at enhancing SME business performance, an Importance-Performance Map Analysis (IPMA) was conducted. The IPMA results highlight constructs that have relatively high importance to the target construct but demonstrate relatively low performance. These constructs are identified as key areas for improvement (Sarstedt et al., 2022). The results of this analysis are illustrated in **Figure 3**.
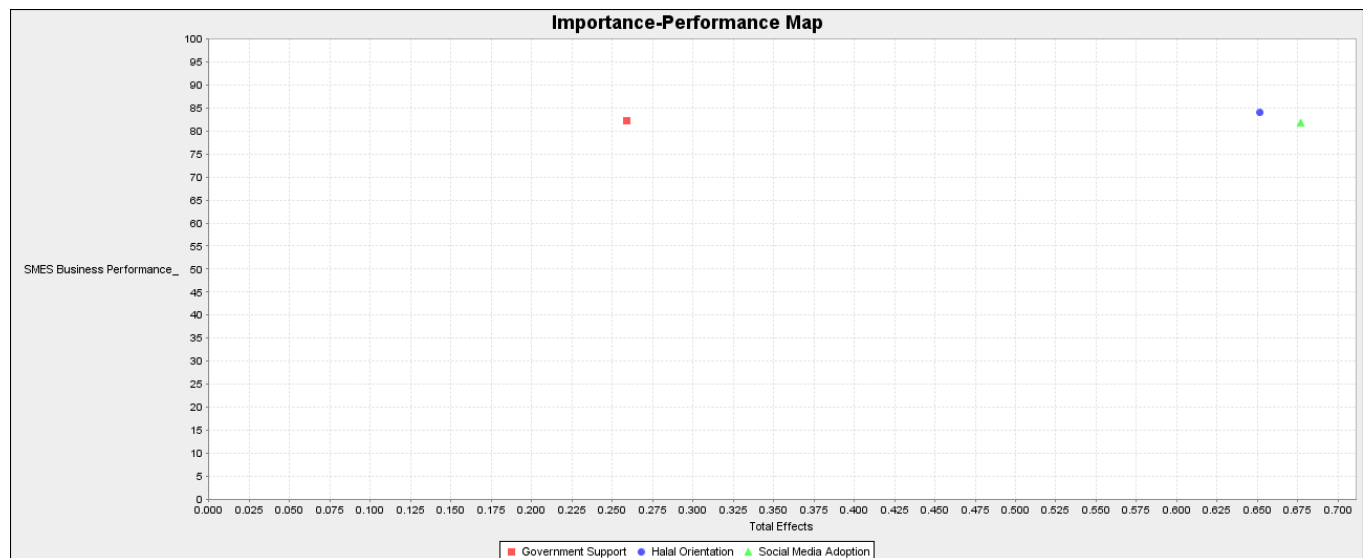

Figure 3. Importance-Performance MAP Analysis

Based on the importance-performance map presented in **Figure 3**, social media adoption emerges as a fundamental construct that exhibits strong performance. In contrast, the Government Support and Halal Orientation constructs demonstrate relatively high performance but lower levels of importance. This suggests that social media adoption should be prioritized to enhance business performance among SMEs in the food and beverage (F&B) sector.

The findings confirm that social media adoption significantly positively influences the business performance of SMEs in Jakarta. Marketing efforts are enhanced by disseminating information regarding products and services offered to consumers. Social media enables these offers to be delivered in more engaging formats, such as product images, short videos, or other creative content. This form of adoption contributes to increased consumer awareness, broader market reach, and stronger product preference, all supporting higher sales volumes.

Table 6. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Government Support -> SMES Business	0.259	0.261	0.037	7.092	0.000

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Performance_					
Halal Orientation -> SMES Business Performance_	0.652	0.650	0.067	9.798	0.000
Moderating Effect 1 -> SMES Business Performance_	0.035	0.037	0.020	1.760	0.009
Social Media Adoption -> Halal Orientation	0.890	0.890	0.017	51.083	0.000
Social Media Adoption -> SMES Business Performance_	0.097	0.101	0.058	1.656	0.008

Social media adoption also plays a critical role in facilitating customer relationship activities. Its interactive features enable various forms of engagement to build and maintain consumer relationships. These activities may include simple initiatives such as offering products while seeking feedback and suggestions for improvement. Business performance, particularly in areas such as customer relationship management, service quality, information accessibility, and operational efficiency, is significantly influenced by social media adoption (Al Halbusi et al., 2024; Luthen & Soelaiman, 2022; Novandari et al., 2023; Samat, 2020; Suganda et al., 2022).

In addition to enhancing customer interaction, social media also supports broader information accessibility for consumers. It enables users to obtain information from multiple sources, which can enrich their knowledge, generate insights, and inspire new ideas for developing products and services. Empirical findings indicate that greater social media adoption positively correlates with stronger halal orientation among SMEs. Commonly used platforms in Jakarta include WhatsApp, Instagram, Facebook, and TikTok.

Moreover, social media adoption contributes to increased entrepreneurial proactiveness, innovation, and risk-taking. Observations show that SMEs actively engage their target markets and are more inclined to explore unconventional marketing approaches. Access to social media platforms encourages innovation by providing exposure to new ideas and trends. As a result, businesses are motivated to implement new production techniques, adopt novel marketing strategies, and enhance the quality of their services. Halal orientation, in turn, has been found to affect the business performance of SMEs positively.

Proactive, innovative, and willing to take risks are key behavioral dimensions driving improved business outcomes. Marketing performance, in particular, is enhanced when SMEs

are committed to providing halal product information, experimenting with new promotional methods, and responding actively to customer needs and preferences. Increases in consumer numbers, market reach, and sales volume are all indicators of enhanced business performance. Through digital technology adoption, SMEs can identify potential customers, design and promote products via digital platforms, pursue new partnerships, conduct market analysis, develop competitive advantages, and expand their marketing and distribution networks. They also benefit from improved access to capital and the ability to implement digital payment systems (Meilariza et al., 2024). These outcomes align with previous findings, showing that halal orientation can significantly enhance business performance (Herlinawati et al., 2019; Zaato et al., 2022).

The findings of this study indicate that halal orientation partially mediates the relationship between social media adoption and business performance. This suggests that social media adoption affects performance directly and indirectly through the development of halal practices. By leveraging social media, SMEs can foster closer relationships with their customers, enabling them better to understand consumer characteristics, needs, and expectations. This understanding enhances their ability to proactively and innovatively deliver improved products and services.

In addition, government support has been found to amplify the impact of halal orientation on business performance. Notably, this study reveals that government support directly and significantly influences performance outcomes. Respondents emphasized the critical role played by government initiatives in facilitating SME digitalization. These include infrastructure provision, training programs for digital platform usage, and ongoing support mechanisms. Such interventions have proven particularly beneficial for SMEs operating in the food and beverage sector. The findings are consistent with previous studies demonstrating a strong positive correlation between government support and SME performance (Feranita et al., 2020; Nassr & Siddiqui, 2022).

5. Conclusion

This study was conducted to address gaps in the existing literature regarding the influence of social media adoption and halal orientation on the business performance of SMEs in Indonesia's food and beverage sector. The findings confirm that halal orientation partially mediates the relationship between social media adoption and business performance. Additionally, government support policies were found to moderate this relationship and also exert a direct positive impact on performance outcomes.

From a theoretical perspective, the study provides evidence that social media adoption contributes directly and indirectly to enhanced business performance, with entrepreneurial orientation acting as an intermediate mechanism. Social media adoption may be a precursor to entrepreneurial behavior, subsequently influencing firm-level outcomes. Several factors influence the success of social media in driving performance, including perceived usefulness, ease of use, platform compatibility, technological complexity, and social influence. These results align with the diffusion of innovation theory, suggesting that businesses that understand and apply innovation principles are more likely to benefit from digital adoption.

The Importance-Performance Map Analysis (IPMA) highlights that SMEs should strategically optimize their use of social media, particularly platforms such as WhatsApp, and tailor their digital presence to the characteristics of their target markets. Furthermore, the number of platforms used and familiarity with platform-specific features should be enhanced to produce more engaging and persuasive content. Ongoing institutional assistance is necessary to

support these efforts, given the digital capability gaps that many SMEs still face. Government programs should continue to provide training and hands-on guidance on various aspects, such as creating compelling digital content, developing Instagram and Google advertisements, and employing other promotional tools.

Despite its contributions, the study has several limitations. First, the constructs for social media adoption and entrepreneurial orientation were measured at the dimensional level, without fully incorporating reflective indicators for each dimension. Second, business performance measurement relied on subjective self-assessments, which may introduce response bias. Third, the discriminant validity analysis showed an HTMT value approaching 0.90, indicating potential concerns about construct distinction. Fourth, convenience sampling restricted the sample to accessible respondents, limiting the representativeness of the findings.

Given these limitations, future studies are encouraged to refine the measurement of core constructs by applying well-established reflective indicators and using second-order modeling techniques. In addition, objective measures of business performance should be employed to enhance the robustness of the findings. Future research should adopt probability-based sampling methods that reflect the broader SME population to improve generalizability.

6. Acknowledgment

7. Declaration of Conflicting Interests

The authors have declared no potential conflicts of interest regarding this article's research, authorship, and/or publication.

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