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THE EFFECT OF SOCIAL MEDIA USE ON INCREASING MSME SALES IN TIMOR-LESTE

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ABSTRACT

The transformation of the contemporary marketing landscape requires Micro, Small, and Medium Enterprises (MSMEs) to adopt digital channels to maintain operational competitiveness and expand market share. In Timor-Leste, digital adoption dynamics face a structural gap between high strategic awareness and low functional integration of social media into sales governance. This study aims to empirically analyze and measure the effect of social media utilization on increasing MSME sales in Timor-Leste. Grounded in the Technology Acceptance Model (TAM) framework and digital marketing theory, this quantitative correlational study involved 120 MSME owners or managers across Dili, Baucau, and Maliana selected via purposive sampling. Primary data were gathered through structured questionnaires using a five-point Likert scale and analyzed using simple linear regression via SPSS version 26. Instrument testing confirmed that all items were valid and reliable ($\alpha > 0.70$), satisfying normality and linearity assumptions. The regression results demonstrate that social media utilization has a positive and significant effect on MSME sales growth in Timor-Leste ($t_{statistic} = 9.451$, $p < 0.001$). The coefficient of determination (R^2) of 0.431 indicates that 43.1% of the variance in sales volume increase is explained by the intensity and effectiveness of social media utilization, while the remaining 56.9% is influenced by other external variables. These findings underscore the urgency of strengthening digital literacy, improving connectivity infrastructure, and formulating community interactivity-based content strategies for business actors in post-conflict developing nations

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INTRODUCTION

The evolution of the digital economy ecosystem has fundamentally restructured the conventional business paradigm into an interactive marketing model based on electronic networks. This transformation presents a significant shift in the pattern of relationships between business entities and consumers, where *engagement*, communication transparency, and *real-time responsiveness* are the main determinants in gaining competitive advantage (Dwivedi et al., 2021). On a global scale, Micro, Small, and Medium Enterprises (MSMEs) use digital communication platforms to reduce information asymmetry and overcome geographical limitations that have limited their market penetration (Li et al., 2021). Social media has transitioned from being just an interpersonal relationship channel to a vital transactional infrastructure, allowing micro entrepreneurs to reach niche markets in a targeted manner with relatively efficient allocation of promotional costs (Appel et al., 2020). This phenomenon is a catalyst for the acceleration of the commercial performance of small-scale entities in developing countries that are reorganizing their domestic economic structures (Alalwan et al., 2017).

For the MSME ecosystem in Timor-Leste, the dynamics of digitalization present a unique distinction of challenges and opportunities. As a country in the consolidation phase of post-conflict economic development, the MSME sector plays a crucial role in absorbing local labor and diversifying non-oil domestic income (World Bank, 2021). However, the acceleration of the adoption of commercial innovation is hampered by structural disparities, such as limited telecommunication infrastructure, high data access rates, and low literacy in digital business management (UNDP Timor-Leste, 2022). There is an empirical disconnect phenomenon on the ground: about 88% of micro and small-scale enterprises in Timor-Leste are aware of the strategic role of digital promotion, but only about 35% are comprehensively integrating social media into their supply chains and regular sales channels. The majority of business actors still operate digital platforms as static storefronts without planned content management, so the potential for converting leads into actual transactions has not been optimally worked on (Indrupati & Henari, 2019).

This study puts its analysis on the integration of *the Technology Acceptance Model* (TAM) initiated by Davis (1989) and further elaborated by Venkatesh and Davis (2000), juxtaposed with the perspective of digital marketing capabilities (Day, 2011). TAM postulates that the adoption of new technological systems is fundamentally determined by the perception of ease *of use* and *perceived usefulness*. In the context of small businesses in Timor-Leste, the ease of operation of platforms such as Facebook, WhatsApp, and Instagram lowers psychological and technical barriers in managing business interactions (Kapoor et al., 2018). When MSME owners feel that these digital channels are actually able to save operational costs, speed up transactions, and bring in new customers, the acceptance of the technology transitions into a strategic instrument that directly correlates with an increase in sales volume (Tajudeen et al., 2018).

Based on these contextual and theoretical gaps, this study is designed to answer the main problem: how and to what extent does the use of social media affect the increase in MSME

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sales in Timor-Leste? The operational purpose of this study is to test, prove, and measure the strength of the causal relationship between the intensity of social media use and the sales performance indicators of MSME products. The hypothesis tested establishes that:

H_1: The use of social media has a positive and significant effect on increasing MSME sales in Timor-Leste.

H_0: The use of social media has not had a significant effect on the increase in MSME sales in Timor-Leste.

The *novelty of* this research lies in the geographical focus and socio-economic context of Timor-Leste, particularly in the three main districts: Dili, Baucau, and Maliana. The majority of Southeast Asian digital marketing literature is concentrated in relatively mature markets such as Indonesia, Malaysia, or Vietnam, while empirical quantitative documentation on the digital commerce ecosystem in Timor-Leste is still very minimal (Ratten et al., 2019). This investigation provides a valid primary data basis on the elasticity of technology adoption on the financial performance of MSMEs in post-conflict island developing regions, as well as providing practical policy implications for the formulation of digital literacy programs and local microeconomic stimulus.

Literature Review

Technology Acceptance Model (TAM) and Digital Marketing

The Technology Acceptance Model (TAM) provides a robust explanatory framework regarding the psychological and rational mechanisms behind the adoption of information technology by micro-scale business organizations (Davis, 1989). This model establishes two antecedents, namely *Perceived Usefulness* (PU) to the extent to which individuals believe that the use of a particular system will improve their job performance and *Perceived Ease of Use* (PEOU) the level of ease felt when operating the system without excessive physical or mental effort (Venkatesh & Bala, 2008).

In its development, TAM is integrated with the theory of digital *value creation*, where the adoption of social channels is not only seen as passive software acceptance, but rather as a dynamic instrument to establish market connectivity, collect customer feedback instantly, and facilitate value-added transactions (Chatterjee & Kar, 2020).

Digital marketing through social media refers to the use of online interactive platforms to create, communicate, deliver, and exchange commercial offerings that have value for organizational stakeholders (Tarsakoo & Charoensukmongkol, 2020). Different from traditional mass media that is *broadcast-oriented*, social media facilitates multi-directional communication, community interaction (*peer-to-peer*), and personalization of marketing messages (Felix et al., 2017). For MSMEs with limited budgets, social media serves as an *equalizer* that allows them to compete visably with established corporations through creative content and targeting of local interest-based audiences (Qalati et al., 2021).

Synthesis of Previous Studies and Identification of Research Gaps

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The link between social media adoption and improved commercial performance has been validated by a diverse cross-country study of emerging countries, although the degree of its influence varies depending on the readiness of the domestic digital ecosystem.

Table 1. Previous Research

Researcher & Year	Location & Subject	Methodology	Key Findings
Okechukwu et al. (2025)	Nigeria (MSMEs Manufacturing & Services)	Quantitative, PLS-SEM ()$N = 240$	Social media marketing has a significant positive effect on sales growth (;).$\beta =$ 0,687$R^2 = 73{,}2\%$
Nnindini et al. (2024)	Ghana (MSMEs in the Agribusiness Sector)	Quantitative, Multiple Regression ()$N =$ 185	The integration of social media in sales activities significantly improves the quality of consumer relations and *cross-selling* volume .
Saputra (2024)	Indonesia (Creative & Culinary MSMEs)	Quantitative Correlation ()$N =$ 100	Structured Instagram usage is closely correlated with monthly turnover growth ().$R = 0{,}552$
Abebe (2014)	United States (Small Business)	Quantitative Empirical ()$N =$ 150	The adoption of *e-commerce* and social media encourages the realization of direct financial growth for small-scale businesses.
Olanrewaju et al. (2020)	Global Overview of Developing Countries	*Systematic Literature Review*	Social media cuts *customer acquisition costs*, but its effectiveness is distorted by low analytical literacy.

Source: Data processed by author, 2026

Previous empirical studies have shown that platforms such as WhatsApp and Facebook are the most dominant catalysts in triggering direct purchase conversions in the consumer community based on relational proximity (Bocconcelli et al., 2017). However, an in-depth examination of the existing corpus of literature reveals a significant *research gap*. The majority of studies focus on economic ecosystems that have mature *fintech payment gateways* and integrated logistics penetration (Verhoef et al., 2021).

This is in contrast to the reality in Timor-Leste, where digital banking infrastructure is still in the early stages of adoption and physical distribution systems are still facing topographical challenges. There has been no empirical quantitative publication that comprehensively maps the extent of the variance in MSME sales in urban and semi-urban areas of Timor-Leste that is truly driven by the use of social media channels.

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Conceptual Framework and Hypothesis Formulation

Based on the theoretical synthesis of TAM and comparative findings from previous research, social media utilization is positioned as a multidimensional independent variable that includes the dimensions of access frequency, variation of operational platforms, type of interactive content, and intensity of handling consumer interactions (Ahmad et al., 2019). The dependent variable, namely the increase in MSME sales, is operationalized through an increase in monthly transaction volume, the growth of a new customer base, and the frequency *of repeat purchases* (Chiguvi & Guruwo, 2017).

The intensive use of social media lowers the cost of marketing communication, expands the reach of promotions beyond the physical boundaries of the district, and builds emotional closeness through direct messaging responses (e.g. via WhatsApp groups or Facebook instant messaging) (Franco et al., 2016). This regular interaction process fosters trust and *a* higher perception of value in the eyes of customers, which in turn drives purchase decisions and increases the accumulated revenue of the business on a regular basis. Based on this logical framework, the research hypothesis is structured as follows:

$\mathbf{H_1}$**:** The use of social media has a positive and significant effect on increasing MSME sales in Timor-Leste.

METHOD

This study applies a quantitative approach with *an ex facto correlational research design*. This strategy was chosen to test the strength of causal relationships and measure the amount of mathematical influence between a single independent variable (Social Media Utilization) and a dependent variable (Sales Increase) objectively and measurably (Creswell & Creswell, 2018). The quantitative approach allows for standardization of the measurement of business behavior indicators through numerical data that can be generalized to the target population.XY

The target population of the study included all MSME units operating legally or semi-formally in Timor-Leste's three commercial concentration centers: Dili District (major metropolitan area), Baucau (eastern regional center), and Maliana (western corridor business center). Given the lack of a fully integrated MSME census database in real time at the relevant institutions, the sample determination was carried out through *the non-probability sampling* method with *purposive sampling techniques* (Sekaran & Bougie, 2016).

The inclusion criteria for respondents are strictly determined, namely businesses with active status and have been operating consistently for at least one calendar year.

1. Utilize at least one social media platform (Facebook, WhatsApp, Instagram, or TikTok) as a marketing or customer service operational medium.
2. The respondent is an owner, founder, or operational manager who has full authority over marketing policies and has access to the financial/sales records of the business unit.

Exclusion criteria include:

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1. Businesses that only use social media for personal accounts unrelated to commercial activities.
2. Businesses that refuse to sign the consent to fill in the questionnaire data completely.

Based on the regression sample estimation formula of Hair et al. (2019) which recommends a minimum ratio of 15 to 20 observations per variable parameter, the sample size of 120 MSMEs was determined as a methodologically adequate definitive quota for the parametric regression test.

Table 2. Number of Samples

Location District	Number of Respondents (N)	Percentage Proportions	Dominant Sectors
Nope.	68	56,67%	Modern Retail, Cafe/Culinary, Creative Services
Baucau	28	23,33%	Home Industry, Food, Handicrafts
Maliana	24	20,00%	Commodity Trading, Processed Agriculture
Total	120	100,00%	Cross-Sector MSMEs

Source: Data processed by author, 2026

Operationalization of Variables and Data Collection Instruments

Primary data were collected using structured questionnaire instruments compiled in two languages (Bahasa Indonesia and Bahasa Tetum) to minimize language interpretation bias. The questionnaire was designed using a five-level Likert scale, ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree"). The operationalization of variables is defined as follows:

Social Media Utilization Variables (X):

1. *Frequency & Duration:* The intensity of the daily time allocated for profile updates and delivery of commercial material.
2. *Channel diversity:* Integrative use between Facebook Page, WhatsApp Business, and Instagram.
3. *Content Quality & Interactivity:* Visual presentation of products, clarity of price descriptions, and review videos.
4. *Customer Responsiveness:* Speed of replying to instant messages, comments, and resolution of buyer complaints.

Sales Increase Variable (Y):

1. *Transaction Volume Growth:* The increase in the quantity of product units sold per month.
2. *Expansion of Consumer Base:* An increase in the number of new customers sourced from digital channels.
3. *Retention & Repeat Purchases:* The frequency with which old consumers reorder through social messaging.

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4. *Sales Geographic Scope:* Expansion of order delivery outside of the operational origin district.

Data Analysis Procedure

Empirical data processing is carried out through several stages of statistical testing assisted by IBM SPSS Statistics software version 26:

1. Validity and Reliability Test: The validity test of the instrument item uses *Pearson Product Moment correlation*, with the criterion of the item being declared valid if at a significance level of 5% (). Reliability is tested through $r_{\text{hitung}} > r_{\text{tabel}} N = 120, r_{\text{tabel}} = 0{,}179$ *Cronbach's Alpha* coefficient, with a reliability threshold (Nunnally & Bernstein, 1994).$\alpha \geq 0{,}70$
2. Classical Assumption Test: Consists of the Normality Test using non-parametric *Kolmogorov-Smirnov* statistics () and the inspection $p > 0{,}05$ *of the Normal P-P Plot* graph, as well as the Linearity Test through *the Test for Linearity* test (on the linearity group and on $p < 0{,}05 p > 0{,}05$ *deviation from linearity*).
3. Simple Linear Regression Analysis: Formulated through mathematical equations:
$$\boldsymbol{Y = a + bX + e}$$
where represents Increase in Sales, is Social Media Utilization, is an interception constant, is a regression coefficient, and represents the $YXabe$ *standard error of estimate*.
4. Statistical Hypothesis Test: A partial significance test (Test) is performed to compare with the degrees of freedom () and . The evaluation of the model's predictive capacity is assessed through the correlation coefficient () and the determination coefficient ().$t t_{\text{hitung}} t_{\text{tabel}} df = n - 2 = 118 \alpha = 0{,}05 R R^2$

RESEARCH RESULTS

Respondent Demographic Profile and Variable Description

The distribution of the instruments to 120 respondents in three districts resulted in a data return rate of 100% with no *missing data*. The characteristics of the demographic profile of business actors and the profile of the operational platform are presented in the following table.

Table 3. Respondent Demographic Profile

Demographic Parameters	Category	Frequency (n)	Percentage (%)
Gender of Owner/Manager	Male	53	44,17%
	Women	67	55,83%
Age Group	< 25 Years	22	18,33%
	25 – 39 Years	71	59,17%
	≥ 40 Years	27	22,50%
Length of Business Operation	1 – 3 Years	58	48,33%

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	4 – 6 Years	41	34,17%
	> 6 Years	21	17,50%
Major Social Media Platforms	Facebook	59	49,17%
(Can choose > 1)	WhatsApp Business	44	36,67%
	Instagram	14	11,67%
	TikTok	3	2,50%

Source: Data processed by author, 2026

Descriptive data indicate that the majority of business operators fall within the young productive age range (25–39 years, 59.17%), with a high proportion of female involvement (55.83%). Facebook ranks highest as the primary promotional medium (49.17%), followed by WhatsApp Business (36.67%), which serves as a channel for conversions and direct personal negotiations.

Data Quality Evaluation: Validity, Reliability, and Classical Assumption Tests

Validity test results for the eight statement items regarding the Social Media Utilization variable (X1–X8) and the eight items regarding the Sales Increase variable (Y1–Y8) show that all calculated r-values (r_count) range from 0.512 to 0.804, exceeding the critical r-table value of 0.179 at a significance level of α = 0.05. Reliability testing yielded Cronbach's Alpha values of 0.884 for variable X and 0.869 for variable Y, demonstrating that the internal consistency of the instruments falls into the "highly reliable" category (α > 0.70).

Table 4. Summary of Data Quality and Classical Assumption Test Results

Test Parameter	Calculated Value	Critical Standard	Status / Conclusion
Item Validity of Variabel X (8 item)	$r = 0{,}512 - 0{,}791$	$r_{\text{tabel}} = 0{,}179$	Valid ($r_{\text{hitung}} > r_{\text{tabel}}$)
Item Validity of Variabel Y (8 item)	$r = 0{,}544 - 0{,}804$	$r_{\text{tabel}} = 0{,}179$	Valid ($r_{\text{hitung}} > r_{\text{tabel}}$)
Reliability Variable X	$\alpha = 0{,}884$	$\alpha \geq 0{,}70$	Highly Reliable
Reliability Variable Y	$\alpha = 0{,}869$	$\alpha \geq 0{,}70$	Highly Reliable
Normality (*Kolmogorov-Smirnov*)	$p = 0{,}200$	$p > 0{,}05$	Normally Distributed
Linearity (*Deviation from Linearity*)	$p = 0{,}284$	$p > 0{,}05$	Linear Relationship

Note: The r_table value of 0.179 was calculated at a significance level of α = 0.05 with degrees of freedom df = N - 2 = 118.

Source: Data processed by author, 2026

The residue normality test with the *Kolmogorov-Smirnov One-Sample* test yielded an Asymp. Sig. (2-tailed) significance value of 0.200 (), indicating that the residue data is

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normally distributed. Linearity testing yielded a significance value of $p > 0,05$*Linearity* of () and $p = 0,000a$ *Deviation from Linearity* of (), confirming that the structural relationship between social media utilization and increased sales is linear.$p = 0,284p > 0,05$

Simple Linear Regression Model Estimation and Hypothesis Test

A simple linear regression analysis was carried out to measure the coefficient of the influence of social media use on increasing MSME sales. A summary of the results of data processing is shown in the following table.

Table 5. Simple Linear Regression Models and Hypothesis Tests

Model	Non-Standardized Coefficient (B)	Std. Error	Standardized Coefficient (β)	Stuttgart	Sig. (p)
(Constant)	11,432	1,894	—	6,036	0,000
Utilization of Social Media ()$\boldsymbol{X}$	0,642	0,068	0,656	9,451	0,000

Source: Data processed by the author, SPSS 2026

Correlation Coefficient () = 0.656; Coefficient of determination () = 0.431; Adjusted = 0.426; (); .$RR^2R^2F_{\text{hitung}} = 89,321p < 0,001N = 120$

Based on the results of the calculation of statistical parameters, the model of empirical linear regression equations is formulated as follows:

$$\boldsymbol{Y = 11,432 + 0,642X}$$

Interpretation of the parameters of the equation includes:

1. Constant Value : Indicates that if the variable of social media utilization is constant or zero (no digital promotion activities), then the average value of MSME sales increase remains at a base score of 11,432 points.$a = 11,432$
2. Regression Coefficient : A positive value, indicating a unidirectional relationship between independent and dependent variables. Every one unit increase in the social media utilization score is projected to increase the MSME sales score by 0.642 units.$b = 0,642$
3. Partial Significance Test (Test): The value of the social media variable was recorded at 9.451, far exceeding the value for which was 1.980, with a significance probability value. These statistical findings reject the null hypothesis () and absolutely accept the working hypothesis ().$tt_{\text{hitung}}t_{\text{tabel}}df = 118\alpha = 0,05p = 0,000 < 0,05H_0H_1$
4. Coefficient of Determination: The value was recorded as 0.431 (). This proves that the variation in the fluctuation in MSME sales increase in Timor-Leste can be directly explained by the dynamics of social media utilization of 43.1%, while the remaining proportion of variance of 56.9% is associated with other explanatory factors beyond the scope of this model, such as the intrinsic quality of the product, comparative pricing policies, the physical location of the business, and fluctuations in the purchasing power of the local community.$R^2R^2 43,1\%$

Discussion

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The empirical findings of this study conclusively prove that the use of social media has a positive and significant influence on improving the sales performance of MSMEs in Timor-Leste. The magnitude of the standardized influence () and the contribution of determination () indicate that online communication platforms are no longer peripheral complementary instruments, but have evolved to be the main drivers of the commercial growth of small businesses in the region. Theoretically, these findings strengthen the validity of $\beta = 0,656, p < 0,001 R^2 = 43,1\%$*the Technology Acceptance Model* (TAM) (Davis, 1989; Venkatesh & Bala, 2008), where the perception *of perceived usefulness* and *perceived ease of use of* social media successfully mediates the transformation of MSME business behavior towards operational efficiency.

In the operational landscape of MSMEs in Dili, Baucau, and Maliana, the combination of utilizing Facebook and WhatsApp Business forms an integrated low-cost marketing funnel. Facebook is widely used as a digital homepage to publish product photos, price variations, and operating schedules, effectively reaching local communities of consumers in urban areas. Meanwhile, WhatsApp functions as a private closing *sales channel*, where personal interactions, price negotiations, mobile banking-based payment confirmations, and pick-up/delivery logistics coordination are completed quickly. This two-stage interaction pattern cuts through the communication friction commonly encountered in conventional physical transaction methods.

Comparatively, the findings of this study are in line with the results of previous studies in various developing countries. The research results of Okechukwu et al. (2025) in Nigeria and Nnindini et al. (2024) in Ghana both confirm that the integration of social media into the marketing functions of MSMEs consistently results in a significant spike in sales performance. The positive correlation found in Timor-Leste () is also in line with the findings of Saputra (2024) in Indonesia (), which confirms that digital social interaction capabilities have a direct impact on the turnover of micro-enterprises regardless of geographical background.$R = 0,656 R = 0,552$

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CONCLUSION

This study empirically confirms that the use of social media has a positive and significant effect on increasing MSME sales in Timor-Leste. Based on the results of statistical testing with a regression direction coefficient of 0.642, a value of 9.451, and a significance value, the working hypothesis of this study is accepted conclusively. The contribution of social media utilization reached 43.1% to the variability of MSME product sales growth in the Dili, Baucau, and Maliana regions, while the rest was influenced by other external factors. The use of digital platforms such as Facebook and WhatsApp Business has proven to be effective in cutting promotional costs, expanding market reach across regions, accelerating the transaction cycle through interactive direct communication, and strengthening customer retention.$t_{\text{hitung}} p < 0{,}001$

Based on these findings, a number of strategic and practical suggestions were formulated to optimize the potential of digital commerce in Timor-Leste. For MSME actors, it is recommended to improve professionalism in social media governance through consistent visual content scheduling, optimization of the automatic catalog feature on WhatsApp Business, and increasing response speed in serving potential buyers to boost sales conversions. For the government and relevant authorities in Timor-Leste, it is recommended to design a structured digital literacy training program on content management, digital bookkeeping, and online advertising techniques, balanced with equitable distribution of telecommunications infrastructure and the provision of affordable internet tariff schemes for micro-enterprises. Meanwhile, for future researchers, it is recommended to develop an analytical framework using *the Structural Equation Modeling* (SEM-PLS) approach by including mediation or moderation variables such as digital financial literacy, consumer confidence, and logistics readiness, while expanding the scope of the sample to all districts in Timor-Leste to make the generalization of research findings more comprehensive.

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