



Impact of Social Media Advertising on Business Performance: Evidence from Micro, Small, and Medium Enterprises in Dumai City, Indonesia

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Article Information

ABSTRACT

Article Type: Research Article

Dates:

Received: October 12, 2025

Revised: December 19, 2025

Accepted: January 10, 2026

Available online: January 20, 2026

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This study examines the impact of social media advertising on business performance among micro, small, and medium enterprises locally referred to “*Usaha Mikro, Kecil, dan Menengah*” (UMKM) in Dumai City, Indonesia. It focuses on Facebook and Instagram as the primary platforms. The research examines the impact of advertising exposure, perceived usefulness, and customer engagement on sales and business growth. Data were collected through a structured online questionnaire completed by 187 UMKM entrepreneurs. The data were analyzed using descriptive and inferential statistics in SPSS Version 26. The findings illustrate the influence of these digital platforms on UMKM outcomes. The findings indicate that 91% of respondents use Facebook Ads and 74% use Instagram Ads. A majority of participants (68.3%) agree that social media advertising increases business visibility, while 55.4% report an improvement in customer engagement. Moreover, the analysis demonstrates a positive correlation between advertising investment and sales performance, suggesting that consistent and strategic digital promotions contribute to measurable business growth. The study finds that female entrepreneurs and businesses in the food and beverage sector benefit most, suggesting that gender and business type affect advertising effectiveness. Social media advertising supports small business growth in regional Indonesia. Its success depends not only on financial investment but also on high-quality content, analytics, and active customer engagement.

Keywords: Social Media Advertising, UMKM, Facebook Advertisements, Instagram Advertisements, Business Performance, Dumai City, Indonesia

1. INTRODUCTION

Indonesia’s entrepreneurial ecosystem relies on Micro, Small, and Medium Enterprises (MSMEs), locally referred to as “*Usaha Mikro, Kecil, dan Menengah*” (UMKM). These are the backbone of the national economy (Hermawan & Nugraha, 2022). In this paper, UMKM refers to Micro, Small, and Medium Enterprises (MSMEs). UMKM make up 99% of all business units in Indonesia and employ about 97% of the workforce (Kurniadi et al., 2024). In the digital era, social media is more than a communication tool. It now serves as key commercial infrastructure for small businesses (Muafi et al., 2021). Platforms like Facebook and Instagram give UMKM cost-effective and targeted advertising (Basuki & Hidayat, 2024).

This is crucial for enhancing market visibility, fostering customer engagement, and driving business growth (Chaudhary, 2024). The effectiveness of digital advertising has a direct impact on national economic inclusion (Hendayana et al., 2024). A study by Rahayaan (2023) and Fadhiilah & Rachmawati (2024) found that women entrepreneurs in Indonesia are more engaged in online marketing. However, this progress is uneven. Most research on social commerce focuses on large, digital cities. Smaller regional cities, such as Dumai City, face unique issues. They struggle with lower digital literacy, irregular internet access, and limited marketing budgets. These gaps suggest that urban successes may not apply to all regions, revealing a key research gap.

Furthermore, much of the literature focuses on consumer adoption or large, technology-driven companies, rather than assessing the experiences and challenges faced by business owners in these less digitally mature areas. This gap in research focus highlights the need to explore the perspectives of UMKM in regional contexts. This systematic lack of localized evidence highlights a key research gap. It remains unclear how social media advertising affects the perceived performance and growth of UMKM in regional Indonesian cities with weaker digital infrastructures, such as Dumai City. Addressing this gap requires localized, empirical research that centers on the business owner's view and considers regional conditions.

This study aims to examine how important social media advertising factors relate to one another and to explore how gender and business sector affect UMKM owners in Dumai City's perceptions of the effectiveness of these ads. The research also seeks to offer practical, local insights for entrepreneurs and policymakers to help close the digital gap in regional Indonesian economies. The theoretical and practical novelty of this study lies in its contextualization of digital marketing models at the edge of an emerging economy. It offers a localized perspective on the digital divide by empirically validating the business owner's experience with paid social media advertising in Dumai city.

2. LITERATURE REVIEW

2.1 The Rise of Social Commerce and the UMKM Imperative

Social media has changed marketing from one-way promotion to an interactive, data-driven process (Shen, 2023). This shift is especially important for Micro, Small, and Medium Enterprises (UMKM), which often lack the funds for large-scale ads (Armanto & Gunarto, 2022). Through social media, UMKM can enhance brand awareness, target specific audiences, and foster customer loyalty. They do so at a fraction of the cost associated with conventional advertising. However, despite these advantages, the extent to which small enterprises in smaller Indonesian cities adopt and benefit from social media advertising remains underexplored (Kusuma et al., 2023; Wirdiyanti et al., 2023). Social media advertising is a critical component of the digital economy. Prior studies emphasize its role in influencing consumer behavior and purchase decisions. Krasniqi (2024) demonstrated that demographic characteristics and online engagement significantly shape how consumers respond to Facebook advertisements. Research indicates that the interactivity and visual appeal of online advertisements enhance user engagement and trust. These elements subsequently influence purchase intention. The effectiveness of social media advertisements is frequently associated with the platform's capacity to collect and analyze user data, enabling businesses to deliver personalized promotional messages (Aulia & Kusumaningrum, 2022).

These studies collectively suggest that the effectiveness of social media advertising depends on psychological engagement, technological accessibility, and perceived credibility of online content (Sagala & Óri, 2024). Within the Indonesian context, the increasing integration of digital platforms into marketing strategies has been documented across multiple industries. Gunawan (2022) examined the adoption of social commerce among Indonesian sellers and found that digital literacy and access to infrastructure are significant determinants of social media usage.

Saputri & Hidayatulloh (2023) further highlighted that small enterprises using social media platforms experience improved sales performance due to enhanced visibility and customer interaction. However, regional disparities persist. Riofita et al. (2024) argued that, despite the rapid national expansion of digital marketing, regional cities like Dumai lag behind due to limited digital infrastructure and weak institutional support. This uneven development creates a context where the success of digital advertising is contingent on local socioeconomic factors rather than on the technology itself (Mahbob et al., 2024).

2.2 Theoretical Foundations

The literature also reveals important theoretical perspectives on the mechanisms through which social media influences consumer and business behavior. The Theory of Reasoned Action (TRA) and the Technology Acceptance Model (TAM) are among the most widely applied frameworks in explaining user engagement with digital platforms. Nofrizal et al. (2023) and Al Fatah and Arsyad (2022) applied these theoretical models to analyze how perceived usefulness, ease of use, and trust mediate online purchase decisions. In these frameworks, trust is particularly significant. Mahbob et al. (2024) demonstrated that trust mediates the relationship between perceived credibility of social media ads and consumer purchasing intentions. These findings underline the importance of building consumer confidence through transparent and consistent online communication (Wusko, 2023; Muafi et al., 2021). These frameworks are widely applied to analyze how an individual's psychological assessment (usefulness, ease of use) and social norms mediate adoption and behavioral intention.

Perceived Usefulness (PU) comes from TAM and means whether UMKM owners believe social media ads help them do better at work. Owners aim to attract customers and increase sales. This belief is a primary reason they continue to use and invest in these ads. Owners also monitor customer interactions, including likes, comments, messages, and follower growth. High engagement is seen as the necessary step between an ad being viewed and a sale being made. Taken together, these theoretical lenses demonstrate that successful advertising is not just about exposure; it is a cognitive process (PU) that must be consumer engagement (CE) to drive the final business goal. While the consumer perspective is well represented, research focusing on the business-side dynamics of social media advertising remains limited. Armanto & Gunarto (2022) investigated how small businesses use Facebook and Instagram advertising to promote housing projects, finding a direct link between ad engagement and sales growth (Jannah, 2023; Saputra & Tjandrawibawa, 2023). Similarly, Sinaga et al. (2024) highlighted that integrating search engine optimization with social media marketing can significantly enhance business visibility and profitability. However, these studies primarily focus on large cities with established digital ecosystems. There is a lack of empirical evidence addressing how small enterprises in less developed regions adapt and benefit from digital marketing tools.

The limited research attention to smaller cities such as Dumai reflects a critical omission in the broader discourse on digital inclusion and regional economic development (Saputri & Hidayatulloh, 2023; Nofrizal et al., 2023).

2.3 Variables and Construct

This study examines four main constructs in digital marketing and advertising effectiveness for micro, small, and medium enterprises (MSMEs) using social media advertising. These constructs include Advertising Exposure (AE), Perceived Usefulness (PU), Customer Engagement (CE), and Sales Performance (SP). We also examine how contextual factors, such as the entrepreneur's gender and business sector, may influence these relationships.

2.3.1 Advertising Exposure (AE)

Advertising Exposure (AE) refers to the investment that UMKM owners make in social media advertising, such as on Facebook and Instagram. AE is measured by ad frequency, campaign duration, and spending amount (Venkat et al., 2023). Showing ads is the first step in digital marketing, as the business must reach to its audience before influencing perceptions of usefulness, customer engagement, or sales (Dutta et al., 2024). Research indicates that exposure to digital media advertising influences consumer attitudes and purchasing behavior. It increases product visibility and raises awareness (Ahmed et al., 2017).

Wardhani & Alif, (2019) found that Instagram advertising exposure among Indonesian users strongly affected attitudes toward ads and intention to buy, supporting the notion that AE shapes perceptions and behavioral intentions. Similarly, Du et al., (2019) noted that digital advertising not only boosts perceived value for consumers a proxy for perceived usefulness but also supports the theoretical pathway from AE to PU in the context of this study.

2.3.2 Perceived Usefulness (PU)

Perceived Usefulness (PU), from the Technology Acceptance Model (TAM) in literature and is defined as the extent to which UMKM owners believe Facebook and Instagram ads are effective, far-reaching, and impactful for their promotions. PU measures how owners perceive these channels as supporting their business objectives (Kanchanataneet al., 2014; Farah et al., 2018). When owners find ads useful, they are more likely to create engaging content and keep investing in the channel (Farah et al., 2018). In digital marketing, perceived usefulness is closely tied to outcomes such as engagement and performance. Yousaf et al. (2023) found that interactive social media ads in the UAE increased engagement and purchase intention.

2.3.3 Customer Engagement (CE)

Customer Engagement (CE) refers to how much customers interact with a UMKM's online advertising efforts (Sucidha et al., 2025). Customer engagement measured by metrics like comments, direct messages, shares, and increases in followers (Azzaakiyyah & Rijal, 2025). In digital marketing research, customer engagement is viewed as a crucial link between marketing actions and performance outcomes. Engagement often leads to higher purchase intention and sales.

Duffett & Charles (2025) found that interactive digital advertising, such as ads that allow users to reply or vote in polls, leads to greater involvement. This increased involvement makes customers perceive the advertisements as more useful, which can then strengthen their intention to engage with the advertised products or services.

2.3.4 Sales Performance (SP)

Sales Performance (SP) is the main outcome measured in this model. It includes the results that UMKM owners link to their social media advertising, such as changes in revenue, the number of customers reached, how often customers reorder, and other business indicators after running ad campaigns (Sucidha et al., 2025). The existing literature collectively indicates that social media advertising contributes positively to small business performance but also exposes gaps in inclusivity and regional accessibility. Most studies focus on either consumer behavior or firms in large metropolitan areas, leaving smaller urban economies underrepresented.

This study builds upon the aforementioned theories and empirical findings to examine how UMKM in Dumai utilize Facebook and Instagram advertisements to drive sales and business growth. By situating the analysis in a smaller regional city, the research adds to the theoretical understanding of how digital marketing operates in environments with structural limitations (Giri et al., 2023). Moreover, by analyzing data from a large sample of UMKM entrepreneurs, the study aims to refine existing frameworks of social media effectiveness and contribute to both academic theory and practical policy recommendations that aim to strengthen Indonesia's digital economy (Sinaga et al., 2024).

2.4 Conceptual Framework and Hypotheses

Based on the Technology Acceptance Model (TAM) and existing digital adoption research, the following hypotheses are proposed:

H1: Advertising Exposure (AE) exerts a positive and significant

H2: Perceived Usefulness (PU) significantly influences Customer Engagement (CE). influences Customer Engagement (CE).

H3: Customer Engagement (CE) positively affects Sales Performance (SP).

H4: Entrepreneur gender and business sector moderate the perceived effectiveness of social media advertising.

3. METHODOLOGY

3.1 Research Design

The study employs a cross-sectional, quantitative design, which is suitable for understanding the current practices and perceptions of UMKM entrepreneurs regarding social media advertising.

The study uses a structured questionnaire to collect quantifiable data on demographic characteristics, patterns of social media advertisement use, and perceptions of advertising effectiveness.

3.2 Population and Sampling

The population of this study comprises registered UMKM owners and managers in Dumai City. Dumai, with an estimated population of 300,000 residents, is one of the major commercial hubs in Riau Province and home to over 5,000 active UMKM enterprises. These businesses operate in various industries, including food and beverage, retail, fashion, crafts, and professional services. This research focuses on entrepreneurs who have used Facebook or Instagram ads to promote their products or services. A purposive sampling method is used to ensure that only qualified respondents those with actual experience in paid social media advertising participate. Survey distribution occurs through local UMKM associations and social media groups. About 200 questionnaires were distributed among the respondents and 187 valid responses were received.

3.3 Instrument Development and Variables

The questionnaire was developed based on prior studies on social media advertising and small business marketing. It is divided into four main sections: demographic profile, advertising behavior, perceived usefulness, and sales outcomes. Each construct is measured through multiple statements rated on a five-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5). Instrument variables Advertising Exposure (AE) and Perceived Usefulness (PU) were adopted from Armanto & Gunarto (2022), and customer engagement (CE) and sales performance (SP) Hendayana et al. (2024).

The advertising exposure section includes items assessing how often respondents use Facebook or Instagram ads, their advertising budget, and the duration of their campaigns. Perceived usefulness items measure respondents’ beliefs that social media advertising improves product visibility and attracts customers. The customer engagement section gauges interaction through likes, shares, comments, and messages generated by advertisements. Sales performance items measure changes in monthly revenue, transaction volume, and customer reach since adopting social media advertising. To ensure reliability and clarity, a pilot test was conducted with 20 participants. Cronbach’s alpha values, which were above 0.78, demonstrate strong internal consistency across all constructs.

3.4 Data Collection and Ethical Considerations

Data collection was conducted over a four-week period using an online questionnaire distributed via WhatsApp business groups, Facebook community pages, and local UMKM associations. Respondents were informed of the study’s objectives and their rights as participants. Informed consent was obtained prior to survey access. The online format enabled participation from business owners across all subdistricts in Dumai, thereby ensuring geographic diversity in the responses.

Ethical considerations are integrated throughout all stages of the study. Participation is voluntary, and all information is treated as confidential. The questionnaire does not collect personally identifiable information, and data are stored securely on encrypted servers. Ethical approval was obtained from the Institutional Review Board of Universitas Putra Indonesia YPTK, Padang, West Sumatra Province, Indonesia, prior to the commencement of fieldwork.

Respondents are informed that they may withdraw from the study at any time without consequence. These procedures ensure adherence to established ethical standards for social research.

3.5 Data Analysis

We analyzed the data using SPSS version 26. First, we screened for missing values and inconsistencies, resulting in 187 valid responses for analysis. We used descriptive statistics to summarize respondents' demographic and business characteristics. Correlation analysis revealed relationships among the main constructs; Advertising Exposure, Perceived Usefulness, Customer Engagement, and Sales Performance. We then applied independent sample t-tests and Chi-square tests to assess how business characteristics, such as spending and sector, relate to perceived advertising outcomes. To further aid interpretation, we used data visualizations such as bar charts, pie charts, and cross-tabulation tables which clarified both the statistical outcomes and their practical relevance to real business situations.

3.6 Validity and Reliability

Validity and reliability are established through both procedural and statistical methods. We checked measurement quality using both procedural and statistical methods to make sure the study constructs were accurate and consistent. To begin, we measured reliability with Cronbach's alpha (α). All constructs scored above the recommended threshold of 0.70, showing good internal consistency (Karras, 1997). The results are Advertising Exposure (AE): ($\alpha = 0.83$); Perceived Usefulness (PU): ($\alpha = 0.86$); Customer Engagement (CE) ($\alpha = 0.81$); Sales Performance (SP): ($\alpha = 0.88$).

For content validity, two academic marketing scholars and a professional digital advertiser reviewed the questionnaire to confirm that each item matched its intended construct. Additionally, correlation analysis partially supported construct validity. The relationships among key variables align with what the theory predicts, which supports the measurement model.

4. FINDINGS AND DISCUSSION

4.1 Respondent Profile

The demographic data in Table 1 shows that women are strongly represented among entrepreneurs in Dumai City. Of 187 valid respondents, 153 (82.0 %) were women and 34 (18.0 %) were men. Regional business registration records match these findings. Many local micro and small businesses are owned or managed by women.

Looking at age, 47% of respondents were between 25 and 35 years old. Another 32% were between 36 and 45, 14% were between 46 and 55, and 7% were over 55. This suggests younger entrepreneurs are more likely to use social media advertising. They tend to be more comfortable with digital tools and are active online. For education, 39% of respondents had a bachelor's degree. Another 44% finished senior high school, and 17% had postgraduate degrees or technical diplomas. This shows the group is fairly well-educated, which may help explain why they are open to using digital marketing tools for their businesses.

Most respondents operated in the food and beverage industry (41%), followed by retail (29%), fashion (18%), and services (12%). Regarding business age, 54% of enterprises had been operating for more than five years. The other 46% were new ventures established within the past five years. These characteristics suggest a diverse yet experienced group of business owners actively engaged in digital marketing activities. Most respondents came from Dumai City (27.4%, n = 51) and East Dumai (26.9%, n = 50).

West Dumai had 16.7% (n=31) and South Dumai had 18.3% (n=34). Bukit Kapur (4.3%, n=8), Sungai Sembilang (3.8%, n=7), and Medang Kampai (2.7%, n=5) had fewer. This shows most participants were based in Dumai City and East Dumai, key business centers for micro and small enterprises in the area.

Table 1: Demographic and respondents business profile Information (N=187)

Profile Category	Subcategory	Frequency (n)	Percentage (%)
Gender	Female	153	82.0
	Male	34	18.0
Age (years)	25–35	88	47.0
	36–45	60	32.0
	46–55	26	14.0
	Above 55	13	7.0
Education Level	Senior High School	82	44.0
	Bachelor's Degree	73	39.0
	Postgraduate / Technical Diploma	32	17.0
Business Sector	Food & Beverage	77	41.0
	Retail	54	29.0
	Fashion	33	18.0
	Services	23	12.0
Business Age	≤ 5 years	86	46.0
	> 5 years	101	54.0
Business Location	Dumai City	51	27.4
	East Dumai	50	26.9
	South Dumai	34	18.3
	West Dumai	31	16.7
	Bukit Kapur	8	4.3
	Sungai Sembilang	7	3.8
	Medang Kampai	5	2.7

4.2 Social Media Advertising Practices among UMKM

Table 2 indicated that Facebook and Instagram are the primary advertising platforms for micro, small, and medium enterprises (UMKM) in Dumai City. About 91.0% of the respondents reported using Facebook Ads, while 74% used Instagram Ads where about 65.0 % engaged with both platforms. The result shows that higher use of the Facebook advertising is attributed to its wider audience reach in Dumai City, Indonesia. It also offers cost-effective advertising options. Local entrepreneurs are more familiar with this platform. The average monthly advertising expenditure among respondents was about IDR 1.3 million. Most are allocated between IDR 500,000 and IDR 2 million per month.

Respondents with higher advertising budgets reported stronger sales performance than those spending less than IDR 500,000. These findings suggest a positive relationship between digital advertising investment and business outcomes.

About 62.0 % of respondents had used social media advertising for over a year and 38.0 % had adopted it within the past year. Those with longer advertising experience reported higher perceived effectiveness and stronger customer engagement. This indicates that sustained digital marketing efforts contribute to increased familiarity and competence in managing online promotions. About 73.0% of respondents created their own advertisements using platform-provided templates and tools and 27.0 % outsourced advertising activities to freelancers or digital marketing providers. This pattern shows a preference for cost-efficient, self-managed approaches among UMKM owners. It reflects both budgetary constraints and growing digital self-efficacy.

Table 2: Social Media Advertising Practices among UMKM in Dumai City (N= 187)

Advertising Aspect	Category / Platform	Frequency (n)	Percentage (%)
Advertising Platform	Facebook Ads	170	91.0
	Instagram Ads	138	74.0
	Both Facebook & Instagram	122	65.0
Monthly Advertising Expenditure	< IDR 500,000	49	26.2
	IDR 500,000 – 2,000,000	102	54.5
	> IDR 2,000,000	36	19.3
Average Expenditure (IDR)	—	—	1,300,000
Duration of Advertising Usage	< 1 year	71	38.0
	≥ 1 year	116	62.0
Ad Design Responsibility	Self-designed (using platform templates)	136	73.0
	Outsourced (freelancer / agency)	51	27.0

4.3 Perceived Effectiveness of Advertisements

Table 3 shows that respondents use Facebook Ads (M=4.07, SD=0.72) and Instagram Ads (M=3.79, SD=0.84). Most respondents agree that paid Facebook and Instagram ads help business visibility and engagement. Facebook Ads received a positive rating from 88.7%, and Instagram from 72.6%, indicating that Facebook is preferred, possibly due to its better local reach and familiarity. Instagram's higher variability suggests views on its effectiveness differ.

Despite these differences, both platforms are regarded as effective digital marketing tools, particularly when utilized regularly and with well-defined campaign objectives.

Table 3: Perceived Effectiveness of Facebook and Instagram Advertisements

Advertising Platform	Mean (M)	Standard Deviation (SD)	Total Positive (%)
Facebook Ads	4.07	0.72	88.7
Instagram Ads	3.79	0.84	72.6

4.4 Descriptive Statistics

Table 4 shows that 64% of respondents reported an increase in online inquiries after implementing paid advertisements, and 59% experienced growth in social media followers. Regular content updates and interactive formats such as short videos, story polls, and promotional quizzes led to higher engagement rates. These findings underscore the significance of content strategy and advertising, showing that consistent, innovative, and audience-focused content enhances social media marketing outcomes for UMKM entrepreneurs. All variables had mean scores above 3.9 on a five-point scale, indicating generally favorable perceptions and experiences among UMKM entrepreneurs toward social media advertising.

Perceived Usefulness had the highest mean ($M = 4.15$, $SD = 0.59$), followed by Sales Performance ($M = 4.11$, $SD = 0.61$). This reflects entrepreneurs' confidence in Facebook and Instagram ads for increasing visibility, engagement, and sales. Advertising Exposure ($M = 4.03$) and Customer Engagement ($M = 3.97$) were also high, suggesting respondents invest in paid promotions and interact significantly with customers online.

Table 4: Descriptive Statistics of Main Variables (N = 187)

Variable	Mean	Standard Deviation (SD)
Advertising Exposure	4.03	0.64
Perceived Usefulness	4.15	0.59
Customer Engagement	3.97	0.72
Sales Performance	4.11	0.61

4.4 Impact on Business Performance

Table 5 indicates that social media advertising has a marked positive impact on sales performance for UMKM entrepreneurs in Dumai City. Over two-thirds of respondents reported higher sales after employing paid advertisements. Specifically, 55.4% agreed and 31.2% strongly agreed that social media advertising boosted sales, while 10.2% were neutral and 3.2% disagreed. The mean rating for perceived sales increase was $M = 4.11$ on a five-point Likert scale, underscoring entrepreneurs' strong approval of digital advertising results. Pearson's correlation analysis also showed a moderate positive association between Perceived Usefulness (PU) and Sales Performance (SP) ($r = 0.58$, $p < 0.001$).

This suggests that entrepreneurs who find social media valuable are more likely to experience measurable gains in sales and customer engagement. Performance across business sectors shows that social media advertising affects sales differently. Food and beverage companies saw the biggest increases, with fashion and retail businesses close behind. This suggests that advertising strategies and platforms should align with the product and target audience for optimal results.

Table 5. Correlation Matrix

Variable	1	2	3	4
Advertising Exposure (AE)	1			
Perceived Usefulness (PU)	0.47**	1		
Customer Engagement (CE)	0.42**	0.53**	1	
Sales Performance (SP)	0.49**	0.58**	0.55**	1

Note: ** $p < 0.01$

5. DISCUSSION

The results show that social media advertising is now a key part of UMKM business strategy in Dumai City. Most entrepreneurs choose Facebook and Instagram because they are affordable, easy to use, and help them connect directly with customers. The data reveals that 91% of respondents use Facebook Ads, while 74% use Instagram Ads. This supports the idea that digital platforms are important marketing tools for small businesses (Nofrizal et al., 2023; Saputri & Hidayatulloh, 2023). With women accounting for 82 % of the sample, the findings suggest that digital advertising helps open more opportunities for women entrepreneurs. It reduces traditional barriers and encourages inclusivity. This aligns with the findings of Hendayana et al. (2024) and Saputri & Hidayatulloh (2023), who found that social media enables women and small business owners to reach wider audiences without the high costs of traditional marketing. The results show that businesses with larger advertising budgets see better sales outcomes. Companies spending more than IDR 2 million per month report higher satisfaction and stronger sales growth than those with smaller budgets. This supports Nofrizal et al. (2023), who found that regular, ongoing promotion helps build brand familiarity and trust, leading to more purchases.

The results also point to some areas that need improvement. Even though digital advertising has been successful overall, 22.0% of respondents remain unsure about the effectiveness of Instagram Ads. This shows that some entrepreneurs may not fully understand how to design, target, or measure their campaigns. Not knowing how to use analytics tools or segment audiences can lower the return on advertising. This supports Gunawan's (2022) view that the digital divide between large and small cities affects marketing results in Indonesia. Differences between business sectors also show that social media advertising does not have the same impact everywhere. Food and beverage businesses benefit most from Facebook Ads due to their broad consumer reach. The results indicate several areas requiring improvement. Although digital advertising has achieved overall success, 22.0% of respondents remain uncertain regarding the effectiveness of Instagram Ads. This finding suggests that some entrepreneurs may lack comprehensive knowledge of campaign design, audience targeting, or performance measurement. Insufficient familiarity with analytics tools or audience segmentation can reduce advertising returns.

These findings support Gunawan's (2022) assertion that the digital divide between large and small cities influences marketing outcomes in Indonesia. Furthermore, variations across sectors demonstrate that the impact of social media advertising is not uniform.

5.1 Practical Implications

The findings of this study have significant implications for entrepreneurs and policymakers. For owners of micro, small, and medium enterprises (UMKM), data-driven social media advertising represents an effective strategy to enhance visibility and increase sales. Entrepreneurs are advised to allocate a portion of their marketing budgets to Facebook and Instagram advertisements and to systematically monitor campaign outcomes. Consistent use of analytics tools is essential for evaluating advertising effectiveness. Developing competencies in advertisement design, audience targeting, and performance assessment is also critical. Furthermore, local universities and training centers should offer workshops on digital advertising and content creation tailored to the needs of small businesses.

The findings indicate a need for structured digital literacy and entrepreneurship programs, particularly in smaller cities such as Dumai. These programs should equip entrepreneurs with skills to develop cost-effective advertisements, analyze marketing campaigns, and establish long-term customer relationships. Improving digital marketing competencies among UMKM is likely to enhance business performance and contribute to regional resilience. Social media platforms are encouraged to simplify analytics tools and provide tutorials in Bahasa Indonesia to support new users. Addressing these skill gaps enables policymakers and platforms to position digital advertising as a driver of inclusive economic growth.

6. CONCLUSION & RECOMMENDATIONS

This study finds that social media advertising significantly boosts visibility, engagement, and sales for micro, small, and medium enterprises (UMKM) in Dumai City. Adoption rates are high: 91% use Facebook Ads and 74% use Instagram Ads. Most report positive outcomes, with 68.3% attributing improved visibility to Facebook Ads and 55.4% noting increased engagement from Instagram Ads. Enterprises that spend more and offer a better digital experience tend to exhibit higher sales performance. The study emphasizes that ongoing investment and skill development are key to maximizing returns from social media advertising. Notably, digital marketing has expanded business participation and empowerment for women entrepreneurs, who make up 82 percent of the respondents.

Social media advertising drives the growth of small businesses in regional Indonesia and success in advertising depends not just on spending but also on content creation, analytics skills, and customer engagement. A strong link exists between user confidence, digital literacy, and sales outcomes. While most findings are positive, there are knowledge gaps among less experienced users and in visually oriented sectors. Effective digital marketing relies on practical skills and sustained engagement, underscoring its ability to transform business competitiveness and regional economic development.

This study utilizes self-reported data, which may introduce bias in participants' assessments of sales and performance improvements. The cross-sectional design captures data at a single point in time and does not establish causality between advertising efforts and financial outcomes. Focusing on Dumai City provides insight into smaller urban centers in Indonesia; however, these findings may not be generalizable to larger

cities or rural areas. Future research should track business performance longitudinally and employ objective financial indicators to validate these results. Comparative studies across Indonesian regions can show how digital infrastructure, consumer behavior, and industry context affect advertising effectiveness. Experimental approaches, such as training in digital marketing analytics, can determine whether skills development enhances advertising outcomes. These methods will improve understanding of how social media advertising supports small business growth in emerging markets.

Acknowledgements:

Author contributions: All authors equally contributed to this study

Ethical Statement: Ethical approval was obtained from the Institutional Review Board of Universitas Putra Indonesia YPTK, Padang, West Sumatra Province, Indonesia, prior to the commencement of fieldwork.

Consent to Participate:

Competing Interests: The author declares that this work has no competing interests.

Grant/Funding information: The author declared that no grants supported this work.

Data Availability Statement: The associated data is available upon request from the corresponding author.

Declaration Statement of Generative AI: The author(s) of this work used Grammarly to refine the English language and author (s) take full responsibility for the publication contents.

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