

The Role of Government Policies in Moderating The Effect of Social Media Innovation Adoption and Entrepreneurial Orientation on Performance of MSMEs in Jewelry Crafts Gianyar Regency

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DOI : <https://doi.org/10.61796/ijaifd.v3i1.456>



Sections Info

Article history:

Submitted: October 01, 2025
Final Revised: November 18, 2025
Accepted: December 24, 2025
Published: January 31, 2026

Keywords:

Adoption of social media innovation
Entrepreneurial orientation
Government policy
MSME performance
Jewelry crafts

ABSTRACT

Objective: Micro, Small, and Medium Enterprises (MSMEs) in jewelry handicrafts in Gianyar Regency are facing the challenge of digital adaptation and increasingly competitive market dynamics. The adoption of social media innovation and entrepreneurship orientation is seen as a strategic factor in improving the performance of MSMEs, but its effectiveness is highly dependent on government policy support. This study aims to analyze the influence of social media innovation adoption and entrepreneurial orientation on the performance of MSMEs, as well as test the role of government policies as a moderation variable. **Method:** This study uses a quantitative approach with an explanatory design. Data was collected through a questionnaire on 153 jewelry handicraft MSME actors in Gianyar Regency. Data analysis was conducted using Partial Least Square-Structural Equation Modeling (PLS-SEM) to test the direct influence and moderation effect between variables. **Results:** The results of the study show that the adoption of social media innovation and entrepreneurial orientation has a positive and significant effect on the performance of MSMEs. In addition, government policies have been proven to play a role as a moderation variable that strengthens the influence of the adoption of social media innovations and entrepreneurial orientation on the performance of MSMEs. Policy support in the form of fiscal incentives, access to financing, and digital facilitation increases the effectiveness of MSMEs' internal strategies in producing more optimal performance. **Novelty:** These findings confirm the importance of synergy between the internal capabilities of MSMEs and government policy support. Social media and entrepreneurship orientation have a stronger performance impact when supported by a conducive and responsive policy environment to the needs of MSMEs in the digital era.

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have an important role in economic development, especially in developing countries such as Indonesia. Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and absorb more than 97% of the workforce. MSMEs are spread across various sectors, ranging from trade, culinary, to handicrafts and services. The existence of MSMEs not only supports national economic stability, but also strengthens the social resilience of the community. However, in the midst of technological disruption and globalization, MSMEs are faced with major challenges, such as limitations in market access, capital, technology, and human resources (www.kemenkopukm.go.id)

One of the main challenges facing MSMEs today is how to adapt to digital changes that are so fast. In the era of digital transformation, social media has developed to become one of the main means for marketing, communication and business development. The

Central Statistics Agency (2021) also revealed that almost all MSMEs that sell online use instant messaging applications (93.98%), such as WhatsApp, Line, and Telegram. Then marketing through social media (54.66%) such as Facebook, Twitter, and Instagram, is in second place. Only 21.64% of MSMEs have a sales account in the marketplace. Social media such as Instagram, Facebook, TikTok, and WhatsApp Business provide opportunities for MSMEs to promote products more widely and efficiently without requiring large costs. Innovation in the use of social media is not only limited to marketing, but also includes customer service, feedback collection, and the creation of a loyal community of customers. Furthermore, 10.42% of business people use e-mail and 2.38% use websites. This is the government's responsibility, considering that there are still 78.36% of business actors who have not taken advantage of digital marketing, so efforts are needed to encourage interest in switching to digital marketing in Indonesia [1].

The phenomenon of social media use by MSME actors is also clearly seen at the regional level, especially in Gianyar Regency which is one of the centers of creative economic growth in Bali Province. The rapid development of digital technology has changed the pattern of business activities, including for micro, small, and medium enterprises (MSMEs). The use of social media is a form of innovation adoption that provides great opportunities for MSMEs to expand the market, increase sales, and strengthen relationships with consumers. Based on the Bali MSME Digitalization Report by the Bali Cooperatives and SMEs Office (2022), it is recorded that around 65–80% of MSMEs in Gianyar Regency have used social media as a means of promotion and product sales. This figure shows that most MSMEs in Gianyar have begun to adapt to changes in market behavior that are increasingly digital.

Based on the Bali MSME Digitalization Report published by the Bali Cooperatives and SMEs Office (2022), around 65–80% of MSMEs in Gianyar have used social media for product promotion and sales. The results of the Bank Indonesia Bali survey (2022) also show that 55–70% of MSMEs active on social media have obtained increased sales through digital platforms. The type of social media most used by MSMEs in Gianyar is Instagram (75%), followed by Facebook (60%) and TikTok (45%), with customer satisfaction with promotions and interactions through social media reaching 68–72%. This condition indicates that social media plays a significant role in improving the performance and competitiveness of MSMEs, especially in the handicrafts, culinary, and local tourism sectors which are the leading potential of the Gianyar region.

More broadly, this condition is also in line with the trend at the Bali Province level, where 70–85% of MSMEs have adopted social media as the main means of promotion and interaction with customers (Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2022). Instagram (80%), Facebook (65%), and TikTok (50%) platforms are the most popular social media among Balinese MSME actors, and around 70% of digital customers express satisfaction with the services and promotions carried out through social media. The findings confirm that social media has great potential in improving the

competitiveness and performance of MSMEs in Bali, including in Gianyar Regency. Although the adoption rate is quite high, more strategic government policy support is still needed so that the use of social media can be optimized in improving the performance of MSMEs in a sustainable manner. The data shows that the use of social media has an important role in improving the performance and competitiveness of MSMEs in Gianyar. However, the effectiveness of the use of social media is inseparable from the support and policies of the local government in providing adequate facilities, digital training, and infrastructure so that social media innovations can be optimally adopted by all MSME actors.

However, the success rate of MSMEs in optimizing social media is not only determined by technology adoption factors alone, but also influenced by entrepreneurial orientation and government policies and support. The government's role in providing digital training, providing technology infrastructure, and policies that encourage innovation are important factors that can strengthen the relationship between the adoption of social media innovations and improving the performance of MSMEs.

The adoption of social media as an innovation does not automatically improve the performance of MSMEs. Some business actors still face limited digital knowledge, lack of understanding of effective content strategies, or are not consistent in utilizing digital platforms. Therefore, sustainable adaptability and innovation are needed so that the use of social media can have a real impact on business performance. The process of maintaining a successful business continuity often involves the application of innovation. Innovation encompasses the process and outcome of the creation of something new and valuable, which has a significant impact on economic growth and technological advancement. Innovation is a crucial element for the survival of micro, small, and medium enterprises (MSMEs), as it allows organizations to leverage their knowledge, skills, and expertise to create new technologies, processes, products, or services that can improve business operational performance [2].

A number of studies have shown a positive relationship between social media use and business performance [3], [4], [5], [6], [7]. However, research found that social media does not have a significant impact on the performance of MSMEs in the United Arab Emirates, as many businesses only engage in it due to competitive trends [8]. Another study concluded that social media does not have a significant impact on organizational performance [9]. Given these mixed results, there is still a gap in understanding the relationship between MSME performance and social media use. Meanwhile, states that SMEs can further improve performance if supported by strong internal innovation capabilities [10]. However, few empirical studies have examined the collaborative use of social media for innovation among companies [11], specifically by including innovation capabilities as a moderation variable [12].

In addition, another factor that greatly affects the performance of MSMEs is entrepreneurial orientation. Entrepreneurial orientation reflects the extent to which MSME actors have a proactive, innovative, and risk-taking attitude and behavior in

running their businesses. Business actors with a high entrepreneurial orientation tend to be more sensitive to market opportunities, more prepared to face uncertainty, and more active in conducting business experiments to increase added value. However, this orientation also requires support in the form of a supportive business environment and policies that encourage innovation and competitiveness. Entrepreneurial Orientation refers to the process of forming strategies in which organizations are encouraged to act and make entrepreneurial decisions [13]. Entrepreneurial orientation can be interpreted as a company's public interest strategy to compete more effectively in the same market. According to research shows that the better the entrepreneurial orientation, the higher the success rate of the company's business performance [14]. Meanwhile, according to research shows a non-significant relationship between entrepreneurial orientation and company business performance [15]. In addition, there is another study that states that entrepreneurial orientation does not directly affect business performance [16]. Given the many gaps in the results of researchers, it is necessary to review the influence of entrepreneurial orientation and the performance of a company.

The role of government policies is very crucial in creating a conducive business ecosystem for MSME actors, considering that the government has a strategic function as a facilitator, regulator and accelerator in encouraging the growth and competitiveness of the sector. Through the formulation and implementation of targeted policies, the government can significantly reduce various structural barriers faced by MSMEs, both in the process of adopting digital innovations and in developing adaptive and sustainability-oriented entrepreneurial characters. Concrete forms of support include the implementation of digital literacy training, the provision of capital assistance, the provision of tax incentives, the simplification of the business licensing process, and the development of technological infrastructure that supports digital transformation as a whole [17].

The government's support policy aims to help SMEs overcome financial and non-financial constraints to improve company performance. Government support policies help SMEs start, grow, and develop by directly providing capacity building management assistance and indirectly by shaping the economic, regulatory, and institutional environment to better support the needs of SMEs. Government support policies refer to the creation of a supportive or supportive environment for businesses that the government creates with support. policies or initiatives to help the growth and performance of SMEs [18], [19]. This policy should be available to every individual regardless of party affiliation, ethnicity, religion, educational background, or anything else that may prevent a person from accessing it that the government is mandated to provide to citizens who want to do business or who are already doing business. Government support generally implies a good relationship between the company and government officials, which can be an important source of information.

In many cases, governments implement business-friendly policies in specific regions and industries or policies tailored to the size of the company or a particular type

of ownership. If necessary, the government even provides financial support in the form of low-interest loans from state-owned banks to SMEs to encourage them to comply with its guidelines [20]. According to research by Saberi and Hamdan[21], [22], it was concluded that government support policies have a significant moderation effect on the relationship between entrepreneurial orientation and economic growth. But in reality, not all government policies are effective or able to answer the real needs of MSMEs in the field. Sometimes, policies are top-down, lack local consideration, or slow in their implementation. Therefore, it is important to examine the extent to which government policies can play a role as a moderation variable that strengthens or weakens the influence of the adoption of social media innovation and entrepreneurial orientation on the performance of MSMEs.

The jewelry craft sector was chosen as the focus of research because it is one of the leading subsectors in Gianyar Regency which plays an important role in supporting the regional economy, especially in the field of creative and export industries. Gianyar Regency, especially Celuk Village in Sukawati District, has long been known as the main center for silver craftsmen in Bali who produce various jewelry with high artistic value and international competitiveness (Gianyar Regency Cooperatives and SMEs Office, 2023). According to the Ministry of Tourism and Creative Economy (2022), the craft subsector, including silver jewelry, is one of the 17 creative economy subsectors that make a significant contribution to national GDP and has great potential in supporting non-oil and gas exports.

In addition to having advantages in terms of cultural and aesthetic aspects, jewelry handicraft MSME players are also beginning to adapt to the development of digital technology through the use of social media and online platforms to expand market reach and increase sales [23].

However, this sector still faces a number of challenges such as fluctuations in raw material prices, global competition, limited access to financing, and the low digitalization ability of some business actors [24]. In this context, the role of local government policies is very important, especially in providing training, digital assistance, and facilitation of promotions through marketplaces to improve the performance and competitiveness of MSMEs (Ministry of Cooperatives and SMEs, 2023). Thus, the focus of research on jewelry handicraft MSMEs in Gianyar Regency is considered relevant to illustrate how government policies can moderate the influence of social media innovation adoption and entrepreneurial orientation on the performance of MSMEs in the region's leading sectors.

This study is relevant because it integrates three important interrelated aspects, namely digital innovation, entrepreneurial characteristics and government policies. Studies that combine these three aspects are still relatively limited, especially in the context of MSMEs in Indonesia. This research is expected to provide a more comprehensive understanding of the synergy between technology, business behavior, and policy support in encouraging the growth and sustainability of MSMEs. Therefore, this study aims to empirically examine the relationship between the adoption of social

media innovation and entrepreneurial orientation on the performance of MSMEs, as well as examine the role of government policies as a moderation variable in this relationship. The results of this research are expected to not only make a theoretical contribution to the development of the literature, but also offer practical implications for policymakers and MSME actors in formulating more effective and sustainable strategies in the digital era. Based on this background, the author is interested in raising the title "The Role of Government Policies in Moderating the Influence of Social Media Innovation Adoption and Entrepreneurship Orientation on the Performance of Jewelry Craft MSMEs in Gianyar Regency".

RESEARCH METHOD

This study employed a qualitative research approach to explore the implementation of internal audits and their contribution to financial transparency in SMP Muhammadiyah 5 Tulangan. A qualitative design was chosen because it allows researchers to gain an in-depth understanding of administrative processes, financial governance practices, and institutional accountability mechanisms within the school environment. The research was conducted through field investigation focusing on the internal audit process implemented by the school management and foundation authorities. Data collection was carried out using three primary techniques, namely observation, interviews, and documentation. Observation was used to examine directly the financial administration procedures, document verification processes, and audit activities conducted within the institution. Interviews were conducted with key informants including school administrators, financial staff, and representatives of the school foundation in order to obtain detailed information regarding audit practices, financial reporting procedures, and accountability mechanisms. Documentation analysis was also conducted by reviewing financial reports, audit records, expenditure documents, and other administrative archives related to school financial management. The collected data were then analyzed using qualitative descriptive analysis by organizing, interpreting, and synthesizing the information to identify patterns related to the effectiveness of internal audit practices in improving financial transparency and administrative order within the school.

RESULTS AND DISCUSSION

The Effect of Social Media Innovation Adoption on the Performance of Jewelry Craft MSMEs in Gianyar Regency

Based on the results of hypothesis testing on structural models (PLS-SEM), the adoption of social media innovations has proven to have a positive and significant effect on the performance of jewelry handicraft MSMEs in Gianyar Regency. These findings indicate that the higher the ability of MSMEs to integrate social media into business activities, the higher the business performance achievement felt by MSME actors. Substantively, the influence reflects the role of social media as a marketing and

communication channel that increases business visibility, accelerates the flow of information between producers and consumers, expands market reach, and encourages promotion and distribution efficiency; Thus, social media is no longer positioned as a supporting tool, but rather as a strategic resource that contributes to strengthening the performance of MSMEs.

If pulled at the level of variable indicators, the relationship between the adoption of social media innovations and performance can be explained through the indicators with the highest average in each construct. In the variable of social media innovation adoption, the highest indicator is the use of social media to find new business opportunities or ideas, which represents the ability of MSME actors to use social media to monitor trends, read market preferences, and quickly capture design/product inspiration [25], [26], [27], [28]. affirming the role of social media in increasing the competitive advantage and performance of MSMEs through branding, digital innovation, and promotion.

In the context of jewelry handicraft MSMEs, especially centers that have experienced the process of digitizing the marketing of social media-based "market sensing" activities, it has the potential to increase demand through more relevant products, more persuasive content, and more segment-appropriate offers. According to Jewelry handicraft businesses that have been digitized, social media-based market sensing has the potential to increase demand through relevant products, persuasive content, and segmented offers, as driven by the literature on digital marketing and product innovation in MSMEs [25], [26], [28].

Furthermore, in the MSME performance variable, the highest indicator is an increase in production capacity, which can logically be understood as a consequence of increasing market demand and the need for order fulfillment when digital promotion runs more effectively. In other words, the use of social media to identify new opportunities/ideas tends to lead to strengthening "order inflow" and ultimately encouraging MSMEs to increase production capacity to be able to respond to the market in a timely and competitive manner. According to the most prominent performance of MSMEs is related to increasing production capacity, as a logical consequence of the increasing demand and success of digital promotion in directing order inflow .

From the perspective of grand theory, the results of this study are coherent with the diffusion of innovation theory. Rogers emphasized that the adoption of innovation is the decision to use innovation to the fullest as the best way to carry out activities, and the diffusion process explains how innovation is communicated in social systems until it is finally widely adopted. In this framework, social media is positioned as an innovation that provides real use value (e.g. ease of communication, access to market information, and promotion efficiency), so that MSMEs that are in the category of early adopters tend to gain competitive advantages faster. Its relevance is getting stronger in the jewelry industry which is heavily influenced by taste, design trends, and demand dynamics, so

that the speed of capturing market signals through social media is an important mechanism that bridges the adoption of innovation to performance achievements.

The use of social media as a digital innovation has a significant impact on the performance of jewelry handicraft MSMEs because the media functions as the main platform to identify market opportunities, promote products, and increase interaction with consumers. Empirical studies show that social media adoption positively affects the performance of micro, small, and medium enterprises (MSMEs) through increased sales, revenue growth, and market share expansion, as revealed by [29], [30] further strengthens this conclusion by ensuring that social media has a positive and significant influence on the performance of MSME businesses. This support is in line with the findings of Tiurmaida and Suryani, who stated that intensive use of social media correlates with an increase in sales volume, number of customers, and business growth.

The Effect of Entrepreneurial Orientation on the Performance of Jewelry Craft MSMEs in Gianyar Regency

Entrepreneurial orientation has a positive and significant effect on the performance of jewelry handicraft MSMEs in Gianyar Regency. This finding means that strengthening the entrepreneurial character of MSME actors, which is reflected in the tendency to be innovative, proactive, and daring to take risks measurably, significantly increases business performance achievements. Conceptually, entrepreneurial orientation is understood as a pattern of managerial practices, processes, and decision-making that encourages entrepreneurial actions (innovation, proactivity, and risk-taking) so as to result in competitive advantage and business growth.

In the context of jewelry handicraft MSMEs in Gianyar Regency, the mechanism of influence can be explained through the ability of business actors to read market changes, respond to opportunities faster than competitors, and turn limited resources into more adaptive and value-added strategies, which ultimately translates into improved business performance.

When associated with the level of variable indicators, the relationship between entrepreneurial orientation and MSME performance can be explained through the highest indicator in each variable. In the entrepreneurial orientation variable, the highest average indicator is anticipation of changes in customer needs, while in the MSME performance variable, the highest indicator is an increase in production capacity. The relationship between the two can be interpreted as the ability of MSMEs to actively monitor trends and quickly adapt to customer needs (market sensing and responsiveness) to create a stronger product-market fit, in the jewelry industry which is highly influenced by taste, season, and design trends, this conformity generally increases demand and order stability, thereby encouraging MSMEs increase production capacity to meet market needs in a timely manner. Thus, the proactivity-adaptive indicator in entrepreneurial orientation becomes a logical operational "trigger" for the increase in production capacity as the most prominent manifestation of performance.

According to stated that entrepreneurial orientation contributes to performance through product innovation and market sensing mechanisms that are closely related to how MSMEs monitor trends, read customer preferences, and adjust product offerings quickly [8], [31], [32], [33], [34]. In the context of handicraft MSMEs, this relationship is documented through a study that examines the impact of entrepreneurial orientation on MSME performance and how product innovation and the adoption of market-based marketing strategies impact performance. Specifically, several studies show that market orientation and entrepreneurial orientation improve performance through product innovation and marketing capabilities that are more adaptive to market trends, which in turn improves the market sensing capabilities of MSMEs. In addition, the literature on entrepreneurial marketing confirms that entrepreneurial orientation serves as a key driver for a more proactive and responsive marketing strategy to market opportunities, which has a positive impact on business performance. Additional support regarding the role of social media-based marketing as a means of market sensing and response also improves performance through the accumulation of market knowledge and product innovation.

Entrepreneurial orientation contributes to the performance of MSMEs through market sensing mechanisms and product innovation, which in the context of jewelry crafts (which rely heavily on trends and tastes) places opportunity identification and market adaptation as the main drivers of performance improvement, with increased production capacity as a logical operational manifestation when demand increases. The highest indicator for entrepreneurial orientation can be understood as the proactive ability to anticipate changes in customer needs (market sensing), while the highest indicator of MSME performance as an increase in production capacity reflects operational response to increased demand as a result of digital promotion and product innovation

The results of this study are in line with the Diffusion of Innovation Theory used in the research. This theory places innovation as a solution that creates new value and drives performance change, while the level of "readiness" and adopter character in a social system affects how quickly the innovation is harnessed into results. In this framework, entrepreneurial orientation functions as an internal capability that increases the probability of MSME actors to (i) capture market information early, (ii) conduct strategy/product experiments, and (iii) execute opportunity-based decisions that overall accelerate the transformation of ideas/opportunities into business actions and performance outputs. In other words, the DOI provides a foundation that "innovation and adoption" is a source of performance improvement, while the entrepreneurial orientation explains why some MSMEs are faster and more effective at converting environmental dynamics into performance improvements.

This research is in line with Gunawan and Huarng showing that business actors with a high level of entrepreneurial orientation are able to achieve faster business growth, have a better market orientation, and can manage risks more effectively. A study by Dhameria & Kusumah, on the batik sector shows that entrepreneurial orientation has a

positive and significant effect on the performance of batik MSMEs, with an analysis that shows a strong influence statistically. Similar things have also been reported in other studies emphasizing that entrepreneurial orientation contributes to performance significantly.

Government Policy to Moderate the Influence of Social Media Adoption on the Performance of Jewelry Craft MSMEs

The results of the moderation effect test showed that government policies positively and significantly strengthened the influence of the adoption of social media innovations on the performance of jewelry handicraft MSMEs in Gianyar Regency. Substantively, these findings confirm that the benefits of social media adoption are not necessarily "automatically" converted into better performance, but are strongly influenced by the policy support that shapes the business environment. When government policies are present as facilitators, regulators, and accelerators, for example through digital training, access to financing, ease of licensing, and MSME infrastructure support, they tend to be more able to optimize social media into marketing and operational capabilities that produce stronger performance outputs. Thus, government policies work as a strengthening condition that makes MSME digital practices more productive, more sustainable, and have more impact on business results.

The results of this research are in line with the theoretical framework of innovation diffusion, social media adoption is understood as the decision of MSME actors to use innovation fully and sustainably in a social system, the diffusion process occurs when innovation is communicated through various channels and then internalized into daily business practices. In the context of moderation, government policies act as a diffusion accelerator that increases "adoption readiness" and implementation quality, for example through digital literacy training, mentoring, incentives, and the provision of infrastructure so that the use of social media does not stop at symbolic use, but develops into marketing capabilities and customer relations that result in improved performance.

Thus, the theory of innovation diffusion explains that policy support accelerates the transition from the exploration phase to integration, as well as strengthens the chances that digital innovation (social media) is actually transformed into performance outputs (e.g. increased sales, market reach, and promotional effectiveness). Meanwhile, Institutional Theory explains the mechanism of moderation of government policies through institutional pressure and support that shapes organizational behavior: MSMEs do not only act because of efficiency rationality, but also because of regulative, normative, and cultural-cognitive impulses from the environment. In this study, government policies are positioned primarily as a regulative pillar in the form of rules, programs, incentives, and formal support that can encourage (or hinder) the digital transformation of MSMEs, when the government provides training, incentives, and infrastructure, MSMEs are encouraged to adopt social media more seriously while gaining legitimacy and resources to execute it. Thus, Institutional Theory provides the basis that the influence of social media adoption on performance becomes stronger because

government policies reduce structural barriers, increase adherence to "appropriate" digital practices, and create an ecosystem that makes the adoption of innovations more productive.

The results of this study are in line with Yusuf and Rahmah finding that policies designed by the government in supporting the digitalization of MSMEs are able to accelerate the level of technology adoption and increase the effectiveness of its use [35]. Tommy Fimi Putera, et al. show that the existence of supportive fiscal policies has a positive and significant influence on improving the performance of MSMEs [7]. This policy acts as an environmental driver that makes the adoption of technology (such as social media) more effective in achieving better business outcomes. While Salkiah, Baiq & Putra, Pratama mentions government policy strategies designed to overcome the challenges of digital adoption (including social media) so that MSMEs have better competitiveness. Arbani, M. concludes that digital transformation (including the use of social media) is the key to the sustainability of MSMEs. Regulatory support, such as adaptive and responsive policies, is indispensable to create an ecosystem that allows MSMEs to adapt to technology and achieve sustainable performance in the future [36], [37].

Government Policy to Moderate the Influence of Entrepreneurial Orientation on the Performance of MSMEs Jewelry Performance in Gianyar Regency

The results of the moderation effect test on the structural model show that government policies positively and significantly moderate (strengthen) the influence of entrepreneurial orientation on the performance of jewelry handicraft MSMEs in Gianyar Regency. This finding confirms that entrepreneurial orientation is the strategic tendency of business actors to be innovative, proactive, and dare to take measurable risks will produce a stronger performance impact when in the context of policy conducive. In other words, government policies function as an enabling environment that reduces implementation friction (e.g., limited access to resources, regulatory barriers, and adjustment costs), so that entrepreneurial capacity does not stop at the level of intention or idea, but is more effectively converted into operational achievements and business growth.

Public policy can create a conducive environment for entrepreneurs by improving access to resources (e.g., financing, infrastructure, and information), reducing regulatory barriers, and lowering the cost of transitioning from idea to operational action. Studies have shown that the role of policy is not only in the formation of intentions, but in increasing capacity to grow through institutional support, financing, and access to markets.

Theoretically, policies that encourage synergy between actors in the entrepreneurial ecosystem, the inclusion of the innovation ecosystem, and the increase of the knowledge base in MSMEs, can accelerate the conversion of intentions into operational performance and business growth. Policies can also improve access to infrastructure and connectivity that facilitate business activities, so that their effects

extend to improved operational performance (e.g. increased production capacity, market expansion, and adoption of innovations). Specifically, policies that place resources, institutional support, and a clear legal framework can reduce compliance and adjustment cost barriers, allowing entrepreneurs to shift focus from facing friction to strengthening their core business capabilities.

The portrait is supported by studies that show that government policies can increase the knowledge base of SMEs related to best practices, thereby improving operational capabilities and competitiveness to the growth stage, not just the initial intention.

From the perspective of the theory used, this moderation finding can be explained through Institutional Theory, which asserts that organizational behavior and performance are not only determined by internal economic rationality, but also by the pressures and support of the institutional environment such as formal rules, government policies, norms, and social values. The regulatory pillar emphasizes the elements of formal policies, laws, and sanctions that "direct" organizations to act according to environmental expectations. In this framework, government policies work as pressure as well as regulatory support that creates certainty and incentives, so that entrepreneurial orientation (innovation-proactivity-risk-taking) can be implemented into impactful business actions.

Conducive and facilitating policy support can take the form of various forms of government intervention such as entrepreneurship training, business assistance, easy access to business capital, fiscal incentives, and simplification of business regulations. In a business environment that receives policy support, MSME actors who have a high entrepreneurial spirit and orientation will be more free and confident in developing their business strategies, taking risks to innovate, and adapting to market needs. On the contrary, without a supportive policy, the entrepreneurial spirit tends to be stagnant and less able to make a real contribution to business performance.

The results of this study are in line with Saputri and Lestari explaining that government policies targeting entrepreneurial capacity development have a significant contribution to increasing the productivity and competitiveness of MSMEs [38]. In this case, the role of the government is very important in creating a stable and supportive business environment, which can be a foundation for MSME actors to implement entrepreneurial behavior optimally. Handayani, R., & Widyastuti, W. revealed that government support strengthens the positive relationship between Entrepreneurial Orientation (innovation, risk, proactivity) and MSME Performance [39]. This means that MSMEs that dare to take risks and are supported by government programs will achieve much higher performance. The results of this study are also relevant to Supriadi, E., & Susanti, R. stating that a conducive external environment (which includes regulations that facilitate licensing and incentives) significantly moderates the relationship [40]. Supportive policies reduce the risks faced by innovative MSMEs, thereby strengthening the positive effects of entrepreneurial orientation on performance.

CONCLUSION

Fundamental Finding: The adoption of social media innovation has been proven to have a positive and significant effect on the performance of MSMEs, these findings show that the higher the level of use of social media as a business innovation (for example, for promotion, interaction, and search for new opportunities or ideas), the more business performance achievements will increase. Entrepreneurial orientation has also been proven to have a positive and significant effect on the performance of MSMEs, this emphasizes that the entrepreneurial character of business actors such as proactivity, innovation, the ability to respond to changing customer needs, and the courage to implement new strategies, play a real role in encouraging improvement in business performance. Government policies act as a moderation variable that strengthens the influence of the adoption of social media innovations on the performance of MSMEs, meaning that policy support such as incentives, financing, promotions, and digitalization programs creates a more conducive environment so that the use of social media becomes more effective in producing performance improvements. Government policies also positively and significantly moderate the influence of entrepreneurial orientation on the performance of MSMEs, indicating that entrepreneurial orientation will produce a stronger performance impact when supported by government policies that facilitate the business ecosystem, reduce implementation barriers, and expand access to resources for jewelry handicraft MSMEs in Gianyar Regency. **Implication:** Based on the results of the research, it can be recommended to the managers of jewelry handicraft MSMEs in Gianyar Regency that MSME managers should build a consistent content calendar by prioritizing visual and narrative content that highlights the uniqueness of the design, production process, and cultural or artistic value of jewelry while implementing responsive engagement strategies such as comments, messages, and live broadcasts to strengthen customer relationships and encourage repeat purchases. Managers also need to maximize the function of social media as a market sensing tool by monitoring trends, mapping consumer preferences, and testing new design ideas through interaction or analytics features so that product innovation can respond more quickly to market demand. MSMEs are also advised to strengthen proactive entrepreneurial behavior by seeking new market opportunities, expanding partnership networks such as creative communities, resellers, micro-influencers, and marketplaces, and trying new marketing and distribution strategies with measurable risk calculations supported by simple financial records to facilitate data-driven decision making. In addition, MSME managers should be more active in utilizing government programs such as training, mentoring, exhibitions, digital subsidies, credit access, and incentives as a source of capacity building while conducting internal evaluations to ensure that assistance supports strategic needs including improving content quality, developing new designs, optimizing digital advertising, and strengthening production capacity. **Limitation:** The limitation of this study is implied in the focus on jewelry handicraft MSMEs in Gianyar Regency, which may restrict the broader generalization of findings to other MSME sectors or different

regional contexts with varying market dynamics and policy environments. **Future Research:** Future research is expected to expand the research scope by involving MSMEs from different creative industry sectors or regions, as well as examining additional variables such as digital capability, innovation capability, or collaborative networks so that the understanding of MSME performance improvement strategies in the digital era can be analyzed more comprehensively.

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