

## Adoption of Social Media Platforms by MSMEs in Chennai: Opportunities, Challenges, and Impact on Business Growth

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### Abstract

In this research paper, we linger over the application of social media in Micro, Small, and Medium Enterprises (MSMEs) in Chennai as well as the opportunity in social media, its challenges and business development. As the Digital technologies steadily grow, social media have become the most effective and affordable way to market, interact with the customers, and build a brand. The research comes up with a conceptual flow model which outlines the adoption process and the key factors driving the process include market competition and digital awareness, followed by decision-making, implementation, customer engagement and resultant business outcomes. The study shows that implementation of social media helps the MSMEs to reach the markets, increase interaction with customers and sales. Nevertheless, issues of low levels of digital literacy, time, changes in restrictions of the algorithm, and inability to measure the return on investment are obstacles to successful implementation. The results underscore the fact that adoption is not enough but the quality of implementation and engagement level are critical mediating factors in the process of ensuring business growth. The research findings indicate that the use of strategic social media through constant feedback and performance analysis would go a long way in enhancing the competitiveness and sustainability of the MSMEs in Kim Chennania business environment, which was dynamic.

**Keywords:** MSMEs, Social Media Adoption, Business Growth, Digital Marketing, Customer Engagement, Chennai, Small Businesses, Social Media platforms, Entrepreneurial Development.

### 1 Introduction

The high rate of digital technology has drastically changed how businesses are conducted and how they communicate with their customers especially to Micro, Small and Medium Enterprises (MSMEs). Social media platforms like facebook, Instagram, and WhatsApp have taken a center stage as a potent marketing, communication and customer engagement tool. Businesses all over the world are moving towards using such platforms to increase visibility, brand identity, as well as to become more competitive in competitive markets [1]. MSMEs are very important in economic growth in developing economies such as India where they contribute significantly to the economy in terms of employment creation and growth in the GDP. The introduction of social media in the business operations in urban areas like Chennai is taking a high profile as more and more people are adopting the internet and using mobile phones [2]. The use of social media by MSMEs is determined by some technological, organizational and environmental factors. The Technology Acceptance Model (TAM) suggests that ease of use and usefulness are important forces that determine the adoption of technology [3]. Moreover, the external forces like competition in the market and the dynamic customers require MSMEs to adopt digital platforms [4]. Social media also offers MSMEs opportunities to market their products at a low cost such that they are able to affect a wider audience without spending much capital [5]. It also enables direct communication with the customers and the establishment of trust and long-lasting relations [6]. In spite of these benefits, MSMEs encounter various threats in achieving successful use of social media. They are often unable to make the most out of them due to limited digital literacy, technical competency, and limited resources [7]. Also, ever-changing algorithms of social media sites and the inability to directly quantify the return on investment (ROI) make it unpredictable among business owners [8]. Data privacy issues as well as cybersecurity worries also make the implementation process more complicated [9]. Past research has indicated that there is a positive correlation between use of social media and business performance. As an example, it has shown that a successful social media use may result in higher sales, better customer loyalty, and better brand recognition [10]. The extent of these benefits however depends on how MSMEs use and utilize their presence on the social media in a strategic fashion [11]. The contributions of the social media would be even more crucial in keeping the momentum of growth and innovation going in an MSME environment in the city of Chennai, where the MSMEs have been compelled to operate in a competitive and diverse market environment [12].

The paper will examine how MSMEs in Chennai have adopted the social media tools by establishing a conceptual flow diagram where the processes and business outcomes caused by these tools interrelate to the adoption drivers. It is also geared towards identifying some of the biggest opportunities and challenges associated with using the social media and assessing the impacts of social media to the growth of the company. The paper is a good addition to the better understanding of digital adoption among MSMEs as it is presented in a convenient framework yet also makes a good contribution to the practical values that could be utilized by entrepreneurs and policymakers [13].

### 2 Literature Review

Recent research (2021-2025) shows an increased interest in the importance of the adoption of social media in the improvement of the performance and competitiveness of MSMEs. The social media are no longer just a means of communication but business enablers that assist in marketing, communication, and innovation. Dwivedi et al. [14] observe that currently, organizational strategies revolve around digital and social media marketing, especially amidst the situation where expansion of market share by a small business is targeted by them. Equally, Chatterjee and Kar [15] emphasize the fact that MSMEs use social media mainly to have a better access to their customers and minimize marketing expenditures. Recent studies are still based on theoretical models like the Technology-Organization-Environment (TOE), and the Technology Acceptance Model (TAM). As an example, Awa et al. [16] show that technological readiness, organizational support, and environmental pressure are important factors in the social media adoption. Moreover, Alalwan et al. [17] underline the importance of perceived usefulness and ease of use as being decisive factors, which supports the emphasis of TAM in digital adoption research. The incorporation of social media in business performance outcomes is also examined in the emerging literature. Tandon et al. [18] discovered that brand loyalty and customer satisfaction were positively affected by active involvement in the social media platform. Moreover, according to Ahmad et al. [19], MSMEs that utilize the power of social media analytics achieve better decision-making and increased sales. The advantages however depend on the efficient implementation strategies as well as regular content management. These benefits notwithstanding, there are a number of challenges. A recent study by Kumar and Ayedee [20] and Salam et al. [21] reveal digital skills, concerns about cybersecurity, and shortage of funds as barriers. Moreover, the MSMEs are affected with algorithm alterations and platform dependency, making them uncertain [22]. According to a recent study of Singh et al. [23], as the adoption rate is rising, the intensity of such usage is unevenly distributed among companies. Overall, the literature enlightens that despite the adoption of social media being a valuable factor in the development of MSMEs, its influences are highly dependent on a combination of technological skills, strategic fit, and constant adaptation.

3 Variables of flow model : The concept flow model of social media adoption amongst MSMEs in Chennai comprises a series of one or more variables that are interrelated, which influence the process of adoption at different stages. This model begins its driver variables that include competition forces in the market, digital skills knowledge, economy of scale, government support and pressure of peers. These are the external and internal stimuli that make MSMEs consider utilizing social media sites.

The second step is adoption decision variables that establish adoption adoption by the businesses. These are perceived usefulness, perceived ease of use, cost, availability of digital skills and anticipated payoff to investment. All these factors have some impact on the managerial decisions made on adopting social media technologies. Implementation variables are the variables that are considered after adoption are put in place, and they denote the effectiveness of the strategies employed by MSMEs to implement their social media. These points are the choice of the platform, content plan, frequency of posts, resource distribution, and training of the staff. Success of social media endeavors is dependent on the quality of implementation. Additional variables to the model are the engagement variables, which act to mediate between the adoption and outcomes. These are quantifiable signals of interaction which include likes, shares, comments, customer responses and rate of click-through. Increased level of engagement is a pointer of better relationships with customers. Then, outcome variables are the effect on the business performance, such as sales growth, customer acquisition, brand awareness, customer retention and profitability. Lastly, feedback variables, e.g., analytics, customer insights, and strategy adjustments, can be used to ensure a continuous improvement and sustainability of the social media practices.

Table.1. Key Components of the Flow Model (Variables in the Flow Model)

Stage	Variables
Drivers	Competition, Digital Awareness
Adoption Decision	Perceived Usefulness, Cost
Implementation	Content Strategy, Platform Choice
Engagement	Likes, Shares, Comments
Outcomes	Sales Growth, Brand Awareness
Feedback	Analytics, Insights

The basic variables in conceptual flow model are presented in table 1. Stages are steps in the process of adoption with variables causing movement through the stages. Based on the performance insights, the feedback stage makes sure the MSMEs will refine their strategies, which makes the model dynamic and iterative.

**4 Opportunities for MSMEs :** Use of social media platforms comes with a lot of opportunities to MSMEs in Chennai that can be used in order to increase their competitive advantage and market share. Cost-effective marketing is one of the greatest benefits since social media sites present a significantly cheaper opportunity than the other advertising platforms like television, the print media and outside advertising. This enables MSMEs to advertise their services and goods effectively using limited funds as it reaches as many persons as possible. Another opportunity is the broader market that is made possible by social media. MSMEs are able not just to reach their local market in Chennai, but also reach regional, national, and even international markets. This increased coverage assists companies to grow beyond geographical boundaries and access new markets. The social media also provides an opportunity to interact with the customers directly, where the MSMEs can represent themselves in real time (by message, comment and feedback). This improves customer relationship, service quality and trust is developed. In as much as the influence of a direct communication is moderate as compared to other influences, it is very vital in customer retention and satisfaction. Moreover, branding is encouraged by social media sites through imagery, content creation and constant interaction. Table 2 demonstrates that MSMEs are able to attain a distinct brand identity and stand out in the competitive markets. Finally, the emergence of social commerce means that businesses can sell their products via such applications as Instagram and WhatsApp Business and simplify the purchasing process and expand opportunities to sell products. All these opportunities play a great role in ensuring business growth and sustainability.

Table.2. Opportunities from Social Media Adoption

Opportunity	Explanation	Impact Level
Cost-effective marketing	Lower cost than traditional ads	High
Wider reach	Access to local & global markets	High
Direct communication	Real-time interaction with customers	Medium
Brand building	Visual storytelling & engagement	High
Social commerce	Direct selling via platforms	High

**5 Challenges in Adoption**

Regardless of the benefits, MSMEs in Chennai have a couple of problems with effectively using social media platforms. Limited digital literacy is one of the main obstacles because most owners of small businesses simply do not have the technical knowledge and skills that they would need in order to utilize social media tools, develop engaging content and interpreting performance metrics. This may turn out to be inefficient use of existing platforms. Time constraints are another major challenge as MSMEs are generally limited in human resource. Answering customer questions, social media administration, and updates weekly with content can be seen as challenges, which take time and do not allow business owners to find the necessary balance in their work and online life. In addition, the frequent modification of algorithms of social networks is a non-negligible impediment. These changes can reduce the organic prominence of posts, thus reducing the chances of MSMEs remaining visible without the need to spend on promoting their posts. This leaves it ambiguous and can spin off further use. The question of measuring the return on investment (ROI) is also an ongoing problem. The effectiveness of social media activities is questionable in many MSMEs as they cannot easily quantify the direct effect of the activities on sales and profitability. Moreover, the issue of cybersecurity and data privacy is also risky, and a company can become the target of cybercrime, fraud, or customer data abuse. All these difficulties limit the optimal adoption and strategic use of social media, which has shown the potential of growing the business.

**6. Data Representation (Hypothetical Model)**

**6.1 Social Media Usage by MSMEs**

The hypothetical data presented below will depict the distribution of usage of the social media platforms among MSMEs in Chennai as indicated in table 3. It is also an indication of the comparative preference of various platforms in consideration of their availability, capabilities and access to customers.

Table.3. Social Media Usage Distribution among MSMEs

Platform	Usage Percentage (%)
Instagram	40%
Facebook	30%
WhatsApp Business	20%
Others	10%

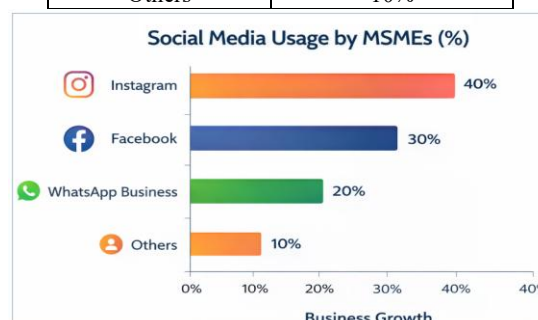


Fig.1. Social media usage by MSMEs

The information indicates that the most popular platform of the MSMEs is Instagram, as it is highly visual and offers marketing functionality. Facebook continues to be an important tool to keep in touch with customers and community involvement as it is in figure 1. WhatsApp Business is mostly used in direct communication and transactional usage, whereas platforms other than WhatsApp are not widely used. This dispersion identifies the increasing role of visually-driven and communication-focused platform in MSME digital strategies.

**6.2 Impact on Business Growth**

**Growth Indicators (Before vs After Adoption)**

The social media uptake greatly affects some business growth indicators of MSMEs presented in table 4. The table below gives a hypothetical comparison of the performance areas of key before and after the implementation of social media.

Table 4. Impact on Business Growth

Growth Indicator	Before Adoption	After Adoption	Change (%)
Sales Growth	Low (20%)	High (65%)	+45%
Customer Reach	Limited (25%)	Wide (75%)	+50%
Brand Awareness	Moderate (30%)	Very High (80%)	+50%
Customer Engagement	Low (20%)	High (70%)	+50%
Customer Retention	Moderate (35%)	High (70%)	+35%

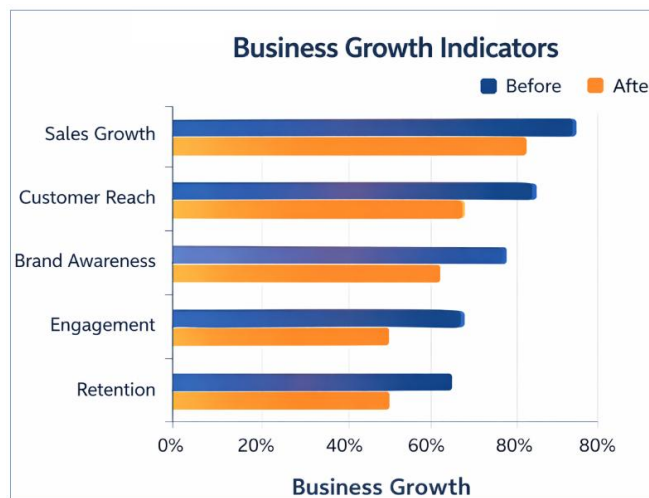


Fig.2. Business growth indicators

The evidence suggests that social media penetration results in average significant gains in all the key performance indicators presented in figure 2. Customer reaches and brand awareness have seen the largest impact with sales growth and the level of engagement coming second. It proves that social media is not only a means of increasing visibility, but also customer relations and hold ability of the business.

**7. Relationship Model (Cause–Effect Diagram)**

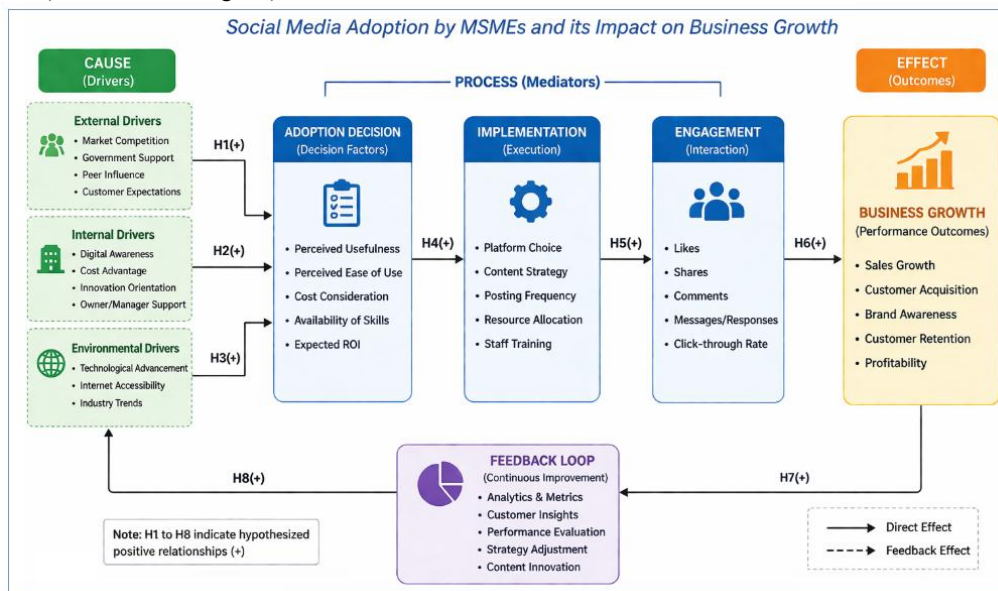


Fig.3. Relationship model

The relationship model visually depicts figure 3 that MSMEs adoption of social media brings a business growth in a systematic cause-effect manner. It starts by appearances of external, internal, and environmental drivers that would influence the adoption choice on the perceived usefulness and ease of use. Successful execution, such as platform selection and content strategy, will increase customer interaction, with likes and shares among them. This participation has direct results in business such as, sales increase, brand awareness, and customer retention. The model is dynamic in the sense that a feedback loop comprising of analytics and insights ensures that the business is ever-improving and also because it underpins the long-term business performance.

## 8 Discussions

The proposed model creates importance that customer interaction is the mediating variable which is key between the use of social media and business development in MSMEs. Though adoption and implementation process must be employed as the initial steps, their success depends mainly on how much they interact with the businesses and their audience. Those MSMEs which constantly produce fascinating content, can respond to their clients promptly, and have certain promotional products are more likely to be more visible and trusted. This also translates to an improvement of sales, retention of clientele and brand awareness. Conversely, there is limited potential due to passive or low use of social media. In this light, the findings highlight that social media can be at the center of business performance improvement, however, it needs strategic involvement and one will not be there on the sites to achieve the most optimal results.

## 9 Conclusions

Introduction of social media application to MSMEs in Chennai has great prospects of improving business performance in terms of expanding business and increasing its competitiveness. As the digital technologies further evolved, the social media became the required tool of a marketing and communication with clients and building brands. These platforms however should not just be adopted but implemented and managed well in order to be successful. The key to the desired results is strategic planning, regular content delivery, and engaging the customers.

The flow model suggested offers a comprehensive method to understand how the forces of adoption, implementation processes and the degree of engagement are related to the business performance. It also highlights the need to assess feedback and optimization as continuity in achieving a growth that is long-term. Overall, MSMEs have a positive attitude towards the application of social media and have proactive and tactical behavior are more likely to succeed and overcome possible barriers and achieve sustainable development in a competitive business society.

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