# Effect of Social Media Usage on Firm Value through Profitability and Firm Growth in the Banking Industry on Indonesia Stock Exchange

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***Abstract**-----Firm value is the perception of investors regarding the level of success of a company or the condition of the company. A bank can increase firm value by reducing asymmetric information by giving clear signals or information to outsiders through the use of social media. The study aims to analyze how the influence of the use of social media on corporate value through profitability and company growth in the banking industry. This research is a quantitative descriptive research. The population used in this study is the banking industry in the Indonesia Stock Exchange with a sampling method that is the census method. This study uses secondary data and Structural Equation Modeling or SEM data analysis methods with Smart PLS 3 analysis tools. The results of this study indicate that the use of social media directly has a significant positive effect on firm value in the banking industry. Meanwhile, profitability and company growth variables cannot mediate the relationship between the use of social media and firm value. The results of this study are expected to make banks more active in using social media to communicate with customers.*

**Keywords: Social Media Usage; Firm Value**

## Introduction

Social media is a growing phenomenon nowadays which is an innovation of the World Wide Web and Web 2.0 technology. In addition, the concept of social media has become the main agenda for many business executives. Decision makers, as well as consultants, try to identify ways in which companies can utilize the applications to benefit them such as Wikipedia, YouTube, Facebook, Twitter, etc. (Kaplan & Haenlein 2010).

The phenomenon of social media which have a significant impact now on profitability, company growth and even company survival. However, there are still some banks or companies that avoid or ignore the form of this media because they do not understand what it is, the various forms of decisions that can be taken, and how to get involved.

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**DOI: 10.37200/IJPR/V24I2/PR200703**
**Received: 02 Jan 2020 | Revised: 15 Jan 2020 | Accepted: 28 Jan 2020** 

Social media is increasingly important for organizations and the increase in the number of social media users is seen as an opportunity to reach a large number of potential customers today. In particular, Facebook, Instagram and Twitter are considered as the leading global social media networks with a very large number of users. The companies will gain insights from users posting to the site, take advantage of this knowledge on their site, production and marketing decisions, and further improving the company's financial performance, creating value for shareholders. Moreover, the investors and other strong stakeholders might find it useful to track down the sentiment generally and level of social media attention on the companies and their operations.

Therefore, investors and other stakeholders can consider this knowledge relevant when making future investment decisions.

However, research of the use of social media in organizations is still new and few (Root and Topcu, 2011). The banking industry is one of the institutions that often use social media for business purposes. For academics, this study contributes to understand the relationship between the uses of social media as a signal to increase company value.

Carr and Haayes (2015), stated that social media is an internet-based media or tool that can enable users to have the opportunity to interact and present themselves momentarily or delayed, with a wide audience or not that drives the value of the content created by users and perception of interaction with others.

Social media is used as a tool to convey information that is important to investors and as a place for investors to do social interaction. Technological developments, market competition increase, globalization and economic change, dynamics of consumer buying behavior and environmental changes have brought substantial changes to the way companies communicate well and anticipate customers. So that organizations quickly adapt and adjust in a competent way to achieve competitive advantage compared to other competitors to improve organizations' performance (Dodokh, 2017). As a result, organizations are forced to find ways to develop strategies for their existence and progress (Franco et al., 2016). One of the strategies used by organizations is the use of social media (Akmese et al., 2016).

Kallapur and Trombley (2001), stated that company growth is the potential of a company in increasing the size of the company through an increase in assets. The faster growth rate of the company will indicate that the company is expanding. The size of the level of profitability is produced by a company, this can affect the value of the company. Weston and Copeland (1997), state that probability is the extent to which a company is able to generate profits from the company's sales and investment.

Along with the development of internet technology, the phenomenon of the use of social media by banks has also increased. All business people go digital. They find new media to form opinions or share information and interact horizontally.

Of course with the increase of the number of social media users, it can be seen that the potential that should be taken by all companies in developing new opportunities is greater or just to be able to survive amidst competitive business conditions. At present, many companies including the banking industry utilize social media as a business reinforcement tool. It is beacause business people are starting to see that many people use social media which can be used as an opportunity for a means of branding and information by using it.

**DOI: 10.37200/IJPR/V24I2/PR200703**
**Received: 02 Jan 2020 | Revised: 15 Jan 2020 | Accepted: 28 Jan 2020** 

There are several reasons that underlie companies to utilize social media, among others, in order to strengthen relationships with consumers or bank customers. One of the reasons is that social media can change how communication styles become more interactive and participative, which can make the relationship between the company or the bank with customers or bank customers more intense, personal and equal. Using social media is also able to make bank customers or consumers leave comments or responses directly to what is being done or how the conditions are happening with the bank or company.

In addition, by creating an account or fan page (fanpages) on Facebook or it could be with a Twitter account or Instagram a brand, so that companies or banks will be younger to be accessed by customers or customers.

If the company or the bank carefully uses social media by making it as an integral part of the company, it can make the role of social media as a competitive advantage compared to other companies. So the company can survive in the increasingly dynamic business world as it is today.

The following is information that illustrates the phenomenon of the use of social media in several banks before and after using social media. It is known that after Bank X used social media, the value of the company was declined in 2015 and increased again in 2017. Meanwhile, Bank Y Niaga after used social media accounts, the value of the company did not increase and Bank Z after used social media in 2014, the value of the company was fluctuated from year to year.

Several previous studies that have examined the relationship between the use of social media and company value and financial performance of the company were conducted by, for example, Uyar et al., (2015), with the title "Can social media increase company value?" found that the Depth of social media variable engagement had a positive and significant relationship with firm value while the presence of an account and involvement in social media had no relationship with firm value. Kim et al., (2015), examined the challenge "The influence of social media on corporate value in restaurants in the United States" found that social media had an influence on corporate value. The results of a study conducted by Mauder (2018), entitled "The impact of followers on social media on company value of companies in Australia" found that the presence of LinkedIn had a significant effect on company value, while Facebook and Twitter did not statistically give significant effect on firm value. Akmese et al. (2016) found that social media was positively related to the market value, net sales, net profits, price / earnings ratio. Smith et al., (2015) found different results, which stated that the use of social media had no effect on financial performance.

The results of research conducted by Mahboub (2018), entitled "The impact of the use of social media on the performance of the banking sector in the Middle East and North Africa" stated that Total followers on Facebook had a positive and significant effect on return on assets and asset growth. Meanwhile, research conducted by Vaca et al., (2017), titled "Popularity of social media and financial performance in the Equadorium Market" found that total followers on Facebook and Twitter did not have a correlation with financial performance. Malhotra (2017), researched on "Impact of social networking sites on financial performance: A case study in Indian Bank" found that there were positive and significant differences in return on assets between banks which used social media Facebook and banks which did not use it. However, not many studies have examined the actual impact of the use of social media on corporate value in the banking sector. Therefore, this study fills this gap by looking at the use of social media in the banking sector in Indonesia.

**Literature Review and Hypotheses**

**Social Media Usage**

Kaplan and Haenlein (2010: 63), stated that social media is a group of Internet-based applications that is built on an ideological basis with the basics of web 2.0 technology and allows the creation and exchange of content. Social media is a content that contains information created by people who use publishing technology and it is very easily accessed with the aim of facilitating the communication, influence and interaction with others and with the general public (Naseullah, 2012).

Social media also includes various forms of online applications such as social networking sites, blogs, forums, microblogs, sharing photos, sharing videos, product / service reviews, evaluation communities and (Aichner and Jacob, 2015). To ensure that the content presented is truly effective and relevant to a number of followers of accounts on social media, there are parameters or indicators that are very important and need more attention compared to the increase in the number of followers, namely the level of interaction with the content on social media used by banks, namely engagement weights. According to Schramm (1954), stated that engagement means a form of two-way communication or commonly referred to as interactional communication.

The essence of interactional communication is the presence of feedback or response to a particular message or content. Falls (2012) also stated that feedback is very important and also stated that the result of good communication is if the followers on social media pay attention in the form of responses.

Kaushik (2011) stated that there are three categories that are believed as the elements to measure the ratio of engagement or interaction in activities on social media, namely Conversation or conversational activity among the users, amplification or dissemination activities or expansion of messages and applause or commonly called short response activities through features such as like, love, emojis and clicks.

The enormous popularity and use of social media can facilitate online learning and share information (Hur et al., 2017). Social media allows users without the need for physical presence to communicate and produce content (Zhang et al., 2017) and social media has been seen as an effective advertising medium for commercial purposes of companies and better business performance (Rapp et al., 2013)

Most companies use social media to enhance business brand image and brand awareness (Nisar and Whitehead, 2016). Furthermore, social media influences the company's branding strategy that leads to eWOM (electronic word of mouth). Therefore, eWOM attracts consumers and increases their purchase intention.

By using social media, the customers have an access to various sources of information shared by other customers in connection with their experiences and recommendations. This influences their purchasing decisions (Chen et al., 2012). Therefore, the important thing of the role of social media in developing relationships and trust with the customers, suppliers and potential partners is an important consideration for the company (Rapp et al., 2013). Thus, social media has become a research topic for various fields including banking without exception (Danaiata et al.,

**DOI: 10.37200/IJPR/V24I2/PR200703**
**Received: 02 Jan 2020 | Revised: 15 Jan 2020 | Accepted: 28 Jan 2020** 

2014). Although various benefits are obtained by using social media, the research at the organizational level and its impact on business performance has not grown as fast as desired (Hassan et al., 2012; Franco et al., 2016).

## Theoretical Background

### Signalling Theory

There are a lot of researches related to asymmetric information, according to Akerlof (1970), asymmetric information occurs when one party has less information than partners or has inaccurate information. This causes fewer parties to be told to make inaccurate decisions when making transactions, and many more parties who are informed will also act against other parties when making transaction obligations.

According to Besley and Brigham (2008: 517), the signal is an action taken by the company management in giving instructions to the prospective investors about how the management views the company's prospects going forward.

Signals which are shared through social media in the form of information about what has been done by the company management to realize the owner’s wants and information issued by the company is very important, because this will affect the investment decisions of the parties outside the company. The information is very important for investors and business people because it essentially presents the explanations, notes or pictures, not only for past, but also for present and future conditions for the survival of the company.

Social identity can be developed through the Internet by launching social media platforms, so companies can use social media to provide qualified signals to investors. Signal theory deals with the problem of information asymmetry, which arises when there is an inequality in accessing information. In general, there is one party that provides information must choose what and how to communicate (or give signal) the information, on the other hand there are parties who receive information and must know how to interpret the signal. Then, the feedback is sent by the recipient of the information to the sender of the information using a signature. So, from the perspective of signal theory, it is argued that the use of social media platforms can be used as a signaling mechanism aimed at the customers and investors. Furthermore, two-ways communication allows the recipient to send.

Information is a very important element for investors and business people. Complete, relevant, accurate and on time information is needed by investors in the capital market which is used as an analytical tool in making investment decisions. The information disseminated is an announcement which gives a signal to investors in making investment decisions. If the announcement contains a positive value, it is expected that the market will be able to react when the announcement is received by the market.

This theory states that the reason why a company has a unit to provide financial statement information to external parties or outside parties. Company encouragement to provide information because there is information asymmetry between the company and outsiders and the company knows more about them selves and prospects to come than outside parties (investors and creditors). Due to the lack of information for outsiders about the company, they protect themselves by offering low prices to the company. Companies can increase company value by reducing information asymmetry. One way to reduce information asymmetry is by giving signals to outside parties.

Lev and Penman (1990) stated that the companies will get benefits by differentiating them from other companies to attract investors and maximize their value so that the companies with good news have incentives to signal and

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market their own companies, and the web is used to achieve these goals. Fundamentally social media is able to influence an industry. According to Jeong and Jeon (2008), social media is a free market research tool, such as focusing on evaluating customers and social media comments on different network sites to give ideas to company managers about the company's overall business performance.

**Social Media Usage and Profitability**

Brigham and Hosuton (2014: 184), stated that signaling theory is a behavior of company management in giving instructions to the investors regarding management's views on the company's prospects for the future.

Signal theory also states that profit companies stand guard to avoid losses by attracting investors and maximizing their value (Lev and Penman, 1990. As a result, the companies with good news have incentives to signal and market their own companies, and the web is one way to achieve theese goals. However, this action is often limited by profitability. Singhvi and Desai (1971) stated that high profitability motivates management to provide greater information as investors' trust increases, and this is evidenced by the greater information given to the annual reports to signal company performance (Wallace and Naser, 1995).

Social media attracts information seekers to get information about the products or services they will buy and leads to an increase in consumer purchase intentions (Hajli, 2013). On the other hand, social media as a communication channel helps companies to achieve different organizational goals including marketing, public relations, advertising, branding, customer service, human resources and problem solving (Kim and Park, 2013; Nisar and Whitehead, 2016). Thus, social media has been considered as an effective platform for companies to connect with large companies with a number of potential customers to spread information about their business (Schaupp and Belanger, 2013).

Companies can also increase the profitability by reducing the information asymmetry. One way to reduce information asymmetry is to provide a signal to outsiders, in the form of positive financial information so that this will reduce uncertainty about the company's prospects that will come up, then it can increase the company's credibility and success (Wolk et al., 2013) .

The results of previous studies conducted by Mahboub (2018), about the effect of the use of social media on banking performance which stated that the use of social media had a positive and significant effect on profitability.

**Social Media Usage and Firm Growth**

Using social media by companies can create strong networks in business, customers and suppliers (Siamagka et al., 2015). Social media fundamentally influences the industry. According to Jeong and Jeon (2008), social media is a market research tool, such as focusing on evaluating customers and comments on social media that give the company managers ideas about overall business performance that will have a positive impact on sales growth (Harrigan et al., 2017).

Previous research conducted by Aluoch (2015), entitled the effect of social media on business growth in commercial banks in Kenya found that social media had a significant effect on business growth. Pourkhani et al., (2019), and Sing and Sinha (2017), stated that the use of social media had a positive effect on company growth.

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**Social Media Usage and Firm Value**

The financial performance of a company is presented in the financial statements and it is a significant information used to evaluate a company's future cash flow and share price. In recent years, researchers have looked at capital markets from the impact of recent phenomena such as social media (Paniagua and Sapena, 2014); (Luo et al., 2013). The research examines how social media impacts corporate value and states that it is important for the investors.

Social media is an individual communication channel that can be used to share experiences including experiences with companies. These experiences created by word of mouth that can affect the value of the company indirectly through their influence on the intangible assets such as corporate customer equity.

Consideration that states social media is related to company performance is based on the fact that the number of individuals who spend a long time on social media and provide information (Luo et al., 2013. Furthermore, customers and investors make decisions by remembering collectively (Tirunillai and Tellis, 2012) In addition, investors focus on more visible information, which concludes that the more visible and accessible the information on social media networks, the more investors will focus on that information.

This study analyzes the effect of the use of social media on corporate value in the banking context to increase the understanding and literature in this field. The results of research conducted by Uyar et al., (2015); Kim et al., 2015 and Mauder (2018), found that social media had a positive and significant relationship to the company value.

**Profitability and Firm Value**

Profitability is the ability of a company to earn profits in relation to sales, total assets, and own capital. If the management wants to maximize the value of a company, it must take advantage of the company's strengths and improve its weaknesses.

Highly profitable businesses often trade at better prices (Allayannis & Weston, 2001). Especially when it given the high profit, the business will attract more investments. Research by Mohamad and Saad (2010) for 172 listed companies in Malaysia also came to a similar conclusion. Therefore, profits are also considered as an important factor affecting the value of the company. Dang et al,. 2019 also found that profitability had a positive correlation with firm value.

These studies will help the managements identify their various deficiencies and then take an action to improve their performance.

**Firm Growth and Firm Value**

The company's rapid growth can reflect the huge need for funds if the company wants to expand its business, thereby it is also enlarging the company's desire to hold profits. Company growth is the company's ability to increase the size of the company through increasing assets in economic and industrial development in the economy in which the company operates.

A study by Myers (1977) suggested that revenue growth was an important factor influencing company value.

**DOI: 10.37200/IJPR/V24I2/PR200703**
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Thus, the greater the growth of a company can increase the value of the company. This is also consistent with the theory that states the growth of the company has a direct and positive influence on changes in stock prices, which means that information about the company's growth is responded positively by the investors, so it can increase share prices. Dang et al., (2019), Kodongo et al. (2015) concluded that the growth was positively correlated with the firm value, and so did Varaiya et al. (1987).

**Hypothesis:**

H1: The use of social media has a positive and significant effect on profitability.

H2: The use of social media has a positive and significant effect on company growth.

H3: Company growth has a positive and significant effect on company value.

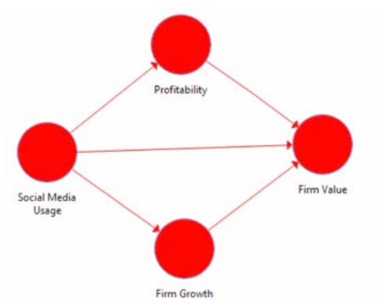
H4: The use of social media has a positive and significant effect directly on company value.

H5: Company growth has a positive and significant effect on company value.

H6: The use of social media has an indirect effect on company value through profitability.

H7: The use of social media has an indirect effect on company value through company growth.

Figure 1. Research Model




## Methods

### Population and Sample

The quantitative method is defined as a research method based on the philosophy of positivism, and it is used to examine a particular population or sample in order to describe systematically, factually and accurately about the facts and nature of a particular object or population.

This study aims to analyze how the influence of the use of social media on company value through profitability and company growth through data collection and testing using path analysis methods.

The data used in this study are secondary data sourced from financial statements with documentation techniques that are obtained by downloading directly from the official website of Indonesia Stock Exchange, www.idx.com, 2014-2018 while the independent variable data, namely social media, are obtained from official social media accounts of each sample with 2014-2018 observation time. make a social media account, but the benefits will be obtained in the future.

**DOI: 10.37200/IJPR/V24I2/PR200703**
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The population used in this study is the banking industry on Indonesia Stock Exchange with the total of the banks is 43 banks. The sampling technique in this study using the target population, namely banks that have official social media accounts for Facebook, Instagram and Twitter. The number of banks that have official accounts for Facebook, Instagram and Twitter is 30 banks. Furthermore, all banks that have official Facebook, Instagram and Twitter social media accounts are sampled in this study or it is often called saturated sampling or a sampling technique which all members in the population are sampled in the study.

By using the census sample technique, the number of samples that have official accounts of Facebook, Instagram and Twitter social media in this study is 30 banks.

**Measure**

Social media is a means for sharing information in the form of text (information in the form of profitability and bank growth), pictures and videos that contains activities or promotions of a service offered to bank customers. The measurement scales used are Post, Like, Comment, Share, Total Followers on Facebook, Total Followers on Instagram, Total Followers on Twitter. Company value is an investor's assessment of how well the bank's condition is and this condition can be reflected through the stock market price measured by Price to Book Value (PBV), Tobin's Q. Profitability is the ability of a bank to get profits measured by Return on Assets and Return on Equity. Company growth is the ability of a bank to increase the size of the company through increasing assets measured by sales growth and asset growth.

**Data Analysis**

Data analysis for this research is carried out using Partial Least Squares-Structural Equation Modeling (PLS-SEM) (Hair, Ringle, and Sarstedt 2013), because it is able to test the causal relationship between construction with many items, unlike other methods (Hair, Hult,Ringle, and Sarstedt 2014). The researcher uses PLS-SEM to test both the measurement model and the structural model (Henseler et al. 2009; Reinartz et al. 2009). In the measurement model, the researcher assesses the reliabilities of each item; internal consistency reliability; convergent validity; and discriminant validity. In the structural model, the researcher assesses the coefficient of significant path. Table 1 and table 2 below show the measurement model while table 3 shows the hypothesis test.

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## Results

Table 1. **Items Loadings, Composite Reliability, and Average Variance Extracted (AVE )**

| Constructs | Items | Loadings | Composite Reliability | AVE |
|---|---|---|---|---|
| Social Media Usage | Post | 0.846 | **0.834** | **0.528** |
| | Like | 0.746 | | |
| | Comment | 0.785 | | |
| | Share | 0.729 | | |
| | FB | 0.776 | | |
| | IG | 0.806 | | |
| | TW | 0.833 | | |
| Profitability | Return on Asset | 0.925 | **0.928** | **0.866** |
| | Return on Equity | 0.937 | | |
| Firm Growth | Sales Growth | 0.885 | **0.893** | **0.807** |
| | Asset Growth | 0.912 | | |
| Firm Value | PBV | 0.931 | **0.894** | **0.809** |
| | TQ | 0.865 | | |

SMU=Social Media Usage, FV=Firm Value, FB=Total follower on Facebook, IG=Total follower on Instagram, TW=Total follower on Twitter, PBV=Price to Book Value, TQ=TobinsQ

The reliability of each item is by examining each item from each construct used in this study; the author adopts a rule of thumb that items with loading values below 0.4 must be removed (Hair et al. 2014). Based on table 1 it is known that 10 items used in this study have values ranging from 0.729 to 0.937. The reliability of internal consistency is the extent to which all items are able to measure the same concept (Bijttebier et al. 2000; Sun et al. 2007). The author determines the reliability of this internal consistency by using the composite reliability coefficient of each latent construct, which must range between 0.70 and above (Hair et al. 2011). This study has succeeded in achieving sufficient internal consistency reliability because the composite reliability of each latent construct ranges from 0.834 to 0.928.

Convergent validity is the extent to which the steps used correlate with the construct in question (Hair et al. 2006). Convergent validity is assessed by determining the Average Variance Extracted (AVE) of each latent construct; the researcher adopts the rule of thumb that AVE must be from 0.5 upwards (Fornell and Larcker 1981). This study achieves adequate conversion validity with AVE ranging from 0.528 to 0.866

**Tabel 2. Fornell-Lacker Criterion**

| Constructs | SMU | Profit | Growth | FV |
|---|---|---|---|---|
| SMU | **0.763** | | | |
| Profit | 0.403 | **0.931** | | |
| Growth | 0.291 | 0.141 | **0.899** | |
| FV | 0.577 | 0.531 | 0.479 | **0.899** |

Discriminant validity is the extent to which a variable is completely different from other variables (Hair et al., 2017). Based on the Fornell-Lacker Criterion table (table 2) it is known that the AVE root value of the Profit correlation variable is 0.931. This value is greater than the correlation value of profitability correlation with SMU and other

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**Received: 02 Jan 2020 | Revised: 15 Jan 2020 | Accepted: 28 Jan 2020** 

variables. It also applies to other variables that the value at the root of AVE on the variable itself shows a greater number than the correlation between variables. Thus the discriminant validity requirement with AVE roots is fulfilled.

**Tabel 3. Hypotheses Testing**

| Hypotheses | Original Sample | Standar Deviasi | T Statistics | P-Value | Decision |
|---|---|---|---|---|---|
| SMU → Profit | 0.403 | 0.131 | 3.174 | 0.002 | Supported |
| SMU → Growth | 0.291 | 0.121 | 2.403 | 0.017 | Supported |
| SMU → FV | 0.341 | 0.107 | 3.079 | 0.002 | Supported |
| Profit → FV | 0.347 | 0.130 | 2.678 | 0.008 | Supported |
| Growth → FV | 0.331 | 0.113 | 2.920 | 0.004 | Supported |
| SMU→Profit→FV | 0.140 | 0.063 | 2.217 | 0.027 | Supported |
| SMU→Growth→FV | 0.096 | 0.047 | 2.052 | 0.041 | Supported |

**Discussion**

Table 3 shows the results of the hypotheses test of the structural model. H1 shows that the use of social media has a significant positive effect on profitability or this hypothesis is accepted. The results of this study indicate that every bank that shares information about a banking service or activity and financial information through facebook, instagram and twitter social media, then most of the followers on facebook, instagram and twitter of the bank will give a reaction in the form of like, write down on comment column, even disseminate the post. This will have an impact on increasing public or investors' trust who will invest in the bank. The results of this study are in line with the results of research conducted by Mahboub (2018) which stated that the total followers on Facebook had a positive and significant effect on return on assets. Besides Mahboub (2018); Malhotra (2015) which stated that there were significant differences in return on assets between banks that used Facebook social media andthose who did not use Facebook social media.

The second hypothesis shows that the use of social media has a significant positive effect on company growth or the second hypothesis is accepted. Every bank that shares information about a banking service or activity and financial information through Facebook, Instagram and Twitter social media, then most of the followers on Facebook, Instagram and Twitter of the bank will give a reaction in the form of like, write down in the comment column, even disseminate the post. This study is in line with the results of research conducted by Aluoch (2015), who found that Social media marketing had a significant influence on business growth, Akmese et al., (2016) also found that social media positively related to company growth; Pourkhani et al., (2019), and Sing and Sinha (2017).

From the results of data processing that have been done, the third hypothesis shows that the use of social media has a positive and significant effect on company value or the third hypothesis is accepted. The results of this study found that there are considerations which state that the use of social media is related to the company performance based on the fact that the number of individuals who spend a long time on social media and provide information (Luo et al., 2013).

DOI: 10.37200/IJPR/V24I2/PR200703
Received: 02 Jan 2020 | Revised: 15 Jan 2020 | Accepted: 28 Jan 2020 

Furthermore, the customers and investors make decisions by remembering collectively (Tirunillai and Tellis, 2012). In addition, the investors focus on the more visible information, which it concludes that the more visible and accessible information on social media networks, the more investors will focus on that information. This shows that the greater use of social media of a bank can have a positive impact on the value of the company. This hypothesis implies that the presence of social media accounts and adding variety to social media accounts is not a source of value if it is not used effectively. This confirms that by creating online services it cannot help banks to gain business profits through the use of social media (Culnan et al., 2010). An important point to remember is this communication platform is used as a bridge to reach customers, shareholders, and civil society, so as to benefit the organization (Siamagka et al., 2015). The results of this study are also in line with the results of the research conducted by Uyar et al., (2015); Kim et al., 2015; and Mauder (2018).

From the results of data processing that have been carried out, this fourth hypothesis shows that profitability has a significant positive effect on company value or this hypothesis is accepted. Profitability has a very extremely important role for the company in maintaining its long-term business continuity, this is caused by the profitability indicate whether the company has good prospects in the future or not. The higher a bank's profitability, the higher the profitability which this indicator is used to measure the value of the company because the investors will buy shares. The results of this study are in line with the previous studies conducted by Kusumajaya (2011), Wijaya and Sedana (2015), Mardiyati (2012), Setiabudi and Dian (2012), stated that profitability had a positive and significant effect on company value.

From the results of data processing, H6 shows that the use of social media has a significant effect on company value through profitability and the direct effect is greater than the indirect effect, it means the use of social media has a direct effect on company value, thus profitability is not an intervening variable that mediates the relationship between the use of social media with company value or profitability do not play a role as mediator in this research model. According to the researcher, the investors who will make an investment in a bank, the investors or prospective customers is quite sure of the signal in the form of information such as awards obtained by the bank, corporate social responsibility activities, company profitability information and the bank's growth that is shared through its social media. The results of this study are consistent with the results of research by Uyar et al., (2015) which found that the depth of social media engagement had a significant positive relationship with company value; Kim et al., (2015), found that the use of social media influenced company value.

From the results of data processing, H7 shows that the use of social media affects the value of the company through the company's growth. The use of social media has a significant effect on company growth. The direct effect is greater than the indirect effect so that the use of social media has a direct effect on the value of the company.However, company growth does not become the intervening variable that mediates the relationship between the use of social media and company value. It means that corporate growth does not play a role as a mediator in this research model. According to the researcher, the investors will also make an investment in a bank, the investors or prospective customers is quite sure of the signal in the form of information such as awards obtained by the bank, corporate social responsibility activities, company profitability information and the growth of the bank that is shared through its social media. The results of this study are in line with the results of research conducted by

**DOI: 10.37200/IJPR/V24I2/PR200703**
**Received: 02 Jan 2020 | Revised: 15 Jan 2020 | Accepted: 28 Jan 2020** 

Uyar et al., (2015) which stated that the depth of social media engagement had a significant positive relationship with company value. In addition, the research conducted by Kim et al., 2015 found that social media had a significant positive effect on company value.

## Guidance for Future Research

This research has a number of suggestions such as for the next researchers who are expected to collect the data not only through secondary data but through the distribution of instruments (questionnaires), and also it can be done by direct interviews to obtain more objective answers. In addition, it is better that the research that will be carried out by the next researchers should conduct the observations to various industries other than banking. For banks, it is expected that every bank on Indonesia Stock Exchange and other banks should use social media accounts. For banks which do not have a social media account and also for banks which already have a social media account is expected to be more active in providing information about profitability and bank growth obtained and also be more responsive to every question that asked by the followers in social media accounts because this can increase the customers or potential investors' trust.

## Conclusion

This study provides empirical evidence about the influence of the use of social media on company value through profitability and company growth in the banking industry on Indonesia Stock Exchange. The results of this study finds that all proposed hypotheses are accepted. The use of social media has a positive and significant influence on the profitability of company growth. Profitability and company growth do not succeed as a mediating variable in this research model.

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