Does Social media affect Banking Industry Financial Performance in Indonesia

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Abstract

In the broader context, financial performance refers to the degree to which financial targets are achieved and is an essential component of risk management in finance. It is the method of calculating the outcomes of the policies and operations of an organisation in monetary terms. It is used over a given period of time to assess the overall financial health of companies. It can also compare related companies in the same industry or compare aggregated industries or sectors. However, technological developments have forced various industries to adapt to social media to communicate with consumers, including the banking industry, to ensure their financial performance. Also, good communication with customers will improve banking financial performance. Thus, the present study is conducted to study whether social media affects the banking industry's financial performance. The secondary data were collected from the Financial Services Authority of Indonesia for 30 banking institutions and the data analysed using the Pearson rank correlation. The results showed that social media, such as Facebook and Instagram, significantly affect the banking industry's financial performance. We found that other kinds of social media, namely Facebook, have no significant effect on financial performance. In conclusion, this study confirms that social media is one crucial factor that influences the banking industry financial performance in Indonesia's context.

Keywords
Financial performance, social media, banking industry, Indonesia context

1. Introduction
Social media utilises to convey critical information for investors and as a place for investors to conduct social interactions. Technological developments, increasing market competition, globalisation and economic changes, the dynamics of consumer buying behaviour and changes in the environment have brought about substantial changes in the way companies communicate well and anticipate customers. Organisations can quickly adapt and adjust in a competent way to achieve a competitive advantage over other competitors to improve organisational performance (Dodokh, 2017). One of the organisation's strategies is the use of social media (Akmese et al., 2016).

There are several reasons companies take advantage of social media, including strengthening relationships with consumers or customers. Social media can change communication styles to be more interactive and participatory. It causes the relationship between companies and their consumers to become more intense, personal, and equal (horizontal). Social media allows consumers or customers to comment directly on what is being done or is happening with the company. Companies can easily communicate with consumers by creating an account or Fanpages on Facebook or a brand's Twitter or Instagram account. Suppose the company is careful in using social media by making it an integral part of the company. In that case, the company can make social media a competitive advantage of the company compared to other companies.

Managers have focused on the crucial question of whether their company's presence on social media adds value to the company, (Kaske et al., 2012), or is it just a new keyword. Since strategic decisions in a company are primarily based on profit maximisation, managers need to verify whether the long-term social media benefits outweigh the investment costs (Lenskold, 2003). The effects of social media and conventional media, their relative importance, and their relatedness have been studied on short-term corporate stock market performance (Yu et al., 2013). The relationship between social brand engagement and media-based purchase intention has been found to be associated with potential returns on investment (Coursaris et al., 2016).

2. Literature Review
Social media is a group of Internet-based applications built on the ideology and fundamentals of web 2.0 technology and enable content creation and exchange (Kaplan and Haenlein, 2010). There is a lot of literature on sentiment analysis and its relationship with financial company performance, such as stock returns. Sentiment analysis is the computational study of opinions, feelings and emotions expressed in a text. Data mining techniques to predict financial markets have extensively studied in various publications (Schumaker & Chen, 2009). The tourism sector is a labour-intensive sector; people and technology are considered two significant elements that continue to renew and develop. The studies conducted reported that social media increases brand recognition in the accommodation sector (Zeng, 2013). Providing fast communication and two-way communication between the parties is one of the advantages that social media brings to a company. In the tourism sector, social media is generally used to increase interest related to companies, introduce promotions, meet visitor requests and complaints quickly, arouse media attention, raise brand awareness and communicate with visitors in a natural environment (Xiang and Gretzel, 2010).

From the literature, it is reviewed that there are studies conducted on the effects of social media on the financial performance of companies regardless of which sector they are. In contrast, no study focuses on whether social media affects tourism companies' financial performance. Ozmen and Villi (2014) analysed 340 companies in their study focuses on companies traded on the BIST (Istanbul Stock Exchange). They found significant differences between 340 companies in terms of financial performance indicators, such as marketing value, net sales, net income, price/income, and firm value / net sales and also, the floating rate between companies that have social media relationships and don't have social media. On the other hand, the findings reveal no difference in market value or book value.

The hypothesis is a temporary conclusion to the problem at hand where the truth remains to be proven. Based on the literature review and previous research, the hypothesis in this study is formulated as follows:

H1. Average Likes fb. The average number of likes per company has a positive relationship with each financial performance.

H2. Average Shares fb. The average number of shares on Facebook for each company has a positive relationship with financial performance.

H3. Followers fb. The number of Facebook followers for each company has a positive relationship with financial performance.
H4. Average likes ig. The average number of shares in ig of each company has a positive relationship with financial performance.
H5. Average shares ig. The average number of Favorites in each company has a positive relationship with financial performance.
H6. Instagram followers. The number of followers of each company has a positive relationship with financial performance.

3. Methodology

To describe and discover which industries generate and attract more activity and attention on each company's Facebook and Instagram accounts. This study uses the number of posts for the last seven months of 2019. The number of posts is used in each month of each company to analyse activity and then combined in each industry. In analysing online attention, this study shows the average number of likes for each industry. The Pearson rank correlation is used to find the relationship between social media variables and the company's financial performance variables, which is a nonparametric method. This method was chosen because it is one of the most practical ways to find relationships in small samples, nor does it need to assume that the study has normally distributed data.

4. Results and Discussion

4.1 Correlation Analysis

For achieving the objective of this study, we use the Pearson correlation test. The result of the analysis, as seen in Table 1 below:

Table 1: Pearson Correlation

Assets	0.019	0.151	-0.048	0.526	0.140	0.140
Equity	0.199	0.000	0.378	0.389	0.920	0.920
Cash	0.073	-0.380	0.702	0.782	0.726	0.726
Revenue	0.248	0.248	-0.281	0.396	0.060	0.060
Profit	0.350	-0.444	0.140	0.238	0.248	0.248
	Av_likesfb	**Av_sharefb**	**Follow_fb**	**Av_Likesig**	**Av_sharesig**	**Follow_ig**

H1. Average Likes_fb. The average number of likes per company has a positive correlation with each financial performance indicator. r = 0.019 for Assets, r = 0.199 for Equity, r = 0.073 for Cash, r = 0.248 for Revenue and r = 0.350 for Profit. This study's results are in line with research conducted by (Ruiz et al., 2014) that average likes have a positive correlation with financial performance. Itis because banks are active in using social media Facebook to share information. The more likes you get; the more followers respond positively to the information provided to increase sales volume. If the number of sales increases, the number of assets owned by the bank will increase.

H2. Averages Shares_fb. The average number of shares on Facebook for each company does not positively correlate with every indicator of financial performance. This study's results are in line with research conducted by (Ruiz et al., 2014) that average shares have a positive correlation with financial performance. If the follower gives alike, then the follower will comment on the social media account and spread the information shared on the Facebook account. It is because followers will feel an attachment to banking through mutual commenting activities, so they feel they have an obligation to share information (Ruiz et al., 2014).

H3. Followers Facebook. The number of Facebook followers for each company positively correlates with every financial performance indicator, except for assets. This hypothesis test results are in line with the results of the correlation test by (Ruiz et al., 2014) that followers on Facebook do not have a positive correlation with financial performance. It indicates that connected followers cannot influence the audience in terms of giving likes or comments.

H4. Averages Likes_ig. The average number of shares on Instagram for each company has a positive relationship with each financial performance. r = 0.526 for assets, r = 0.389 for equity, r = 0.782 for cash, r = 0.396 for revenue and r = 0.238 for profit. This study's results are in line with research conducted by (Ruiz et al., 2014) that average likes have a positive correlation with financial performance. It is because banks are active in using Instagram social media to share information. The more likes you get; the more followers respond positively to the information provided to increase sales volume. If the number of sales increases, the number of assets owned by the bank will increase.

H5. Average Shares_ig. The average number of shares on Instagram for each company positively correlates with each financial performance indicator. r = 0.140 for assets, r = 0.920 for Equity, r = 0.726 for Cash, r = 0.060 for Revenue and r = 0.248 for Profit. This study's results are in line with research conducted by (Ruiz et al., 2014) that average shares have a positive correlation with financial performance. If the follower gives alike, the follower will comment on the social media account and spread the information shared on the Instagram account. It is because followers will feel an attachment to banking through mutual commenting activities, so they feel they have an obligation to share information (Ruiz et al., 2014).

H6.Followers on Instagram. The number of followers on the Instagram of each company has a positive correlation with each financial performance indicator. The results of this study are in line with the research of O 'Conner (2013). The number of banking institutions on Instagram social media represents the number of service users/customers who use banking services. The effect that might arise is that followers will like or comment and even decide to buy products or services offered through an Instagram account.

5. Conclusion

The results showed that social media, such as Facebook and Instagram, significantly affect the banking industry's financial performance. We found that other kinds of social media, namely Facebook, have no significant effect on financial performance. In conclusion, this study confirms that social media is one crucial factor that influences the banking industry financial performance in Indonesia's context.

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