AKRUAL: Jurnal Akuntansi *Vol 17, issue 2, April 2026*
p-ISSN: 2085-9643 DOI: 10.26740/jaj.v17n2.p.330-344
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

Do Tax Incentives and Social Media Adoptions Affect on MSME Performance? The Moderation of Tax Digitalization

Giawan Nur Fitria[1*], Rista Bintara[1], Nurul Hidayah[1]

[1]Accounting Department, Faculty of Economics and Business, Universitas Mercu Buana, Indonesia
email: [a]giawan.nur@mercubuana.ac.id, [b]rista.bintara@mercubuana.ac.id, [c]nurul.hidayah@mercubuana.ac.id

Abstract

Introduction/Main Objectives: This work investigates the effect of tax incentives and social media adoption on the MSME performance and evaluates whether tax digitalization moderates these relationships. **Background Problems:** Although governments have introduced various fiscal incentives and digital initiatives, MSME performance continues to vary considerably. Existing studies tend to analyze tax incentives, social media usage, and tax digitalization separately, offering limited insight into their combined effects and the contextual role of digital tax systems in supporting SME performance. **Novelty:** This study lies in its integrated framework that merged fiscal policy and digital marketing strategy while incorporating tax digitalization as a moderating variable, thereby extending the understanding of MSME performance in the digital economy. **Research Methods:** A quantitative research design is employed using primary data gathered from MSME owners through structured questionnaires. The hypotheses are tested using regression-based moderation analysis to examine both direct and interaction effects by SmartPLS 4. **Results:**The findings reveal that tax incentives and social media adoption enhence MSME performance. However, the effect of tax incentives and social media adoption on SME performance remains unaffected by tax digitalization. **Conclusion:** The study concludes that while tax incentives and digital marketing adoption are key drivers of SME performance Currently, tax digitalization is predominantly compliance-oriented and has not developed into a strategic resource capable of reinforcing the influence of fiscal policies and social media adoption on MSME performance.

Keyword: Digital Economy; Tax Incentives; Social Media Adoption; Tax Digitalization; SME Performance

JEL Classification: H25, L26, dan M15

Article History: Received: May, 17th 2025 Revised: November, 24th 2025 Accepted: February, 15th 2026 Published: April, 1st 2026
How to cite: Fitria, G.N, et al. (2026). Do Tax Incentives and Social Media Adoptions Affect on MSME Performance? The Moderation of Tax Digitalization. *AKRUAL: Jurnal Akuntansi*, *17*(2). DOI: 10.26740/jaj.v17n2.p.330-344
Conflict of Interest Statement: here is no conflict of interest in the articles resulting from this research

INTRODUCTION

MSMEs are an essential pillar of economy, through their contribution to employment generation, income enhancement, and the reinforcement of the domestic economic structure (Anastasia, 2025). Nevertheless, MSME continue to encounter persistent constraints, such as limited access to capital, low levels of operational efficiency, and restricted market reach (Harini et al., 2023; Priyo Nugroho, 2023; Ratnaningtyas et al., 2025). In a highly competitive and digitalized economic landscape, MSME performance is influenced not only by internal capabilities but also by the effectiveness of government policies and the strategic use of digital technologies (Harini et al., 2023).

One of the public policy instruments explicitly intended to support MSMEs is fiscal policy through the provision of tax incentives. These incentives aim to reduce the financial burden borne by MSMEs (Setiawan et al., 2025), improve business liquidity, and promote

sustainability as well as performance enhancement (Ding, 2024). Policies such as reduced final income tax rates, tax exemptions or deferrals, and other fiscal facilities are expected to strengthen the capacity of MSME to expand operations and increase investment (Nyimbo et al., 2025). Nevertheless, Empirical research has yet to provide definitive conclusions about the effect of tax incentives on MSME performance (Judijanto et al., 2025), suggesting that the effectiveness of such policies is contingent upon other influencing factors. Positive effects of tax incentives on financial performance reflect the extent to which these incentives successfully stimulate MSME growth and expansion (Sumiok, 2023). By easing financial constraints, tax incentives can enhance the financial performance of MSME (Yu, 2024). Nonetheless, tax incentives do not always lead to improved performance, particularly among MSMEs with limited tax knowledge, which reduces their capacity to utilize the incentives and weakens their effectiveness (Palil, 2011). Furthermore, tax incentives tend to generate a more substantial impact on large firms, while for SMEs the magnitude of the benefits is often insufficient to induce significant improvements in performance (Zwick & Mahon, 2017). This finding is reinforced by Yulianti (2025), who highlights that limited understanding among business actors—particularly small and medium enterprises—regarding the mechanisms, eligibility requirements, and advantages of existing incentive schemes constitutes a major constraint. In contrast, large companies generally possess greater resources and institutional capacity, enabling them to access and utilize tax incentives more effectively than MSMEs.

In contrast, technological advancements have prompted MSMEs to adopt social media more extensively as a marketing and communication tool (Purwaningsih & Wiliana, 2024). Social media allows MSMEs to reach broader consumer markets, establish closer relationships with customers, and enhance brand awareness at relatively low cost (Soelaiman & Ekawati, 2022). Beyond its contribution to marketing outcomes, the use of social media also influences overall business performance. When utilized as a source of tax-related information, social media can further enhance MSMEs performance by improving access to timely, affordable, and easily comprehensible tax information, thereby reducing regulatory uncertainty and the risk of administrative errors. The simple and interactive presentation of information through social media enhances MSMEs tax literacy and facilitates more efficient management of tax obligations. Moreover, in addition to lowering administrative costs and time, interactions between MSMEs and tax authorities via social media help to strengthen trust and encourage voluntary tax compliance. Moreover, using social media as a source of tax information demonstrates stronger digital orientation and capabilities among MSMEs, which in turn promote greater operational efficiency, improved competitiveness, and more sustainable business performance. Accordingly, social media represents a critical strategic instrument for MSMEs in responding to competitive pressures in the digital economy era (Zaki & Alwi, 2024). Empirical findings further demonstrate that social media adoption contributes to improved performance among MSMEs (Fitriani et al., 2023). Contrarily, Medan & Yusuf (2024), demonstrate that using social media in organizational settings does not significantly influence employee performance.

Effectiveness in utilizing tax incentives and social media among MSMEs is closely tied to the maturity of tax digitalization (Azham, 2024). In this regard, the government has actively promoted tax digitalization through the introduction of various electronic-based services, including e-filing, e-billing, and other digital tax administration platforms (Mandasari, 2024). The core objectives of digitalizing the tax system include boosting administrative efficiency, ensuring greater transparency, and facilitating easier compliance with tax obligations (Mara, 2025). From a practical standpoint, firms are encouraged to prioritize the adoption of digital tax technologies as part of their operational strategy (Purba & Triwibowo, 2025). For MSMEs

Open Access
©author(s)
Creative Commons
Attribution Non Commercial 4.0 International License

p-ISSN: 2085-9643 DOI: 10.26740/jaj.v17n2.p.330-344
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

in particular, tax digitalization offers the potential to reduce administrative complexity and increase certainty in accessing and utilizing tax incentives, thereby enabling business owners to devote greater attention to productive activities and digital marketing initiatives. Nevertheless, the extent to which tax digitalization is utilized and proves effective largely depends on the readiness of MSMEs and their perceptions of digital tax systems (Anggraeni, 2025). Within this framework, tax digitalization could serve as a moderating variable that either amplifies or diminishes the effects of fiscal policy and social media on MSME performance. Firms that efficiently adopt digital tax systems are better positioned to leverage tax incentives and social media for improved outcomes, whereas MSMEs with low digital literacy may fail to harness these benefits fully.

Given these considerations, investigating the effects of tax incentives and social media use on MSME performance, with tax digitalization as a moderating factor, is highly relevant. The study seeks to deepen understanding of the interplay between fiscal policy, digital marketing, and digital tax systems in enhancing MSME performance, providing contributions that are both theoretical and practical for the advancement of MSMEs in the digital era.

The originality of this study lies in its integration of fiscal policy instruments—specifically tax incentives—and digital marketing strategies via social media into a single empirical framework for explaining MSME performance, with tax digitalization treated as a moderating variable. Unlike previous studies that typically examine the direct and separate effects of tax incentives or social media adoption, this research highlights tax digitalization as a contingency factor that influences the extent to which fiscal policy and social media can enhance MSME performance. By positioning tax digitalization not merely as a supportive tool but as a mechanism capable of strengthening or weakening these relationships, the study provides a novel perspective in MSME research, particularly within the context of digital tax administration transformation in developing economies.

This study fills the literature gap by integrating the perspectives of fiscal policy, digital strategy, and tax administration transformation in explaining MSMEs performance, which have so far been studied separately and focused on direct effects. Differing from prior studies that emphasize only tax incentives or social media, with tax digitalization limited to administrative and compliance purposes, this research treats tax digitalization as a moderating variable in the interplay between tax incentives, social media, and MSME performance. Thus, this work provides theoretical contributions through enriching a more comprehensive model of MSMEs performance, empirical contributions in the form of new evidence regarding the role of tax digitalization as a contingency factor—especially in developing countries—and practical contributions for MSMEs and policymakers in designing more effective business strategies and digital tax policies to improve MSMEs performance and sustainability.

The application of the Resource-Based View (RBV) theory is strongly and theoretically justified, particularly in explaining differences in MSME performance within the context of fiscal policy, social media utilization, and tax digitalization. According to Barney (1986), RBV emphasizes how firms acquire and deploy strategic resources in factor markets and explains why not all firms are equally capable of obtaining or utilizing these resources effectively. Within the MSME context, tax incentives and social media do not constitute sources of competitive advantage, but act as external resources whose effect on performance manifests only when they are internalized as capabilities, including managerial competence and digital literacy and administrative capacity. The RBV provides a robust for explaining why identical policies or technologies may generate divergent performance outcomes across MSME. In this framework, tax digitalization can be conceptualized as an organizational resource or capability, specifically an organizational capability associated with the adoption and effective use of digital-based systems, processes, and administrative routines.

MSMEs that are able to effectively adopt and integrate digital tax systems will experience better operational efficiency, transparency, and decision-making quality, thereby maximizing the benefits of tax incentives and digital marketing strategies. This explains the role of tax digitalization as the RBV as the main grand theory explaining MSME performance as a result of the ability to manage strategic resources. In the context of this research, tax incentives are positioned as financial resources that increase business capacity, while social media is an intangible resource that strengthens marketing capabilities and customer relations. Tax digitalization functions as an enabler that increases the efficiency of resource utilization, thus impacting performance.

The Influence of Social Media on MSME Performance

The Indonesian government has implemented a range of tax incentives aimed at fostering the growth of SMEs, including a reduction in the final income tax rate for MSMEs with annual turnover of up to IDR 4.8 billion from 1% to 0.5%, as stipulated in Government Regulation No. 55 of 2022. Moreover, the regulation provides income tax exemptions for individual MSMEs with annual turnover below IDR 500 million. These tax incentives take various forms, such as adjustments to tax rates, modifications of the tax base, tax consolidation mechanisms, and tax payment deferrals. Specifically, SMEs have been the focus of government tax stimulus policies, which include final income tax incentives. Such measures are intended to ease the tax burden faced by SMEs, thereby granting business owners greater flexibility in managing their limited capital resources (Kaharuddin et al., 2024). Tax incentives constitute fiscal instruments intended to reduce the tax burden and enhance the financial capacity of MSMEs (Sundary et al., 2023). These incentives may take the form of reduced final tax rates, tax exemptions or deferrals, and various tax relief facilities (Stotsky, 2024). By alleviating fiscal pressure, tax incentives increase the liquidity available to MSMEs, enabling them to allocate more resources toward productive activities such as expanding production capacity, fostering innovation, and developing markets (Harimurti & Rispantyo, 2024). Consequently, the reduction in tax obligations provides MSMEs with greater scope to improve operational efficiency and strengthen competitiveness, which is ultimately manifested in enhanced business performance, both financially and non-financially.

From the RBV perspective Barney (1986), tax incentives can be regarded as valuable and strategic external financial resources for MSMEs, particularly in light of their limited access to formal financing channels. When utilized effectively, tax incentives enable MSMEs to reinforce their internal resources and core capabilities, such as enhancing product quality, expanding marketing networks, and adopting digital technologies. Accordingly, tax incentives function not only as cost-reduction instruments but also as enabling mechanisms that strengthen MSMEs' capacity to achieve sustainable competitive advantage. Empirical evidence provided by (Deyganto, 2022) and Rudianti & Ningrum (2022) supports the argument that tax incentives contribute positively to SME performance. Drawing from this rationale, the following hypothesis is proposed:

H1: Tax incentives have a positive effect on SME performance.

The Influence of Social Media on MSME Performance

Leveraging social media is increasingly recognized as a key strategy for MSMEs to boost performance in today's digital economy (Kumar & Mishra, 2024). Social media empowers MSMEs to reach wider audiences efficiently, maintain interactive customer engagement, and build stronger brand recognition and loyalty (Ningtyas, 2025). Through interactive and responsive content, MSMEs can obtain real-time market information, tailor

Open Access
©author(s)
Creative Commons
Attribution Non Commercial 4.0 International License

p-ISSN: 2085-9643 DOI: 10.26740/jaj.v17n2.p.330-344
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

product offerings to consumer preferences, and increase sales volume. Several previous studies have shown that effective use of social media contributes to improved MSME performance, both financially, such as sales and profit growth, and non-financially, such as brand visibility and customer satisfaction (Hartiani, 2025; Qalati et al., 2022; Richard et al., 2024; Titin et al., 2024). Within the RBV framework (Barney, 1986), social media can be conceptualized as a valuable and strategic intangible resource, as it facilitates the development of marketing capabilities, customer relationship management, and organizational learning. The function of MSMEs to manage social media in a consistent and integrated manner reflects an internal capability that is difficult for competitors to replicate, thereby offering the potential for sustainable competitive advantage. When social media is effectively incorporated into business strategy, MSMEs are able to transform these digital resources into enhanced business performance. Based on these theoretical and empirical considerations, the following hypothesis is proposed:

H2: The use of social media has a positive effect on MSME performance.

Tax Digitalization Strengthens the Impact of Tax Policy on MSME Performance

Tax digitalization represents a fundamental shift in tax administration through the application of information technology, including electronic tax reporting and payment mechanisms, integrated database infrastructures, and digital-based tax services (Gaol, 2023). This transformation is intended to enhance efficiency, transparency, and accessibility for taxpayers, particularly MSMEs (Rizqi, 2024). Within the context of tax policy implemented through tax incentives, a digitalized tax system plays a decisive role in shaping MSMEs' ability to understand, access, and utilize available incentives effectively. In the absence of sufficient tax digitalization support, the potential benefits of tax incentives may not be fully realized due to procedural complexity and information constraints.

Based on the Resource-Based View (RBV) framework (Barney, 1986), tax digitalization can be conceptualized as a mechanism that enhances the effectiveness with which MSMEs utilize financial resources derived from tax incentives. An efficient digital tax system allows MSMEs to allocate resources more productively by reducing administrative costs and compliance time, thereby amplifying the impact of tax incentives on business performance. Accordingly, higher levels of tax digitalization are expected to strengthen the positive influence of tax incentives on MSME performance, as fiscal facilities can be accessed and utilized more easily, quickly, and accurately. Conversely, when the level of tax digitalization is low, the positive effect of tax incentives on MSME performance is likely to be attenuated. Empirical evidence supports this argument, as Sadiq (2025) demonstrates that tax digitalization contributes to improved SME performance, a view also echoed by Tchokote (2024). On the basis of this reasoning, the following hypothesis is formulated:

H3: Tax digitalization acts to strengthen the relationship between tax incentives and MSME performance..

Tax Digitalization Strengthens the Influence of Social Media on MSME Performance

The adoption of social media has become a strategic instrument for MSMEs to enhance business performance by broadening market reach, intensifying customer engagement, and strengthening brand image. However, the effectiveness of social media in driving MSME performance is influenced not only by digital marketing capabilities, but also by the readiness of MSMEs to manage the administrative and institutional dimensions of their operations. In this context, tax digitalization plays a pivotal role as a supporting system that shapes MSMEs' capacity to convert digital marketing activities into sustainable business performance. From a RBV perspective, social media is a valuable intangible resource because it supports marketing capabilities and customer relations, while tax digitalization serves as a supporting capability

that increases the efficiency of managing these resources. A digitized tax system enables MSMEs to reduce administrative burdens, improve reporting accuracy, and achieve fiscal certainty, allowing resources and managerial attention to be focused more optimally on social media management. Thus, tax digitalization strengthens MSMEs' ability to utilize social media as a source of competitive advantage, impacting performance. Based on this description, the following hypothesis is formulated:
H4: Tax digitalization strengthens the influence of social media on MSME performance.

RESEARCH METHOD

The research adopts a causal approach, with Tax Incentives (TI) and Social Media Adoption (SMA) as independent variables, and Tax Digitalization (TD) as the moderating variable. MSME Performance (MP) functions as the dependent variable, and Tax Incentives (TI) are evaluated through five distinct indicators by Deyganto (2022). Social Media Adoption is measured with ten indicators by Titin et al., (2024) & Rahmawati et al., (2025). MSMEs Performance is measured with five indicators by Huong et al., (2023). The Tax Digitalization Expectancy is measured with eight indicators by Zakaria et al., (2024).

The population in this study is all the SMEs under *Jakpreneur* members. The information by https://jakpreneur.jakarta.go.id/umkm-dki, there are 1.205.836 members per December 2024. The research sample was determined using a proportional random sampling technique, specifically applying the Slovin formula. Based on this calculation, a total of 100 MSMEs were selected as the sample. Additionally, purposive sampling was applied to select participants according to the following criteria: (1) respondents must possess a tax identification number, (2) respondents must be domestic taxpayers in Jakarta as Jakpreneur member, and (3) respondents' annual revenue must not exceed IDR 4.8 million. Sources of data were collected by distributing questionnaires on April 2025 by google form. The google form distributed by via whats app, email. telegram and respondent's social media like Instagram.

Quantitative data were analyzed using Smart-PLS 4. The data were tabulated to simplify analysis, and multiple linear regression was applied to obtain regression coefficients. Hypotheses were tested at a 5% significance level to determine the influence of independent variables on the dependent variable.

RESULT AND DISCUSSION

Among the 100 respondents surveyed, the majority (60%) were engaged in the culinary sector, making it the most prevalent business type, followed by 25% in retail and 15% in service industries. Regarding age distribution, the largest group (35%) was between 30 and 40 years old, 32% were aged 40–50, 20% were under 30, and the smallest proportion were over 50. In terms of gender, females comprised 66% of respondents, while males accounted for 34%. Concerning educational background, 55% held a diploma or bachelor's degree, 35% had completed high school, and 15% possessed a postgraduate degree. Regarding business experience, 41% had been operating for 1–3 years, 32% for 4–7 years, 11% for over 7 years, and another 11% for less than a year.

Table 1. Test Validity Data

Open Access
©author(s)
Creative Commons Attribution Non Commercial 4.0 International License

p-ISSN: 2085-9643
e-ISSN: 2502-6380
DOI: 10.26740/jaj.v17n2.p.330-344
https://journal.unesa.ac.id/index.php/aj

No.	Variable	Indicators	Outer Loading
1.	Tax Incentive	TI 1	0,748
		TI 2	0,863
		TI 3	0,783
		TI 4	0,826
		TI 5	0,746
2.	Social Media Adoption	SMA 1	0,746
		SMA 2	0,708
		SMA 3	0,764
		SMA 4	0,792
		SMA 5	0,846
		SMA 6	0,750
		SMA 7	0,782
		SMA 8	0,782
		SMA 9	0,746
3.	Tax Digitalization	TD 1	0,798
		TD 2	0,882
		TD 3	0,771
		TD 4	0,733
4.	MSME Performance	MP 1	0,787
		MP 2	0,838
		MP3	0,818
		MP4	0,881
		MP 5	0,807

Source: data processed

The data used in this study are valid, as all indicators have outer loadings above 0.60 (Table 1), and reliable, with Cronbach's alpha values exceeding 0.70 for all variables (Table 2).

Table 2. Test Realibity Data

No.	Variable	Cronbach's alpha	Decision
1.	Tax Incentive	0,853	Valid
2.	Social Media Adoption	0,913	Valid
4.	Tax Digitalization	0,808	Valid
5.	MSME Performance	0,885	Valid

. Source: data processed

Table 3. Hypotheses Testing

Hypothesis	Relationship	Path Coefficient	Standar Deviasi	T-Stat.	P-Value	Decision
H1	Tax Incentive -> Performance	0,198	0,075	2,632	0,004	Supported
H2	Social Media Adoption -> Performance	0,322	0,086	3,731	0,000	Supported
H3	Tax Digitalization x Tax Incentive -> Performance	-0,065	0,082	0,801	0,212	Not Supported
H4	Tax Digitalization x Social Media Adoption -> Performance	-0,019	0,076	0,251	0,401	Not Supported

Source: data processed

Table 3 shows that the effect of tax incentives on MSME performance has a p-value of 0.004, indicating that Hypothesis 1 is accepted. Similarly, the effect of social media adoption on performance has a p-value of 0.000, confirming that Hypothesis 2 is also accepted. However, the moderating role of tax digitalization is not supported, as the p-values for its interaction with tax incentives and social media adoption are 0.212 and 0.401, respectively. Therefore, Hypotheses 3 and 4 are rejected.

Tax incentives directly reduce business costs (Tran-Nam et al., 2023), thereby increasing fiscal slack for MSMEs. Lower tax rates or tax exemptions increase cash flow and net profit, which can be reallocated to productive needs, such as purchasing raw materials, increasing production capacity, investing in equipment, and business development (Ahmad, 2025). The resulting increase in financial capacity directly enhances the financial and operational performance of MSMEs. From a Resource-Based View perspective, tax incentives function as external resources that can be transformed into internal capabilities when managed effectively. MSMEs that optimally leverage tax incentives exhibit stronger managerial and administrative capabilities, ensuring that tax savings are not merely consumed but are strategically reinvested to build resources that support competitive advantage and improve overall performance.

Tax incentives reduce the risk of sanctions (Miceli, 2021), thereby improving business stability and sustainability. With a lighter tax burden, MSMEs are more encouraged to operate formally and comply with regulations. Higher compliance reduces legal uncertainty and unexpected costs (Fitria et al., 2024), creating a more conducive business environment for medium- and long-term growth and performance improvement.

Tax incentives also have psychological and motivational effects on MSMEs. Fiscal support from the government increases perceptions of fairness and trust in public policies (Fadhilatunisa et al., 2025), which encourages business actors' commitment to sustainable business development. This perception of support enhances MSMEs' motivation to invest, innovate, and improve product and service quality. For MSMEs with limited access to external financing, tax incentives act as an alternative source of indirect funding, allowing tax savings to partially substitute for external capital, reduce dependence on loans, and lower financing costs. This improves cost efficiency and supports overall business performance. Accordingly, the empirical finding that tax incentives positively affect MSME performance indicates that well-targeted and accessible fiscal policies can strengthen financial capacity, business stability, and internal capabilities, ultimately fostering improved performance and long-term sustainability. Our work are inline with the previous study like Ding (2024) and Harimurti & Rispantyo (2024)

The social media adoption increases marketing effectiveness and market expansion (Palladan, 2023). Through social media, MSMEs can promote products and services at a relatively low cost, reach a wider consumer base, and target more specific markets (Pellegrino & Abe, 2023). This increased visibility and market reach directly contribute to sales and revenue growth, which is reflected in improved business performance.

Social media adoption strengthens customer relationships and enhances service quality by enabling intensive two-way interactions between MSMEs and their customers. This interactive communication allows firms to obtain real-time feedback, better understand consumer preferences, and respond more rapidly to market demands. Stronger customer relationships, in turn, foster higher customer loyalty, increased purchase frequency, and improved business reputation, ultimately contributing to both non-financial and financial performance of MSMEs (Cao & Weerawardena, 2023). From a Resource-Based View (RBV) perspective, social media adoption represents an intangible resource encompassing digital

Open Access
©author(s)
Creative Commons
Attribution Non Commercial 4.0 International License

p-ISSN: 2085-9643 DOI: 10.26740/jaj.v17n2.p.330-344
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

capabilities, market knowledge, and communication skills that are difficult for competitors to replicate. MSMEs that manage social media strategically and consistently can achieve a sustainable competitive advantage, resulting in superior performance compared to firms that have not adopted social media. For instance, a case study in Tanzania demonstrates that an effectively implemented social media strategy can enhance taxpayer engagement and understanding of tax regulations, indirectly supporting improved tax knowledge and compliance behavior (Liwenga et al., 2024). The respondents in this study adopted social media not only for selling therapy, but also for the Directorate General of Taxes' social media platforms, providing them with tax-related information. This information is used to determine their tax obligations and avoid sanctions or high compliance costs. Reducing tax compliance costs is one way to save tax that can support MSME performance.

Adopting social media strengthens operational processes and facilitates better managerial decisions (Macías Urrego et al., 2024). Market information obtained through social media helps MSMEs adjust pricing strategies, product designs, and distribution methods more quickly and accurately. This efficiency reduces marketing costs and the risk of product failure, thus supporting overall business performance improvements (Cao & Weerawardena, 2023). Thus, This result indicates that social media adoption functions beyond marketing, acting as a strategic asset that strengthens MSMEs' marketing effectiveness, customer engagement, innovation, and operational efficiency, thereby significantly boosting performance and long-term sustainability. Our study support Kumar & Mishra (2024) and Purwaningsih & Wiliana (2024) that the social media has positive impact on MSME performance.

Tax incentives have a direct and financial impact mechanism, namely through a reduction in the tax burden, which automatically increases cash flow and net profit for MSMEs (Ozili, 2025). These financial benefits are realized regardless of the level of tax digitalization adopted by the firm. In other words, as long as tax incentives are available and effectively utilized, their positive impact on MSME performance remains evident without requiring an advanced digital tax system, thereby rendering the moderating role of tax digitalization statistically insignificant.

The RBV perspectives (Barney, 1986), tax incentives constitute a general external resource that does not meet the VRIN criteria, whereas tax digitalization reflects an internal administrative capability. Because the benefits of tax incentives are relatively uniform and easily accessible to MSMEs, tax digitalization does not serve as a differentiating factor in determining the extent to which these incentives influence firm performance. As a result, the interaction between tax incentives and tax digitalization is insufficiently strong to generate a significant moderating effect.

Tax digitalization among MSMEs remains predominantly compliance-oriented rather than performance-driven (Sormin et al., 2021). Many MSMEs adopt digital tax systems merely to meet reporting and payment requirements, without integrating these systems into financial planning or tax incentive utilization strategies. Consequently, tax digitalization does not enhance MSMEs' capacity to translate tax incentives into improved business performance. The limited literacy and managerial capabilities among MSMEs also weaken the moderating role of tax digitalization (Chen et al., 2024). Despite the digitization of the tax system, MSMEs with limited tax understanding tend to utilize tax incentives in a passive manner, primarily as a reduction in tax liabilities rather than as a strategically planned resource for investment or business expansion. This indicates that tax digitalization does not contribute additional benefits to the link between tax incentives and MSME performance. The finding that tax digitalization does not moderate this relationship suggests that the performance benefits of tax incentives are largely independent of the level of tax administration digitalization, reinforcing the view that tax digitalization has not yet evolved into a strategic capability capable of enhancing the

effectiveness of fiscal policy for MSMEs. This further implies that amplifying the impact of tax incentives requires stronger integration between digital tax systems, tax literacy, and MSME financial planning. Our work was support Kristiawan (2025) that tax digitalization has not impact on performance.

These two variables—social media adoption and tax digitalization—operate in separate domains and are oriented toward different purposes. Social media adoption is primarily oriented toward marketing activities, customer engagement, and market expansion, which have a direct and immediate impact on sales performance and revenue growth (Apidana et al., 2024). In contrast, tax digitalization is more oriented toward administrative and compliance aspects (Hesami et al., 2024), including reporting, payment, and overall management of tax obligations. Given that these variables operate in different functional domains, tax digitalization does not directly reinforce or diminish the primary mechanisms through which social media adoption enhances MSME performance. From a Resource-Based View (RBV) perspective, social media adoption constitutes a market-oriented strategic capability that contributes to competitive advantage, whereas tax digitalization functions predominantly as an internal administrative capability focused on regulatory compliance rather than value creation (Hesami et al., 2024). MSMEs' digital marketing capabilities appear sufficiently developed to enhance business performance independently, without substantial reliance on the level of tax digitalization. This indicates that the positive relationship between social media adoption and performance persists irrespective of tax digitalization levels, rendering its moderating role statistically negligible. Moreover, there is a notable disparity in adoption intensity between the two technologies: social media is generally more accessible, flexible, and widely utilized by MSMEs, whereas tax digitalization tends to be adopted at a basic level, is more formal in nature, and is commonly perceived as a mandatory compliance requirement (Anggraeni, 2025). This gap highlights that tax digitalization is not yet mature enough to moderate the effectiveness of social media strategies. Social media adoption produces immediate and visible outcomes, including higher sales, greater market penetration, and enhanced customer engagement, while the advantages of tax digitalization are realized over time, focusing on administrative efficiency and mitigating compliance risks. The varying timeframes weaken the capacity of tax digitalization to act as a moderating factor between social media adoption and MSME performance. Consequently, the finding that tax digitalization does not moderate this relationship suggests that social media–based digital marketing strategies exert a relatively independent and robust influence on MSME performance, while tax digitalization remains a supportive administrative function that has yet to be strategically integrated into MSME marketing and business activities. This highlights the need to strengthen the alignment between digital tax systems and MSME business strategies to enable tax digitalization to deliver broader value to firm performance.

CONCLUSION

The findings reveal that tax incentives and social media adoption positively influence MSME performance, underscoring the role of fiscal policy and digital marketing in fostering better business results. Tax incentives enhance MSME performance by alleviating cost burdens and strengthening financial capacity, while social media adoption enhances marketing efficiency, expands market access, and fosters stronger customer engagement. However, tax digitalization does not strengthen or weaken the impact of tax incentives or social media adoption on MSME performance, suggesting that its current function remains largely administrative and compliance-oriented rather than strategically embedded in financial management and marketing activities. Overall, the results indicate that MSME performance is primarily driven

Open Access
©author(s)
Creative Commons
Attribution Non Commercial 4.0 International License

p-ISSN: 2085-9643 DOI: 10.26740/jaj.v17n2.p.330-344
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

by direct fiscal support and digital marketing capabilities, whereas maximizing the benefits of tax digitalization requires improved tax literacy, stronger managerial competencies, and deeper integration of digital tax systems into MSME business strategies.

Based on the empirical findings, the study yields important implications across policy, managerial, and academic dimensionsThese results suggest that, from a public policy view, sustained and well-targeted tax incentives are crucial for enhancing MSME performance. Governments should ensure that tax incentive programs are not only accessible but also supported by effective dissemination and assistance mechanisms to maximize their utilization. Moreover, the lack of a moderating effect of tax digitalization indicates that digital tax policies should move beyond a purely compliance-focused approach and become more closely integrated with MSME financial planning and strategic business decisions.

From a managerial perspective, the findings indicate that MSMEs should treat tax incentives as strategic resources to support productive activities, including business investment and the strengthening of working capital. In addition, social media adoption should be embedded within core business strategies rather than used solely as a promotional instrument, given its proven direct impact on MSME performance. MSMEs are also encouraged to enhance their digital and tax literacy to ensure that the utilization of technology and fiscal policies yields optimal performance outcomes. From an academic standpoint, this study suggests that MSME performance research should integrate fiscal policy and digital strategy perspectives, while critically positioning tax digitalization as an administrative capability that may not inherently function as a strategic resource. These findings further provide avenues for future research to examine additional contingency factors—such as tax literacy, managerial capability, and digital orientation—in explaining the effectiveness of policy instruments and technological adoption on MSME performance.

First, the study is constrained by its use of cross-sectional data, which restricts insights into the longitudinal dynamics of MSME performance. Second, the reliance on perception-based measurements may introduce subjective bias. Third, Because the research covers a limited area and tax digitalization is still primarily centered on basic administrative tasks, the applicability of the results may be constrained. Accordingly, future research is encouraged to adopt longitudinal research designs, integrate perceptual data with objective performance indicators, extend coverage across regions and business sectors, and refine the measurement of tax digitalization alongside other contextual variables, such as tax literacy, managerial capability, and digital orientation, to achieve a fuller understanding of the variables influencing MSME performance.

REFERENCES

Ahmad. (2025). *TAX BURDEN, INCENTIVES, AND INFORMALITY: DETERMINANTS OF SME GROWTH AND FORMALISATION*. *02*(04), 1333–1346.

Anastasia, M. (2025). Tax Policy on the Growth and Competitiveness of SMEs in the National Economy Sector. *Advances in Taxation Research*, *3*(1), 41–53. https://doi.org/10.60079/atr.v3i1.455

Anggraeni, W. A. (2025). Digital Readiness and Tax System Usability: A Structural Framework for MSME Compliance in Emerging Economies. *Sinergi International Journal of Accounting and Taxation*, *3*(3), 209–218. https://doi.org/10.61194/ijat.v3i3.883

Apidana, Y. H., Prasetyo, A., Kholifah, K., & Rusvinasari, D. (2024). Driving MSMEs' Performance: The Impact of Social Media Adoption, Innovation Capability, and Government Support. *International Journal of Economics Development Research*

(IJEDR), *5*(3), 2478–2507. https://journal.yrpipku.com/index.php/ijedr/article/view/6032

Azham. (2024). Assessing the challenges of digitalizing tax administration: A systematic literature review. *Global View of Economics and Social Sciences*, *13*(1), 22–37.

Barney, J. B. (1986). Strategic Factor Markets: Expectations, Luck, and Business Strategy. *Management Science*, *32*(10), 1231–1241. https://doi.org/10.1287/mnsc.32.10.1231

Cao, G., & Weerawardena, J. (2023). Strategic use of social media in marketing and financial performance: The B2B SME context. *Industrial Marketing Management*, *111*(May 2022), 41–54. https://doi.org/10.1016/j.indmarman.2023.03.007

Chen, X., Zhang, X. E., Cai, Z., & Chen, J. (2024). The Non-Linear Impact of Digitalization on the Performance of SMEs: A Hypothesis Test Based on the Digitalization Paradox. *Systems*, *12*(4). https://doi.org/10.3390/systems12040139

Deyganto, K. O. (2022). The effect of tax incentives practices on the sustainability of micro, small and medium enterprises in Ethiopia during the outbreak of corona virus pandemic. *Journal of Innovation and Entrepreneurship*, *11*(1). https://doi.org/10.1186/s13731-022-00194-8

Ding, Y. (2024). The Impact of Tax Incentives on the Growth of Small and Medium-Sized Enterprises: A Comparative Study Based on Industry. *Frontiers in Business, Economics and Management*, *16*(3), 27–33. https://doi.org/10.54097/a7xrk348

Fadhilatunisa, D., Hajar Dewantara, Andika Isma, Masdar Ryketeng, & Muhammad Nurfaizy Hamdan. (2025). Unlocking Tax Compliance Intention MSMEs: Exploring the Roles of Tax Moral, Incentives, and Trust in Government. *Quantitative Economics and Management Studies*, *6*(2), 176–187. https://doi.org/10.35877/454ri.qems3873

Fitria, G. N., Murwaningsari, E., & Mulyani, S. D. (2024). Does Tax Compliance Intention Mediate the Determinant of Tax Compliance? Evidence From Indonesia. *Revista de Gestao Social e Ambiental*, *18*(6), 1–24. https://doi.org/10.24857/rgsa.v18n6-056

Fitriani, N., Setiawan, D., Aryani, Y. A., & Arifin, T. (2023). Does social media affect performance in e-commerce business? The role of customer management. *Journal of Open Innovation: Technology, Market, and Complexity*, *9*(4), 100171. https://doi.org/10.1016/j.joitmc.2023.100171

Harimurti, F., & Rispantyo, R. (2024). Tax Incentives and Business Performance: Impact on Sustainability of MSMEs in Surakarta City. *International Journal of Economics (IJEC)*, *3*(2), 1423–1432. https://doi.org/10.55299/ijec.v3i2.1187

Harini, S., Pranitasari, D., Said, M., & Endri, E. (2023). Determinants of SME performance: Evidence from Indonesia. *Problems and Perspectives in Management*, *21*(1), 471–481. https://doi.org/10.21511/ppm.21(1).2023.40

Hartiani. (2025). The Role of Social Media in Improving the Marketing Performance of SMEs. *Iqtishoduna*, *21*(2), 135–155. https://doi.org/10.18860/iq.v21i2.33098

Hesami, S., Jenkins, H., & Jenkins, G. P. (2024). Digital Transformation of Tax Administration and Compliance: A Systematic Literature Review on E-Invoicing and Prefilled Returns. *Digital Government: Research and Practice*, *5*(3). https://doi.org/10.1145/3643687

Huong, D. T. M., Lan, D. T. N., Tung, V. Van, Duc, K. H., & Anh, L. T. (2023). Business Performance of Small and Medium Enterprises: Evaluation of Respondents. *Journal of*

Open Access

©author(s)
Creative Commons
Attribution Non Commercial 4.0 International License

Law and Sustainable Development, *11*(11), e1900. https://doi.org/10.55908/sdgs.v11i11.1900

Judijanto, L., Mooduto, W. I. S., & Ambarwati, R. (2025). *The Influence of Behavioral Biases on Individual Taxpayer Compliance Decisions in Indonesia*. *3*(03), 260–270. https://doi.org/10.58812/esaf.v3i03

Kaharuddin, Minollah, Ca-Hyowati, R. R., & Nurbani, E. S. (2024). Implementation of Tax Incentives for Micro, Small, And Medium Enterprises at Special Economic Zone in Indonesia. *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi*, *7*(2), 263–275. https://doi.org/10.24090/volksgeist.v7i2.11056

Kristiawan, O. E. S. (2025). *Pengaruh Teknologi E-Commerce dan Digitalisasi*. *XIX*, 243–252.

Kumar, K., & Mishra, P. (2024). Assessing the Impact of Social Media on SME Performance Using Structural Equation Modelling. *Journal of Economics, Management and Trade*, *30*(8), 11–24. https://doi.org/10.9734/jemt/2024/v30i81231

Liwenga, B., Ng, F., Nikata, C., & Author, C. (2024). The use of Social Media in Enhancing Voluntary Tax Compliance in Tanzania: A Case of Tanzania Revenue Authority (TRA) Headquarters in Dar ES Salaam. *International Journal of Multidisciplinary Research and Growth Evaluation*, *5*(6), 225–234. www.allmultidisciplinaryjournal.com

Macías Urrego, J. A., García Pineda, V., & Montoya Restrepo, L. A. (2024). The power of social media in the decision-making of current and future professionals: a crucial analysis in the digital era. *Cogent Business and Management*, *11*(1). https://doi.org/10.1080/23311975.2024.2421411

Mandasari, N. (2024). The Effect of Tax Digitalization (Electronic System) on Increasing Individual Taxpayer Compliance. *Advances in Taxation Research*, *2*(3), 153–167. https://doi.org/10.60079/atr.v2i3.62

Mara. (2025). *Digitalization Of The Tax Ssystem In Insonesia: Opportunities And Challanges Of Coretax Implementation*. *32*(3), 167–186.

Miceli, M.-A. (2021). VAT Compliance Incentives. *SSRN Electronic Journal*, 1–22. https://doi.org/10.2139/ssrn.3531282

Ningtyas. (2025). *More Than a Strategy : Leveraging Social Media for SMEs ' Performance*. *25*(12), 507–516.

Nyimbo, C. D., Salimu, O. B., & Moshi, D. De. (2025). *The Effects of Tax Incentives on Small and Medium Enterprises Compliance in Os Efeitos dos Incentivos Fiscais na Conformidade das Pequenas e Médias Empresas no Los efectos de los incentivos fiscales en el cumplimiento de las pequeñas y medianas empresas e*. *3*, 165–177.

Ozili, P. K. (2025). [WIP] Mp r a. *Economic Policy*, *2116*, 0–33.

Palil. (2011). Factors affecting tax compliance behaviour in self assessment system. *African Journal of Business Management*, *5*(33), 12864–12872. https://doi.org/10.5897/ajbm11.1742

Palladan. (2023). Effects of social media adoption on SME performance : the moderating role of business strategy Ahmed Aliyu Palladan * Kadzrina AbdulKadir Idris Sani Ahmed Yakubu Abubakar. *Int. J. Technoentrepreneurship, Vol. 4, No. 4, 2023 Effects*, *4*(4).

Pellegrino, A., & Abe, M. (2023). Leveraging Social Media for SMEs: Findings from a

Bibliometric Review. *Sustainability (Switzerland)*, *15*(8), 1–15. https://doi.org/10.3390/su15087007

Priyo Nugroho, A. (2023). Qualitative Investigation: Exploring the Challenges Faced by Indonesian SMEs in Accessing Financial Services in Sukabumi City. *West Science Interdisciplinary Studies*, *1*(05), 41–50. https://doi.org/10.58812/wsis.v1i05.72

Purba, J., & Triwibowo, E. (2025). From transparency and governance to compliance: how tax digitalization shapes business sustainability. *Journal of Applied Accounting and Taxation*, *10*(2), 206–218.

Purwaningsih, N., & Wiliana, E. (2024). The Influence of Social Media on the Performance of Micro, Small, and Medium Enterprises (MSMEs) in Tangerang Regency in an Effort to Penetrate the Global Market. *Quantitative Economics and Management Studies*, *5*(6), 1148–1156. https://doi.org/10.35877/454ri.qems2995

Qalati, S. A., Ostic, D., Sulaiman, M. A. B. A., Gopang, A. A., & Khan, A. (2022). Social Media and SMEs' Performance in Developing Countries: Effects of Technological-Organizational-Environmental Factors on the Adoption of Social Media. *SAGE Open*, *12*(2). https://doi.org/10.1177/21582440221094594

Rahmawati, F., Aligarh, F., Wardani, M. K., & Puspitosari, I. (2025). *Tax Compliance in the Digital Age : The Interplay Between Social Media and Tax Morale*. *3*, 548–558.

Ratnaningtyas, H., Wicaksono, H., & Irfal, I. (2025). Barriers and Opportunities for MSME Development in Indonesia: Internal and External Perspectives. *International Journal of Multidisciplinary Approach Research and Science*, *3*(01), 163–170. https://doi.org/10.59653/ijmars.v3i01.1337

Richard, M., Osunsan, O., Onyait, S., & Augustine, W. (2024). How Facebook Adoption Impacts SMEs Performance. *Asean International Journal of Business*, *3*(1), 20–27. https://doi.org/10.54099/aijb.v3i1.787

Rudianti, W., & Ningrum, S. W. (2022). Impact of MSME Tax Incentive Policy Affected by Covid-19 on Tax Compliance. *Economic Education Analysis Journal*, *11*(3), 257–265. https://doi.org/10.15294/eeaj.v11i3.61665

Setiawan, V., Pernamasari, R., & Budyastuti, T. (2025). *Enhancing MSME Financial Performance : The Role of Financial Literacy and Strategic Financial Planning*. *0*(03), 1782–1788. https://doi.org/10.47191/jefms/v8

Soelaiman, L., & Ekawati, S. (2022). *125974141 (1)*. *216*(Icebm 2021), 400–404.

Sormin, F., Ekonomi, F., Trisakti, B., Ijmsssr, I., & Issn, O. (2021). *The Effect of E-Commerce Adoption on MSME Performance With Environmental Perspective as Moderation*. *2001*, 60–70.

Stotsky, J. (2024). *Tax Incentives and Investment (Governance Brief 54)*. *54*. http://www.

Sumiok, C. (2023). Analyzing the Impact of Tax Policy on Financial Performance and Compliance of MSMEs in Indonesia. *Sinergi International Journal of Accounting and Taxation*, *1*(3), 143–155. https://doi.org/10.61194/ijat.v1i3.130

Sundary, R. I., Effendy, D., Sukmamulya, L., & ... (2023). Tax Incentive Policy for Micro, Small and Medium Enterprises (UMKM) Affected by the Covid-19 Pandemic Related with Utility Principle. *KnE Social …*, *2023*, 298–311.

Open Access

©author(s)
Creative Commons
Attribution Non Commercial 4.0 International License

https://doi.org/10.18502/kss.v8i18.14228

Titin, Sutrisno, Mahmudah, H., Muhtarom, A., & Syamsuri. (2024). Effect of Business Digitalization and Social Media on MSME Performance with Digital Competence as a Mediating Variable. *Scientific Journal of Informatics*, *11*(3), 645–660. https://doi.org/10.15294/sji.v11i3.9942

Tran-Nam, B., Ferry, F., & Chris, E. (2023). Presumptive Income Taxes and Tax Compliance Costs: Policy Implications for Small and Medium Enterprises in Emerging Economies. *Journal of Tax Administration*, *8*(1), 6–44. http://hdl.handle.net/1959.4/unsworks_85367

Yu, Y. (2024). The Impact of ESG on Corporate Financial Performance. *Environment, Social and Governance*, *1*(1), 52–56. https://doi.org/10.70267/5cdwpz81

Yulianti, Y. (2025). The Effectiveness of Tax Incentives in Increasing Investment in the Manufacturing Sector in Indonesia. *Dhana*, *2*(2), 80–88. https://doi.org/10.62872/fpmjej50

Yusuf, M. &. (2024). *(E mp i r i c a l S t u d y o f n o n - AS N E mp l o y e e s a t B P K A D S e r a n g City and BPKAD Serang Regency)*. *18*, 25–44.

Zakaria, M., Ahmad, W. N. W., Hussin, N. C., Hassan, R. A., Marzuki, M. M., Syukur, M., & Sari, E. N. (2024). Adoption of tax digitalisation among Malaysian tax practitioners. *Telkomnika (Telecommunication Computing Electronics and Control)*, *22*(3), 567–575. https://doi.org/10.12928/TELKOMNIKA.v22i3.25959

Zaki, E. A., & Alwi, E. (2024). Da'wah Strategy in the Digital Era. *Proceedings of International Conference on Da'wa and Communication*, *6*(1), 98–108. https://proceedings.uinsa.ac.id/index.php/ICONDAC/article/view/2907

Zwick, E., & Mahon, J. (2017). Tax policy and heterogeneous investment behavior. *American Economic Review*, *107*(1), 217–248. https://doi.org/10.1257/aer.20140855