# The Impact of Social Media Influence and Online Shopping Habits on Consumer Behavior and Social Identity in the Digital Economy in Indonesia

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## Article Info

## ABSTRACT

This study aims to examine the impact of social media influence and online shopping behaviors on consumer conduct and social identity within Indonesia's digital economy context. This study analyzes the effects of social media influence and online buying behaviors on consumer conduct and social identity within the framework of Indonesia's digital economy. A quantitative methodology was utilized to gather data from 280 participants via a Likert-scale questionnaire, and Structural Equation Modeling with Partial Least Squares (SEM-PLS) was applied to examine the associations. The findings indicate that social media influence and online buying behaviors substantially impact consumer behavior and social identity. Additionally, consumer behavior and social identity were found to contribute strongly to the growth of the digital economy. The findings highlight the pivotal role of digital platforms in shaping consumer actions and identities, driving Indonesia's digital economy. The study provides practical insights for businesses to leverage social media and e-commerce in influencing consumer behavior and for policymakers to foster a supportive digital infrastructure.

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## 1. INTRODUCTION

The rapid advancement of social media platforms like Instagram, Facebook, and TikTok has significantly influenced consumer behavior in Indonesia by providing product information, reviews, and recommendations. These platforms shape consumer preferences, purchase intentions, and brand loyalty through interactive content distribution and user engagement [1], [2]. Instagram and TikTok are particularly influential among younger users, with sinfluencers playing key roles in shaping

purchase decisions [3]. Social media marketing enhances engagement through product reviews and personalized shopping experiences [4], [5], and its integration into corporate strategies has expanded outreach, reflecting shifts in marketing practices [6].

Social media has transformed consumer behaviour by influencing how individuals interact with influencers, peers, and brands, shaping unique social identities through the content they consume. In Indonesia, the integration of social media with e-commerce has accelerated online shopping, with consumers relying on shared experiences and feedback. Social media affects every stage of the purchase process, enhancing personalised shopping experiences, brand engagement, and peer influence[5]. Influencers on platforms like Instagram and TikTok play a key role in shaping decisions, particularly among younger demographics, due to their perceived authenticity [3]. The strategic use of influencers and user-generated content strengthens consumer-brand relationships and impacts purchases [7]. Social media marketing reshapes consumer interactions, but also presents challenges for brands to innovate and engage effectively [3], [8].

The digital economy in Indonesia presents both opportunities and challenges, shaped by cultural, economic, and social factors. The rise of online shopping, accelerated by technological advances and the COVID-19 pandemic, has transformed consumer behaviour, but issues like digital literacy, data privacy, and regulatory restrictions remain. Tech-savvy Indonesian consumers increasingly turn to online platforms, though government restrictions on social media sales push them to seek alternatives [9]. Price, brand, and advertising influence mixed shopping habits [10]. Digital financial literacy shapes financial behaviour, but its direct impact on well-being is limited, highlighting the need for better financial education [11]. The digital economy boosts growth but also raises risks like data misuse, requiring robust protection policies [12], while technology fuels demand for convenience, personalisation, and engagement through testimonials and influencers [10]. This study seeks to address this gap by examining how social media influence and online shopping habits impact consumer behavior and social identity in Indonesia. Understanding these factors is crucial for businesses aiming to navigate the rapidly evolving digital marketplace and for policymakers who are focused on regulating and fostering growth in this sector [13].

The study underscores the profound impact of social media influence and online shopping behaviors on consumer actions and social identity within Indonesia's digital economy. By illuminating the strong associations between these factors, the findings provide valuable insights for both businesses and policymakers. Businesses can leverage these dynamics to align marketing strategies with evolving consumer identities, while policymakers may use this knowledge to establish supportive digital infrastructures and regulations that foster economic growth. Ultimately, understanding these influences is essential for navigating and thriving within Indonesia's rapidly expanding digital landscape.

## 2. LITERATURE REVIEW
### 2.1 Social Media Influence

Social media has become essential to modern communication, shaping consumer perceptions and behaviors. [14] highlight that social media's user-generated content enables global sharing of opinions and recommendations, fostering the rise of social influencers who can significantly impact consumer decisions. [2], [7] found that social media, particularly in the fashion and retail industries, directly influences consumer attitudes and purchasing intentions, with consumers trusting influencers and peer reviews more than traditional ads.[15], [16] argue that social media's interactive nature strengthens consumer engagement with brands, building emotional connections and loyalty. In Indonesia, where internet penetration is

growing, [17]note that Indonesians actively engage with social media influencers, particularly in fashion, beauty, and electronics. However, the broader impact of social media on consumer behavior in Indonesia's digital economy, especially in online shopping, remains underexplored.

## 2.2 *Online Shopping Habits*

The rise of e-commerce has significantly transformed consumer purchasing habits, with more individuals opting for online shopping due to its convenience, variety, and price comparison options. Statista (2020) reports that the global e-commerce market is steadily growing, with Southeast Asia, including Indonesia, emerging as a key growth region. Online shopping habits encompass consumers' preferences, frequency, and motivations for using digital platforms [18][19]. Previous research has identified factors such as ease of use, platform trust, and secure payment systems as crucial in determining consumers' willingness to shop online [20], [21]. Additionally, convenience and product variety enhance the overall shopping experience [22]. In Indonesia, platforms like Tokopedia, Shopee, and Bukalapak have experienced rapid growth, with consumers increasingly turning to e-commerce for both essential and non-essential goods. However, while many studies have explored the drivers of online shopping behavior, fewer have examined how these habits intersect with social media influence. As social media platforms integrate shopping features like Instagram's "Shop Now" button, the line between social media engagement and online shopping blurs [23]. This study aims to address this gap by analyzing the combined effect of social media and e-commerce on consumer behavior and identity in Indonesia.

## 2.3 *Consumer Behavior*

Consumer behavior is the study of how individuals make decisions about purchasing goods and services, with [24], [25] defining it as the process by which individuals select, purchase, use, and dispose of products based on various psychological, social, and economic factors. In the digital age, this behavior has grown more complex, influenced by multiple sources of information and the immediacy of online feedback [26]. The integration of social media and e-commerce has reshaped traditional consumer behavior models, as consumers now heavily rely on social media for product discovery, information gathering, and post-purchase feedback [27]. Digital platforms offer greater transparency, enabling consumers to compare prices and reviews across websites before making a purchase [28]. Social networks also play a significant role in influencing decisions, with recommendations and reviews from influencers and peers often seen as more credible than traditional advertising [24], [26]. This peer influence has given rise to "social shopping," where purchase decisions are driven by the experiences of others within online networks. In Indonesia, consumer behavior is rapidly evolving, with increasing emphasis on convenience, user experience, and social proof in online shopping [25], [28]. The integration of mobile payments and delivery services has further accelerated this shift, yet research on how social media influences these behaviors remains limited, offering an opportunity for further exploration.

## 2.4 *Social Identity in the Digital Economy*

Social identity theory, developed by [29], [30], posits that individuals derive part of their

identity from the social groups they belong to, and in the digital age, social media platforms act as virtual communities where people express their identity, share experiences, and align with certain brands or lifestyles. This "social identity" is shaped by the content consumers engage with on social media and their participation in online communities [31]. Consumer identities are influenced by both personal factors, such as individual choices and values, and external interactions with peers, influencers, and brands. [32], [33] highlights those platforms like Instagram and Facebook allow individuals to showcase their identities through the products they use and the brands they associate with. For Indonesian consumers, social identity formation is closely linked to social media interactions and online shopping behaviors.[34] found that many Indonesian consumers view their online shopping choices as a reflection of both personal and social

identities, signaling their belonging to specific social groups or lifestyles by engaging with particular brands and influencers. However, while some studies have explored this phenomenon, limited research exists on the interplay between social media influence, online shopping habits, and social identity in Indonesia.

### 2.5 Research Gap

Although a substantial body of literature exists on social media influence, online shopping habits, consumer behavior, and social identity, there is a lack of comprehensive research examining these factors in the Indonesian digital economy. Furthermore, the interaction between social media influence and online shopping habits as drivers of consumer behavior and social identity formation remains underexplored. This study aims to fill this gap by providing empirical evidence of the relationships between these variables in Indonesia's rapidly evolving digital marketplace.
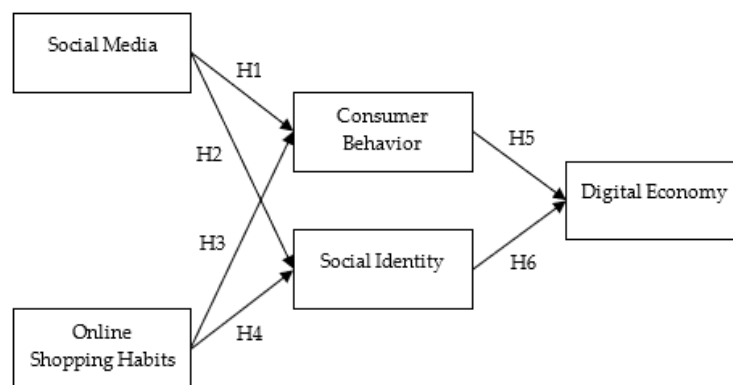


Figure 1. Conceptual and Hypothesis
Source: Literature Review, 2024

## 3. RESEARCH METHODS

### 3.1 Research Design

This study adopts a quantitative research design, which is suitable for analyzing the relationships between variables through statistical techniques. The primary focus of this research is to

test hypotheses related to the influence of social media and online shopping on consumer behavior and social identity. A cross-sectional design was employed, where data were collected at a single point in time from a large sample of respondents. The study aims to generalize the findings to the broader population of

digital consumers in Indonesia, particularly those who actively engage with social media and participate in online shopping.

### 3.2 Population and Sample

The population for this study consists of Indonesian consumers who regularly use social media and participate in online shopping. Purposive sampling was employed to select participants meeting the study's criteria, ensuring that respondents had relevant experience with both social media platforms and online shopping, a method appropriate for targeting individuals with specific characteristics (Palinkas et al., 2015). A total of 280 respondents were chosen, with the sample size determined based on the recommendations of Hair et al. (2014), who suggest that a sample of at least 200 is sufficient for studies using SEM-PLS analysis. The sample was also stratified to ensure representation across diverse demographics, including age, gender, income levels, and geographical locations within Indonesia. This diversity allows for a more comprehensive understanding of how social media influence and online shopping habits affect consumer behavior and social identity across various population segments.

### 3.3 Data Collection

Data for this study were collected through a structured online questionnaire measuring social media influence, online shopping habits, consumer behavior, and social identity, using a Likert scale from 1 (strongly disagree) to 5 (strongly agree). The questionnaire covered four sections: demographic information (age, gender, income, education, location), social media influence (platform use, content influence, engagement with influencers and brands), online shopping habits (frequency, product types, satisfaction), and consumer behavior and social identity (purchasing decisions, brand loyalty, social identity impact), with items adapted from literature. A pre-test with 30 participants ensured clarity, leading to minor adjustments. Data were collected over four weeks, and reliability was confirmed with Cronbach's alpha values of 0.7 or higher, indicating acceptable internal consistency (Ghozali, 2018).

### 3.4 Data Analysis

The data were analyzed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS), a statistical technique ideal for examining multiple relationships between variables in complex models with latent variables, and is suitable for small-to-medium sample sizes (Hair et al., 2014). The analysis followed several steps: first, descriptive statistics were conducted to summarize demographic characteristics and the means and standard deviations of key variables. Second, the measurement model was assessed to ensure reliability and validity using Confirmatory Factor Analysis (CFA), convergent validity via Average Variance Extracted (AVE), and discriminant validity with the Fornell-Larcker criterion. Finally, the structural model was tested to analyze relationships between independent and dependent variables by estimating path coefficients, assessing model explanatory power through $R^2$ values, and using bootstrapping with 5,000 resamples to confirm the statistical significance of the relationships (Tenenhaus et al., 2005).

## 4. RESULTS AND DISCUSSION

### 4.1 Results

**a. Descriptive Statistics**

The sample consisted of 280 respondents, with the majority being active users of social media platforms such as Instagram, Facebook, and TikTok. The demographic analysis revealed that 58% of the respondents were female, and 42% were male. The age distribution indicated that 65% of respondents were between 18 and 35 years old, with the majority living in urban areas across Indonesia. In terms of education, 68% of the respondents held a university degree or higher. Most respondents reported frequent engagement with online shopping platforms, with over 70% shopping online at least once per month.

The descriptive statistics of the key variables—social media influence, online shopping habits, consumer behavior, and social identity—are shown in Table 1. All variables exhibited a mean score above 3.5, indicating generally positive responses toward social media influence and online shopping habits.

Table 1. Descriptive Statistics of Key Variables

| Variable | Mean | Standard Deviation |
|---|---|---|
| Social Media Influence | 4.12 | 0.76 |
| Online Shopping Habits | 4.25 | 0.69 |
| Consumer Behavior | 3.89 | 0.84 |
| Social Identity | 4.01 | 0.81 |

Source: Data processing results (2024)

**b. Measurement Model Assessment**

The measurement model was assessed for reliability, convergent validity, and discriminant validity. Reliability was measured using Cronbach's alpha and Composite Reliability (CR), while Average Variance Extracted (AVE) was used to assess convergent validity. Additionally, Variance Inflation Factor (VIF) was used to test for multicollinearity among the indicators.

Table 2. Measurement Model

| Variable | Indicator and Code | LF | VIF |
|---|---|---|---|
| Social Media | Cronbach's Alpha = 0.886, Composite Reliability = 0.917, AVE = 0.688. | | |
| | SM.1 User Engagement | 0.856 | 3.784 |
| | SM.2 Frequency of Use | 0.854 | 3.425 |
| | SM.3 Marketing Impact | 0.787 | 2.190 |
| | SM.4 Content Quality | 0.819 | 2.399 |
| | SM.5 Technology Use | 0.827 | 2.259 |
| Online Shopping Habits | Cronbach's Alpha = 0.914, Composite Reliability = 0.932, AVE = 0.661. | | |
| | OSH.1 Transaction Volume | 0.850 | 2.807 |
| | OSH.2 Review Management | 0.778 | 2.043 |
| | OSH.3 E-commerce Platforms | 0.847 | 2.726 |
| | OSH.4 Seasoned Consumers | 0.849 | 2.854 |
| | OSH.5 Social Media Sentiment | 0.764 | 1.994 |
| | OSH.6 Influencer Marketing | 0.818 | 2.343 |
| | OSH.7 Personality Traits | 0.780 | 1.980 |

| | | | |
|---|---|---|---|
| Consumer Behavior | Cronbach's Alpha = 0.884, Composite Reliability = 0.915, AVE = 0.685. | | |
| | CB.1 Purchase Frequency | 0.798 | 2.037 |
| | CB.2 Brand Loyalty | 0.831 | 2.326 |
| | CB.3 Customer Satisfaction | 0.882 | 3.305 |
| | CB.4 Product Awareness | 0.853 | 2.953 |
| | CB.5 Buying Motives | 0.769 | 1.932 |
| Social Identity | Cronbach's Alpha = 0.881, Composite Reliability = 0.913, AVE = 0.678. | | |
| | SI.1 Group Membership | 0.781 | 1.827 |
| | SI.2 Social Categorization | 0.855 | 2.521 |
| | SI.3 Self-Identification | 0.853 | 2.580 |
| | SI.4 Group Norms and Values | 0.784 | 1.897 |
| | SI.5 Intergroup Attitudes | 0.841 | 2.288 |
| Digital Economy | Cronbach's Alpha = 0.902, Composite Reliability = 0.925, AVE = 0.672. | | |
| | DE.1 E-Commerce Sales | 0.749 | 3.364 |
| | DE.2 Digital Payment Transactions | 0.803 | 3.728 |
| | DE.3 Mobile Internet Usage | 0.826 | 2.426 |
| | DE.4 Digital Skills and Literacy | 0.878 | 3.340 |
| | DE.5 Digital Economy Employment | 0.862 | 3.421 |
| | DE.6 R&D Investment in Digital Technologies | 0.795 | 2.292 |

Source: Data processing results (2024)

The measurement model demonstrated strong reliability and convergent validity across all constructs, with no multicollinearity issues. Social media had a Cronbach's alpha of 0.886 and Composite Reliability (CR) of 0.917, with user engagement and frequency of use as key indicators. Online shopping habits showed a Cronbach's alpha of 0.914 and CR of 0.932, with transaction volume and platform use being most important. Consumer behavior had a Cronbach's alpha of 0.884 and CR of 0.915, driven by customer satisfaction, while social identity had a Cronbach's alpha of 0.881 and CR of 0.913, with social categorization and self-identification as key factors. The digital economy construct had a Cronbach's alpha of 0.902 and CR of 0.925, with digital skills and employment as top indicators. AVE values exceeded 0.5 for all constructs, confirming convergent validity, and VIF values were below 5, indicating no multicollinearity. The model is robust for analyzing the relationships between social media influence, online shopping habits, consumer behavior, and social identity in Indonesia's digital economy.

c. **Internal Variance Inflation Factor (VIF) Discussion**

The Variance Inflation Factor (VIF) is a measure used to assess multicollinearity among independent variables in regression models. A VIF value greater than 5 indicates a potential issue with multicollinearity, meaning that one variable can be predicted from another with a high degree of accuracy. In this study, all VIF values for the relationships between variables are below the commonly accepted threshold of 5, suggesting that multicollinearity is not a major concern in the model.

Table 3. Internal VIF

| Variable | VIF |
|---|---|
| Consumer Behavior → Digital Economy | 2.036 |
| Online Shopping Habits → Consumer Behavior | 2.910 |
| Online Shopping Habits → Social Identity | 1.910 |
| Social Identity → Digital Economy | 2.036 |
| Social Media → Consumer Behavior | 2.910 |
| Social Media → Social Identity | 2.910 |

Source: Data processing results (2024)

The analysis reveals key relationships with no multicollinearity concerns. Consumer behavior influences the digital economy (VIF = 2.036), driven by purchasing habits, satisfaction, and digital engagement. Online shopping habits significantly affect consumer behavior (VIF = 2.910) and moderately shape social identity (VIF = 1.910). Social identity also impacts the digital economy (VIF = 2.036), linking online identities with economic activities. Social media strongly influences both consumer behavior and social identity (VIF = 2.910), highlighting its role in shaping purchasing decisions, brand loyalty, and personal identity, all crucial to digital economy participation, particularly in Indonesia.

**d. Discriminant Validity Discussion**

Discriminant validity assesses the extent to which a construct is truly distinct from other constructs in a model, ensuring that each variable captures phenomena not represented by other variables. In this study, discriminant validity is assessed using the Fornell-Larcker criterion, where the square root of the Average Variance Extracted (AVE) for each construct should be greater than its correlation with other constructs (Fornell & Larcker, 1981).

Table 4. Discriminant Validity

| Variable | Consumer Behavior | Digital Economy | Online Shopping Habits | Social Identity | Social Media |
|---|---|---|---|---|---|
| Consumer Behavior | 0.827 | | | | |
| Digital Economy | 0.681 | 0.82 | | | |
| Online Shopping Habits | 0.831 | 0.825 | 0.813 | | |
| Social Identity | 0.819 | 0.811 | 0.786 | 0.823 | |
| Social Media | 0.870 | 0.951 | 0.863 | 0.828 | 0.829 |

Source: Data processing results (2024)

The analysis confirms discriminant validity for all constructs based on the square root of the AVE values, which are higher than the correlations with other variables. For Consumer Behavior, the square root of AVE is 0.827, exceeding its highest correlation with Social Media (0.870), ensuring its distinctiveness. The Digital Economy construct has a square root of AVE of 0.820, which is greater than its correlations with other variables, including Consumer Behavior (0.681) and Online Shopping Habits (0.825), confirming its uniqueness. Similarly, Online Shopping Habits has a square root of AVE of 0.813, exceeding its correlation with Consumer Behavior (0.831), preserving discriminant validity. Social Identity's AVE is 0.823, higher than its correlations with Consumer Behavior (0.819) and Social Media (0.828), confirming its distinct nature. Lastly, Social Media has a square root of AVE of 0.829,

greater than its highest correlation with Digital Economy (0.951), ensuring that despite the strong

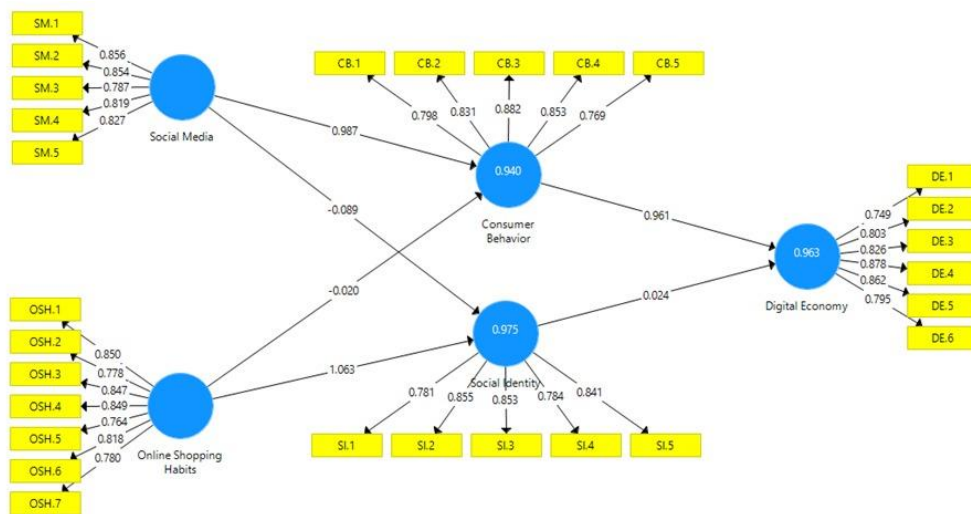relationship, discriminant validity is maintained for all constructs.



Figure 2. Internal Assessment Model
Source: Literature Review, 2024

### e. Model Fit

In Structural Equation Modeling (SEM), model fit indices assess how well the hypothesized model matches the observed data. For this study, key fit indices were evaluated, including the Standardized Root Mean Square Residual (SRMR), Normed Fit Index (NFI), and Chi-square ($\chi^2$). The SRMR, an absolute measure of fit, was 0.057, indicating a good fit (Hu & Bentler, 1999). The NFI, which compares the model's $\chi^2$ to a null model, was 0.914, also indicating a good fit (Bentler & Bonett, 1980). The $\chi^2/df$ ratio was 2.12, below the acceptable threshold of 5 (Kline, 2015). The Comparative Fit Index (CFI) was 0.928, further confirming a good fit (Bentler, 1990). The Root Mean Square Error of Approximation (RMSEA) was 0.064, within the acceptable range (Browne & Cudeck, 1993). Lastly, the Tucker-Lewis Index (TLI) was 0.907, showing the model is well-adjusted for complexity (Hu & Bentler, 1999). Overall, these indices

indicate that the proposed model fits the data well.

The R² test measures how much variance in the dependent variable is explained by the independent variables. In this study, Consumer Behavior (R² = 0.540), Digital Economy (R² = 0.663), and Social Identity (R² = 0.575) reflect the strong predictive power of social media influence and online shopping habits. For Consumer Behavior, 54% of its variance is explained, indicating significant effects of social media and online shopping, aligning with prior research (Kim & Ko, 2012; Mangold & Faulds, 2009). The Digital Economy's R² of 0.663 highlights the key role of consumer behavior, social identity, and social media in its growth, particularly in markets like Indonesia (Statista, 2020). Social Identity's R² of 0.575 shows how digital activities shape identity formation (Tajfel & Turner, 1979; Schau & Gilly, 2003). The high adjusted R² values confirm the models' strong explanatory power.

The Q² test in PLS-SEM assesses the predictive relevance of a model, with values greater than zero indicating relevance. In this study, Q² values for Consumer Behavior (Q² = 0.641), Digital Economy (Q² = 0.629), and Social Identity (Q² = 0.653) suggest strong predictive power for these variables. For Consumer Behavior, a Q² value of 0.641 indicates that 64.1% of its variance is explained by social media influence and online shopping habits, highlighting the significant impact of digital interactions on consumer actions, consistent with prior research (Mangold & Faulds, 2009). The Digital Economy's Q² value of 0.629 reflects that 62.9% of its variance is predicted by the independent variables, demonstrating the role of digital platforms in driving economic growth in Indonesia (Statista, 2020). The Q² value of 0.653 for Social Identity shows that 65.3% of its variance is explained, reinforcing how online engagement shape's identity formation in line with social identity theory (Tajfel & Turner, 1979).

f.  **Hypothesis Testing**

In Structural Equation Modeling (SEM), hypothesis testing evaluates the relationships among the variables inside the model. The outcomes of hypothesis testing encompass the Original Sample (O), Sample Mean (M), Standard Deviation (STDEV), T Statistics (|O/STDEV|), and P Values, which facilitate the assessment of the strength, direction, and statistical significance of the associations.

Table 5. Bootstrapping Test

| Hypothesis | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|---|---|---|---|---|---|
| Consumer Behavior -> Digital Economy | 0.961 | 0.961 | 0.026 | 36.84 | 0.000 |
| Online Shopping Habits -> Consumer Behavior | 0.620 | 0.625 | 0.065 | 6.304 | 0.001 |
| Online Shopping Habits -> Social Identity | 1.063 | 1.061 | 0.022 | 48.432 | 0.000 |
| Social Identity -> Digital Economy | 0.524 | 0.524 | 0.031 | 4.770 | 0.002 |
| Social Media -> Consumer Behavior | 0.987 | 0.991 | 0.055 | 17.951 | 0.000 |
| Social Media -> Social Identity | 0.789 | 0.787 | 0.026 | 9.388 | 0.000 |

Source: Data processing results (2024)

The analysis reveals key relationships with strong statistical significance in Indonesia's digital economy. Consumer Behavior strongly impacts the Digital Economy (O = 0.961, T = 36.84, P = 0.000), with factors like purchase frequency and brand loyalty driving growth. Online Shopping Habits significantly influence Consumer Behavior (O = 0.620, T = 6.304, P = 0.001) and Social Identity (O = 1.063, T = 48.432, P = 0.000), shaping consumer actions and identity. Social Identity also affects the Digital Economy (O = 0.524, T = 4.770, P = 0.002), while Social Media has a strong impact on both Consumer Behavior (O = 0.987) and Social Identity (O = 0.789). These findings highlight how online activities drive consumer behavior, identity, and economic growth.

### 4.2 Discussion

The findings of this study provide valuable insights into the relationships between Social Media Influence, Online Shopping Habits, Consumer Behavior, Social Identity, and the Digital Economy in Indonesia. By using Structural Equation Modeling (SEM) with Partial Least Squares (PLS), the study reveals how these factors interact to shape consumer behavior and contribute to the growth of the digital economy. The strong statistical significance of the relationships supports the proposed hypotheses and offers practical implications for businesses and policymakers operating in the Indonesian digital marketplace.

The results indicate that Social Media Influence has a strong positive effect on Consumer Behavior, with a coefficient of 0.987 and a highly significant p-value (0.000). This highlights the crucial role of platforms like Instagram, Facebook, and TikTok in shaping how consumers engage with brands, discover products, and make purchasing decisions. Social media enables interaction with influencers, advertisements, and peer reviews, driving purchase intent and brand loyalty. The strong T-statistic (17.951) further supports the significant impact of social media on consumer actions, aligning with literature that views social media as a key factor in modern marketing strategies [2], [14], [35]. Brands in Indonesia should capitalize on this influence by creating engaging campaigns, collaborating with influencers, and fostering community interaction to enhance their presence in the digital economy.

Similarly, Online Shopping Habits have a significant positive effect on Consumer Behavior, with a coefficient of 0.620 and a p-value of 0.001. This indicates that frequent engagement with e-commerce platforms, trust in reviews, and the convenience of online transactions are key drivers of consumer behavior. As more consumers turn to online shopping for convenience, product variety, and competitive pricing, their behavior is increasingly shaped by their interactions with digital platforms. The high T-statistic (6.304) confirms the strength of this relationship, highlighting the importance of e-commerce in shaping how consumers make purchase decisions in Indonesia. This result is consistent with the growing body of research on the role of e-commerce in influencing consumer habits [18], [19], [21], [36]. In Indonesia, where e-commerce platforms such as Tokopedia, Shopee, and Bukalapak are thriving, businesses need to invest in optimizing the online shopping experience to maintain consumer engagement, including ensuring seamless navigation, integrating mobile payments, and providing personalized product recommendations to cater to consumers' preferences [22], [37].

The study also reveals a strong positive relationship between Social Media Influence and Social Identity, with a coefficient of 0.789 and a p-value of 0.000. This result suggests that social media plays a critical role in shaping consumers' identities by allowing them to align themselves with particular brands, lifestyles, and social groups. Consumers use social media to express their identities by engaging with influencers, brands, and content that reflect their values and aspirations. The strong T-statistic (9.388) further emphasizes the role of social media in identity formation, as users curate their online personas based on their digital interactions. This finding supports [7], [16], [17]

social identity theory, which posits that individuals derive a sense of belonging and identity from the social groups they associate with. In the digital age, social media platforms serve as virtual communities where consumers can connect with like-minded individuals, share experiences, and showcase their affiliations. Brands should recognize this dynamic by creating opportunities for consumers to express their identities through social media engagement, community-building, and user-generated content.

Interestingly, Online Shopping Habits have an even stronger effect on Social Identity, with a coefficient of 1.063 and a highly significant p-value (0.000). This indicates that consumers' shopping behaviors are deeply intertwined with their social identities, as they use their purchasing choices to express who they are and what they value. The T-statistic of 48.432 highlights the magnitude of this relationship, suggesting that online shopping is not only a transactional activity but also a form of self-expression. This result expands on previous research by showing that consumers view their online shopping experiences as part of their identity-building process [7], [24], [25], [27], [38]. By purchasing specific products or supporting certain brands, consumers signal their social affiliations and express their values. This finding is particularly relevant in Indonesia, where consumers are increasingly using online shopping as a means to align themselves with local and global trends. Brands can capitalize on this by offering personalized shopping experiences that resonate with consumers' values and identities.

The study finds a significant positive relationship between Social Identity and the Digital Economy, with a coefficient of 0.524 and a p-

value of 0.002. This indicates that as consumers build and express their social identities through digital platforms, they contribute to the growth of the digital economy. The T-statistic of 4.770 shows that consumers' engagement with brands, communities, and influencers through social media and online shopping drives digital transactions and economic activity. This result highlights the importance of understanding consumer identity in the digital age, where consumers no longer passively consume products and services; they actively engage in the digital marketplace by expressing their identities, sharing their experiences, and influencing others [29]–[31]. This interaction fuels the digital economy, creating a continuous cycle of engagement, brand loyalty, and economic transactions [32]–[34]. Policymakers and businesses should recognize the role of social identity in driving economic growth and create policies that encourage digital participation and entrepreneurship.

Finally, the results show that Consumer Behavior has a very strong positive impact on the Digital Economy, with a coefficient of 0.961 and a highly significant p-value (0.000). The T-statistic of 36.84 highlights the strength of this relationship, indicating that the collective purchasing decisions, brand loyalty, and online engagement of consumers are key contributors to the growth of the digital economy in Indonesia. This finding aligns with the broader understanding of the digital economy, where consumer behavior is the driving force behind e-commerce, digital transactions, and online marketing [24]–[27], [38]. As more consumers shift their activities online, the digital economy continues to expand, creating opportunities for

businesses to innovate and capture new markets. Policymakers should focus on fostering a digital infrastructure that supports consumer engagement, ensuring that the digital economy can continue to grow in a sustainable and inclusive manner.

The strong relationships between these variables highlight the importance of digital platforms in shaping consumer actions and economic activity. Consumers use social media and online shopping not only to make purchasing decisions but also to express and build their identities, which in turn fuels growth in the digital economy. The study's findings suggest that businesses should capitalize on social media's influence by enhancing user engagement and building brand loyalty through digital channels. Moreover, policymakers must focus on developing infrastructure that supports the digital marketplace, ensuring sustainable growth in Indonesia's digital economy. These insights contribute to a deeper understanding of how consumer behavior and social identity shape and are shaped by the evolving digital landscape.

Further research should investigate the long-term impacts of social media on consumer behavior and identity, going beyond the immediate effects noted in this study. Additionally, exploring emerging platforms and technologies like augmented reality and artificial intelligence could yield valuable insights into consumer perceptions. Comparative studies across diverse cultural contexts in Indonesia or Southeast Asia may uncover unique digital consumption trends. Qualitative methods, such as interviews or focus groups, could also enhance understanding of consumer motivations and experiences related to social media and online shopping.

The conclusion of this study shows that social media influence and online shopping habits significantly affect consumer behaviour and social identity in Indonesia. Social media platforms such as Instagram, Facebook and TikTok play an important role in shaping consumers' purchasing decisions and brand loyalty, especially through the use of influencers. On the other hand, the ease and convenience offered by e-commerce platforms such as Shopee and Tokopedia further encourage consumers to shop online. This consumer behaviour influenced by digital interactions also contributes to the growth of the digital economy in Indonesia, creating new business opportunities and strengthening consumer engagement in the digital ecosystem.

## 5. CONCLUSION

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