

# Utilization Of Social Media And Its Impact On Trade Within The East African Community

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## Abstract:

*Social media has become an effective instrument for trade facilitation by improving cross-regional business exposure, market access, and communication. The growing use of social media platforms in the East African Community (EAC) has completely changed how companies communicate, market, and carry out international trade. But even with its quick expansion, little is known about how much social media influences trade in the EAC. This study looked at social media use and how it affects trade in the EAC, emphasising how it can lower transaction costs, expand market reach, and boost company performance. The study's particular goals were to ascertain how social media usage affects the cost of conducting business and to examine how it affects trade performance in EAC nations. In order to give a thorough analysis, the study used panel data using a non-experimental research approach. The World Trade Organisation (WTO), the Kenya National Bureau of Statistics (KNBS), the World Development Indicators (WDI), and regional trade reports from 2015 to 2024 were the sources of secondary data. The study estimated the relationship between trade efficiency and social media usage using econometric modelling, such as the Gravity Model of Trade. The study's conclusions were important to a number of parties, including scholars, trade associations, business owners, and legislators. Businesses can utilise insights to improve their digital marketing tactics and boost competitiveness, while policymakers can use the outcomes to create digital trade regulations that strengthen regional integration. According to the report, trade performance is significantly improved by digital technology. The results, however, indicate that its impact on the region's trade costs is negligible. According to the report, governments in the EAC should invest in digital technology infrastructure to improve communication and product flow within the area, which will boost trade performance.*

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## I. Introduction

The act of selling goods or services for a commercial consideration is known as trade. Through social media networks, which can enable information to be shared more quickly than the news media, communication takes the form of thoughts, words, and news. Social media can take many various forms, but all of them are based on the fundamental idea that users can quickly and easily generate and share content with other users. Everyone can access content thanks to social media. Numerous well-known websites exist, including Wikipedia, Wetpaint, Wikidot, Second Life, WhatsApp, Facebook, LinkedIn, Myspace, X, Google, YouTube, Skype, Flickr, WordPress, Blogger, Typepad, LiveJournal, and more, Del.icio.us, Digg, Reddit, Lulu, Badoo and many others (Subagia *et al.*, 2022).

Web 2.0's technical foundation, which allowed internet users to produce their own material known as User-Generated material, is what made social media websites and the hoopla around them possible. An interactive website that offers information while also allowing for content impact is known as a social media site (Borah *et al.*, 2022). This procedure may be as straightforward as asking someone for their opinion or rating, or it may be very intricate. Because social media gives consumers a two-way channel for communication, the intricacy of this interaction between the website and the users is almost related to the user. Wikis, social bookmarking, social networking, social news, and social photo and video sharing are all included in the phrase "social media." Social media use has benefited international trade more and more for people, businesses, and organisations who take use of the ability to use and monetise user-generated content (Duz Tan & Tas, 2021).

Social media can be traced back in 2004 when My space and Facebook were invented. User generated content (UGC) referred the content of social media as freely accessible to end user, were introduced. It is a gathering of internet-based participants put together that works with respect to the ideological and innovative establishments of web 2.0 permitting creation and exchanges of user generated content (Kaplan & Haenlein, 2010). Significantly, social media is generally described as the use of technology especially world-wide websites and mobile applications to exchange and share information, emotions, pictures and even videos considered to be the cumulative group of information sharing/exchanging sites accessed via the internet.

These social media sites have completely modernized the traditional media, changing the mode of operation in communication. Examples of commonly used social media sites in Africa are Facebook, Instagram, WhatsApp, X, Pinterest, Snapchat, Reddit, Tiktok, amongst others. To understand the role of social media in trade and other aspect of life several researches have been performed.

The expansion of European capital was largely dependent on the availability of quick and trustworthy information, and Smith (1980) asserts that "in a global system, physical markets have to be replaced by notional markets in which prices and values are assessed through the distribution of regular, reliable information." Therefore, capitalism was both a cause and an effect of the information network. The increase of trade inside the East African Community can benefit from the same idea. In contrast to the building of highways for the transportation of people and products in the past, Van Dijk (2006) contended that networks are now the nervous system of our society, relying on them for both social and personal life. He also maintained that the new information technologies are the foundation of the global economy and that the Internet has become the fundamental fabric of our existence.

### **The Role of Social Media in Transforming Trade and Communication within the East African Community**

Social media's influence in the East Africa Community is significant, impacting various sectors such as news, business, and politics. With 13.05 million users in Kenya as of January 2024, platforms like X and Facebook Meta facilitate immediate engagement and feedback, transforming how organizations operate online. The rise of mobile technology has opened expansive opportunities for regional and international business growth, though it also presents ethical challenges for companies. The shift toward social media has led to declining reliance on traditional media and fostered e-commerce, which simplifies access to global markets and reduces operational costs through digital channels. This evolution highlights the potential for enhanced economic cooperation and competition within the region. Figure 1 shows E-commerce and access to new markets in the region

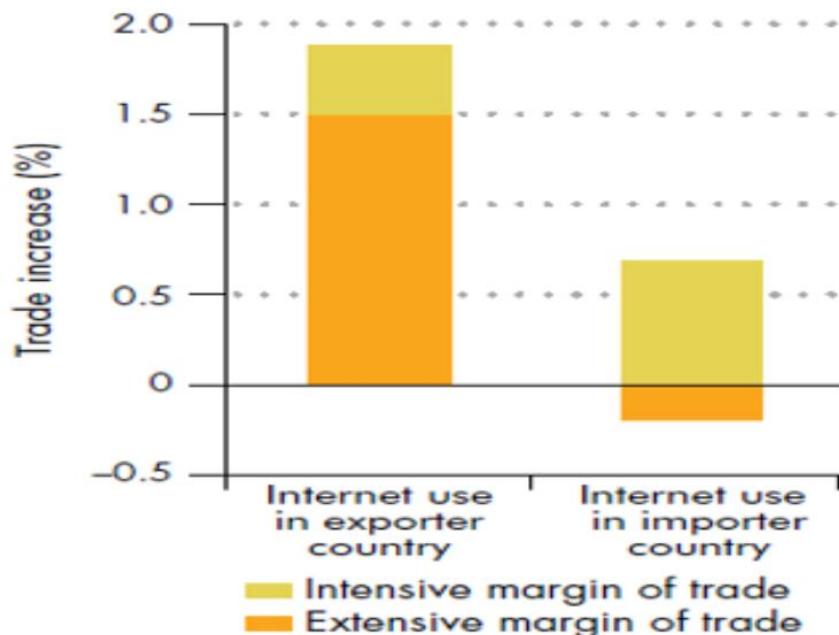


Figure 1.1 shows the impact of e-commerce on trade volume by distinguishing between the intensive margin of trade (volume of existing trade relationship growth) and extensive margin of trade (number of new trade relationship growth). E-commerce in exporter country shows a significant overall increase in trade due to extensive margin of trade. This suggests that e-commerce facilitates trade in the exporting country. This is as a result of improvement in communication enabled by social media infrastructure put in place. Additionally, the intensive margin of trade also contributes to trade increase but to a lesser extent. This depicts the importance of social media in expanding trade volume in the region. On the other hand, e-commerce in the importer country has a lesser impact relative to exporter country. The use of e-commerce in the importer country only accounts for increases in trade in the existing trading partners but does not account for new trading partners (Anendin & Duan, 2021). Since the large trade margin is somewhat detrimental to the importer nation, using social media to boost commerce actually results in the concentration of current trading partners rather than the creation of new markets.

### **Utilization of Social Media in EAC Countries**

Social media has transformed how businesses in the East African Community (EAC) interact with clients, utilizing platforms like Facebook, Instagram, WhatsApp, and TikTok to enhance engagement and build relationships. It allows targeted advertising, improves customer support through real-time communication, and fosters loyalty among clients. Despite its advantages, challenges such as digital literacy disparities and limited internet access, particularly in areas like South Sudan and Burundi, hinder full utilization. However, social media remains a vital tool for growth and client loyalty in the EAC, suggesting that investments in digital infrastructure could further enhance its benefits. Figure 2 shows growth of e-commerce in EAC countries.

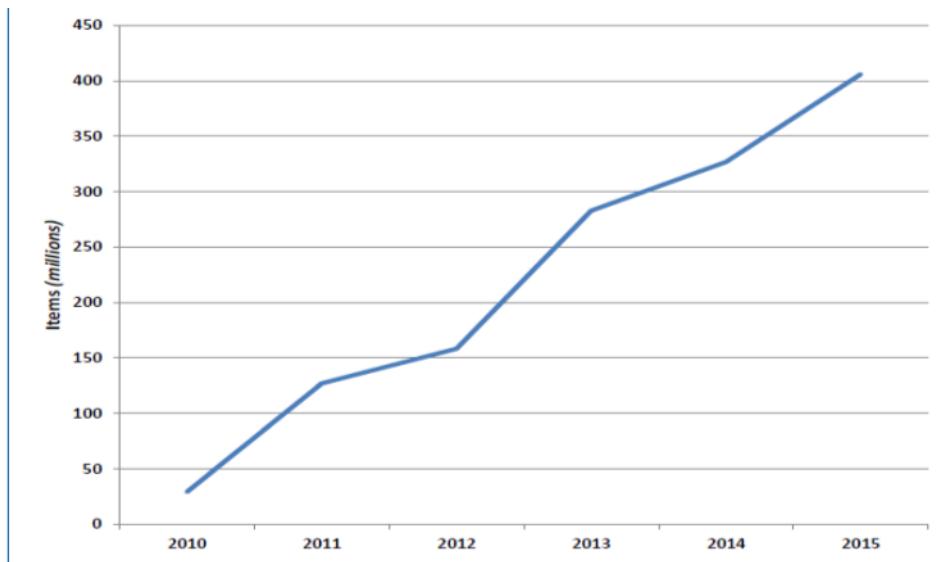


Figure 2 shows that Social media use in East African Community (EAC) countries is rising, driven by increased cross-border trade through digital platforms. The number of social media users is projected to exceed 950 million by 2025, more than doubling compared to a decade ago, due to e-commerce activities facilitating trade without physical presence.

### **Digital marketing and Regional Trade Performance**

Digital marketing has transformed regional trade, especially within blocs like the EU, AfCFTA, ASEAN, and others, by enhancing integration through social media and targeted online advertising. It allows firms to reduce entry barriers and compete cost-effectively in regional markets. E-commerce platforms, such as Amazon and Alibaba, facilitate cross-border trade. Digital marketing increases trade volume, promotes exports, and drives intra-bloc trade growth through localized campaigns. In East Africa, digital technologies improve trade efficiency via innovations in ICT and e-commerce systems, reducing customs clearance times and simplifying documentation. Marketplaces like Jumia and Kilimall enhance access to regional consumers, fostering intra-EAC trade while reducing transaction costs through automation and real-time monitoring. However, challenges persist, including limited access to digital technologies, regulatory inconsistencies, and cybercrime risks. Addressing these issues is crucial for realizing the full potential of digital trade and improving economic integration in the region.

### **Regulatory Digital technology Policies in EAC Regional Bloc**

The East Africa Community (EAC) has developed various digital technology policies and frameworks to enhance regional trade among its member states. Key initiatives include the EAC model ICT policy framework, the EAC protocol on information and communication technology networks, and the EAC regional digital transformation strategy (2024-2030). These frameworks aim to harmonize ICT services and improve cross-border digital transactions, contributing to a single digital market. Digital technology is essential for economic transformation and innovation in the region, particularly in mitigating trade losses through enhanced e-commerce and electronic trade systems. Effective data governance and good regulatory practices are necessary to support these developments and improve trade among EAC countries.

### **Problem Statement**

Despite extensive research on the influence of social media on trade platforms globally, its specific effects within the East African Community (EAC) remain largely unexplored. The advancement of technology, particularly through social media platforms like Facebook, Instagram, and WhatsApp, has transformed

communication, impacting trade dynamics in the region. Social media facilitates faster integration and fosters connections among citizens, essential for overcoming trade barriers caused by restrictions among member states. By shaping public opinion and enhancing awareness, social media can promote regional integration and business growth through improved service transfer and payment exchanges. Existing literature highlights the role of social media in enhancing trade efficiencies and connectivity internationally, but further investigation is needed to understand its unique contributions to EAC trade. This study aims to evaluate traders' usage of social media to stimulate trade, the effects of information sharing on trade interactions, and the role of policymakers in using social media for communicating national policies to traders.

## **Objective of the Study**

The aim objective of the study was to establish utilization of social media and its impact on trade within the East African Community. The study was guided by the following two specific objectives, first was to analyse the effect of social media usage on trade performance in EAC countries and secondly to analyse the effect of social media on the cost of doing business in EAC countries. The study covered seven EAC countries including Kenya, Uganda, Tanzania, Rwanda, Burundi, South Sudan, and the Democratic Republic of the Congo for a period 2015-2024. Further the study provides insights to stakeholder, policymakers, business owners and researchers in the field on how social media can leverage to improve trade efficiency, reduce costs and foster regional integration.

## II. Literature Review

## Gravity Theory

Newton's theory of gravitation served as the initial inspiration for the hypothesis. Based on the economic size and distance between trading partners, the theory is applied in international commerce to forecast bilateral trade flows. The theory was first introduced in 1941 by Steward (1941) when studying demographic gravitation and later advanced on it in 1947 when analyzing population potential. However, the theory was first used in economics to study bilateral trade by Isard (1954) to study income potential under the concept of international economics while building on the concepts of the earlier scholars. Tinbergen (1962) opined that bilateral trade between two countries depends on economic size and distance in which case trade declines with increase in distance and diminishing economic size. According to his theory, commerce between two nations is inversely correlated with their distance from one another and proportional to their respective gross national products. The model is given in equation 2.1

$$T_{A,B} \propto \frac{(GDP_A)^\alpha (GDP_B)^\beta}{(Dist_{AB})^\delta} \dots \quad 2.1$$

The theory states that trade occurs between two countries based on relative factor abundance measure by gross domestic product as captured in equation 2.1 and preferences for good and services within countries. Krugman (1980) asserts that trade is impacted both directly by economic scale as determined by GDP and indirectly by distance, which is connected to trade barriers. By adding the idea of multilateral resistance which takes into account trade obstacles in relation to all trading partners rather than just bilateral trade costs, Anderson and van Wincoop (2003) developed a theoretically based gravity model. In addition, the theory has been applied in the study of how trade costs reduce trade volume Disdier and Head (2008), in studying foreign direct investment (Blonigen, 2005 and Daude & Stein, 2007). Mayda (2010) and Ramos (2016) also applied the theory to conduct migration research across countries.

Gravity theory in economics has proven to be a robust framework for analyzing international trade, investment, and migration. While the basic formulation remains similar to its Newtonian origins, modern applications incorporate economic, institutional, and policy-related factors. The model continues to evolve with improvements in econometric techniques and access to granular trade data.

## The diffusion of innovations theory

The diffusion of innovations theory, developed by Rogers (1995), explains how new ideas, technologies, and practices spread within and across social systems over time. According to the theory, the adoption process of innovations follows a bell curve, categorizing individuals into innovators, early adopters, early majority, late majority, and laggards. The rate of adoption is influenced by factors such as the perceived relative advantage of the innovation, compatibility with existing values and practices, complexity, trialability, and observability. Organizations and individuals adopt innovations when they perceive tangible benefits, such as increased efficiency or competitive advantage.

This theory provides a foundational framework for understanding the role of social media in facilitating trade within the East African Community (EAC). Social media platforms, as innovative technologies, offer businesses tools to engage in digital marketing, cross-border communication, and customer relationship management, thus enhancing regional trade. The proposed study examines the extent to which EAC businesses

have adopted social media to leverage these advantages and assesses variations in adoption rates among member states.

The diffusion of innovations theory also highlights potential barriers to social media adoption, such as technological infrastructure gaps and low digital literacy, which may delay the benefits of regional integration. By identifying where member states and businesses fall within the adoption curve, the study will address disparities in social media usage and provide actionable insights for accelerating the adoption process. This aligns with Oldenburg and Glanz (2008) assertion that understanding the diffusion process is critical for designing interventions that promote widespread adoption and maximize innovation's societal impact.

### **Empirical Literature**

Alzubi (2023) highlights the transformative role of digital media in shaping international trade, emphasizing its capacity to enhance connectivity, streamline processes, and expand market reach. Digital platforms facilitate seamless communication, enabling businesses to connect with global markets while reducing barriers to entry for small and medium enterprises (SMEs). The study identifies digital media as a critical tool for marketing, customer engagement, and information dissemination, which collectively improve trade efficiency and competitiveness. Furthermore, it underscores how digital media supports the adoption of e-commerce and digital payment systems, driving trade modernization. However, challenges such as digital literacy gaps, infrastructure deficiencies, and cybersecurity risks persist, limiting its potential in some regions. Alzubi concludes that while digital media accelerates international trade, maximizing its benefits requires addressing these barriers and fostering policies that enhance digital inclusivity and security.

The impact of social media use and innovation on the performance of small and medium-sized businesses (SMEs) in Surabaya, Indonesia, is examined by Subagja, Ausat, and Suherlan (2022). The study emphasizes how SMEs can use technological innovation to prosper in a hyperconnected business environment, within the framework of the diffusion of innovations hypothesis. Social media is seen as a key instrument for digital marketing since it facilitates improved communication, interaction, and advertising all of which have a major positive impact on the success of an organization. The study quantitatively examines data from food and beverage SMEs using Partial Least Squares (PLS) and Structural Equation Modelling (SEM). The results show that social media adoption, innovativeness, and business performance are positively and significantly correlated. SMEs who don't innovate and use social media run the risk of stagnating or declining, highlighting how important technical flexibility is to maintaining competitiveness in the modern economy.

Rwigema (2020) explores the transformative potential of digital technology within the East African Community (EAC) region, emphasizing its relevance to political and socio-economic development. The digital revolution, marking the information age, promises to enhance productivity through innovation and cost-efficiency in business processes. However, the paradox of productivity stagnation amidst technological advancements sparks debate on digital technology's actual impact. The study highlights key trends such as e-commerce, big data, artificial intelligence (AI), and the Internet of Things (IoT), which present opportunities for economic growth alongside challenges from market disruptions. Using a generalized production function, the research analyzed digital technology adoption from 2000–2019, identifying disparities across EAC states. Countries like Burundi and South Sudan lagged in infrastructure, yet individual firms leveraged ICT to boost inter-state trade. Findings underscore digital technology's critical role in fostering regional trade and integration.

Burgess *et al.*, (2017) explore the adoption of social media by small and medium-sized enterprises (SMEs), an area often overshadowed by consumer-focused studies. Using Roger's innovation decision process, the study examines the experiences of 42 Australian SMEs, categorizing them into five stages of social media adoption. The findings reveal that adoption is not binary but a nuanced process influenced by factors such as perceived benefits and barriers. Facebook emerged as the primary platform, valued for its widespread reach, while other platforms like Twitter elicited mixed responses due to unclear utility and time demands. YouTube was used selectively for product showcasing. The study identifies key facilitators for continued use, including increased sales, brand development, and external pressures. However, inhibitors like sectoral incompatibility, low followership, and minimal return on investment were also noted. This research highlights the complex dynamics of platform selection and usage in SME contexts.

Research on the dual effects of social media on online trading opportunities, risks, and recommendations for the company was conducted by Bazzi and Labban (2019). According to the study, social media is about to give rise to a brand-new category of independent internet dealers. According to the study, people who use social media extensively are on the edge of starting an online business, but they are greatly impacted by online herding behaviour, which increases the possibility that they will follow people mindlessly. The study also discovered that social media-influenced internet traders are unlikely to make enough money since they are faced with an ethical conundrum.

Irimu (2018) conducted research using the East African Community as a case study to examine how social media might improve regional collaboration. The study discovered that a new worldwide word order known

as the "digital word" has emerged as a result of the quick development and application of information and communication technology. As a result of efficient information sharing, new ideas like e-commerce, e-citizenship, and e-learning have been introduced, encouraging regional integration. Consequently, social media played a crucial role in strengthening regional integration.

### III. Research Methodology

The research design used in the study was non-experimental. The methodology was chosen because it limited the researcher's ability to change or amend the data and only used information gathered from several sources about how digital technology affects regional trade among EAC countries. Based on economic size and distance, the gravity model of commerce has been used to analyse cross-border trade between nations. The model is expressed as;

The study adopted gravity model of trade given in equation 1, in order to estimate the model, the natural logs of both sides is taken leading to log-log model of the form;

The specification of the model as in equation 3.2, faces two major problems; if the dependent variable is equal to zero then the model cannot be estimated, additionally, estimation using Ordinary Least Square can lead to biasness if the model is believed to be nonlinear. Silva and Tenreyro (2006) provided a multiplicative form in order to estimate the gravity model of trade by taking the exponential as shown in equation 3

Based on the Poisson model, a poison pseudo-maximum likelihood (PPML) was applied. The PPML model does not allow the inclusion of zero as in the case of OLS. In the model economic size  $M$  is captured through the GDP per capita. The model incorporates explanatory variables such as digital technology joins the model by extending the model to include the variable from exporting and importing countries, economic relative size, and distance between trading partners. On the other hand, other variables such as common border, language, colonial ties are included in the model as dummy variables. Therefore, the model is specified as in equation 4

$$r_{ij} = \exp[p_0 + p_1 \ln(DT_i T_j) + p_2 \ln(DT_i T_j) + p_3 \ln(D_{ij}) + p_4 \ln(DT_i) + p_5 \ln(DT_j)] \eta_{ij} \quad \dots \quad 4$$

Equation 3.4 contains some common variables across trading partners and during analyzing, multicollinearity problem can be encountered, to avoid this problem, a product of the common variables is taken and the model is expressed as in equation 5

The study estimated equation 5 to accomplish the objective one which was to establish utilization of social media usage and its impact on region trade within the EAC countries. Equation 3.5 was modified by replacing trade performance  $F_{ij}$  with cost of trade to obtain equation 6 to achieve objective two of the study as follows;

Where  $C_{ij}$  - cost of trade in the EAC countries while  $D_{ij}$  - dummy variables such as telephone, cellphone, broadband, internet users, business to business use and business to customers in the EAC countries

### Type and Source of Data

The research made use of yearly panel data. WTO and World Development Indicators (WDI) reports covering the years 1990–2024 will provide the secondary quantitative data on digital technology through social media and e-commerce trade in addition to other macroeconomic factors.

## Panel Data tests

The study conducted all the pre-estimation and post-estimation tests to ensure that the results obtained are not spurious. Key post estimation test conducted was the Hausman test to determine which model to adopt to estimate the findings between random effect model and fixed effect model. From the Hausman test, the study adopted fixed effect model to estimate study findings.

#### IV. Empirical Findings And Discussion

The study carried out panel unit test and presented the results in table 1.

**Table 1: Panel unit root test**

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Variables	Level	t-Statistics	P-Value	Remarks
Log Import (I0)	Intercept	-12.6315	0.000	stationary

	Trend & Intercept	-2.30E+03	0.000	stationary
Log Export (I0)	Intercept	-1.26E+01	0.000	stationary
	Trend & Intercept	-2.30E+03	0.000	stationary
Log Digital technology (I0)	Intercept	-10.9822	0.000	stationary
	Trend & Intercept	-54.6924	0.000	stationary
Per capita Income(I0)	Intercept	-8.1731	0.000	stationary
	Trend & Intercept	-15.8281	0.000	stationary
Inflation rate (I0)	Intercept	-5.5556	0.000	stationary
	Trend & Intercept	-1.60E+02	0.000	stationary
Exchange Rate (I1)	Intercept	-10.9956	0.000	stationary
	Trend & Intercept	-14.5587	0.000	stationary
Market Size GDP (I0)	Intercept	-1.9722	0.024	stationary
	Trend & Intercept	-2.6788	0.004	stationary
Trade Openness (I0)	Intercept	-7.10E+02	0.000	stationary
	Trend & Intercept	-2.00E+02	0.000	stationary
Cost of Trade (I0)	Intercept	-14.7283	0.000	stationary
	Trend & Intercept	-14.2547	0.000	stationary

The results show that all the variables were stationary at level or after first difference. The test was carried out at 5 percent level of significance. In addition, the test was carried out at intercept and at trend and intercept to ensure change over time are accounted for.

#### Hausman Test

The test was carried out and results are presented in table 2

Table 2: Hausman test results

Model	Chi-Square	Probability>Chi-Square
Model 3.5	37.57	0.000
Model 3.6	12.61	0.0496

The results show that the probability of Chi-Square for model 1 and model 2 are all less than 0.05 at 5 percent level of significance. Therefore, the study employed fixed effect model to estimate the study findings.

#### Effect of social media usage on trade performance in EAC countries

The first objective of the study was the analyse the effect of social media usage on trade performance in EAC countries. to achieve the objective, the study estimated fixed effect model. Analysing the impact of social media use on trade performance in EAC nations was the study's primary goal. The results showed that the digital technology coefficient, which measures social media usage, was positive (0.01903) and statistically significant at the five percent significance level. This indicates that an increase in use of social media (digital technology) by one percentage point increases trade performance by 1.9 percentage points. This is because digital technology through social media facilitates marketing for the products in the region and also creates awareness of the existence of the product. High levels of adoption of digital technology lead to slight increase in trade performance, this is because of heavy investment in infrastructure to facilitate the use of social media in enhancing trade hence better trade performance in the region. The finding corroborates with Alzubi (2023) that digital technology significantly enhances trade performance by enhancing seamless communication enabling businesses to connect with the global market while at the same time reduces barriers to entry for SMEs. Similarly, the finding confirms that of Subagja, Ausat and Suherlan (2022) that digital technology leverage can make businesses to thrive in hyperconnected business environment hence boosting the performance of trade in Indonesia.

#### Effect of digital technology on the cost of doing business in EAC countries

The second objective of the study was determined the effect of digital technology on the cost of doing business in EAC countries. The fixed effect model estimation results show that the coefficient of was positive but insignificant. This means that increase in the usage of digital technology in carrying out business activities may reduce the cost of doing business. However, the reduction in cost of doing business is insignificant at it does not translate to improvement in the profit margin. This is because greater adoption of digital technology may not translate into measurable reductions in cost of trade due to uneven integration of technology into trade facilitation processes hence the insignificant coefficient. In addition, these digital technologies may be focused on internal or domestic digital services rather than cross-border system hence less effective. Further, adoption of digital technology also entails costs which is borne by the business hence digital technology is a cost on its own that minimize the profit margin of the business.

## **V. Conclusion And Policy Implication**

The findings of this study lead to the conclusion that digital technology is a pivotal catalyst for improving trade performance and reducing trade costs within the East African Community (EAC). By enhancing communication, streamlining transactions, and improving access to market information, digital innovations contribute directly to greater efficiency in cross-border trade. This virtuous cycle highlights the strategic importance of policies that simultaneously promote digital transformation, trade liberalization, and cost-reducing trade facilitation reforms. For the EAC, sustained investment in digital trade infrastructure, coupled with coordinated regional efforts to streamline cross-border procedures, holds significant potential to strengthen trade performance, enhance competitiveness, and accelerate regional economic integration.

The study recommended that in order to improve trade performance and lower trade costs within the East African Community (EAC), the study's findings suggest a number of significant policy implications. The first step should be for the governments of all EAC nations to invest in digital infrastructure. Wider adoption of digital technologies that can improve information flows across borders, increase market access, and streamline trade processes will be made possible by expanding broadband coverage, increasing internet reliability, and reducing connectivity costs.

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