

# Chapter 1

## Introduction

### 1.1 Background

In this growing digital era, social media is crucial for MSMEs to expand their market reach and improve business performance. In particular, this research will focus on Instagram because Instagram is still widely used in Indonesia up to 36.3% of the entire population in 2025 (Kemp, 2025). Besides that, Instagram also provides several advantages for MSMEs, for example, easy access, smooth communication, new market opportunities, and a focus on market segmentation (Rezma et al., 2022). However, the research on the effectiveness of Instagram usage among MSMEs in Singkawang is still limited. Hence, understanding how perceived usefulness, cost-effectiveness, and interactivity influence Instagram usage can provide valuable insights for these businesses.

Many MSMEs in Indonesia utilize Instagram as their marketing and communication tool because it is simple and easy to use (Sugandini et al., 2022). However, the influence of perceived usefulness, cost-effectiveness, and interactivity on Instagram usage towards business impacts is still unclear. Moreover, the previous research in other regions shows that these factors are important, for example, a study in Pontianak shows that perceived usefulness is positively influences the MSMEs to use Instagram and it could increase their sales as well (Mustaqim, 2018), similarly, a study in Pekanbaru City shows that cost-effectiveness and interactivity are positively influences the MSMEs in using social media marketing, besides that, the social media marketing is also positively impact the business performance, in this context the platform is Instagram (Mitra et al., 2024). On the other hand, studying these factors on the Instagram usage on Singkawang MSMEs is relevant and necessary because these factors could determine how MSMEs in Singkawang utilize Instagram to increase their performance and market reach.

Although the number of Instagram users in Indonesia is huge, especially among MSMEs. However, there is still a lack of research on whether the perceived usefulness, cost-effectiveness, and interactivity of Instagram usage could directly affect MSMEs' business performance, especially in Singkawang. Therefore, this study aims to analyze the influence of these three factors on Instagram usage for Singkawang MSMEs and how it affects business performance. The findings in this study will provide insights for MSMEs to optimize their marketing strategies in using Instagram, helping them to improve their online presence, customer interaction, and overall business growth.

## **1.2 Objective**

The main objective of this study is to analyze how perceived usefulness, cost-effectiveness, and interactivity influence Instagram usage among Singkawang MSMEs and how this usage impacts their business performance. The goal is to provide insights that help MSMEs maximize the benefits of Instagram for business growth.

Specifically, this study also aims to.

1. Examine how the perceived usefulness factor affects the way Singkawang MSMEs use Instagram for business.
2. Evaluate whether cost-effectiveness influences Singkawang MSMEs' decisions to use Instagram as a marketing tool.
3. Analyze how interactivity influences Singkawang MSMEs in using Instagram for their businesses and assess the impact of Instagram usage on Singkawang MSMEs' business performance, including acquiring new customers, marketing the product, and communicating with existing customers.

### 1.3 Hypothesis

The proposed hypotheses in this study are.

**H1:** The perceived usefulness factor positively influences Instagram usage among Singkawang MSMEs.

**H2:** Cost-effectiveness has a positive influence on Instagram usage among Singkawang MSMEs.

**H3:** Interactivity has a positive influence on Instagram usage among Singkawang MSMEs.

**H4:** Instagram usage positively influences business performance among Singkawang MSMEs.

The first hypothesis (H1) is supported by the Technology Acceptance Model (TAM) where perceived usefulness influences the intention to use social media, in this context Instagram (Davis et. al., 1989; Lacurci, 2021). Moreover, social media can help the marketing manager in promoting the products at low cost or free, and knowing the online customers' preferences, those factors can help him or her in making decisions by comparing the budget used and the interaction effectiveness in online and traditional platforms. Besides that, previous studies also mentioned that cost-effectiveness and interactivity have a strong effect on social media usage, so, they supported the second (H2) and the third hypotheses (H3) (Fisher, 2009; Chatterjee & Kar, 2020; Halbusi, 2022). On the other hand, social media usage has a positive effect on the business performance of MSMEs because it can evaluate the satisfaction of the customers, align customers' needs with marketing and sales strategies, and understand and adjust the customers' needs, so, it can support the fourth hypothesis (H4) (Shauri et al., 2023).