

Social Commerce For MSMEs: Leveraging Digital Networks And Social Capital For Market Access

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Problem of practice

Micro, Small, and Medium Enterprises (MSMEs) are essential to the global economy, playing a key role in employment, income creation and local economic stability. Despite their significance, MSMEs face persistent structural barriers that hinder their access to markets, thereby restricting their ability to grow and compete. Although financial inclusion has improved through microfinance and formal banking services, non-financial barriers, especially limited access to a wider and more diverse range of markets, remain inadequately addressed. Consequently, many MSMEs operate within geographically limited, socially homogeneous networks, relying on trust-based, informal exchanges to sustain their businesses.

These localised networks support survival through trust, reciprocity and resource sharing; yet the same embeddedness restricts exposure to new information, customers, and opportunities, thereby limiting growth. MSMEs often lack the ability to connect with diverse actors, expand into new markets and integrate into broader economic ecosystems. This creates a paradox where the very networks that enable survival also constrain expansion. [Research](#) by Arkangel M. Cordero and Alexander C. Lewis highlights the importance of these factors, including the diversity of social networks and social capital.¹ Our essay illustrates this insight to help MSMEs understand whether digital social media platforms offer opportunities and, if so, how to leverage them not merely as communication tools but as mechanisms to build bridging social capital and enable inclusive, scalable market access

¹ The article 'How Does Regional Social Capital Structure the Relationship Between Entrepreneurship, Ethnic Diversity, and Residential Segregation?' by Arkangel M. Cordero and Alexander C. Lewis, featured in Volume 48, Issue 3 of *Entrepreneurship Theory and Practice* discusses that entrepreneurship outcomes depend on how social capital and network structures shape information flow—strong, diverse connections enhance opportunity creation, while fragmented or isolated networks limit it

Social capital & market access

MSMEs are crucial to the global economy, with approximately 322 million formal MSMEs employing over 705 million people—more than half of worldwide employment—and contributing up to 40% of GDP in emerging markets.² However, MSMEs face significant challenges in accessing finance and markets.³ Microfinance aims to bridge this gap between MSMEs and market presence.⁴ However, MSMEs still struggle with information shortages and limited market access.⁵ Digital commerce platforms have also provided broader market access and integrated logistics. However, their impact on MSMEs is still limited. Challenges such as complex onboarding, platform fees, fierce competition, and algorithm-driven visibility hurdles disproportionately affect small and resource-limited businesses. As a result, even with quick digital adoption, only a small fraction of MSMEs engage in online commerce, and digital retail penetration stays low. Simultaneously, the rapid growth of social media platforms offers a new chance to revisit market access. Typically, MSMEs rely on and thrive within close-knit local social networks to access resources, where regular interactions and proximity strengthen business ties. A social network is a system in which participants connect through social relationships, or ‘ties’.⁶ Social networks foster trust, support, resource mobilisation, mutual information exchange and a sense of obligation, which collectively form social capital.⁷ Social capital is defined as ‘the capacity of individuals to command scarce resources’ through networks or social structures. It

plays a crucial role for MSMEs in managing constraints, including access to markets.⁸ The social capital MSMEs typically develop within these close-knit networks is ‘bonding social capital’. Bonding capital, through network homogeneity—where individuals from similar socio-economic backgrounds support ‘sustenance and survival’—can also restrict opportunities for ‘growth and progress’ in entrepreneurship.⁹ To move beyond this constraint, MSMEs need to build connections with a broader, more diverse set of actors, including customers, suppliers and partners beyond their immediate networks.¹⁰ These broader, more varied connections open up new resources, knowledge, and markets. The social capital that develops through such diverse and outward-looking networks is known as bridging social capital (see Figure 1).¹¹ Bridging social capital can reverse network isolation, co-existing with bonding social capital by combining trust with network diversity. When combined effectively, bonding and bridging social capital enable MSMEs to leverage local strengths and access new opportunities, thereby transforming existing constraints into competitive advantages.¹²

Against this backdrop, digital social media platforms have the potential to expand MSME networks beyond geographical and social boundaries, enabling the creation of bridging social capital. This article examines how digital social media platforms can be leveraged to build such bridging ties and thereby improve market access for MSMEs.

Figure 1: MSMEs’ connection to broader markets



Source: Generated using AI. Anthropic Claude 4.6, MSMEs Connecting to Broader Markets, March 2026, CGI, 329KB

Social media to social commerce

India's digital transformation has been remarkable, driven by affordable data access and 600 million smartphone subscriptions, bringing 840 million people into the online world.¹³ Spurred by the advances in communication technology, digital social media platforms have transformed how people work and connect, encouraging inclusivity in online interactions. Commercial social media interaction consists of four key components: **identity**, conversation, community, and commerce.¹⁴ In the identity layer, entrepreneurs establish a digital presence via profiles, photos, and status updates. The conversation layer involves engaging in two-way exchanges that facilitate idea sharing and product discussion. The **community** layer builds **trust-based** relationships, nurtured through ongoing interactions.^{15,16} Finally, based on trust, the community establishes an **economic** exchange layer, i.e., the **commerce** layer, where actual transactions take place.^{17,18} These layers are not arranged in a linear order; They are interconnected and mutually reinforcing. Thus, digital social media platforms enable **identity** sharing, information exchange, and community building, transcending geographical boundaries, thereby facilitating information exchange, fostering social connections, and encouraging transactions.¹⁹

Building on this context, social media platforms offer distinct advantages over traditional digital marketplaces for MSMEs, primarily by enabling direct customer engagement, personalised interactions, and trust-building.

While digital commerce platforms such as Amazon and Flipkart enable MSMEs to reach consumers directly, offering broad market access, integrated logistics and relatively low entry requirements, digital commerce penetration remains limited, accounting for only about 7% of total retail sales, with just **6% of MSMEs** participating online.²⁰ Moreover, high competition, platform commissions, and algorithm-driven visibility often constrain profitability and make it difficult for new MSMEs to gain traction. Unlike standard e-commerce platforms, social media platforms such as **WhatsApp Business**, Instagram and Facebook Shops allow MSMEs to interact with customers in real time, answer queries and customise orders, enabling what is termed 'Social Commerce'.²¹ Social commerce is **defined** as "e-commerce that uses social media technology to conduct interpersonal relationships and business information flow, interaction and assists the purchase and sales of goods through social interaction and user-generated content."²²

Social commerce primarily relies on community



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recommendations and word of mouth, which are often more effective than paid ads at building trust. It emphasises trust and integrity, vital in an era of deepfakes and AI-generated identities. By promoting transparent interactions, verified identities and community validation, it establishes credibility, reduces information gaps, and encourages trustworthy exchanges between buyers and sellers. Beyond trust, a further advantage of social commerce is its low barriers to entry and adaptable business models. Traditional digital platforms often impose listing fees, commissions or strict adherence to marketplace policies. Conversely, social commerce platforms empower MSMEs to set their own prices, run promotions, and control their business models. They can start and grow their businesses without making heavy investments in inventory or digital infrastructure, using tools such as direct messaging, live selling, and influencer partnerships to boost visibility. Additionally, social commerce gives MSMEs more independence in branding and showcasing their products, helping them stand out in competitive markets while retaining full ownership of customer interactions and data. Indian MSMEs such as Suta, The Sass Bar, Banjaaran Studio, and Okhai leverage Instagram and WhatsApp for direct customer engagement and sales, while firms like Blue Tokai use LinkedIn for partnerships. Underpinning these commercial activities, third-party logistics platforms like Shiprocket, Porter and BlackBuck play a

vital role. They help small firms manage shipments, track deliveries and optimise routes, making logistics faster and more reliable.

Digital social media has transformed business from corporate-driven e-commerce to a socially engaged, **community-focused** approach.²³ The global social commerce industry is booming, reaching **USD 1.16 trillion** in 2024, driven by mobile shopping and integrated platforms.²⁴ Asia-Pacific leads with over 70%, particularly China, propelled by livestreaming and influencer-driven commerce. India's social commerce sector is rapidly expanding and is expected to grow from **USD 1.5–2 billion** in 2020 to nearly USD 70 billion over the next decade.²⁵ This shift is fuelled by **digital** infrastructure such as UPI, increased access to Tier II and III cities, influencer-led content, rising **interactive** formats like live commerce, and low barriers to MSME entry.^{26,27}

Scaling the bridge

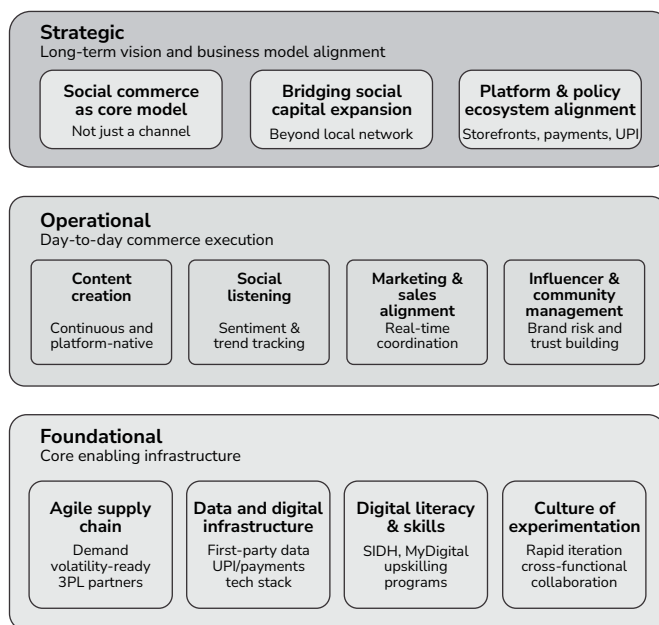
The rise of social commerce has significant implications for three key groups—consumers, platforms, and MSMEs—that are reshaping how interactions, trust, and transactions are integrated within digital markets.

For consumers, social commerce provides more seamless, convenient shopping experiences. For social media platforms, it increases revenue opportunities through partnerships and new features. Meta promotes social commerce by integrating retail into Facebook and Instagram through features like **Facebook Shops**, which allow businesses to create digital storefronts on these platforms.²⁸ WhatsApp Business enables conversational commerce with catalogue features and real-time chats, merging buying with social interactions. This makes transactions personalised, convenient, interactive, and trustworthy, reducing barriers to entry, increasing engagement and enabling MSMEs to use social networks as direct sales channels.

For MSMEs, social commerce creates new opportunities to connect with the customers directly, understand their preferences in real time, and build relationships that translate into sales. However, scaling social commerce requires managing three key constraints. First, regulatory requirements necessitate transparent value exchanges and responsible data practices to ensure privacy and trust. Second, technical limitations in tracking and personalisation require MSMEs to invest in first-party data capabilities and to leverage platform tools or partnerships to gain better insights. Third, managing consumer sentiment and brand risk is critical, especially when working with influencers or community networks.

As MSMEs grow, social commerce demands stronger organisational capabilities. This includes building agile supply chains that can respond to demand volatility, developing data-enabled technology infrastructure, and fostering a culture of experimentation and rapid iteration. Operationally, MSMEs must invest in continuous content creation, social listening and close coordination between marketing and sales functions. Strategically, social commerce should be embedded into the overall business model, not merely as a sales channel but as a customer-centric, network-driven way of operating (see *Figure 2*).

Figure 2: Capabilities for MSME to scale social commerce



Source: Adapted by the author from Sherry Wu et al., “Social Commerce Is Remaking Online Shopping,” BCG Global, March 8, 2023, <https://www.bcg.com/publications/2023/social-commerce-is-remaking-online-shopping>

The effectiveness of social commerce, however, is contingent on enabling conditions such as digital infrastructure and smartphone penetration. In contexts where these conditions are weak, MSMEs may face significant constraints in leveraging social platforms to expand their markets. MSMEs’ agency is crucial, as their digital skills, content creation and online engagement affect how well they adopt and benefit from social media commerce. The insights primarily suit sectors with low barriers to entry, informal operations, and trust-based exchanges, such as apparel, handicrafts, and small services. They may be less relevant for capital-intensive or highly regulated industries. Finally, while social commerce can facilitate the development of bridging

social capital, it does not substitute for access to formal market institutions.

This calls for policy action to address these gaps. Governments should implement digital literacy initiatives to foster an inclusive digital marketplace. Emerging markets are investing in digital skills development for an AI-driven economy. Malaysia's [MyDigital](#) provides training for SMEs and gig workers to digitise their operations.²⁹ Vietnam's [Digital Literacy for All](#) educates workers in AI, digital payments, cloud computing and online commerce, with a focus on integrating SMEs into digital value chains.³⁰ Brazil's [SENAI](#) offers large-scale digital training to enhance MSME productivity.³¹ India's [Skill India Digital Hub \(SIDH\)](#) provides upskilling and reskilling opportunities to help MSMEs stay competitive in the AI sectors.³² Closing these gaps enables social media and policies to support MSMEs in harnessing digital growth opportunities.

Way forward

Taken together, the analysis points and actionable recommendations highlight three key stakeholders. First, social media platforms should evolve beyond engagement to integrate storefronts, payments, and logistics, enabling MSMEs to convert social capital into market access. Second, policymakers should strengthen

digital public infrastructure, including connectivity, interoperable payments, and digital literacy, to support MSME participation. Third, MSMEs should build bridging social capital by expanding beyond local networks. As these firms grow, they need stronger organisational capabilities, such as agile supply chains, data systems, and a culture of experimentation. They must invest in content, social listening, and marketing-sales coordination. Strategically, social commerce should become a core, customer-focused part of the business model. Overall, social commerce represents a shift in market access by combining trust and network expansion to create more inclusive and scalable opportunities.

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 - Developing data-enabled technology infrastructure
 - Fostering a culture of experimentation and rapid iteration
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Article Information:

Date article submitted: Jan 8, 2025

Date article accepted: Mar 25, 2026

Date article published: Mar 31, 2026

Images courtesy : www.freepik.com