



## Social Commerce and Financial Performance of SMEs: A Qualitative Prospective

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### ABSTRACT

In the 21st century, social media has become a powerful global tool, and its popularity continues to rise. Many small and micro enterprises are increasingly turning to social media to improve their financial performance. Platforms like Facebook, blogs, Twitter, and Pinterest have become essential for these businesses, allowing them to promote and sell products while engaging with customers. This study examines how social media contributes to the growth of social commerce in small and micro enterprises in Malaysia, using the Resource-Based View (RBV) theory as a foundation. Data was collected from 100 CEOs and managers of small and micro enterprises in Malaysia through a survey, focusing on their experiences and advice for new social entrepreneurs. The results show that most of the CEOs and managers strongly recommend that small and micro enterprises take full advantage of social media. They believe it can lead to significant increases in sales and revenue. The study also highlights that, when used effectively, social media can greatly enhance the social commerce performance of small and micro enterprises, helping them achieve sustainable growth.

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## **1. Background**

The exponential growth and popularity of social media have resulted in the introduction of social commerce, which combines e-commerce with social networking sites (SNSs). Research has shown that social media has been used extensively by many firms as a marketing tool (Hassan, Shiratuddin, & Salam, 2015) and following its positive impact, the role of social media has been expanded to include other business transactions including buying and selling (Walker, 2016). It has changed the way customers and firms interact and collaborate. Several companies, such as Amazon.com, Taobao.com, start to take advantage of users' participation as a way of adding value to commercial services, hence contributing to the rapid proliferation of social commerce.

There are various ways in which social media can be used for business purposes; however, there is lack of understanding on the most effective approach or model which can be adopted or adapted by small and micro enterprises to run their businesses online (Hassan, Nadzim, & Shiratuddin, 2015). Current available social commerce business models are not suitable to be adopted by small and micro enterprises because they are mostly used by large and medium organizations. Furthermore, the differences in social media tools in terms of its purposes, functions, and features also make it difficult for micro-enterprises owners to utilize their capability for social commerce fully. As such, there is a need for a practical business model to guide these micro-enterprises in engaging in the social commerce world.

The focus of study Marks (2016, April 27) raised the issues on the challenges faced by many small businesses in competing with the large and medium firms. Nonetheless, the emergence of social media has potential in bridging this gap allowing small and micro enterprises to engage in business activities at a lower cost. The only issue is that there is no clear model of how small, and micro-enterprises can effectively utilize social media for business purposes (Cox, 2012) and consequently motivates the researchers to propose this study. Most of the studies focus on, for example, design, features, and technology aspects of social commerce (Curty & Zhang, 2011; Huang & Benyoucef, 2013), trust (Shin, 2013), and social commerce framework (Zhou, Zhang, & Zimmermann, 2013). However, Previous studies in the social commerce area, there is still very little attention given by the IS community to the social commerce area. Despite the growing number of studies in this area, not



that many attempts to address the complex issues related to the social commerce business model, particularly in the context of small and micro-enterprises.

## **2. Literature Review**

### **2.1 Social Commerce financial Performance**

In the compelling literature, the term “social-commerce” also termed as s-commerce is defined as an extension of electronic commerce, where buyers and sellers link e-commerce with social networking sites (Liang, Ho, Li, & Turban, 2011). The s-commerce was introduced through web 2.0 in the year 2005. It is a new form of e-commerce (Zhang & Wang, 2012). Stephen and Toubia (2010) defined s-commerce “as a form of Internet-based social media, which enables individuals to engage in the selling and marketing of products and services in online communities and marketplaces”. In the present study, social commerce refers to through social media usage by buyers and sellers to promote, sell, and get feedback about their product from the customer and business partners. Moreover, Diao, He, and Yuan (2015) proposed four basic categories of social commerce business model, which are e-commerce-oriented social commerce, interest-oriented social commerce, social network-oriented social commerce, and group buying-oriented social commerce. The difference in social commerce from traditional e-commerce is an online community that supports the use of s-commerce with the usage of social media platforms. Examples of social-network social commerce are Facebook, Twitter, Instagram, YouTube, WeChat, and WhatsApp.

### **2.2 Social Media USE**

In the last few years, the use of social media has been growing in developed as well as emerging economies of the world. The social media platforms have been using as a new tool for marketing values and overall activities of business promotions (Appel, Grewal, Hadi, & Stephen, 2020). In literature, social media defined as “any form of online publication or presence that allows interactive communication, including, but not limited to, social networks, blogs, Internet websites, internet forums, and wikis.” (Akman & Mishra, 2017). Further, the use of social media is increasing rapidly in daily lives and attached people with social networking (Gayathri, Thomas, & Jayasudha, 2012). Some experts point out that the use of social media will be served as a new search function in the near future. Many people like students, academicians, scholars have access to social media on their smartphones to keep update themselves (Hashim, Nor, & Janor, 2017). Consequently, the use of social media has emerged and considered the essential platform of e-commerce to reach a larger audience (Evans,



Bridson, & Rentschler, 2012). Therefore, exploring the usage of social media with social commerce performance concerning important relationships and provide valuable information to micro and small enterprises of Malaysia.

## **2.2 Resource-Based View (RBV)**

In today's business landscape, social commerce (s-commerce) is seen as distinct from traditional marketing strategies, as it has shifted from in-person interactions to online engagements, primarily through social media. The Resource-Based View (RBV) theory has been widely applied in various studies to connect the use of social media with a firm's value and competitive advantage. For this study, we adopted the RBV framework (Barney, 1991) to explore how social media can serve as a resource that enhances a firm's competitive edge, ultimately driving better performance (Lam, Yeung, Lo, & Cheng, 2019).

In this context, social media is viewed as a capability, and the interactions and contributions made by users on these platforms are considered valuable, rare, inimitable, and non-substitutable (VRIN) resources. These resources are further categorized into tangible and intangible assets. According to existing literature, the use of social media and its role in s-commerce are primarily considered intangible resources. Social media itself is defined as a web-based capability that can create a positive impact and contribute to gaining a competitive advantage.

Thus, in this study, we apply the RBV theory to explain the relationship between social media use and social commerce performance. From this, we propose two key propositions aimed at achieving the study's objectives. These propositions are as follows:

- 1). How social media is increasing the social commerce financial performance of Small and Micro-Enterprises of Malaysia?
- 2). What are the recommendations for a new social entrepreneur based on experience?

### 3. Research Methodology

The survey instrument was divided into two sections. The first part focused on demographic variables, including gender, age, education level, number of employees, average annual sales, job title, type of social media used, and information related to social media. The second part of the questionnaire consisted of open-ended questions directed at CEOs and managers, such as: “How is social media contributing to the social commerce performance of small and micro-enterprises in Malaysia?” and “What recommendations would you offer to new social entrepreneurs based on your experience?”

This study specifically targets small and micro-enterprises in Malaysia that use social media for social commerce. It was noted that the exact population of such businesses was initially unknown, as these enterprises are actively selling and operating through social media platforms. To collect data, we used Google Forms to reach out to the CEOs and managers of these businesses. The survey was administered online, and the distributed questionnaires were retrieved electronically. The questionnaire design was open-ended, allowing for detailed responses. A Google Form link was shared with CEOs and managers of small businesses who engage in online sales via social media.

In total, 100 CEOs and managers from small and micro-enterprises participated in the survey. These respondents were located in various regions across Malaysia, including Butterworth, Alor Star, Jitra, Penang, Selangor, Kelantan, Kangar, and more.



Figure 1.0

Respondent location in Malaysia.



#### **4. Data Analysis and Interpretation**

The demographic analysis includes various features such as gender, age, education level, number of employees, annual sales, job titles, and social media use. According to the data, 36% of the respondents were male, while 64% were female, making females the majority in this survey.

In terms of age, the largest group of respondents (50%) were between the ages of 31 and 40, followed by 39% who were aged 20-30, and 8% who fell within the 41-50 age range. When it comes to education, the majority of respondents (66%) held a bachelor's degree, 15% had completed a Master's, and 18% had earned a PhD.

In terms of company size, most respondents (55%) worked for businesses with 1-5 employees. The next largest group (28%) worked for companies with 11 or more employees, while 17% were employed at companies with 6-10 employees. This indicates that small businesses, with fewer employees, dominate the landscape.

Looking at job titles, 45.5% of respondents were owners or CEOs, 14.1% held managerial positions, and the remaining 40.4% held other roles within their companies. This variety suggests a broad range of business perspectives were captured in the survey.

Regarding social media, respondents were asked about the impact of social media on their businesses. The majority agreed that social media had a positive effect on their e-commerce activities. In fact, over 70% of respondents were satisfied with how social media is currently being used in small and micro-enterprises. While some respondents did express dissatisfaction, the overall sentiment was positive.



*Table 1: Demographic Profile of the Respondent (N=100)*

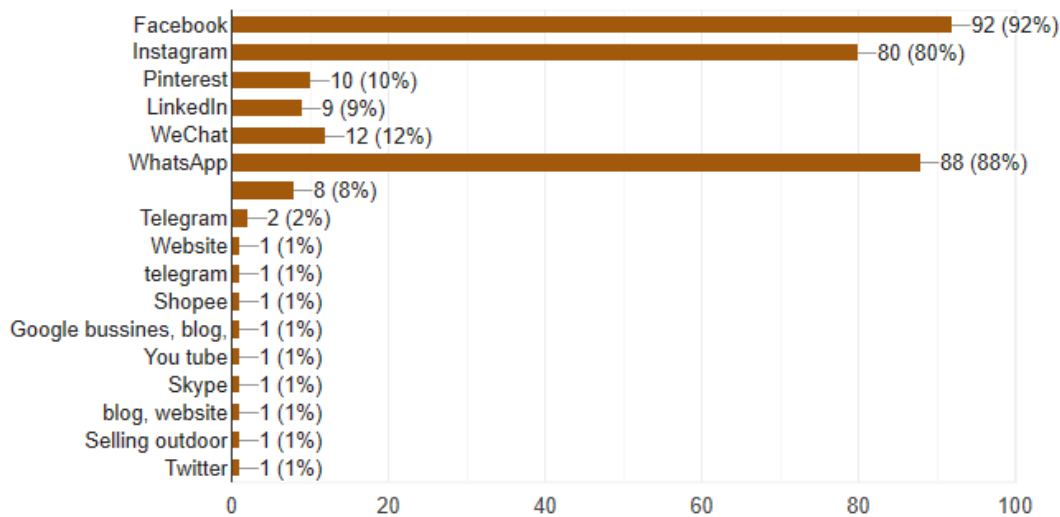
<b>Demographics Respondents Percentage (%)</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>		
Male	36	36
Female	64	64
<b>Age-Group</b>		
20- 30 Years	50	50
31-40 Years	39	39
41-50 years	08	08
<b>Education Level</b>		
Bachelors	66	66
Masters	15	15
Ph. D.	18	18
<b>Number of Employees in Firm</b>		
1-5	55	55
6-10	17	17
11 and above	28	28
<b>Designation</b>		
Owner/CEO	45.5	45.5
Manager	14.1	14.1
Other employee	40.4	40.4

Based on data in the below picture shows that more than 90 percent of the user is using Facebook. The percentage belongs to WhatsApp usage stood at 88%. While Instagram users have 80 percent usage. However, the other Social Media Apps such as Pinterest, LinkedIn, WeChat, and Telegram user percentage fall between the range of 2 to 10 percent.



Please provide the information regarding the Social Media that you have been using: you may tick more than once

100 responses



*Figure 2.0*  
*Social media platform.*

#### 4.1 Qualitative Analysis

In the present study, qualitative analysis was performed manually. For qualitative analysis, the respondent's comments and feedback data have been used.

#### 4.2 Social Media for Small and Micro-Enterprises

In figure 3.0, the study analysed the text data of CEOs/managers' feedback related to the importance of social media use for s-commerce. Most of the CEOs/managers suggested that small and macro enterprises must use social media for business growth as it will increase organization revenue and sale. Also, the present study identified that social media use could help young entrepreneurs to get an opportunity for their online businesses. Some of the CEOs suggested that 75 percent of people would buy a product after they see it in their social media feeds. Based on research on social media and business, 57 percent of people are more likely to buy from a brand they follow on social media. Moreover, many respondents revealed that social media makes life easier, and it can increase the growth of the business





Figure 3.0

Suggestion for social commerce/social media

### 4.3 Recommendations for a new social entrepreneur

In figure 4.0, the study also analysed the textual data of CEO/manager feedback related to recommendations for new social entrepreneurs. Most of the respondents strongly recommended that through social media, entrepreneurs can have a new venture for marketing, and it reduces monetary cost, which eventually speeds up the operational process. This effective process will help to expand businesses and maintain healthy business groups/partnerships. It is also beneficial in achieving targets on time, particularly for manufacturing businesses. One of the respondents responds” There is no reason for being lazy anymore as things are getting a whole lot easier, with the improvement of social media, compared to 5 years ago. Instagram, Facebook would be very useful for marketing and promoting.”.



*Figure 4.0*

*Recommendation for a new social entrepreneur*

## **5. Discussion**

The final objective of this study strongly suggests that small and micro-enterprise managers and CEOs can leverage social media to drive business growth by expanding their target audience. This strategy not only helps in reaching a broader customer base but also contributes to building strong business networks, ultimately leading to increased revenue and sales.

Many respondents also emphasized that social media provides entrepreneurs with a cost-effective way to launch new marketing ventures, reduce expenses, and streamline operations. For young entrepreneurs, it presents valuable opportunities to start an online business with minimal investment.

The study offers several key recommendations for the business community. Given the immense growth potential of social media in the 21st century, it is crucial for small and micro-



enterprises to utilize these platforms for product promotion. Entrepreneurs should consider using social media for advertising, targeting the youth demographic, and launching new marketing ventures at a lower cost. This approach can speed up operations, facilitate the growth of the business, and foster strong partnerships. Moreover, it helps businesses stay on track to meet their goals, especially for manufacturing enterprises.

In conclusion, social entrepreneurs should invest time in mastering social media marketing to boost sales and enhance financial performance. With the accessibility of the internet on smartphones, entrepreneurs can now conduct business transactions from anywhere, with just a few taps on the screen.

## **6. Conclusion**

The present study has proposed the social commerce business model for small and micro-enterprises. Also, the present study investigated the importance of social media use on social commerce performance among Malaysian small and micro-enterprises. The outcomes of the study depict that social media use has an influence on business inclination among online sellers to be more widen. The factors studied by this research equally influence online business seller perception.



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