

SOCIAL COMMERCE AND SME COMPETITIVENESS: ENHANCING FINANCIAL PERFORMANCE IN THE DIGITAL ECONOMY

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Abstract

This study examines the role of social commerce in improving the competitiveness and financial performance of Small and Medium Enterprises (SMEs) in the digital economy. The rapid development of digital technology, especially social media platforms, is gradually changing the way businesses interact with customers and run their operations. For SMEs, this shift opens up opportunities to reach a wider market, improve efficiency, and build closer relationships with customers at relatively low costs. This study uses a qualitative approach based on a literature review of previous studies related to social commerce adoption, SME competitiveness, and financial performance. The findings show that the use of social commerce tends to increase product visibility, encourage customer engagement, and support sales growth. These improvements can contribute to better financial performance and business sustainability. Additionally, features such as live streaming, user-generated content, and online reviews have been found to influence consumers' purchasing decisions. However, SMEs still face several challenges, including limited digital literacy, limited resources, and ongoing platform algorithm changes. This condition can affect how effectively social commerce is used in practice. Therefore, it is important for SMEs to continue to adapt and strengthen their digital capabilities to remain competitive. In conclusion, social commerce plays an important role in supporting the competitiveness of SMEs and financial performance. With the right strategy and the right use of digital platforms, SMEs can achieve more sustainable growth in an increasingly competitive environment.

Keywords: Social Commerce, SMEs, Competitiveness, Financial Performance, Digital Economy.

Introduction

The rapid advancement of digital technology has significantly transformed the global business environment, creating new opportunities and challenges for Small and Medium Enterprises (SMEs). As digital platforms become increasingly integrated into daily life, businesses are required to adapt their strategies to maintain competitiveness and achieve sustainable growth. One of the most notable developments in the digital economy is the emergence of social commerce, which combines social media interactions with commercial activities and online transactions. Through social commerce platforms, businesses can engage directly with customers, promote products, and facilitate purchasing decisions in a more interactive and efficient manner. SMEs play a crucial role in economic development by contributing to employment creation, innovation, and income generation. In Indonesia, SMEs represent the backbone of the national economy and continue to demonstrate resilience in responding to changing market conditions. However, SMEs often face limitations related to financial resources, technological capabilities, and market access. These challenges may hinder their ability to compete with larger enterprises in increasingly digitalized markets. Consequently, the adoption of digital technologies, particularly social commerce, has become an important strategy for enhancing SME competitiveness and improving financial performance. Social commerce has evolved beyond a simple marketing tool and has become an integrated business ecosystem that combines communication, entertainment, and commercial transactions. The increasing popularity of social media platforms has enabled businesses to establish stronger relationships with consumers through direct interaction, user-generated content, influencer marketing, and live-streaming features. These capabilities provide SMEs with opportunities to increase product visibility, strengthen customer trust, and expand market reach at relatively low costs. Furthermore, social commerce creates a dynamic shopping experience that encourages customer engagement and influences purchasing behavior. Research by Gunawan and Listiyani (2025) highlights that social commerce platforms provide SMEs with opportunities to enhance market penetration and improve competitive performance through digital engagement and customer interaction. Previous studies have demonstrated the positive relationship between social commerce adoption and business performance. Social media utilization enables SMEs to improve customer engagement, strengthen brand awareness, and create competitive advantages that contribute to better organizational performance. Additionally, social commerce adoption supports business sustainability by allowing firms to respond more effectively to changing consumer preferences and market trends. However, the successful implementation of social commerce requires more than technological adoption alone. SMEs

must also develop internal capabilities, including knowledge sharing, coordination, digital literacy, and organizational readiness, to maximize the benefits of digital platforms. Research indicates that social commerce investments do not automatically generate superior business performance unless supported by adequate organizational capabilities and resource management.

In addition to social commerce, digital transformation has become a critical factor influencing SME competitiveness and performance. Digital transformation involves the strategic integration of digital technologies into business processes, organizational structures, and value creation activities. According to Costa Melo et al. (2023), digital transformation contributes to business competitiveness by improving operational efficiency, innovation capability, and organizational adaptability. Furthermore, SMEs that successfully implement digital transformation are better positioned to achieve sustainable growth and maintain competitive advantages in dynamic business environments. Despite the growing importance of social commerce and digital transformation, many SMEs continue to face challenges in leveraging these technologies effectively. Limited financial resources, inadequate technological infrastructure, and insufficient digital competencies often restrict the ability of SMEs to fully utilize digital opportunities. Therefore, understanding how social commerce contributes to competitiveness and financial performance is essential for supporting SME development in the digital economy. Based on these considerations, this study aims to examine the role of social commerce in enhancing SME competitiveness and financial performance in the digital economy. Using a literature review approach, this study synthesizes findings from previous research to provide a comprehensive understanding of the opportunities, benefits, and challenges associated with social commerce adoption among SMEs. The findings are expected to contribute to academic discussions on digital business transformation while providing practical insights for SMEs seeking to strengthen their competitive position and achieve sustainable business growth.

Methods

This study employs a qualitative research approach using a literature review method. The literature review was selected because it allows researchers to synthesize existing knowledge and provide a comprehensive understanding of the relationship between social commerce, SME competitiveness, financial performance, and digital transformation. Through this approach, the study identifies key findings, theoretical perspectives, and research trends related to the implementation of social commerce in SMEs. The data used in this study were obtained from secondary sources, including peer-reviewed journal articles, conference proceedings, and academic publications discussing social commerce adoption, digital transformation, customer engagement, competitive advantage, and SME performance. The selected literature consisted of both empirical and review studies published in reputable academic journals. Priority was given to recent publications to ensure that the findings reflect current developments in the digital economy and social commerce environment. The literature selection process involved three stages. First, relevant studies were identified through academic databases and scholarly publications using keywords such as “social commerce,” “SME competitiveness,” “financial performance,” “digital transformation,” and “social media business performance.” Second, the collected studies were screened based on their relevance to the research objectives. Third, the selected articles were analyzed to identify recurring themes, relationships among variables, and major findings related to the role of social commerce in enhancing SME competitiveness and financial performance. To strengthen the analysis, this study reviewed previous research that examined the influence of social commerce adoption on business performance, the contribution of social media to competitive advantage, and the role of digital transformation in improving organizational sustainability. The findings from these studies were then categorized into several key themes, including social commerce and competitiveness, social commerce and financial performance, digital transformation and sustainability, and challenges faced by SMEs in implementing digital technologies. The collected data were analyzed using content analysis techniques. This method enables the researcher to interpret and synthesize information from various studies systematically. The analysis focused on identifying patterns, similarities, and differences among previous findings to develop a comprehensive understanding of how social commerce contributes to SME competitiveness and financial performance in the digital economy. Through this literature review approach, the study provides theoretical insights and practical implications regarding the strategic role of social commerce in supporting SME growth, competitiveness, and sustainability. The findings are expected to serve as a reference for future research and as a guideline for SMEs seeking to optimize digital technologies in business operations.

Table 1. Summary of Previous Studies

Author	Method	Main Findings
Lina & Suwarni (2022)	Quantitative Survey	Social commerce adoption positively affects financial performance and brand performance of SMEs.
Marolt et al. (2022)	Quantitative Analysis	Social media use improves business performance through customer engagement and competitive advantage.

Gunawan & Listiyani (2025)	Empirical Study	Social commerce enhances SME competitiveness when supported by organizational readiness and knowledge integration.
Costa Melo et al. (2023)	Literature Review	Digital transformation improves SME performance, competitiveness, and sustainability.

Results And Discussion

Social Commerce and SME Competitiveness

The findings from the reviewed literature indicate that social commerce has become an important strategic tool for improving SME competitiveness in the digital economy. Unlike traditional e-commerce, social commerce integrates commercial activities with social interactions, enabling businesses to communicate directly with customers through social media platforms. This interaction facilitates customer engagement, strengthens relationships, and enhances trust between businesses and consumers.

Social commerce provides SMEs with opportunities to reach broader markets without requiring substantial financial investments. Through social media platforms such as Instagram, Facebook, and TikTok, SMEs can promote products, engage with customers, and build brand awareness more efficiently than through conventional marketing channels. The accessibility and affordability of these platforms allow SMEs to compete with larger firms despite having limited resources. According to Gunawan and Listiyani (2025), social commerce creates opportunities for SMEs to improve market penetration and competitive performance through digital engagement and customer interaction. However, the study emphasizes that social commerce investments alone do not automatically generate competitive advantage. Organizational readiness, knowledge integration, coordination, and adaptability are necessary to transform digital investments into meaningful business outcomes. Therefore, SMEs must develop internal capabilities alongside technological adoption to achieve sustainable competitiveness. Similarly, Lina and Suwarni (2022) found that social commerce adoption positively influences SME performance by enhancing communication, customer relationships, and market responsiveness. Their findings suggest that perceived advantages, managerial support, and competitive pressure encourage SMEs to adopt social commerce technologies. These factors enable firms to strengthen their competitive position and improve overall business performance.

Social Commerce and Financial Performance

Financial performance is one of the most important indicators of business success. The literature consistently demonstrates that social commerce contributes positively to financial outcomes by increasing sales opportunities, improving customer retention, and reducing marketing costs. Social commerce allows businesses to showcase products through interactive content, customer reviews, live-streaming sessions, and user-generated content. These features influence purchasing decisions by providing consumers with more information and increasing trust in products and brands. As a result, SMEs can improve conversion rates and generate higher revenues. Marolt, Zimmermann, and Pucihar (2022) highlight that social media use contributes to business performance through the development of relational social commerce capabilities and competitive advantage. Their findings suggest that social media enhances customer engagement, supports brand awareness, and strengthens relationships with customers, which ultimately lead to improved business performance. Furthermore, competitive advantage acts as a mediator between social media use and organizational performance, indicating that social commerce contributes indirectly to financial success by strengthening market positioning. The study by Lina and Suwarni (2022) further supports this argument by demonstrating that social commerce adoption positively affects both financial performance and brand performance among SMEs. Businesses that effectively utilize social commerce can increase sales growth, improve profitability, and strengthen long-term sustainability. These outcomes highlight the strategic value of social commerce as a mechanism for generating economic benefits and supporting business growth.

Digital Transformation and Business Sustainability

The role of digital transformation extends beyond marketing activities and encompasses broader organizational changes that influence competitiveness and sustainability. Digital transformation involves the integration of digital technologies into business operations, decision-making processes, and value creation activities. According to Costa Melo et al. (2023), digital transformation plays a critical role in improving SME performance by enhancing flexibility, innovation capability, and operational efficiency. SMEs that successfully implement digital technologies are better positioned to respond to changing market demands and technological developments. Digital transformation also enables businesses to develop new business models, improve resource utilization, and strengthen customer experiences. Furthermore, digital transformation contributes to sustainability by supporting long-term competitiveness and organizational resilience. SMEs operating in dynamic digital environments must continuously adapt to technological innovations and consumer expectations. Organizations that embrace digital transformation are more likely to maintain growth and achieve sustainable performance compared to firms that rely solely on traditional business practices. The literature also

suggests that digital transformation and social commerce are closely interconnected. Social commerce serves as one of the practical manifestations of digital transformation, enabling SMEs to leverage digital platforms for commercial activities while simultaneously improving operational and marketing performance.

Challenges and Opportunities for SMEs

Despite the benefits associated with social commerce adoption, SMEs continue to face several challenges in implementing digital technologies effectively. One of the most significant challenges is limited digital literacy. Many SME owners and employees lack the technical skills required to manage digital platforms, analyze customer data, and implement effective online marketing strategies.

Resource constraints also represent a major barrier. SMEs often operate with limited financial resources, making it difficult to invest in technology, training programs, and professional digital marketing services. In addition, rapidly changing platform algorithms and evolving consumer preferences require continuous adaptation and learning. Nevertheless, the opportunities provided by social commerce remain substantial. The increasing number of social media users and the growing popularity of digital transactions create favorable conditions for SMEs to expand their market reach and improve business performance. Features such as influencer marketing, live-streaming commerce, customer reviews, and user-generated content provide new avenues for customer engagement and revenue generation. Overall, the reviewed literature demonstrates that social commerce contributes significantly to SME competitiveness and financial performance. However, the effectiveness of social commerce depends on organizational readiness, digital capabilities, and the ability to adapt to changing market conditions. Therefore, SMEs must combine technological adoption with strategic capability development to maximize the benefits of social commerce in the digital economy.

Conclusion

This study examined the role of social commerce in enhancing SME competitiveness and financial performance in the digital economy through a literature review approach. The findings indicate that social commerce has become an important strategic tool that enables SMEs to strengthen customer engagement, improve brand visibility, expand market reach, and enhance business performance. By integrating social interaction with commercial activities, social commerce provides SMEs with opportunities to compete more effectively in increasingly digitalized markets. The reviewed literature demonstrates that social commerce contributes positively to financial performance through increased sales opportunities, customer retention, and cost-efficient marketing activities. Furthermore, social commerce supports the development of competitive advantage by strengthening customer relationships and improving market responsiveness. However, the effectiveness of social commerce adoption depends not only on technology utilization but also on organizational readiness, knowledge management, coordination, and digital capabilities. The findings also highlight the importance of digital transformation in supporting SME sustainability and long-term competitiveness. SMEs that successfully adopt digital technologies are better equipped to respond to changing market conditions, improve operational efficiency, and create value for customers. Nevertheless, challenges such as limited digital literacy, resource constraints, and technological adaptation remain significant barriers for many SMEs. In conclusion, social commerce plays a vital role in supporting SME competitiveness and financial performance in the digital economy. To maximize the benefits of social commerce, SMEs should focus on strengthening their digital capabilities, enhancing organizational readiness, and continuously adapting to technological developments. Future studies may expand this research by examining empirical evidence across different industries and geographical contexts to provide a broader understanding of the impact of social commerce on SME development and sustainability.

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