

SOCIALLY INNOVATIVE ENTREPRENEURSHIP IN THE DIGITAL INFORMAL ECONOMY: INSIGHTS FROM THE MALDIVIAN CASE OF SOCIAL COMMERCE

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Abstract

This study investigates social commerce as a form of socially innovative entrepreneurship in the Maldives, a geographically spread-out Small Island Developing State (SIDS) with limited formal infrastructure and with a massive informal economy. Based on initial survey results of 100 Maldivian consumers, this study discusses how digital platforms, i.e., Viber, Facebook, WhatsApp, and Instagram, are enabling micro-entrepreneurship for the marginalized sectors, mostly women and youth. The research unveils how mechanisms of trust, such as product openness, peer review, and responsiveness of sellers, substitute for formal regulation in an attempt to enable relational commerce grounded on local norms and social rules. Conclusions show that consumers value convenience, flexibility, and customization offered by informal sellers but are anxious about product quality, delivery reliability, and the absence of formal responsibility. The study contributes to emerging literatures on digital informality, inclusive innovation, and entrepreneurship in fragile economies by placing social commerce within embedded innovation rather than transitional deficit. It demonstrates how Maldivian informal entrepreneurs are creating adaptive business models which incorporate technological tools with community trust in efforts to cope with systemic constraints. The research situates these practices within broader SIDS dynamics, underlining the infrastructural function of digital platforms as facilitators of micro-enterprise, and making a conceptual jump towards recognizing informal digital entrepreneurship as strategic, resilient, and socially embedded. Policy advice incorporates light-touch regulation, tiered recognition schemes, and digital capacity-building initiatives that preserve the flexibility and inclusivity of the informal sector while addressing consumer risk and infrastructural deficits.

1. INTRODUCTION

Digital platforms are revolutionizing entrepreneurship across the developing world as they enable micro-entrepreneurs to work around traditional market constraints by using cheap, high-access platforms to organize trade, communication, and contracting. In most emerging markets, rising mobile internet penetration and affordable smartphones have enabled small businesses to use social media, messaging applications, e-commerce, and digital payments to reach customers in new and innovative ways.

Limited retail infrastructure, prohibitively costly transport, and asymmetrical access to formal finance discourage traditional entrepreneurship. The informal economy is also a significant source, with nearly 19% of the labor force working in it, made up disproportionately by females and outer atoll inhabitants (MBS & UNDP, 2022).

This new practice, alternatively broadly referred to as social commerce entrepreneurship, is a leading way to business formalization, financial inclusion, and grassroots innovation (Theis & Rusconi, 2019).

As advanced by recent research, this model enables micro-enterprises to adopt a suite of digital platforms for their businesses, including social media, e-commerce and digital payments, typically with minimal or no capital or formal infrastructure (Theis & Rusconi, 2019).

Social commerce attractiveness is extremely high in Small Island Developing States (SIDS), whose entrepreneurs possess a unique set of exposures. They possess small home markets, geographical dispersion, import dependence, and appropriate economies of scale conditions that cap traditional enterprise growth (Akinyemi, 2022; Massally & Hildrebrandt, 2024). Online channels are not a market opportunity but a survival mechanism to most of the island's entrepreneurs. SIDS are also being recognized more and more as "digital trailblazers" that are capable of jumping structural obstacles using context-specific digital change (Massally & Hildrebrandt, 2024). Yet, beyond this increasing popularity, the micro-level, informal processes of platform-based entrepreneurship in SIDS remain under-researched in academic scholarship.

In the Maldives, an island country in a geographically dispersed archipelago of over 1,000 islands, social commerce competes with profound logistical and social challenges. Limited retail infrastructure, prohibitively costly transport, and asymmetrical access to formal finance discourage traditional entrepreneurship. The informal economy is also a significant source, with nearly 19% of the labor force working in it, made up disproportionately by females and outer atoll inhabitants (M. B. O. S. MBS & UNDP, 2022). In these, social media platforms such as Facebook, WhatsApp, Viber, and Instagram have given power to ordinary citizens, especially those outside official mechanisms, to participate in the economy by exchanging goods and services directly through social networks. These platforms allow business individuals to sell, bargain, ship, and pay with minimal institutional supervision, typically relying on social trust rather than formal contracts (Akinyemi, 2022; Theis & Rusconi, 2019).

Among alternative entrepreneurs, some of them are women with household responsibilities, restricted mobility, and low capital, conditions mirrored in similar studies in India and Indonesia (Theis & Rusconi, 2019). In this case, social commerce is a low-cost, responsive solution.

Social commerce enables women to run businesses from home, leverage peer-to-peer networks, and take advantage of low-risk business entry strategies such as pre-ordering and drop-shipping. In Indonesia, for example, WhatsApp-only merchants used stock images to advertise products before purchasing them, limiting financial exposure and most business owners used multiple platforms to advertise on Facebook, negotiating on WhatsApp, and shipping using local logistics providers without official registration as businesses (Theis & Rusconi, 2019). The same informal structures are now evident in the Maldives, where micro-entrepreneurs utilize mobile apps to coordinate with customers on

islands, bypassing traditional geographic and market limitations. This rise of digitally enabled informality is not merely economic activity but also social innovation.

Socially innovative entrepreneurship, as theorized in the literature, refers to companies that create social and economic value by solving system problems such as unemployment, hunger, or gender inequality through new means (Akinyemi, 2022; Theis & Rusconi, 2019). These, in the Maldivian context, include mental health start-ups, urban agriculture ventures like Binheyo, and small-scale resellers who cater to gaps during crises (UNDP, 2021). Social commerce in such circumstances gets transformed into a platform for informal innovation and a platform where underserved populations can meet unmet needs and create a livelihood. For example, WhatsApp groups are commonly used not just for selling, but also for coordinating charity, mental health support, content sharing, or community activism in all signs of entrepreneurship in well-established social value systems.

But this intersection of SIDS innovation and social commerce has been woefully under researched in academics. Whereas Fiji and Jamaica have outlined national e-commerce strategies that include digitalization of MSMEs as a point of choice, the strategies have prioritized formal business and exports compared to navigating the informal grassroots environments already in place via mobile apps and social media (mcttt.gov.fj, 2025; trade.gov, 2024). Therefore, the informal digital economy is on the periphery of policy and academic discussion in terms of its growing magnitude and impact, despite this. In addition, development initiatives tend to continue regarding informal entrepreneurs as passive agents of formalization efforts, rather than as active innovators operating under their own socio-economic constraints.

This paper tries to bridge this gap by providing a Maldivian case study of social commerce as a socially innovative entrepreneurship tool. Based on original survey research from 100 Maldivian consumers and supplemented by regional policy and research reports, the paper examines how entrepreneurs have repurposed sites like Viber, Facebook, and WhatsApp to create trust-based, inclusive informal business ventures. It explores how these micro-entrepreneurs build trust through visible proof, live communication, peer opinion, and network reputation factors that substitute traditional regulatory protection or formal brand. The study also illustrates the feminized nature of this change, highlighting how women in particular use social media to merge economic participation with domestic work and preserve autonomy and decision-making.

In the process, the paper adds to the recently available literature on digital informality and inclusive innovation for island economies. In the Maldivian context, it argues that social commerce not only filled structural gaps such as geographical distance, entry barriers, and poor institutional support, but also enabled new entrepreneurial culture based on community trust, flexibility, and social relevance. It relocates informality not as a short-term shortage but as a socially embedded form of innovation driven by need, worked with digital technologies, and supported by relational trust. This study builds on recent literature that positions informal entrepreneurship as both relational and resilient; a

strategic, trust-based approach founded on community relations, adaptability, and routine innovation (Webb & Barzuna-Hidalgo, 2025).

Casual entrepreneurship is often viewed in literature as institutionally weak, wasteful, or survivalist (ILO, 2023). Recent literature, however, dispels this by referencing the innovative and relational character of informal enterprise, particularly in digitally empowered markets (Webb & Barzuna-Hidalgo, 2025). Meanwhile, social commerce has driven new discussions on the dynamics of how digital trust, peer verification, and platform layout impact economic interaction in the absence of formal rules (Wang et al., 2022; Zhao et al., 2023). Comparative lessons from other SIDS and digitally robust economies are also derived by research for broader development policy, digital connectivity, and resilient business models to consider.

2. LITERATURE REVIEW

A. Social Commerce and Digital Informality

Digital informality refers to the use of web platforms for economic transactions that don't take place within formal regulatory and institutional frameworks. In all island and emerging economies, the trend involves social commerce purchase and selling through platforms like Facebook, WhatsApp, Instagram, and Viber where informal business people are reliant on peer networks, mobile applications, and trust exchanges to engage with consumers (Wang et al., 2022; Zhao et al., 2023). Social commerce is also embedded in ordinary social relationships as opposed to centralized e-commerce models and thus tends to evade licensing, taxation, or official regulation.

Street vendors prefer face-to-face transactions through messaging applications, using visual content and personal connections to establish trust (Prasetyo, 2024; Pratiwi et al., 2025). (Mohamed & Van Ham, 2022; Omri, 2020) Outline how social commerce in emerging economies evolves independently from formal institutions based on the aid of low entrance barriers as well as socially embedded trust. The characteristics provide social commerce with high accessibility for marginal entrepreneurs excluded from mainstream economic mechanisms.

In Indonesia, (Prasetyo, 2024; Pratiwi et al., 2025) describe how mobile-based platforms allow entrepreneurs to run unregistered with the interdependence on messaging apps. (Abdulai et al., 2024) Observe the same pattern in Ghana, since social media provides platforms for unlicensed informal ventures. In the UNDP Accelerator Labs blog article (Akinyemi, 2022) further verifies the same trend, observing that women in developing countries increasingly utilize Facebook and WhatsApp for informal digital trade. The platforms substitute classic infrastructure, especially where there is geographic spread.

Consumer purchase intention in social commerce is more influenced by interpersonal trust than platform architecture, (Wang et al., 2022) assert. (Wang et al., 2022; Zhao et al., 2023) feature feedback mechanisms such as messages, comments, and interaction as de facto trust signals. Even so, trust is fragile. Where legal or formal enforcement is

lacking, trust becomes based on local social norms and is strongly influenced by cultural and community contexts (Fischer-Kreer et al., 2025; Jammes et al., 2025).

What separates social commerce is the existence of embeddedness within ordinary relationships. In SIDS, where minimal formal infrastructure exists, informality is the only accessible channel that enables market access. The reliance on platform-based trust enables entrepreneurship but lacks system-level safeguards. However, the size and solidity of these markets have grown in low-regulation economies, and scholars have now started reevaluating how digital informality is defined and nurtured. (Akinyemi, 2022) placed digital inclusion at the heart of SIDS development but warned that prolonged informality is a threat to long-term stability.

B. Socially Innovative Entrepreneurship

Social innovation is typically theorized as a process that involves problem-solving alongside community empowerment. Social innovations are defined as new ideas (products, services, and models) that both meet social needs and create new social relationships or collaborations.

In other words, they are innovations that are both good for society and increase the capacity of society to act (Murray et al., 2010, as cited in (Burton et al., 2025, p. 2). While (Pacheco et al., 2025) extend this by emphasizing open innovation, co-creation, peer collaboration, and knowledge-sharing, (Budumuru & Paruchuru, 2025) place innovation as institutionally embedded, evolving through interactions between policy, infrastructure, and actors.

These views differ in emphasis: Murray and Pacheco emphasize grassroots agency, while Budumuru and Paruchuru emphasize system design. But all recognize that innovation is non-linear and context dependent.

The debate is most directly applicable in Small Island Developing States (SIDS), where fragmented environments and limited infrastructure challenge conventional entrepreneurship models. (Benzaken et al., 2024), for instance, demonstrate how Seychelles' blue economy model synchronizes policy with sustainability targets but caution that top-down management is likely to overlook communities. (Torrent-Sellens et al., 2025) add that MSMEs in exposed economies undergo "twin transitions" as they pursue digitalization alongside sustainability. These observations suggest that social entrepreneurship based on SIDS is rarely institutional or linear, but instead hybrid, improvised, and highly contextual.

Cross-national precedents of microcredit in Bangladesh and bottom-up innovation in health or agriculture further underscore how need-based, inclusive entrepreneurship can lead to limited situations (Pacheco et al., 2025). The Maldives provides analogous trends. (Akinyemi, 2022) Speaks about how ventures initiated by youth leverage social networking sites to provide informal mental wellbeing services or hype urban hydroponics.

These companies do commerce in social commerce networks, not policy regulations, though they are characterized by innovation tempered by inclusion, sustainability, and

local adaptability. Their existence implies both need and opportunity: broadening how socially innovative entrepreneurship is conceptualized in weak island contexts.

C. Trust, Inclusion, and Informality

Trust also becomes the prime mechanism for conducting transactions rather than formal regulation in digital and non-formal economies (Wang et al., 2022). Unlike platform-mediated protections inherent in traditional platform-based e-commerce, social commerce is played in decentralized spaces wherein consumers judge risk through visible metrics product image, sellers' responsiveness, and peer reviews and which possess the ability to positively influence buying intentions (Wang et al., 2022). (Strazzullo, 2024) supports this by illustrating the co-production of trust in online settings from interface reliability and transparent human interactions, further establishing the fact that trust is not built through regulation, but credibility and consistency perceived.

Such dynamics particularly apply in the Maldivian context, where 19% of the nation's population is involved in the informal sector, sometimes without legal protection or registration, and where women have the majority stake in self-employed household enterprises (Akinyemi, 2022). Trust in such contexts is a key enforcer of economic inclusion. (Liu et al., 2021) Focusing on formal financial systems, observe that trust in online environments is strengthened when governance models and user behavior support one another to ensure transparency. This implies that trust is not necessarily interpersonal even in informal environments, and trust can be formed through regular, congruent practice.

Whereas consumer trust studies are centered on explicit digital cues (Wang et al., 2022), (Fischer-Kreer et al., 2025) shift attention to entrepreneurs themselves. They argue that social identity orientations, such as membership in a community or mission-driven purpose, can serve as implicit cues for trust when there is no formal legitimacy. Among SIDS' informal entrepreneurs, nevertheless, this type of identity-based trust may be serving as the key player as a successful substitute for formal status or institutional legitimacy in establishing buyer trust within virtual markets. It builds to a scaffold that is adaptive, one that revolves around social expectation, openness, and continuous interaction. In so doing, they are pushing against limiting definitions of informality as limiting and instead highlighting it as a field of innovation and resilience.

D. SIDS and Digital Entrepreneurship

Small Island Developing States (SIDS) also face distinctive structural issues such as scattered geographies, small consumer markets, and high logistics costs that are hard for traditional enterprise models. But the same constraints spur digital innovation. The World Economic Forum argues that SIDS' vulnerability to external shock and climate risk positions them as the "lighthouses" of context-specific digital transformation, where adversity breeds innovation and resilience (Massally & Hildrebrandt, 2024). Across territories, social commerce has been a feasible entrepreneurial channel. In Fiji, the national strategy of the country openly states e-commerce as one of the drivers of MSME empowerment and export diversification, with WhatsApp and Facebook at the center of

regional business models (mcttt.gov.fj, 2025). The same is true in the Caribbean, where businesses have leveraged digital technologies to not only keep businesses running during crises like COVID-19 but also redefine innovation paths towards sustainable growth (Piperopoulos et al., 2023). In Jamaica, micro-retailers increasingly utilize Instagram and WhatsApp, forging active informal digital markets in the context of infrastructural shortages (trade.gov, 2024). This cross-regional trend is confirmed by the UNDP, noting that digitalization is often not policy-driven but instead the result of market disruption, such as pandemic lockdowns that pushed sellers in places like Barbados to use online platforms to reach customers (Akinyemi, 2022). Nevertheless, digital adoption is uneven. Some studies warn of persisting digital divides shaped by gender, infrastructure, and cultural norms (Al-Omouh et al., 2022; Theis & Rusconi, 2019). While most sources assume digitalization is adaptive and inclusive, some highlight that without institutional support, informal digital economies can reinforce existing vulnerabilities. Nevertheless, the prevalence of social commerce usage in Pacific, Caribbean, and island Asian settings is a measure of its accomplishment as a joint method. Comparative basis such as this supports the imperatives for situating the Maldivian case within an expansive SIDS context.

3. METHODOLOGY

This study followed a descriptive research design in investigating social commerce attitudes and practices of Maldivian consumers, namely informality and platform-mediated trust. Although the survey directly targeted consumers, the general analytical aim was to indirectly examine socially innovative entrepreneurship from a consumer experience perspective. By examining how consumers negotiate digital trust, handle unregistered sellers, and make purchases, the study infers the strategies, improvisations, and informal innovations that characterize entrepreneurial conduct in digitally mediated, unregulated markets. The study was conducted in the form of an original survey of 100 Malé citizens and sampled atoll islands.

I. Sampling Method

A purposive sampling approach was employed to attain representational diversity along the lines of gender, age groups, and regional localities, based on national trends in informal sector participation and digital access. Informal activities are disproportionately conducted by women and youth and are concentrated in sectors such as manufacturing, personal services, and informal retail all with high linkages to social commerce channels (MBS, 2023).

II. Survey Design

Participants were requested to complete a structured questionnaire with multiple-choice and 5-point Likert-scale items (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire covered Digital shopping habits, Platform preferences (Facebook, WhatsApp, Viber, etc.), Drivers for purchases, Trust concerns, and Satisfaction with spontaneous transactions. Question categories were: frequency of transactions, kind of

goods or services purchased, perceived credibility of the sellers, visual/verbal trust signals, and word-of-mouth recommendations.

III. Data Collection Process

Data collection was conducted online, using email and social media websites to overcome the spatial fragmentation typical of Small Island Developing States (SIDS) and to ensure reach among participants with varying levels of connectivity. Participation was voluntary and anonymous, and informed consent was obtained electronically.

IV. Data Analysis Methods

Data were analyzed descriptively (frequencies, means, percentages) to identify dominant patterns and comparative insights. Although probabilistic generalizability was not a goal of the survey, analytical depth was sought by triangulating primary data with available sectoral statistics and conceptual frameworks of informality.

In this study, consumers are employed as an indirect window onto the behavior of informal entrepreneurs. By analyzing buyer engagement with online platforms, response to trust signals, and satisfaction with unofficial transactions, the research infers the nature of socially innovative entrepreneurship beyond formal channels. This oblique strategy is particularly appropriate to the Maldivian environment, in which many entrepreneurs are not registered and lack public presence, but constitute an important economic role in island society.

This framework permitted the study to document lived consumer experiences and position them within overarching regional and development narratives. Standpoint methodology derives from recent strands that outline generic and transformative informality and the former with reference to survivalist practice in areas of regulatory looseness, and the latter as relating to imaginative, technology-backed models that confront formal institutional limitations (Webb & Barzuna-Hidalgo, 2025). Maldivian everyday informal entrepreneurship in practice both these sides: small producers might be beyond licensing regimes and still use digital technologies to reach distant customers or negotiate over platform algorithms.

This paper also acknowledges that informality is not a legal status but rather a relational and strategic space. Informal economy firms and entrepreneurs often produce substitute credibility and trust-establishing alternatives peer referral, visual representation of product quality, and prompt responsiveness as institutional guarantees' legitimate substitutes (Webb & Barzuna-Hidalgo, 2025). These were measured in the survey questionnaire through scaled questions that evaluated respondents' trust in seller actions, platform functionality, and digital trust indicators.

Furthermore, as per macroeconomic literature, the hidden sector is perceived here as a buffer that is countercyclical, tending to absorb labor in scenarios in which rigidity or shocks in the formal sector limit participation (Coşkun, 2022). This mechanism is most relevant in EMEs and SIDS, where economic volatility is paired with poor labor protections and fragmented institutional enforcement. Informal employment in the Maldives continues

in the face of modernizations in the various sectors and appears to be less secure in outer islands where subsistence needs and entrepreneurial resilience both characterize local work cycles (Coşkun, 2022; M. B. of S. MBS, 2023).

In general, the method integrates descriptive survey techniques with anchoring in national theory and data of the informal economy. The multilevel method enhances the capacity of the study to explain, ensuring the analysis is empirically grounded as well as sensitive to the sociopolitical particularities of informality in the Maldivian islands.

4. FINDINGS

a) Demographic Overview

The participants were predominantly working individuals. The majority of them were male (61%), and the most frequent age group was 30–40 years (57%), followed by 18–29 years (36%). Only a few (7%) were 46 and above. As for work, 68% were working, with the remainder being students (11%), housewives (7%), and other occupations (12%). This demographic profile is a reflection of the composition of informal digital commerce actors in the Maldives, which comprises young working people as the dominant group. The gender gap also mirrors national informal economy trends.

b) Shift in Shopping Preferences

Table 1: Descriptive statistics of variables Shopping methods before & after COVID-19

Statistics							
		Shopping Method before COVID-19 : Using social media app	Shopping Method before COVID-19 : Visiting e-commerce website or e-commerce mobile app	Shopping Method before COVID-19 : Visiting Physical store	Shopping Method During & After COVID-19 : Using social media app	Shopping Method During & After COVID-19 : Visiting e-commerce website or e-commerce mobile app	Shopping Method During & After COVID-19 : Visiting Physical store
N	Valid	100	100	100	100	100	100
	Missing	0	0	0	0	0	0
Mean		3.17	3.26	4.20	3.67	3.49	3.60
Median		3.00	3.00	4.00	4.00	4.00	4.00
Mode		3	3	5	4	4	3
Std. Deviation		.805	.883	.765	.805	.959	.888
Minimum		1	1	3	1	1	2
Maximum		5	5	5	5	5	5

The descriptive statistics (N = 100) indicate the reactions of Maldivian informal entrepreneurs to evolving consumer sentiments due to the COVID-19 pandemic. Before the pandemic, the entrepreneurs were strongly dependent on direct store contacts (M =

4.20, SD = 0.77), using less social media applications (M = 3.17, SD = 0.81) and online stores (M = 3.26, SD = 0.88).

However, during the COVID-19 and post-COVID-19 period, an increasing number of informal entrepreneurs depended on online platforms to access customers, since social media consumption rose (M = 3.67, SD = 0.81) and browsing e-commerce websites and mobile apps also on the rise (M = 3.49, SD = 0.96). Reducing reliance on physical channels (M = 3.60, SD = 0.89) shows that there is a growing use of virtual channels of distribution. Mode values are strongly suggestive of diversification of platform use on a higher plane, meaning nonformal vendors are testing and adapting to different digital platforms. These findings support the contention that the pandemic acted as a spur to digitalization, allowing informal entrepreneurs to become more independent and resilient. Facebook, Instagram, and Viber are now routine business infrastructure that creates visibility, consumer interaction, and revenues beyond formal retail structures.

c) Platform Usage Patterns

Table 2: Descriptive statistics of variables how often social media apps were used to order online

		Statistics					
		How often Viber App used to order online	How often Facebook App used to order online	How often Instagram App used to order online	How often Messenger App used to order online	How often WhatsApp used to order online	How often other App's used to order online
N	Valid	100	100	100	100	100	100
	Missing	0	0	0	0	0	0
Mean		3.42	3.24	3.29	2.90	2.33	2.34
Median		3.00	3.00	3.50	3.00	2.00	2.00
Mode		3	3	4	3	1	3
Std. Deviation		1.224	1.138	1.209	1.000	1.280	1.094
Minimum		1	1	1	1	1	1
Maximum		5	5	5	5	5	5

The descriptive statistics (N = 100) reveal details regarding Maldives' informal entrepreneurs' use of various digital platforms to enable online orders and engage with consumers. Among the tools used, the Viber application was used most frequently (M = 3.42, SD = 1.22) followed by Instagram (M = 3.29, SD = 1.21) and Facebook (M = 3.24, SD = 1.14).

These platforms allow entrepreneurs to market their goods, process orders, and monitor buyers using social commerce infrastructure. Median usage of Messenger, Facebook, and Viber was 3.00, whereas a greater median (3.50) and mode value (4) of Instagram

shows many informal entrepreneurs use the Instagram platform to sell targeting for youth-oriented or visually oriented consumers.

On the other hand, WhatsApp (M = 2.33) and other unknown applications (M = 2.34) were utilized to a smaller extent, potentially due to a lack of appropriate integration into local sales practices or customer behavior. Such reliance upon familiar, multiformat platforms defines informal entrepreneurs' improvisational strategies of using established social infrastructure as makeshift commercial infrastructure. These findings indicate how mobile apps specifically Viber, Instagram, and Facebook are increasingly becoming a part of day-to-day business activities so that small-scale vendors can conduct business, gain trust, and be heard without official shops and a license.

Hybrid use is more than consumer adjustment; it is a new form of platform entrepreneurship, as informal sellers place themselves across digital spaces to maximize visibility and responsiveness. These trends reveal to what degree social commerce among SIDS is less platform-homage-oriented and more infrastructural pragmatics- and communal-logic-oriented. Different from more conventional e-commerce models organized around centralized software applications and algorithmic targeting, this trust-based, decentralized system enables micro-entrepreneurs to thrive outside official branding and regulatory shields. It is a relational commerce liquid, reactive, and embedded in the quotidian rhythms of place.

d) Product Categories Purchased

Table 3: Descriptive statistics of Most often bought products online on social media

Statistics												
		Kitchen Items Purchased through social media	Food and beverages Purchased through social media	Men's clothing and accessories Purchased through social media	Women clothing and accessories Purchased through social media	Kids & baby clothing and accessories Purchased through social media	Cosmetic & personal care products Purchased through social media	Pharmaceutical and health products Purchased through social media	Books Purchased through social media	ICT/Electronic goods Purchased through social media	Home furniture and household products Purchased through social media	Gardening tools and plants Purchased through social media
N	Valid	100	100	100	100	100	100	100	100	100	100	100
	Missing	0	0	0	0	0	0	0	0	0	0	0
Mean		2.66	2.99	2.87	3.17	2.93	3.06	2.32	2.61	2.88	2.50	2.15
Median		3.00	3.00	3.00	3.00	3.00	3.00	2.00	3.00	3.00	3.00	2.00
Mode		3	3	3	4	3	4	1	3	3	3	1
Std. Deviation		1.047	1.235	1.195	1.120	1.233	1.196	1.222	1.222	1.217	1.068	1.058
Minimum		1	1	1	1	1	1	1	1	1	1	1
Maximum		5	5	5	5	5	5	5	5	5	5	5

The descriptive statistics ($N = 100$) reveal the most common products sold through social media by Maldivian entrepreneurs—particularly informal entrepreneurs who lack formal shops. The most significant mean value was for female clothing and accessories ($M = 3.17$, $SD = 1.23$), indicating it as the most purchased category through social media sites. It is closely followed by cosmetic and personal care products ($M = 3.06$), food and beverages ($M = 2.99$), and children and baby care products ($M = 2.93$), all of which reflect stable consumer demand. Men's clothing ($M = 2.87$), ICT/electronic devices ($M = 2.88$), and home furniture or home goods ($M = 2.88$) are also ranked moderate, reflecting diversified sales portfolios among online business individuals. On the other hand, garden/plant supplies and plants ($M = 2.15$) and medicine/health products ($M = 2.32$) are less likely to be advertised on sale, possibly due to regulatory constraints or lack of online demand.

Each of these phenomena speaks to the ways that formal and informal entrepreneurs are both using social media commerce to enter niche markets, fill gendered consumer desires, and remain flexible across product categories. Informal entrepreneurs, especially, can pursue economic opportunities that circumvent conventional gatekeeping, and through these sites, access new avenues for income generation and entrepreneurial experimentation. These findings also confirm the situated and gendered nature of informal digital commerce in Small Island Developing States. Women traders structure product offerings around close consumer needs, group preferences, and merchandise that falls within the scope of household-based inventory systems. Category selection of products is then not merely a business decision, but an embedded response to domestic work constraints, exposure to online visibility, and the logistical potential in a geographically spread island economy.

e) Motivations for Choosing Social Commerce

Table 4: What motivates to use of social commerce for consumers

Rank	Motivation	Mean	Median	Mode	SD
1	Saves time	4.49	4	4	0.49
2	Easy to order via online	4.44	4	4	0.50
3	Comfort of home shopping	4.44	4	4	0.55
4	Cashless payment method	4.42	4	4	0.59
5	Home delivery service	4.40	4	4	0.44
6	24/7 convenience and flexibility	4.35	4	4	0.46
7	Access to unavailable store products	4.30	4	4	0.75
8	No need to deal with salespeople	4.27	4	4	0.72
9	Wide choice and product comparison	4.26	4	4	0.77
10	Detailed product information	4.24	4	4	0.50
11	Easy return and refund	4.04	4	4	0.50
12	Offers and discounts	3.99	4	4	0.50

Note. SD = Standard Deviation.

The most potent driver of motivation, in the order of their priority, is "saves time" (Mean = 4.49).

This tells us that the customers are lured by convenience offered through online transactions. Informal entrepreneurs (e.g., home-based traders, micro-businesses) as well as formal SMEs will gain from refining order and delivery processes as means to gain and retain customers. Such time-saving devices as order automation via messaging apps count towards perceived professionalism and dependability. Rank two and three, "easy to order through online" and "shopping at home" (Mean = 4.44 both), convey convenience to the consumer. Micro-entrepreneurs particularly prefer low-barrier platforms like Viber or Messenger, which facilitate frictionless interaction without bearing costly e-commerce infrastructure. These are signs of a shift toward frictionless micro-transactions made possible by mobile connectivity. Fourth and fifth-ranked items digital payment systems (Mean = 4.42) and home delivery services (Mean = 4.40) indicate the increasing trust in digital infrastructure. Entrepreneurs who can offer integrated payment and delivery services are perceived as more reliable. For street vendors, partnering with mobile money services or offering flexible drop-off services creates consumer confidence. Lower-priority but still impactful motivations e.g., product range, richness of information, ease of returns signify that professional communication and transparency are also valued in casual settings. Although "more offers and discounts" (Mean = 3.99) is the lowest-priority motivator, it is still relatively high-ranked, which means value-added promotions are still central but follow behind convenience and trust. Furthermore, these incentives support the argument that social commerce is not only a convenience-driven phenomenon but one of deeper structural reorientation. It enables interaction with market life despite spatial confines, time pressures, and institutional restrictions, and hence is a critical portal to informal entrepreneurial networks in the Maldives and other SIDS environments.

f) Challenges and Consumer Concerns

Table 5: Concerns of Buyers

Rank	Concern	Mean	Median	Mode	SD
1	Difficult to return the product and hard to get refund	3.92	4	4	0.84
2	No guarantee of a product's quality	3.91	4	4	0.81
3	Waiting for a long time for the product to arrive	3.82	4	4	0.98
4	Disappointed with the extra charges on home delivery	3.76	4	4	0.81
5	Receiving damaged products	3.72	4	4	0.94
6	Online shopping often wastes money	3.71	4	4	0.85
7	Seller does not provide Cash on Delivery option	3.66	4	4	0.78
8	Online payment method not available	3.59	4	4	0.77
9	You don't receive the product you paid for	3.50	4	4	0.78

The ranked responses in Table 5 are buyers top issues associated with purchasing through social media applications, ordered from highest to lowest importance based on mean scores. The most important issue, with a mean rating of 3.92, is the difficulty in product returns and refunds. This suggests absent standardized return policies and limited remedy for dissatisfied customers, particularly in transactions with no official framework. Second is the absence of assurances of product quality (M = 3.91), suggesting overall failures in trust. Customers appear skeptical towards unverifiable assurances and inconsistent product quality.

The third-most-concerned issue is long delivery times ($M = 3.82$), which is likely to reflect logistical constraints in decentralized or informal distribution channels. Surprise home delivery charges are fourth ($M = 3.76$), reflecting dissatisfaction with price transparency and additional charges revealed only at checkout or at the time of purchase. Lower down, below-average products on arrival ($M = 3.72$) and perception that money is being wasted on online shopping ($M = 3.71$) indicate an accumulation of negative experience, possibly resulting from poor packaging, absence of responsibility, or unmet expectations. Surprisingly, both lack of Cash on Delivery (COD) facility ($M = 3.66$) and absence of online payment facilities ($M = 3.59$) indicate transaction mechanism friction either as a result of limited digitalization or lack of payment flexibility. The lowest-ranked but most important problem is non-receipt of purchased products ($M = 3.50$). While last-ranked, the high mode and median (both = 4) show that this is still an important problem to most users, and its ranking reflects comparative frequency, not lack of importance. In general, the information show that transaction safety, delivery dependability, and product guarantee are central to customer dissatisfaction. Solution to these problems particularly the first three should be a strategic concern of sellers who are selling through social websites irrespective of business informality. These findings suggest a core tension at the heart of social commerce: the same informality that enables grassroots entrepreneurship and adaptive flexibility also creates structural vulnerabilities. Reducing these risks does not require full formalization, but rather light-touch consumer protections such as ratings systems, return guarantees, or platform-verified seller indicators that reduce the model's risks without undermining its flexibility.

g) Trust-Building Factors

Table 6: Trust-Building in Social Commerce

Rank	Statements	Mean	Median	Mode	Standard Deviation
1	If the seller on the social media app provides detailed information and guidelines about how to use the product, it helps to educate you and build trust towards the seller. Therefore, you will continue purchasing from the seller.	4.29	4	4	0.791
2	If the product has good quality, people will leave positive remarks, which encourages you to buy that product.	4.22	4	4	0.766
3	When other customers leave reactions such as “likes” and “comments” on the product on social media, it helps you understand useful information before purchasing.	4.20	4	5	0.746
4	You are less likely to buy products with fewer or negative reviews.	4.14	4	4	0.971
5	I often write a “comment” and “like” a product on a social media app if the product is good.	3.81	4	5	0.756

Table 6 shows the buyer response towards the impact of product openness and user-generated content on purchasing behaviors within social shopping media. Whether they are small business people or informal entrepreneurs dealing across the internet platforms, they must adhere to these behavior patterns for effectively establishing buyer trust.

The highest rated factor ($M = 4.29$) states: When entrepreneurs supply complete information and usage directions, this has a strong influence on consumer trust and repeat purchase.

This reflects content openness as an implicit strategy for trust building, particularly for informal entrepreneurs with no certification or formal branding. The second-ranked category ($M = 4.22$) reveals that positive comments of past buyers work as excellent social proof. Entrepreneurs benefit when satisfied buyers leave good reviews, which, in turn, encourage new buyers.

Similarly, the third-ranked category ($M = 4.20$) reveals that social media reactions in the form of "likes" and "comments" also aid buyers to find product utility, increasing the seller's visibility and credibility.

The fourth product ($M = 4.14$) reflects that individual don't want to buy products with limited or poor reviews, and this is a barrier for younger or less successful business owners. This reflects the amount of reputation that is gained by actively gathering early customer comments, especially for informal vendors not protected by institutional guarantees.

Last, the fifth-most listed reason ($M = 3.81$) is because the consumers themselves also usually get involved in the cycle of feedback via liking or commenting on super-quality products. It adds up to the social commerce platform and takes the voice of entrepreneurs farther via algorithmic outreach on the aforementioned platforms such as Facebook, Instagram, and Viber.

All these findings together mean that social validation, transparency, and interactive content are the imperative tools for entrepreneurs operating in spaces of informal and formal commerce through digital means. These findings reinforce the argument that the digital trust mechanisms in unregulated and informal markets act as substitutes for institutional protection.

Rather than through formal branding, certification, or return policies, informal traders in the Maldives build legitimacy through responsiveness, social visibility, and resonance with the community. With this arrangement, credibility is not taken for granted in advance it is bargained for in the future via contact.

This pattern suggests that trust in informal digital markets is iterative and relational. It is not built through distinct transactions, but through persistent presence, visibility, and accountability through these mechanisms.

These mechanisms demonstrate how informal entrepreneurship in SIDS can leverage platform-mediated trust to establish productive, customer-centric enterprise models where regulatory infrastructure is thin.

5. DISCUSSION

Digital Trust and Social Commerce Credibility

The single most important finding to emerge from this research is the central role that digital trust plays in underpinning informal entrepreneurial activity via social commerce platforms. In the absence of formal rule, institutional guarantees, or consumer protection regimes, Maldivian consumers turn more and more to platform-based cues

e.g., product labeling, peer reviews, social likes and dislikes, and seller responsiveness to establish credibility. Such digital cues act as unofficial replacements for regulatory controls, allowing trust to be co-constructed in platform-mediated encounters.

This is in line with broader literature on informal digital markets that points to how reputation trust substitutes for formal institutions in loosely governed environments (ILO, 2023; Sarker et al., 2024). Relational cues and openness perceptions, rather than institutional qualifications, are more important in the majority of Small Island Developing States (SIDS) and rising economies (Akinyemi, 2022; ILO, 2023). In this research respondents stress the significance of open communication and product knowledge; Also signals that accurate customer feedback helps to build trust as a strategic pillar of digital business, not an afterthought order element tagged on.

This find captures trends like informal e-business in the Middle East, Ghana, and Indonesia, where verification in terms of likes, shares, and comments is virtual social capital (Abdulai et al., 2024; Al-Omoush et al., 2022; Prasetyo, 2024). Informal business, under these conditions, gains legitimacy through relational interaction and, thus, makes interactivity an indicator of reliability. In the geographically segmented Maldivian environment, the dynamic is even stronger: outer island respondents consistently suggested that seller reputation was more important than price. In these settings, trust is less affected by institutional frameworks and more affected by social embeddedness.

Trust creation is not only a consumer practice but also a core entrepreneurial practice. Informal entrepreneurs must engage consciously to manage visibility, responsiveness, and communication to secure buyer trust. These are not technical innovations adaptive interaction-based value creation activities rather than product innovation. (Peng & Lu, 2024; Sarker et al., 2024) also point out further on the same note that consumer participation in social commerce is essentially driven by social influence and trust. They also explain how low-regulated, decentralized contexts are enabling grass-roots digital entrepreneurship on peer-to-peer platforms like Facebook and WeChat.

Social Commerce as Inclusive Innovation in the Maldivian Context

The evidence also demonstrates how social commerce provides inclusive points of entry into entrepreneurship, particularly for those outside of formal economic structures. In the Maldivian context, where there is geographic dispersion, poor infrastructure, and concentrated markets, such platforms minimize entry barriers to potential entrepreneurs. Informal employment already represents approximately 40% of national employment, with disproportionate presence among men (78.6%) but high participation by women in

household-based activities (MBS, 2023). Platforms like Viber, Facebook, and Instagram allow micro-entrepreneurs to carry out businesses with little capital, flexible timings, and locational convenience. They are an informal online business infrastructure, especially for young people, women, and carers. In this research, respondents choose convenience in terms of time-saving, simplicity of ordering, and the ability to obtain a variety of products as key drivers, which suggests that convenience for consumers is led by innovative delivery services by informal traders.

(Berdiev & Saunoris, 2025) illustrate that in the absence of efficient formal institutions, the shadow economy can be a socially responsible system that serves unmet needs by way of non-monetary, trust-based exchange that is regulated by spatial boundaries. Without available seller statistics, this study indicates that respondents choose cashless methods that means sellers offer openness, personalized engagement, and adaptable payment schemes to align with community demands. These events are examples of embedded innovations developed as a response to location constraints.

Instead of specializing in disruptive technologies, these entrepreneurs are offering context-specific solutions: product bundling for shipping savings, home delivery in dispersed locations, or trust-based transactions through social media. Such innovations are generally invisible in official statistics but are worthwhile adaptations rooted in real-world constraints and local knowledge.

Platform-Facilitated Micro-Enterprise Models in SIDS

This study reaffirms the role of digital platforms as adaptive infrastructure for micro-enterprise development in Small Island Developing States. Social commerce features like Viber, Instagram, and Facebook perform several business functions simultaneously: marketing, payment, customer engagement, and logistics coordination. The platforms enable sellers to bypass traditional barriers like excessive leasing costs, ineffective transport networks, and capital expenses.

Parallel outcomes in SIDS such as Seychelles, Fiji, and other Caribbean nations also corroborate this trend. In this instance, mobile platforms are utilized by informal retailers for making daily sales and reaching geographically dispersed buyers (Benzaken et al., 2024; mcttt.gov.fj, 2025; Piperopoulos et al., 2023). Maldivian consumers in this study were extremely satisfied with services such as home delivery and product offerings, proving that vendors have informally evolved to meet consumer needs despite lacking a formal logistics network.

This type of entrepreneur, as described by (Fischer-Kreer et al., 2025) are Communitarian entrepreneurs who measures success in relational terms and aims to serve a specific community with which they identify as an approach that illustrates relational entrepreneurship, whereby business growth is rooted in connection, responsiveness, and social embeddedness. The sellers are ready to invest in communication activities, online presence, and social networks in order to sustain customer relationships. These practices redefine entrepreneurship as interactional and context-dependent, contrary to market-oriented.

Informality, Innovation, and Entrepreneur Strategy

The facts dispel the hypothesis that informal enterprise is fixed or non-innovative. Social media sellers from Maldives are forging entrepreneurial strategies specific to the context. Their routines in offering flexible delivery, cashless transactions, and open information are bottom-up innovations crafted to bridge logistical, economic, and social constraints.

As per (Estevão et al., 2022), in line with Williams (2012) and Barron (2020), informal entrepreneurship can be understood as adaptive routines formed outside formal structures, at times through exclusion and local obstruction. Innovation is not only technological innovation but also new social relations and patterns. Maldivian informal vendors demonstrate such logic by using low-cost tools to develop value, build trust, and cater to underserved markets. Interestingly, most of these businesspeople, particularly women and youth are not looking for scale but stability and fittingness. They prize fit with communities, incorporation into households, and trustworthiness. This is a reframing of entrepreneurial success: not the rapid expansion but open-ended and sustainable immersion in economic life.

Gendered Informal Digital Business Patterns

Product trends that arose from this study, clothing and accessories for fashion, cosmetics, foodstuff, and infant goods, illuminate gendered dynamics in informal digital entrepreneurship. These are products that are conventionally manufactured by women's enterprises, typically home-based. Over 50% of the respondents chose Instagram for buying women's fashion apparel, babies' items, and makeup, while 48% bought food via Viber, demonstrating the informal yet organized character of gendered supply through social commerce.

This fact is supported by the national data that indicates though women make contribution of 21.4% of informal employees, no fewer than 53.9% of them work in the domestic sector (MBS, 2023). This implies the contribution by women to the economic activities is going unrecorded in official figures, particularly when activity is not as much picked up by digitization. In addition to this, of the women who work and are employed, 33.7% fall into the group of informally employed versus 42.1% males (MBS, 2023).

The growth in the tertiary-sector informality 11% to 32% post-pandemic, also serves as cogent evidence against the view that digital platforms are now gendered spaces of enterprise (MBS & UNDP, 2022). Nonetheless, 80% of the women-owned enterprises are still unregistered due to social expectations and insufficient flexible support. Yet, 63% were willing to formalize upon being provided access to resources (MBS & UNDP, 2022).

These findings affirm that informality and gendered entrepreneurship are not peripheral activities but the key to understanding economic adjustment in the contexts of digital SIDS. Social commerce is a very penetrative access point for women to address economic issues, reconcile debts, and navigate in domestic environments. Because of the disconnection between consumer patterns and national statistics on labor, the need is to rethink digital informality so it could be measurable, apparent, and accommodated.

Similar outcomes have been seen in other Small Island Developing States, supporting these findings. In Fiji, for example, the government began to validate informal digital traders into national entrepreneurial policy through selective training on platforms and reduced data prices (mcttt.gov.fj, 2025). Similarly, in the Caribbean, most micro-entrepreneurs employ WhatsApp and Instagram as a means to achieve daily livelihoods, though operating outside traditional regulatory spaces (Piperopoulos et al., 2023).

These instances illustrate how non-formal digital enterprise, particularly among women, is a localized phenomenon that responds to shared structural concerns and technological adaptation.

Limitations

This research explores social commerce as a socially innovative entrepreneurial platform, using consumer experience as an observational window to view how informal entrepreneurs are addressing to the everyday problems of access, affordability, and provision of services in the Maldivian setting. However, there are several limitations that need to be acknowledged. Firstly, the analysis only makes use of consumer-side information, which perception rich is not collecting the actual voices, tactics, or motivations of informal entrepreneurs themselves. Inferences therefore are drawn to socially innovative practice such as establishment of trust, adaptive delivery, and contextually sensitively nuanced product offerings. Second, whilst Maldives beuro of statistics shows national statistics of informl sector estimates, such data are not separately focused to platform-based or social commerce activity, so the findings cannot definitively be found within macroeconomic trends. Follow-up studies can employ multi-actor techniques, for example, interviews with sellers and analysis at the platform level, to gain deeper insights into how digital informality is an embedded social entrepreneurial strategy in Small Island Developing States.

6. POLICY, REGULATION, AND FUTURE RESEARCH DIRECTIONS

The policy implications of these results are an immediate necessity for socially innovative informal entrepreneurship due to people shifts interest towards social commerce than traditional commerce. With 63% of informal workers carry economic activity in their home and willing to formalize under favorable circumstances, there is a pure need for facilitating infrastructure (MBS & UNDP, 2022). Policy-makers must refocus their efforts towards social protection building, specific support for home-based enterprises, and low-cost finance programs (Theis & Rusconi, 2019; UNDP, 2021).

Digital literacy initiatives, microcredit initiatives, and simplified levels of registration can lower the cost of formalization without lowering the informality that contributes to the success of informal enterprise. Platform literacy and reducing the cost of information can be applied by other SIDS governments to assist grassroots entrepreneurs(Massally & Hildrebrandt, 2024; mcttt.gov.fj, 2025).

Regulatory structures must protect consumers without deterring micro-entrepreneurs. Product quality and delivery guarantees were focus points for stakeholders, and they

promoted light-touch regulation of platforms with the platform responsibility guarantee as a priority. Gradual recognition schemes, internet certification stickers, or user reputation ratings can assist in protecting innovation together with consumers (ILO, 2023).

Finally, empirical explorations with mixed methods, interviews, and analysis of platforms through future studies are required to ask deeper questions regarding the empirical involvement of informal sellers.

Comparing island economies studies would contribute depth in capturing how remoteness, risk, and scarcity contexts drive the formation of informal enterprise. Describing informal digital entrepreneurship as a venue of innovation over survival can perhaps help reinterpret development strategy on more inclusive, responsive, and adaptable terms.

7. CONCLUSION

This study has had a sharp interest in the social commerce facilitation of socially innovative entrepreneurship in the unique environment of the Maldives, a Small Island Developing State with very fragmented geography, infrastructural limitations, and a huge informal economy.

Through an analysis of early survey results gathered from 100 Maldivian consumers, this research enlightens us on how youth and women Informal entrepreneurs strategically use digital platforms Viber, Facebook, and WhatsApp to craft adaptive, trust-based business models that lie outside formal institutional paradigms.

The findings depict the significance of digital trust mechanisms; peer reviews, product clarity, and seller responsiveness are critical informal surrogates for formal regulation, shaping the dynamics of consumer engagement in these digital platforms.

Moreover, the study shows that social commerce not only expands access to goods and services but also facilitates entrepreneurial inclusion by lowering entry thresholds dramatically and providing flexible economic opportunities for those who were previously excluded from formal market structures.

These forces collectively indicate a pattern of relational entrepreneurship, in which entrepreneurial success is reframed away from indicators of scale and capital intensity and toward indicators of credibility, responsiveness, and contextual flexibility. Within a more general theoretical framework, this study challenges traditional assumptions that view informal enterprise as a simple developmental deficiency.

Instead, it proposes informal enterprise as a limited and entrepreneurial adaptation to systemic constraint, with evidence on the methods by which Maldivian micro-entrepreneurs seek "innovation from below," developing solutions shaped closely to local context and constraint. Lastly, this study contributes nuanced insight to the emerging literature on island economies' digital informality, inclusive innovation, and economic resilience and invites development policy that acknowledges and supports informal digital entrepreneurship but eschews too precipitate formalization.

In advancing this area of research even further, future research should aim at incorporating seller perspectives, employing mixed-method designs, and carrying out comparative cross-SIDS studies, thereby making additional contributions to the comprehension of how informal innovation can successfully initiate sustainable and inclusive growth trajectories in underperforming economic environments.

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