

EPISODE 2

Overcoming barriers to e-commerce adoption in MSMEs

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E-commerce platforms hold the potential to transform how micro and small enterprises (MSEs) access goods, services, and customers. By connecting businesses to broader supplier networks, improving price transparency, and opening new sales channels, e-commerce platforms can help small firms increase their resilience against financial shocks and grow their businesses through the digital economy.

Despite the opportunity for growth, adoption of e-commerce among MSEs in emerging markets remains stubbornly low. While e-commerce penetration is growing rapidly at the macro level — Brazil expects an 83 percent increase in sales from 2023 to 2028, and e-commerce in Indonesia is slated to grow from \$75 billion in 2024 to \$125 billion in 2027 — MSE participation is not growing at the same pace. This mismatch raises a central question: What prevents MSEs from fully engaging with digital commerce, and how can they overcome these barriers?

Over the past two years, Accion and the Mastercard Center for Inclusive Growth have been supporting e-commerce platforms to test and scale innovative new approaches to drive MSE adoption and usage. Through our work, we have focused on identifying and addressing barriers MSEs face when onboarding and utilizing digital marketplaces to improve business growth and resilience. From our experiences, we have consolidated four key challenges:

1 Lack of strength in the value proposition for adoption

Many small business owners struggle to overcome the perception that all e-commerce platforms are intended for larger competitors, often voicing their concerns about being able to compete in a digital marketplace where larger sellers, who are able to buy in bulk and are well-versed in online marketing, can offer better pricing to consumers. Many identify proximity to their customers and convenience as part of their unique value proposition. Further, these fears are plausible to some extent as e-commerce platforms can favor larger players over small businesses due to design bias that gives larger sellers greater visibility.

Transitioning from physical ordering and purchasing processes to buying inventory on a digital marketplace also represents a significant behavioral change for MSEs — and must be incentivized by a clear and substantial business case. For many MSEs, incumbent ordering processes involve a sales agent visiting them to facilitate inventory orders on their doorstep. Although manually intensive on the supplier side, this level of service scores highly against value benchmarks for convenience, personalization, and customer care. Digital ordering experiences struggle to replicate the same benchmarks of value.

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In India, we have been testing digital value propositions that enhance existing general trade infrastructure, rather than compete with it directly. Bizom, a retail intelligence platform, positions its e-commerce offering as a supplement to existing face-to-face ordering practices, rather than a substitute for physical sales distribution.

Within the Bizom ecosystem, sales agents are encouraged to boost their own productivity by using the “Bizom One” app to facilitate a portion of the activities they would otherwise execute manually at a retailer location. The app provides kiranas (small neighborhood convenience stores) with the ability to order inventory remotely, and wider visibility into pricing and availability of fast-moving consumer goods (FMCG) products, along with direct access to discounts and special offers.

By leveraging the app to facilitate a significant portion of the regular sales cycle, sales agents can spend a larger portion of their time helping MSEs expand the range of products they sell and find the best discounts.

Initial testing of this approach within a small cohort of users yielded positive results. On average, MSEs utilizing app-assisted channels ordered 50 percent more stock than retailers who weren't and procured a wider variety of products during their regular order cycle.

2 Lack of access to capital prevents MSEs from purchasing wholesale goods in the e-commerce domain

Liquidity is the lifeblood of small business operations. Within general trade supply chains, many MSEs procure inventory on delayed payment terms, established on trust, and provided by their suppliers. These payment terms often align with the typical sales cycle of goods being purchased, enabling micro retailers to cycle stock without the requirement for an immediate cash outlay.

When MSEs transition to e-commerce platforms, credit offerings that enable the same level of flexibility are seldom available. A recent multimarket study by Accion's Center for Financial Inclusion (CFI) to support our digital transformation work revealed that in Addis Ababa, for example, more than one-third of MSEs had active informal loans in the past year, the vast majority of which were used to purchase inventory, yet only two percent had accessed credit via fintechs or e-commerce platforms. Similar findings were observed in Delhi, although fintech lending uptake is higher, at around 10 percent.

In Brazil and Indonesia, we're working with fintech companies and digital marketplaces operating within the fresh produce industry to embed flexible financing options directly into the e-commerce experience. Leveraging alternative data and machine learning tools, we are enabling the replication of flexible payment terms within digital marketplaces, regardless of an MSE's previous history with individual distributors.

A key part of our approach was developing segmentation frameworks that enabled tailored credit risk strategies for different customer groups. Leveraging non-traditional data attributes, such as the percentage of deliveries accepted by an MSE, we have been able to refine existing segmentation strategies, leading to increased inclusion.

With one lender, for example, we were able to double the number of credit-eligible MSEs within their addressable client base, leveraging alternative data. Furthermore, users of these credit offerings reported positive financial health outcomes. Sixty percent of surveyed customers reported being able to purchase more inventory, and 74 percent said the embedded credit helped them better withstand supply chain shocks, strengthening their business while also improving their financial resilience.

3 Absence of hands-on support to build capacity and trust

Intersecting MSE business operations into unfamiliar digital environments inherently increases consumer protection risk exposure. Many small businesses adopting digital mechanisms for business transactions have concerns related to erroneous transfers, cybercrime, unclear terms and conditions, and unfair treatment by service providers.

For example, [CFI's research](#) revealed that MSEs adopting digital technology for more than three business use cases show significantly higher exposure to consumer protection risks compared to firms that use no digital solutions, with some variation across markets. In Jakarta, the same research revealed that a significant number of businesses avoid filing complaints following a negative experience, fueled by a lack of confidence that the issue will be resolved.

In the absence of ubiquitous, responsive, and dynamic customer support channels, concerns surrounding these risks have a significant negative impact on digital usage. Despite the introduction of AI-enabled conversational tools and proliferation of channels available for customer engagement, the industry is aligned on the need for human intervention in customer support processes. Establishing a commercially sustainable model to enable it, however, remains a challenge.

In Indonesia, the program supported Amarta, a P2P fintech lender, to establish a risk-based approach to customer engagement. This approach prioritized human interactions for contexts and customers where it was needed most. Leveraging machine learning tools, Amarta segmented its customer base and used that profiling to enable an omnichannel strategy that appropriately balanced physical and digital interactions. Through this strategy, field officers were able to spend more time with customers to build digital capacity, resolve issues, and introduce new products and services that best fit customer needs. In implementation, Amarta has increased caseload productivity by 23 percent, generating significant cost savings without sacrificing quality in customer relationship management.

4 Maintenance of digital inventory is outside the comfort zone of MSEs

Selling online necessitates MSEs to upload and maintain a digital product catalog, which involves standardizing product images and managing inventory availability in real time. The effort and digital capacity building required to complete these tasks often outweigh the perceived benefits of e-commerce participation for MSEs. Many microentrepreneurs are busy running their day-to-day businesses and have limited bandwidth to absorb new skills and processes, particularly those that require a significant effort before a return can be realized.

Building on our work with Bizom, the program has been testing approaches to significantly reduce the time and effort MSEs need to expend on digital inventory management. Through analysis of supply chain data, Bizom identified a cohort of approximately 3,000 FMCG SKUs that were commonly sold across a high percentage of micro retailers.

They packaged this information into a pre-loaded catalog of products that kiranas could “opt-in” to selling on the Open Network for Digital Commerce (ONDC). This approach allowed MSEs to experiment with e-commerce without having to undertake lengthy, complex cataloging.

Based on the trade of this limited product set alone, retailers participating in an initial pilot boosted their sales revenue by over 20 percent. From the learnings of this initial pilot, Bizom is now scaling the offering to a wider subset of entrepreneurs operating within its addressable distribution network of over 10 million MSEs. Looking forward, there is an opportunity to explore how this approach can be applied to other value chain verticals beyond the FMCG industry.

Although we have unearthed some learnings to address challenges in MSE e-commerce adoption, many barriers remain. We acknowledge that while some of the successes we have referenced worked within the context of the program's implementing partners, they may not be transferable across all industries, business models, and environments.

In particular, the provision of credit within digital marketplace ecosystems often requires a nuanced and segmented approach that can vary from one supply chain vertical to another.