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Digital Transformation of Fashion Entrepreneurship in Pakistan: AI Adoption, Social-Commerce Capability, and Financial Inclusion

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Abstract

The transformation of digital Technology in consumer industries has altered the competitive landscape that small and medium enterprises (SMEs) have utilized, especially in developing countries. The study aims to analyze the relationship between the adoption of AI tools, social commerce capabilities, and sales growth in the fashion and apparel industry in Pakistan in the context of digital financial inclusion. The study employed a cross-sectional research design and administered surveys in the form of a structured questionnaire to 280 SME owners, managers, and executives. SPSS was used in conjunction with the PROCESS Macro by Preacher and Hayes to analyze the data. The results show that the adoption of AI tools and social commerce capabilities has a positive influence on sales enterprise growth. Moreover, the inclusion of digital financial systems positively influences the strength of the relations by enabling secure, efficient, and reliable payments. The study contributes to the limited research on the combined use of AI, social commerce, and financial inclusion, providing both actionable and theoretical insights to the SME literature. The results support the Resource-Based View (RBV) by emphasizing Technology and financial capabilities as strategic assets for sustaining growth in the digitally driven markets. It suggests that policymakers in Pakistan's fashion and apparel industry focus on the gaps between technological advancements and financial infrastructure to enhance competitiveness.

Keywords: AI Adoption, Social-Commerce Capability, Digital Financial Inclusion, Enterprise Sales Growth, Fashion and Apparel SMEs, Pakistan.

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INTRODUCTION

The Fashion and Apparel sector in Pakistan, encompassing stitched garments, bespoke boutiques, and ready-to-wear clothing, is one of the fastest-growing and most prominent areas of entrepreneurship in the country. As an area of cultural consumption, the sector remains a key driver of social commerce, particularly on platforms such as WhatsApp, Instagram, TikTok, and Daraz. Sanam et al. (2025) highlight the reliance of Pakistani fashion entrepreneurs on these social media and e-commerce platforms. However, a large number of entrepreneurs still face the challenge of converting digital engagement into sales growth.

AI tools, as the most promising yet least explored practices within this context, appear to be unmentioned yet significant. The prospects at both the global and domestic levels suggest that, through AI augmentation, the design and operational processes, as well as the consumer engagement level of interactions (personalization), can be significantly improved (Rahman et al., 2024; Kamal, 2025). In the fashion industry, the integration of technologies such as trend forecasting, virtual fitting rooms, and customer service chatbots is highly beneficial for the competitive positioning of fashion firms (Lindner, 2024; Ullah et al., 2019; Ullah et al., 2024; Rahman et al., 2025). However, the level of adoption within small and boutique fashion firms in Pakistan tends to be patchy, primarily due to a lack of resources, limited awareness of adoption, and inadequate technical skills. Thus, the capacity to generate and deploy AI in the context of the small fashion enterprises in Pakistan is vastly diminished, as the potential for the AI tools' productivity and innovative functions for business expansion is not recognized.

Implementing social commerce for micro fashion businesses, even in AI-enhanced settings, is a critical ability for mastering social commerce competence. This entails the application and functional deployment of these platforms for visual storytelling and community building, automated analytics and passive engagement monitoring, as well as selling and consumer behavior streamlining, automated social engagement, and passive monitoring of consumer behavior. Companies with high levels of social commerce competencies achieve higher engagement, customer retention, brand loyalty, and overall brand value (Solangi et al, 2025; Khan, 2020; Sayyam et al., 2025; Tufail, 2020). In Pakistan, however, the strategies of small fashion companies are informal and tend towards the rudimentary, as seen in the sharing of informal catalogs through text messages, thus sacrificing their competitive edge (Sanam et al., 2025; Rahman et al., 2025). Without clear strategies for bolstered digital engagement, these types of firms are positioned to forgo the benefits of digital advertising and sponsorship, consumer engagement, and brand visibility. The integration of financial digitalization into any business model is an offline-to-online conversion process. The ease of payment friction aids user satisfaction. JazzCash, Easypaisa, and QR mobile transactions make Pakistan's fintech landscape distinguishable. The gaps of trust and access, particularly regarding small businesses, remain wide. Visa's plans to increase digital payments in the country tenfold are illuminating. Many micro-entrepreneurs still operate in the cash economy, with a growing focus on digital commerce. Payment systems for financial inclusion, designed in the presence of adequate infrastructure, digital and financial literacy, and trust, as positioned in the Shair et al. (2023).

A comprehensive review of something can sometimes lead to contradictory conclusions. Examples include the prediction of growth within the fashion sector due to the adoption of AI tools and social commerce platforms, as well as the integration of digital

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payment systems. The relationship between AI and social commerce, as an aid system for digital peripheral financial services, is thesis-driven. The center of the problem extends beyond the realm of technology and finance. It is about the relationships and interconnections of these, which, in the context of Pakistan, remain to be determined. There is also literature on AI, social commerce, and digital financial services. However, the literature is sparse about the relationship between the factors and enterprise sales growth.

This study focuses on social commerce, the employment of AI tools, and the sales growth of micro and especially boutique fashion enterprises in Pakistan, as well as the moderating effect of digital financial inclusion on these relationships. The contribution of this research focuses on an area with significant potential for growth, which is currently undergoing digitization and therefore contributes to both theory and practice. The lack of pathways available to small fashion enterprises to access and utilize digital technology, along with the absence of supportive structures, are what policymakers and other stakeholders aim to resolve in the context of social inclusion, digital finance inclusion, and AI education.

SUPPORTING THEORY AND HYPOTHESES DEVELOPMENT

The theoretical basis of this study is predicated on the Resource-Based View (RBV), which holds that firms attain value-adding and inimitable resources and capabilities (Barney, 1991), enabling them to achieve premium performance. Considering the micro-enterprises in Pakistan's fashion and apparel sector, digital resources such as artificial intelligence (AI) tools and social-commerce capabilities can act as strategic digital assets that enable them to gain a competitive advantage as differentiators in the market. The RBV theorizes that the application of AI solutions, such as automated design systems, trend forecasting, and personalized customer interaction tools, enables entrepreneurs to gain operational and sales growth innovation efficiencies. Social commerce capability refers to the ability to market and sell products through social digital channels, such as Instagram, TikTok, and WhatsApp. This social-commerce capability, in addition to the ability to market and sell products via social digital channels such as Instagram and WhatsApp, enables entrepreneurs to enhance customer engagement, brand visibility, and customer loyalty, which in turn improves financial performance (Rahman et al., 2024; Sanam et al., 2025; Rahman et al., 2025).

The degree to which these materials are efficient relies on the ecosystem, specifically the financial technology ecosystem. In this case, digital women's financial inclusion becomes an enabler that allows women entrepreneurs to fully realize the advantages of AI utilization as well as the social-commerce capability. In the absence of effective, secure, and convenient digital payment systems, growing online engagement does not necessarily translate to increased sales and, consequently, low growth. Financial inclusion enables the link between resources and performance in the context of lowering the transaction costs to obtain the necessary trust and ease the operation of digital business systems, and the Smarter digital economy Report through Shair et al (2024). Informs FinTech entrepreneurs to increase the adoption of AI in social commerce and digital payment systems to grow the value captured in digital economy business systems. This study is grounded in RBV and posits that social resources influence the adoption of AI technologies and social commerce capabilities in the enterprise, leading to increased enterprise sales as a result of these social resources and digital women's financial inclusion in these relations.

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AI TOOL ADOPTION AND ENTERPRISE SALES GROWTH

Integrating tools powered by Artificial Intelligence enables firms to enhance operational stream efficiency by automating content generation, forecasting fashion trends, and tailoring consumer experiences (Rahman et al., 2024; Mubarak, 2025). AI adoption has been shown to boost productivity and customer satisfaction. AI tools, such as virtual try-on, predictive analytics, and customer service chatbots, have been shown to enhance consumer engagement and increase purchase conversion rates (Lindner, 2024). AI tools are valuable, inimitable, and provide a competitive edge in addressing ever-changing consumer demands. Thus, from the RBV perspective, adopting AI tools faster than competitors will yield greater returns in sales growth than firms that rely on traditional methods.

Newer findings indicate that the use of artificial intelligence is no longer the exclusive domain of large-scale companies; it is now available to small and micro enterprises, thanks to economical cloud-based technologies and mobile apps (Dwivedi et al., 2024; Khan, 2020). This presents an opportunity for fashion and apparel companies in developing countries to leverage AI to make data-driven decisions and accurately predict demand, thereby personalizing marketing strategies to rival established players (Akpan et al., 2024). Additionally, AI enhances the responsiveness of supply chains by integrating real-time inventory control and predictive analytics, which minimizes stockouts and overproduction, particularly in microenterprises with limited resources (Liu et al., 2023). These use cases demonstrate that the adoption of AI is not limited to operational efficiency; it also improves customer trust and loyalty, which all lead to increased sales growth for the enterprise. Therefore, within the context of resource-based theory, the adoption of AI is a strategic digital resource that generates enhanced performance outcomes in the fashion and apparel industry.

H1*: AI tool adoption has a positive effect on enterprise sales growth.*

SOCIAL-COMMERCE CAPABILITY AND ENTERPRISE SALES GROWTH

Social-commerce capability refers to the ability of an individual or business to utilize social media platforms, such as Instagram, TikTok, and WhatsApp, for promotion, marketing, and selling products or services. Previous studies have shown that businesses with advanced digital engagement capabilities have a greater chance of winning and retaining customers, especially in consumer-oriented markets such as fashion (Sanam et al., 2025). Successful live selling, visual narratives, and community management enhance engagement, thereby increasing conversion rates and ultimately leading to faster growth (Solangi et al., 2025). Hence, firms with stronger social-commerce capability are more likely to achieve greater sales growth.

As an entrepreneurial catalyst, social commerce is transformative in the context of developing nations where traditional retail infrastructure is scant. However, mobile technology and the internet are gaining rapid penetration (Hassan et al., 2024). In the fashion and apparel industry, Instagram. TikTok offers microenterprises relatively inexpensive platforms to showcase new styles, sell directly to consumers, and foster brand communities (Naeem & Ozuem, 2023). These disparate competencies are key vital resources, as posited in the RBV framework, to foster business offering differentiation, enhanced customer experiences, and loyalty network effects. Additionally, live-stream shopping, influencer marketing, and instant-chat purchases enhance the ease and trust in the buyer decision process (Zhang et al., 2023). Such empirical evidence suggests that firms that focus their investments on building social commerce capabilities stand to gain

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accelerated market coverage and sustainable sales growth, even in highly competitive environments.

***H2**: Social-commerce capability has a positive effect on enterprise sales growth.*

MODERATING ROLE OF DIGITAL FINANCIAL INCLUSION

AI Adoption, along with social commerce capabilities, is vital for enterprise growth; however, the effectiveness of both is dependent on supporting and reliable financial infrastructures. It has become clear that, with the lack of secure digital payment systems, ease of engagement does not equal completed transactions. Recent evidentiary documents suggest that the lack of digital trust, combined with the accessibility of payment systems, is an issue for micro-borrowers in Pakistan, despite the advancement of financial technology (Business Recorder, 2024; Reuters, 2024; Zaman, 2025). Integrated digital payment gateways with QR codes, mobile wallets, and other e-commerce touchpoint systems enable seamless transactions and enhance user trust. This type of digital financial inclusion fosters trust, reduces transaction costs, and enhances the ease and speed of transaction settlement (Shair et al., 2024). As such, with digital financial inclusion being high, the anticipated effects of social commerce capability and AI adoption on sales growth are considerably intensified.

The growing digital divide has a disproportionate impact on rural populations. In Pakistan, digital financial inclusion is necessary for growth-oriented participants of the digital economy to convert opportunities into tangible outcomes. The lack of reliable, affordable, instant, and safe payment systems is a serious barrier to building a viable digital economy (World Bank, 2023). No evidence is available on the impact of payment systems on the conversion of social network activity into monetary sales at a microenterprise level. In general, when online payment systems are supported by transparent and trustworthy privacy policies, procedural trust, and assurance seals, the friction of payment systems is overcome, and the likelihood of purchases increases (Asongu et al., 2024). From the perspective of the resource-based view (RBV), digital financial inclusion serves as an enabling resource that enhances and augments AI and social commerce capabilities by providing seamless payment options. The efficacy of AI-driven personalized recommendations increases manifold when payment friction is eliminated through mobile wallets and QR code payment systems. An uptick in mobile wallet and backed payment systems at microenterprises will substantially increase sales growth.

As with other social commerce platforms, successfully driving sales is contingent upon seamless payment mechanisms that seamlessly connect online interactions to actual purchases. Research indicates that firms with access to digital financial services possess a competitive advantage when monetizing social media interactions because end-users consider such services secure and easy to use (Ali \& Anwar, 2023). Social commerce that lacks financial inclusion is likely to result in interaction without conversion, leaving the corresponding revenue growth potential for microenterprises untapped. Thus, digital financial inclusion enhances customer trust and, most importantly, ensures that social commerce capability is a critical and scarce resource aligned with RBV.

Digital financial inclusion plays a vital role in providing the supporting infrastructure that enables the far-reaching effects of innovation on firm performance. For illustration, when microenterprises utilize AI tools for personalized product recommendations or predictive demand forecasting, inclusive financial technologies ensure that the advanced features are connected to safe and easy payment systems (Liu et al., 2023). The integration of payment systems with advanced features is essential to ensure

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smooth payment processing. Without it, advanced systems with sophisticated AI technologies may have made no actual sales conversions. Thus, DFI serves as a reinforcing mechanism that enables the transformation of AI resource adoption from efficiency improving to sales driving (Asongu et al., 2024). This means that DFI is a determining factor in the relationship between financial inclusion and AI adoption, as firms in regions with stronger financial inclusion systems will enjoy greater AI financial benefits than those in regions with weak DFI service penetration.

Similar to other forms of digital transactions, social commerce capability relies on consumer propensity to transact within digital environments. Research conducted in developing economies reveals that social commerce platforms achieve high customer engagement; however, the lack of adequate system infrastructure often results in reduced customer purchase completion (Ali & Anwar, 2023). Digital financial inclusion fills this void through mobile wallets, QR payments, and e-banking services that lower transaction costs, enhance ease of use, and foster consumer trust (Shair et al., 2024). From the RBV viewpoint, this implies that DFI enhances social commerce capability by increasing customer engagement, which in turn leads to sales. Hence, micro-enterprises that merge robust social commerce and high levels of financial inclusion are more likely to sustain a competitive edge in the apparel and fashion industry.

H3: *Digital financial inclusion positively moderates the relationship between AI tool adoption and enterprise sales growth.*

H4*: Digital financial inclusion positively moderates the relationship between social-commerce capability and enterprise sales growth.*

CONCEPTUAL MODEL

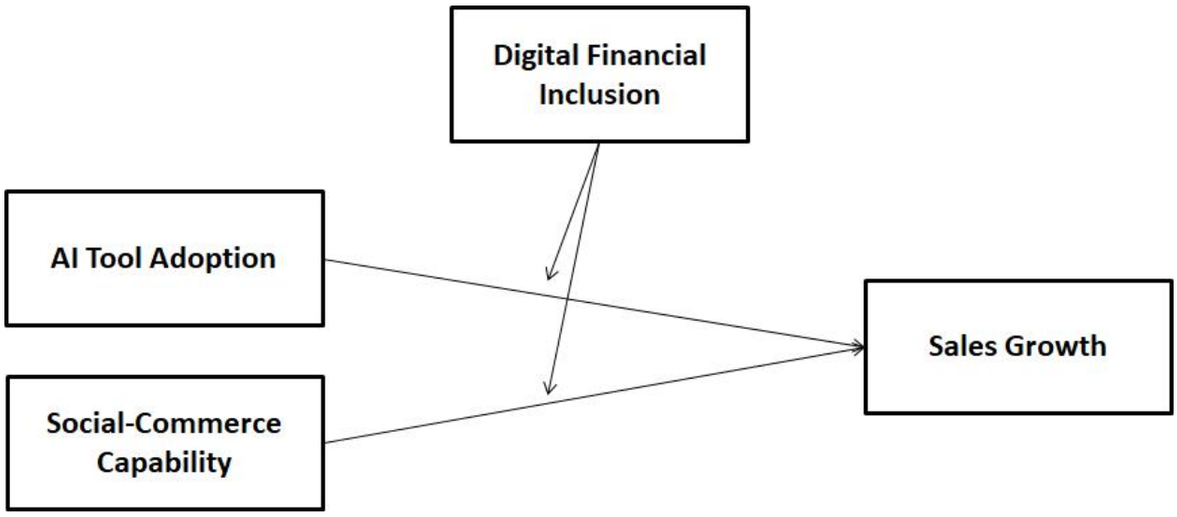

Figure 1. Conceptual Model

METHODOLOGY

DESIGN, SAMPLING, AND ANALYTICAL FRAMEWORK

The current study employs a quantitative, cross-sectional research design to assess the effects of AI tool adoption and social commerce ability on the sales growth of enterprises, with a focus on the moderating construct of digital financial inclusion. The cross-sectional design is beneficial in this regard, as it captures a single snapshot in time, allowing for the assessment of causal relationships between variables using statistical techniques (Creswell & Creswell, 2018). The sample frame in this scenario comprises small and medium-sized

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enterprises in the fashion and apparel industry in Pakistan, specifically stitched garment retailers, clothing boutiques, and design studios. Given the study's context, which focuses on digital adoption and digital managerial decision-making, purposive sampling was used to source respondents, including business owners, managers, and senior cross-tier decision-makers with firsthand knowledge of the enterprise. Following the suggested approaches (Hair et al., 2021; Rahman et al., 2025), a sample of 200–300 respondents was considered optimal to achieve adequate statistical power for performing regression-based moderation analysis. The respondents completed a survey with questions in the form of a structured questionnaire, which was made accessible online through Google Forms and WhatsApp, as well as in person at fashion outlets in major cities such as Karachi, Lahore, and Islamabad.

Reliability was determined, and the instruments, along with the pilot study involving thirty subjects, were thoroughly analyzed. Collection and modification are consecutive stages described and practiced after the instrument was designed and adjusted. Ethical issues related to the voluntary nature of participation, informed consent, and the anonymity and confidentiality of respondents are standards obeyed, not relished.

The data analysis stage utilized SPSS v28, along with Preacher and Hayes' moderation PROCESS macro (2004, 2008), Model 1. These included descriptive statistics and correlations, as well as some other elementary procedures, to provide approximations of the data. Reliability was calculated using Cronbach's alpha, with 0.70 being the bare minimum for internal consistency. The regression analysis attempted to quantify the sales increase attributable to the use of AI and social commerce tools. Moderation analysis with the PROCESS Macro involves independent and dependent variables. To manage multicollinearity, digital financial inclusion was centered. The last stage of the moderation analyses employed an univariate bootstrapping technique, processing 5,000 samples, which increased the moderation effects and amplified the confidence intervals and the ensemble estimate.

INSTRUMENTATION

Based on previously authenticated studies that employed a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), the research instrument involved only closed-ended questions. Items measuring AI tool adoption were modified from Rahman et al. (2024) concerning automation, predictive analytics, and personalization features. Items measuring social-commerce capability were modified from Sanam et al. (2025) and Solangi et al. (2025), focusing on live selling, digital engagement, and platform integration. The dependent variable, enterprise sales growth, was measured using items from Lindner (2024) that focused on revenue growth, customer acquisition, and sales volume. Lastly, the moderating variable, digital financial inclusion, was measured using modified items from Shair et al. (2024) that assessed access to secure payment gateways, mobile wallets, and transactions via QR codes.

RESULTS

RESPONDENTS' PROFILE

Table 1 summarizes the demographic features of the 280 survey participants. The sample consisted predominantly of males (62.1%), while females constituted 37.9%. The largest age group of respondents was 26–35 years (44.3%), followed by those aged 36–45 years (29.6%), and those under 25 years (18.9%). In terms of educational achievement, 41.4% had a bachelor's degree, 38.2% possessed a master's degree, while the remaining 12.1% were diploma holders. In terms of organizational position, owners constituted 53.9% of the

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sample, managers 28.6%, while senior executives were 17.5%. This suggests that the respondents were pertinent to the survey as people with substantial authority.

TABLE 1: RESPONDENTS' PROFILE (N = 280)

Variable	Category	Frequency	Percentage (%)
Gender	Male	174	62.1
	Female	106	37.9
Age	Under 25	53	18.9
	26–35	124	44.3
	36–45	83	29.6
	Above 45	20	7.2
Education	Diploma/Intermediate	34	12.1
	Bachelor's	116	41.4
	Master's	107	38.2
	Others (Professional)	23	8.3
Role in Organization	Owner	151	53.9
	Manager	80	28.6
	Senior Executive	49	17.5

DESCRIPTIVE STATISTICS AND RELIABILITY

Table 2 displays descriptive statistics regarding the primary constructs. The mean scores of AI tool adoption (M = 3.87), social-commerce capability (M = 3.91), and digital financial inclusion (M = 3.78) indicate a moderate level of adoption within the sample population. Enterprise sales growth also received a high mean score (M = 3.95), indicating that participants held positive perceptions regarding growth. The values of Cronbach's alpha range from 0.82 to 0.89, which exceeds the established threshold of internal, confirmatory, exceed the established threshold for internal consistency reliability.

TABLE 2: DESCRIPTIVE STATISTICS AND RELIABILITY

Variable	Mean	SD	Cronbach's Alpha
AI Tool Adoption	3.87	0.65	0.86
Social-Commerce Capability	3.91	0.69	0.82
Digital Financial Inclusion	3.78	0.71	0.85
Enterprise Sales Growth	3.95	0.63	0.89

CORRELATION ANALYSIS

Table 3 displays the outcome of the Pearson correlation analysis. All the observed variables were positively associated with each other. The adoption of an AI tool ($r=0.48$, $p<0.01$) had a moderately positive correlation with enterprise sales growth. Social-commerce capability ($r=0.52$, $p<0.01$) also exhibited a moderately positive correlation with enterprise sales growth. Digital financial inclusion also displays positive correlation with the both the predictors and the dependent variable.

TABLE 3: CORRELATION MATRIX

Variables	1	2	3	4
1. AI Tool Adoption	1			
2. Social-Commerce Capability	0.46**	1		
3. Digital Financial Inclusion	0.44**	0.49**	1	
4. Enterprise Sales Growth	0.48**	0.52**	0.50**	1

Note: **p < 0.01

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REGRESSION AND MODERATION ANALYSIS

The hypotheses were tested using PROCESS Macro Model 1. Regression outcomes are contained in Table 4. AI system use ($\beta = 0.27$, $p < 0.001$) and social-commerce capability ($\beta = 0.32$, $p < 0.001$) both positively contributed to enterprise sales growth, thereby confirming H1 and H2. Digital financial inclusion positively and significantly moderated the relationship between AI system use and enterprise sales growth ($\beta = 0.18$, $p < 0.01$) as well as between social-commerce capability and enterprise sales growth ($\beta = 0.15$, $p < 0.05$), thereby confirming H3 and H4.

TABLE 4: REGRESSION AND MODERATION ANALYSIS (PROCESS MACRO MODEL 1)

Predictor/Interaction	β	SE	t	p-value
AI Tool Adoption → Enterprise Sales Growth	0.27	0.06	4.50	0.000
Social-Commerce Capability → Sales Growth	0.32	0.07	4.71	0.000
Digital Financial Inclusion (DFI)	0.21	0.05	4.20	0.000
AI Tool Adoption × DFI	0.18	0.06	3.00	0.003
Social-Commerce Capability × DFI	0.15	0.07	2.14	0.033
Model R^2	0.46			

The findings of the regression suggest that the use of AI tools and social commerce capabilities are both important for the growth of an enterprise's sales. In addition, the interaction terms show that the instrumental variable digital financial inclusion strengthens these relationships. This means that enterprises with more digital payment systems integrated into their operations are able to gain more from the adoption of AI and social commerce. Considering that the model accounts for 46% of the variance in enterprise sales growth, this is substantial, and should be considered more seriously in behavioral research.

DISCUSSION

The results of this study shed light on the importance of digital tool use for sales enhancement for small and medium-sized businesses (SMBs) within the Pakistani fashion and apparel industry. After testing the hypotheses put forward for this research, it became clear that the use of AI tools, social commerce capability, and digital financial inclusion, which emerged as a key moderating variable, all contribute to sales growth.

Hypothesis 1 (H1) posited that adopting AI tools improves an enterprise's sales revenue. This hypothesis was supported, as it was clear that AI sales tools, such as predictive analytics, sales automation, and personalization, significantly drove sales. This is supported by literature, which states that AI enhances automated operational activities, customer engagement, and decision-making within SMEs (Rahman et al, 2024). Additionally, in the fashion industry, AI-powered virtual try-on and trend forecasting tools enhance consumer trust and conversion, ultimately benefiting businesses (Lindner, 2024). This research, therefore, strengthens the argument that Mesoe and Sameer AI use proxies within Pakistani fashion sector SMEs to increase their sales performance. The second hypothesis (H2) predicted that social-commerce capability has a positive effect on enterprise sales growth. This aligns with the finding that SMEs leveraging Instagram, TikTok, and WhatsApp for live-selling, digital engagement, and storytelling perform better. This is supported by Sanam et al. (2025), who demonstrated that strong social commerce practices enable SMEs to deepen customer relationships and expand their market. Additionally, Solangi et al.

As mentioned by (2025), the creative and purposeful use of visuals, combined with the development of an online community, has boosted customer loyalty and increased

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conversion rates. This study validates the work of the previous studies and adds that social commerce is of considerable importance in relation to the competitive nature of the fashion industry in Pakistan. Social commerce has provided SMEs with low-cost marketing and transaction opportunities.

The focus of Hypothesis three (H3) was the role of moderation that digital financial inclusion has on the relationship between the utilization of AI tools and the sales growth of an enterprise. The findings revealed a significant and positive moderating impact. Hypothetically, the inclusion of AI tools could lead to an increase in sales if there exist inclusive and widely accessible digital payment systems that are secure. This resonates with recent literature that suggests accessible digital payment systems enhance consumer confidence and facilitate commercial transactions (Shair et al., 2024). Furthermore, some literature suggests that the absence of a comprehensive digital financial system hinders many small and medium-sized enterprises (SMEs) from realizing the full potential of innovative digital technologies (Business Recorder, 2024; Reuters, 2024). This study demonstrates the moderating impact to highlight the extent to which digital financial services convert the claimed advantages of AI in sales increases into real sales for SMEs.

It involved the moderately functional and sophisticated dimensions of social commerce capabilities that support completing the value and sales activities of an enterprise in the formation of H4. It Stands, 'Digital Financial Inclusion' Capture Moderated the Relationship' Critical and Flexible Innovation Capabilities of Social Commerce and Scale of Business Sales Growth. What financial inclusion enterprises gain from value-deriving social commerce ratios is what the quantitative data suggest, which confirms the hypothesis and implies that scaled adoption transcends the mere customer acquisition funnel to transactions. It supports the argument of Solangi and others (2025) regarding the dual synergy between the social and digital financial systems in customer closure. It supports the view of Shair and others (2024) that digital financial inclusion reduces the costs, transactional syndromes, and red tape associated with small and medium enterprise-sponsored activities and improves their digital marketing effectiveness. Confirming the digitization gaps in social commerce funding collection, payment systems profoundly enhance the social commerce profitability, balance, and effectiveness of sponsored activities in digital marketing for enterprises.

Based on the outcome of this research, the adoption of social commerce and AI capabilities directly facilitates the growth of enterprise sales in Pakistan's fashion and apparel industry. To a large extent, the effectiveness of both of these capabilities, however, hinges on the extent of digital financial inclusion. This research contributes to the literature by highlighting the role of technological innovation and adoption in conjunction with the financial system in driving growth in developing economies. Moreover, the research identifies a novel contextual gap. Most of the literature on the adoption of AI and social commerce has focused on advanced countries. This research enhances the scholarship by examining Pakistan, a developing economy with severe infrastructural and financial constraints that its SMEs face.

IMPLICATIONS

THEORETICAL IMPLICATIONS

This study advances exists literature regarding digital transformation, SME performance, and financial inclusion on various fronts. The most notable inclusion is extending the understanding of AI adoption and appreciating its positive correlation with sales growth in the emerging economies AI's role in the operational processes and customer relations

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(Rahman et al., 2024; Lindner, 2024) has been emphasized while the current study extends the understanding of the sales outcomes from AI as a contributor to resource based view (RBV) claims digital technology is a strategic resource for an SME and thus, must be protected from imitation.

The conclusion strengthens the body of literature on social-commerce capability by demonstrating its contribution to sales growth. Past research on this subject has primarily focused on developed countries (Sanam et al., 2025) whereas this study addresses the gap in social-commerce literature related to the SMEs in Pakistan, demonstrating the social-commerce models built for developed countries can be modified for developing countries.

Particularly, this thesis contributes to the literature on digital financial inclusion by defining it as a contextual performance moderator, not a direct predictor of performance outcomes. The data suggests that the ability to transact financially is not the only aspect of financial inclusion when AI and social commerce are significant contributors to growth. This more sophisticated understanding aligns with that part of the institutional theory which emphasizes the enabling institutional constellations within which firms are able to maximize their firm-specific gains from digital adoption.

PRACTICAL IMPLICATIONS

The impacts now encompass management and public policy. For small to medium-sized enterprises (SME) owners and managers in the fashion and apparel industry in Pakistan, this means directing operational expenditures to AI-based recommendation and predictive analytics systems, customer engagement and communication automation systems, and, no less important, sophisticated social commerce performance integration platforms on social media and e-commerce applications, such as Instagram, WhatsApp, TikTok Marketing and Direct Sale systems, as the building blocks of competitiveness in the digital economy.

SMEs in Pakistan need to gain consumer trust and confidence to deploy advanced digital payment infrastructures and build robust blended/mobile payment systems that combine digital wallets, QR payment systems, and frictionless online banking to minimize transactional friction. Public authorities and banks, on the other hand, need to collaborate to improve the payment systems to small and medium enterprises (SMEs) to make them more accessible and affordable, especially to those in rural and semi-urban areas, which are the most neglected and underserved.

This research emphasizes that the digitization of SMEs is not a one-man struggle. The technological incorporation with marketing and financial aspects is crucial. When these are addressed in a more holistic and integrated manner, SMEs will be able to realize the growth potential in the market, while policymakers foster more inclusive and resilient growth.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This particular research study is not without flaws. All studies come with improvements that need to be made. The scope of research is rather narrow. The focus on the study involving fashion and apparel SMEs in Pakistan is rather simplistic. Generalizing would entail cross country comparative research, as well as cross-industry research, which in itself would be much more insightful. Self-reported data tends to be biased and lacking in many informative aspects. The moderator of the moderator-less quadric research studies is also in need of more focus, particularly the dimensions of postpartum financial literacy, government policy, and the bureaucratic organizational culture. Alongside mixed methods, the more integrative methods, such as the hands-on approach to research and the

integration of distinct fields of study are nicer to work with. Specific research pertaining to artificial intelligence and the emerging subfield of generative AI would prove to enhance the study to be more insightful. The entire field of finance is rapidly evolving.

CONCLUSION

This study's purpose was to determine how adopting AI and social-commerce tools impact enterprise sales growth for Pakistan's Fashion and Apparel SMEs, moderated by financial inclusion on mobile devices. Evidence confirms that AI adoption and social-commerce capability positively impact sales growth, which is further moderated by financial inclusion's secure, cost-effective, and reliable digital transaction mechanisms. This illustrates how digital transformation is essential for sustaining a competitive advantage in growth oriented... client businesses. The social adoption of technological innovation combined with inclusive financial architecture improves sustained SME performance in a digital economy by created better market opportunities.

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