Financial Disruption and Microentrepreneurs: Empirical Study on Adoption of E-Wallet Among Micro-Entrepreneurs in India

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ABSTRACT

The COVID-19 pandemic is expeditiously stirring the global economy. The impact of this pandemic has implications on the sustenance of industries worldwide. This study investigates the influence of various endogenous and exogenous factors affecting e-wallet adoption among micro entrepreneurs in India. A sample of 287 micro enterprises were identified in NCR (National Capital Region) region on the basis of random sampling. Structured questionnaires were administered to the respondents. Structural equation modelling was used to analyse the data with the help of Smart PLS 3. The main findings of the study show that self-belief, personal innovativeness, and satisfaction are the key indicators affecting the e-wallet adoption among the microentrepreneurs. Microentrepreneurs contribute greatly to economic development in developed and developing nations. Digitalisation of this segment of industry can turn India into a cashless country, thereby reducing the cash burden of the economy. Microentrepreneurs can also act as a catalyst for financial inclusion.

KEYWORDS

COVID-19, Digitalization, E-Wallets, Financial Inclusion, Micro Entrepreneurs, NCR

1. INTRODUCTION

India being world’s largest democracy, is playing an important role in the world economy. Industries contribute significantly to growth and development of the nations across the boundaries. India has heterogenous industries ranging from large, medium to small (MSME) scale industries. MSMEs (Micro small and medium enterprises) play a domineering role in India’s economic growth. MSMEs have contributed to different aspects of Indian economy from manufacturing, trade to service sector. The scale of production for MSMEs is very small and often operates in closed markets (Kamunge et al., 2014). As per the directives of Government of India (with effect from 15.7.2020), a micro enterprise is classified as having investment in plant and machinery not exceeding Rs0.01 billion and turnover

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not exceeding Rs0.05 billion (MSME portal, Government of India). Micro enterprise refers to small business operating on limited capital and employing less than 10 people. These industries along with meeting global and domestic demands, contribute in providing jobs and poverty alleviation. They act as an ancillary unit for large industrial houses and also help in better utilization of non-significant raw material, which would have been considered waste. In 2018-19, MSMEs, made a contribution of 33.50% in GVA (Gross value added) and 30.27% towards GDP (Gross domestic product) of the country (MSME Annual report, 2020-2021). The number of MSMEs operational in India stand at 63.38 million, out of which 63.05 million belong to micro segment. This segment is major contributor to job market, by proving employment to 107.619 million youth of country (MSME Annual report, 2020-2021).

Even though the micro enterprise forms the backbone of economy in developed and developing countries, still they face lot of challenges in terms of survival. Any micro enterprise goes through litmus test of survival in initial stages of growth. Technological backwardness has drastically affected the businesses of many micro enterprises. MSMEs in India are still ignorant about latest trends of technology in the world and this acts as dampener for their business growth. (Mukherjee, 2018). Indian economy faced drift change from cash to cashless transactions post demonetisation. The ripple effect of demonetisation lead to cash crunch in economy, compelled customers to move to digital platform (Lohana & Roy, 2021). Presently Government is putting best efforts to transform Indian economy from cash rich to digital economy. Small business is more manoeuvrable and provides economic independence to the entrepreneurs (Mukhoryanova et al., 2021). Micro enterprises have a cascading effect on economic growth, poverty alleviation and sustainability of an economy.

1.1 Digitalisation and Financial Sector

Digitalisation has changed the world today, leading to shrinking of global community. Now a days one can access things which previously seemed long distance. Today’s technology driven world and hectic lifestyle has put comfort of the individuals on top priority (Tiwari et al., 2019). With increased usage of broad band among various populations of the world, digitalisation of economy has become a buzz word. Banking and financial sector is not left behind, with shifting of payment systems from manual to online payments (Yang et al., 2021). Indian has emerged as largest democracy in the world with a population of 1.2 billion. With this level of population, which leads to increasing consumer demands, India is integrating into global economy and emerging as one of the global players (World Bank website). India is a growing consumer market with 34% (440 million) of its population being millennials. This shifting trend of population is turning India into one of the largest millennial markets of the world. The millennials have specific behavioural patterns and are more technology driven (Times of India, 2021; Chopra & Ranjani, 2020). With such a change in consumer market, no industry can be left untouched. In order to survive in this cut throat competition and meet the demands of millennial customers, micro enterprises need to move forward to new business avenues. Digital technology can act as a support to micro enterprise to find potential markets and new customers (Kamal et al., 2009). In today’s world, Indian economy has lot of facilitators leading to behavioural change and in turn greater technology adoption. The higher internet penetration, increase smartphone usage, rise of technology and push from government are leading to increased digital payment adoption among Indian consumers (Abraham, 2020). Our growing millennial population prefer use of smartphones for doing all transactions and social activities. In financial sector E-wallets are acting as a digital currency and are gradually taking over physical currency. E-wallet is a type of electronic card used by consumers to make online payments using mobile phones or computers. Consumers install E-wallet applications on their mobile phones or computers and make online payment for any service or product. Our bank account needs to be linked with E-wallet to make this payment. These wallets give consumers an ease of use, as all the transactions are executed using smartphones are hassel free. The feature of anywhere payment execution makes E-wallet a popular choice among other available digital options (Yang et al., 2021). There are wide range of E-wallets such as Paytm, PhonePe, Freecharge, BHIM