



E-PAYMENTS SYSTEM AND IT'S PROLIFIC ROLE IN ENSURING FLAWLESS FINANCIAL TRANSACTIONS: AN EVALUATION OF MANUFACTURING SECTOR'S MICRO AND SMALL ENTERPRISES

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ABSTRACT

The e-payment system has grown in importance as a means of payment all around the world. E-payment systems not only make it more convenient, but they also make it more efficient to provide financial services to the "unbankable" people, especially to microbusiness owners. The amount of e-payments made per person in Nagpur has significantly increased from 14.3 transactions in 2013 to 82 transactions in 2021. Financial institutions, notably microfinance institutions, should play their parts in promoting widespread e-payment adoption among microentrepreneurs in light of the growing importance of e-payments. Malaysia has seen the establishment of 645,136 small and medium-sized businesses up till 2011, with 77% of those being classified as micro-enterprises. The introduction of an e-payment system can improve financial inclusion by focusing on microentrepreneurs. This study examines the adoption of micro-entrepreneurs and offers recommendations for the adoption of e-payments in order to analyse the e-payment services provided to microenterprises. In order to accomplish these goals, the study evaluates the body of knowledge on the adoption of e-payments and underlines the problems with that adoption, particularly for microbusiness owners. The results of this study are anticipated to add to our understanding of the uptake of digital financial services, notably e-payment, and to help service providers continuously enhance their offerings.

Keywords: E-Payment, Microenterprise, Muslim Micro-Entrepreneurs, Financial Inclusion

INTRODUCTION

The rise of information and communication technology (ICT) had fundamentally altered both the daily lives of people and the operations of organisations. According to Slozko and Pello (2015), ICT and digital technologies have significantly evolved in the fields of finance, economics, and operational expenses. They have also improved organisational performance (Ali, 2010). With the advent of ICT and digital advancements, the global business environment has undergone a dynamic change, with commercial transactions increasingly moving from cash-based to electronic-based ones (Mohamad, Haroon, & Najiran, 2009). Additionally, the

rapid growth of the internet worldwide and its widespread use over time have greatly facilitated electronic commerce in a global business environment (Fernandes, 2013).

As a result, an electronic payment solution was developed to take the place of the previous cash-based payment systems as business partners' transactions continued to be offered on the e-commerce platform (Dennis, 2004). Most firms were faced with the issue of automatically switching from the traditional paper-based payment system to an electronic payment system, also known as the e-payment system, when this development in the global business environment first appeared. Generally speaking, an electronic payment platform is one that is used to process payments for products and services bought online via the internet (Roy & Sinha, 2014).

The world payment system then aligned with the present trend of cashless transactions among people, businesses, and governments with the development of the e-payment system (Odi & Richard, 2013). As a result, electronic forms of payment that offer a more convenient, quick, and secure method of conducting payments between individuals and companies are gradually replacing coins and paper money in the global payments system (Premchand & Choudhry, 2015). Similar to how e-payment and mobile payment (m-payment) have increased non-cash transactions globally annually over the years, except for 2012 when it slows down from an annual growth rate of 8.6% in 2011 to 7.7% in 2012. (World Payment Report, 2014).

E-payment systems are crucial tools used by both individuals and businesses as a safe and practical method of sending money online, as well as a doorway to technical development in the field of the global economy (Slozko & Pello, 2015). Additionally, it has developed into the primary e-commerce facilitation mechanism that is essential for the success of online businesses. Additionally, the use of electronic payment systems had improved the world payment system's efficiency, reduced fraud, and innovation (Oladeji, 2014).

Additionally, e-payment systems tend to bring a variety of electronic payment methods, including credit cards, debit cards, online banking, and mobile banking, through which financial institutions can provide their clients with a variety of e-payment options and services (Premchand & Choudhry, 2015). As a result, e-payment technology usage is constantly growing in today's commercial environment and public sector enterprises (Balogun, 2012). (Kaliannan & Awang, 2010; Hussein, Mohamed, Ahlan, & Mahmud 2010; Gil-Garcia & Luna-Reyes, 2003). However, despite all these advantages of electronic payments, lack of user ICT knowledge and security breach fear continue to be the top concerns of people, enterprises, and information system specialists (Khairun & Yasmin, 2010).

LITERATURE REVIEW

Small and medium-sized businesses in Botswana were investigated by Alice Phiri Shemi, according to a press release (2011). There were nine small and medium-sized firms in Botswana inspected. Research on e-commerce adoption focused mostly on small and medium-sized companies (SMEs) in developing countries. In addition to the financial ramifications and staff expertise of information technology, company owners' and managers' attitudes play a role

in the adoption of e-commerce. Participants in a poll identified remote access to client websites, as well as the ability to make purchases and make payments online, as possible roadblocks.

Small companies have both benefits and drawbacks when it comes to employing E-Commerce solutions. These problems are examined in detail by Anilkumar. L. Rathod, (2013), in his paper titled "A Research Project on Adoption Barriers. The development in the usage of e-commerce technology has been attributed to the growing use of the internet as a low-cost commercial medium. Because of the difficulties in using these technologies, businesses have a hard time reaping their rewards. Infrastructure, language, culture, and overall confidence in the research were all cited as influencing factors in building trust in the study. In order to overcome problems such as the mix of government and private sector collaboration, researchers have shown that a robust E-Commerce platform and a few crucial methods may be used."

For their study, "Managers' Perspectives on the Factors Affecting Small and Medium-Sized Enterprise Adoption of Ecommerce in the Industrial Towns of Zanjan, Iran," Iranian researchers at the Zanjan University of Technology carried out a survey. Researchers in Zanjan, Iran, studied small and medium-sized firms' use of e-commerce in great detail. A poll of small business owners and managers in Zanjan was undertaken. An estimated 62% of companies now do business online, putting tech-savvy workers in high demand.6 2. The use of e-commerce by small businesses is significantly connected to competitiveness, organizational complexity, technical innovation, and managerial characteristics.

According to As'ad (2012), small and medium-sized businesses (SMEs) in Indonesia utilize the internet to conduct online business (e-commerce). This study focuses on small and medium-sized firms in Indonesia. According to the statistics, the most common age group for entrepreneurs in Jakarta was between the ages of 25 and 34. According to a recent poll, the vast majority of small businesses in the clothing sector conduct their operations online. Consumer data and revenue both gain from e-commerce, according to more than half of those surveyed. Though hindered by network issues and the payment-on-delivery system, they are nevertheless going strong. A young IT education and training program should be developed in light of the results, say the researchers. New data suggests that online trade may help businesses grow in the long term.

According to a study conducted by Awa in 2015, the usage of EC by small and medium-sized businesses was influenced by demographic factors, with a geographical emphasis. SME's in Indonesia are the subject of this inquiry. Researchers have studied the stages of e-commerce adoption and the growth phases model for e-business. The rise of e-commerce looks to be gaining momentum. According to the results of a study, small and medium-sized enterprises have been utilizing ecommerce for at least three to five years. There are three distinct phases of e-commerce adoption. There are many small and medium-sized enterprises in Indonesia, according to the poll, that haven't used e-commerce for more than three years. Although Indonesia established its first e-commerce website as long back as 1996, the nation has just recently come to realize the broad usage of it. Small and medium-sized businesses (SMEs) in

Indonesia are increasingly turning to the internet to market and sell their products. It's safe to infer that adoption is a relatively new phenomenon.

As part of an investigation by the Awiagahet team, the Awiagahet team examined the usage of internet shopping by small businesses in Ghana. According to a study, small and medium-sized businesses in Ghana have the greatest difficulty doing business through the internet. With the use of social constructivism and the TOE characteristics, SMEs in Ghana and South Africa would benefit from this research. Structural equation modeling was used to analyze the data. Government support has the greatest direct impact on e-commerce objectives, according to research. Small and medium-sized businesses (SMEs) in Ghana benefit from e-commerce management and legal support (SMEs). Following the lead of Ghana's most successful early adopters may help small and medium-sized enterprises (SMEs) avoid the pitfalls of electronic commerce (EC). In fact, this is supported by scientific studies.

MS Azam et al. has out study in this area "SME Adoption of E-Commerce in Bangladesh: The Role of Innovation and Perceived Risk in SME Adoption (2009). The research looked at how small and medium-sized businesses in Bangladesh are using e-commerce. E-commerce has benefited greatly from Rogers' Theory of Innovation. Besides these three factors, we also included the e-Commerce Adoption Intention variable as an explanatory factor. e-commerce adoption is favorably driven by perceived relative advantages, compatibility, testing capability, and observeability, but adversely influenced by perceived complexity and risk. a Small and medium-sized Bangladeshi businesses encounter difficulty in adopting Ecommerce because of its unique characteristics, according to a study. A recent research suggests that prototypes may help Bangladeshi small businesses embrace e-commerce more rapidly.

RESEARCH QUESTIONS

During the course of this study, the following Research Questions were formulated.

- What are the current practises of SMEs in terms of E-Payment adoption?
- What are the factors that influence E-Payment adoption?
- What are the hurdles that SMEs encounter when it comes to using E-Payment?

RESEARCH METHODOLOGY

When it comes to acquiring data, there is a distinction between research design and research technique. The first paragraph of the report includes a brief overview of the investigation's goals and the question it hopes to address. The impact of electronic payment adoption on small and medium-sized firms and the factors that drive that adoption will be investigated. Qualitative and quantitative data collection approaches were required to meet the project's objectives. In Nagpur, small and medium-sized businesses were urged to take part in a poll. Small-business owners and managers were contacted after their employees completed a questionnaire to gather their comments on the results. This data was used to construct an E-payment adoption model.

DATA ANALYSIS

Table no. 1 analysis of variable- organizational factors that influence e-payment adoption & trust

VARIABLES	SIZE OF BUSINESS						t- value	p- value
	SMALL			MICRO				
	N	MEAN	SD	N	MEAN	SD		
Management Support	700	14.73	1.455	300	14.76	1.573	0.409	0.683
Financial Aspects	700	15.67	1.179	300	15.96	1.525	2.655	0.283
Employees' Support	700	14.77	1.665	300	14.85	1.635	0.129	0.897
Relative Advantage	700	15.94	1.076	300	15.73	1.568	2.396	0.254
ORGANIZATIONAL FACTORS	700	61.11	3.655	300	61.30	3.789	1.632	0.323

Source: Primary Data
 (*5% level of Significance)

An independent sample t-test was employed to verify this hypothesis. If "the manufacturing sector's micro and small enterprises in Nagpur city have little confidence in e-payment systems," then the null hypothesis has been accepted. There is a statistical significance to even the impression of the Organizational Factors Score. The p-values are shown in the table (0.323). It is possible that small and medium-sized businesses (SMBs) will be less willing to accept E-Payment applications than large corporations (MNCs). EDI-enhanced e-payment systems, such as EDI, are much more costly. Respondents from small and micro organisations (M = 15.94 and 15.96) had higher favourable opinions of organisational features for 'Relative Advantage.' Management support for small and micro businesses was rated lower than the general population (M = 14.73 against 14.76) by small and micro company owners.

Small and medium-sized firms (SMEs) utilise e-payments at a higher rate than big corporations (M = 61.11 percent), yet there are certain commonalities between the two groups. Small or micro-sized businesses are equally likely to accept electronic payments, according to the research. Researchers found that manufacturers' representatives in Nagpur had little faith in electronic payment methods.

DISCUSSION

Human resources specialist in e-payment and e-commerce services. The issue with this indicator is that there aren't any measures to promote employee readiness to use e-payment services through training, which makes it difficult for staff members to adapt to business operations including the usage of applications. First, this is because most MSME actors lack a college degree. Second, some MSME players who are not millennials exhibit a lack of digital competence. Thirdly, because the players are already accustomed to using traditional non-digital ways, there is resistance to using new technologies. The socialisation and instruction

necessary to understand how to utilise e-payment technology also contribute to the difficulty to adjust to it. Because of this, MSMEs need to implement strategies and solutions that increase digital literacy and offer instruction and support for using e-payments. Additionally, it's important to demonstrate clearly the advantages or worth of implementing e-payments in MSMEs. Experts' observations about MSMEs transitioning to a digital base revealed that some MSMEs players continue to view digitalization as something abstract and apart from everyday business.

Resources in technology. Given that Indonesia still has a significant digital divide despite ongoing government and private sector attempts to close it, it is possible that an MSME's technology infrastructure is insufficient to support e-payment services. E-payment services need a reliable and accessible data transmission network connection as a minimum. MSMEs will be reluctant to embrace e-payment if there are challenges when completing a transaction. Due to this, MSMEs should make use of a mobile infrastructure that has a wider range, and trials may be carried out to adapt to the capabilities of mobile network providers based in the area.

Governance. When e-payment services are implemented, one issue that arises is the inability to analyse changes in organisations, business partners, and customers. This issue is brought on by MSMEs' perception that their company is small and only able to handle daily turbulence, as well as being influenced by factors of limited competence and human resource capabilities, which results in an inability to analyse changes during a period of disruption. The change from cash to electronic payments is one such severe upheaval. In order to enable MSMEs to properly assess changes so that they can adapt to the needs of business partners and, particularly, customers, a strategy that needs to be implemented is to socialise and train them. Programs of the Ministry of Cooperatives and SMEs have been focused on raising the class of MSMEs through various trainings provided online through the MSMEs' campus during the present pandemic age. The capabilities of MSMEs is anticipated to increase as a result of this training, particularly in terms of governance indicators.

Achievement of Development. Due to MSMEs' limited capacity and competence to develop such applications, there are issues with the adoption of MSME e-commerce service systems that do not yet adhere to the necessary business procedures and capabilities. Building and, especially, operationalizing such systems might be challenging for many MSMEs. As a result, many now use social media for marketing and online marketplaces for selling. MSMEs lack the resources necessary to develop e-commerce because of these constrained circumstances. MSMEs must maximise their online and offline visibility as part of the plan and solution to this issue. MSMEs worry that the high cost of creating and running e-commerce businesses will hurt them. For internal requirements, they might benefit from increasingly cost-effective digital solutions like point-of-sale and accounting applications.

Saving money. One major issue is that MSMEs have not been able to fully capitalise on the benefits of e-commerce services' ability to reduce operational costs. MSMEs should pick a solution that won't be difficult to operationalize afterwards, as was previously considered.

Strategies and solutions include purchasing and selling through various marketplace platforms as well as maximising a variety of services on social media for marketing. As evidenced by experience, a large number of MSMEs have failed to develop and maintain their e-commerce platform.

CONCLUSION

Small and medium-sized businesses (SMEs) have shown to be a crucial engine and backbone of industrial and economic success in both industrialised and developing countries. Large economic development models have long assumed that small and medium-sized enterprises (SMEs) play a significant role in creating jobs as well as generating export income and earning a significant amount of foreign currency. New technologies like E-Payment may have a significant impact on SMEs. To put it another way, e-payments are a corporate asset since they assist to handle concerns like global reach, logistics, and more. The usage of electronic payments is deemed necessary in this study for all organisations, large and small. To everyone's advantage, productivity and earnings go up for the company's marketers and payment system.

Using a study model, we were able to figure out how various aspects of the E-Payment for SMEs in Nagpur interrelate. In order to improve the components that fall under their jurisdiction, E-Payment implementers should think about these factors before making their decision. Prior to implementing E-Payment, managers will need to make organisational changes to their processes. Improved computer literacy and a stronger technology basis inside the company can also help make E-Payment more user-friendly. Electronic payments will be made easier to utilise in the following phase.

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