

Empowering Entrepreneurs through UPI and Digital Wallets: Assessing Their Role in Financial Inclusion and Enterprise Growth in India

Bipin Rambhaji Bankar, Kamlesh Arun Meshram, Rita Kakade, Harshal Raje, Mahesh Uday Mangaonkar, Nirmal C. Soni, Sachin Chavan

Abstract: *The fast growth of digital payment ecosystems in India, which is driven by the Unified Payments Interface (UPI) and digital wallets, has radically reshaped the entrepreneurial finance and operations of the business. This paper discusses the importance of UPI and digital wallets in enhancing financial inclusion and enabling the growth of enterprises among entrepreneurs; specifically the micro, small, and medium enterprises (MSMEs). The study is based on a mixed-method empirical approach, where survey-based primary data of entrepreneurs in urban and rural areas and secondary data of national payment statistics and fintech reports are combined. These are the adoption drivers, intensity of use, efficiency of transactions, and transparency, which are systematically examined to gain insight on behavioural and structural determinants that affect the uptake of the digital payment. The results suggest that UPI and digital wallets significantly decrease the transaction cost, increase the speed of payments, and financial visibility, in turn, decreasing the use of cash and unstructured financial activities. Enhanced access to institutional financial services, such as savings, credit, and insurance services, is also brought out as a major route through which the digital payments enhance financial inclusion. Record of transactions made by digital platforms also assist in assessing creditworthiness, as well as access to formal credit becomes easier among the businesspeople. Regarding the enterprise performance, there are increased volumes of transactions, better revenue stability, efficiency of operations, and increased market penetration associated with digital payment adoption. As can be seen through comparative analysis, UPI is more scalable and interoperable whereas digital wallets provide value added services that can be useful in customer engagement.*

Keywords: UPI; Digital Wallets; Financial Inclusion; Entrepreneurship; MSMEs

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Introduction

The entrepreneurial ecosystem in India has already changed substantially in a decade, with the high rates of digitalization, changes in policies and the introduction of financial technologies. The core of this change has been the development of digital payment systems, specifically the Unified Payments Interface (UPI) and digital wallets that have transformed the way entrepreneurs transact business and how they manage their cash flows and interaction with formal financial institutions. In a nation with a high level of informal economy that is dominated by micro, small, and medium enterprises (MSMEs), these innovations are a very vital tool in promoting financial inclusion as well as sustainable development of enterprise. In the past, Indian entrepreneurs particularly the small traders, street vendors and micro-enterprise owners had been cash-based and heavily depended on informal financial practices. The business was limited in its scalability, transparency and resilience due to limited access to bank accounts, credit facilities, and formal payment infrastructure. In response to these issues, policymakers and regulators, such as the reserve bank of India have been encouraging a digital-first financial ecosystem that would expand access to low-cost, low-risk, and high-quality financial services [1]. The arrival of UPI by the National Payments Corporation of India was a breakthrough because instant interoperable and bank to bank payments via their mobile devices became possible greatly reducing the entry barriers to the business world. The ease, low cost, and scalability of UPI and digital wallets have particularly gained relevance in the entrepreneurial environment. These platforms can be built with very little infrastructure unlike the traditional card-based or point-of-sale system, hence they can be used by enterprises that operate in resource-constrained settings. Businesspersons are also able to receive payment, pay off suppliers and transact real time, without necessarily paying high transaction costs. Due to this, digital payments have been integrated into the day-to-day business processes in various industries including retail, services, agricultural-related businesses, and the gig economy [2]. As illustrated in Figure 1, UPI and digital wallets make it possible to be inclusive, efficient, transparent, and grow entrepreneurial. The displacement of cash with electronic records creates transaction histories making financial visibility more visible to the entrepreneurs who had been locked out of the formal credit markets previously.

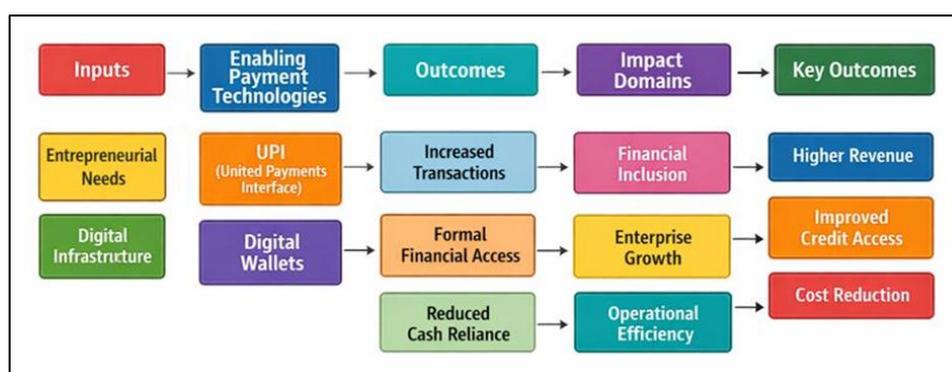


Figure 1. Role of UPI and Digital Wallets in Enhancing Financial Inclusion and Enterprise Growth among Entrepreneurs in India

Such data trails help banks and fintech companies in determining creditworthiness better, which can result in loan, insurance and other financial product access. As a result, UPI and digital wallets do not only serve as payment applications, but also as access to expanded financial engagement and reinforcement of the formalization of entrepreneurial action in the long term. According to the perspective of enterprise growth, digital payments will help increase the efficiency of operations, minimize the risks of handling cash, and improve customer trust [3]. Increased settlements in a shorter amount of time enhance the working capital management and accountability and compliance are

enhanced by transparency. Besides, digital platforms also allow business people to access new market segments, such as digitally conscious consumers and online market, expanding market reach and scaling. The mobile-based payment systems have been a defining factor in filling the geographical and institutional gaps that are limited by traditional banking infrastructure in rural and semi urban regions [4]. Regardless of these benefits, UPI and digital wallets adoption and adoption and effects also vary depending on the region and the type of their enterprise. The differences in digital literacy, internet connectivity, cybersecurity awareness, and trust remain to affect the usage patterns. Besides, the issue of data privacy and fraud, as well as reliability of the infrastructure, are all persisting challenges that should be covered to guarantee inclusive and sustainable growth.

Review of Related Literature

Digital payments and financial inclusion outcomes

Digital payments have been identified by most literature as a significant catalyst of financial inclusion in general and especially in developing economies with significant levels of unbanked and underbanked people. The access to affordable, timely and suitable financial products and services such as payments, savings, credit and insurance, is often referred to as financial inclusion. Research by multilateral organizations like the World Bank indicates that digital payment platforms lower the structural barriers related to traditional banking which include high cost of transactions, distance and documentation [5]. Digital payment has increased the financial inclusion of informal workers and entrepreneurs by allowing them to transact low-value, high-frequency transactions using mobile devices. Empirical studies indicate that digital payments will enhance transparency and traceability, which will bring informal economic actors into the formal financial system. The digitization of transactions generates valid financial identities and opens potential access to formal credit markets via enhanced financial identities of users. A number of studies testify to a positive correlation between the use of digital payments and a higher number of account owners, age savings, and income shock resilience. Besides, digital payments are associated with decreased reliance on cash, decreased theft, leakage, and cash handling inefficiency risks [6]. Policy based efforts towards promoting digital finance have speeded up the financial inclusion process in the Indian context.

UPI Adoption and Usage Patterns among Micro and Small Enterprises

The implementation of the Unified Payments Interface (UPI) has received substantial extensive research as a disruptive technology in the Indian digital payment sector, especially among micro and small enterprises (MSEs). UPI, which was introduced to offer instant, interoperable and low cost bank to bank transfers, has greatly reduced entry barriers to small businesses that had previously not had access to formal payment infrastructure. Literature underscores the fact that the simplicity of UPI, QR-code-based payments, low set-up costs and real time settlement has led to a fast adoption of the same by small retailers, service providers and self-employed entrepreneurship. Empirical research has recorded high levels of adoption by urban MSEs, and increasing levels of penetration in rural and semi-urban locations [7, 8]. The usage pattern analysis shows that UPI is used to make customer and supplier payments and to limit the use of informal intermediaries as its usage is mostly used in making payments to customers and suppliers. Studies have been associated with data available at the National Payments Corporation of India have indicated that the frequency of transactions among small transactions increases substantially after the adoption of UPI, which is an indication that liquidity and velocity of transactions are better. The behavioural factors like ease of use, trust in banking institutions and peer influence are widely quoted as the major forces behind the adoption [9]. Meanwhile, the

literature notes the existence of heterogeneity across sectors and geographical areas and adoption is limited by internet connectivity, access to smart phones and awareness of the digital world.

Digital Wallets and Cash-Flow Efficiency for Entrepreneurs

Digital wallets have become a significant supplement to the payment systems with banks, and this has provided entrepreneurs with tools that are flexible in running their day-to-day operations and cash flows. Literature defines digital wallets as prepaid or linked-payment-instruments that facilitate storage of value, peer-to-peer transaction, bill payment and e-commerce platform integration. To the businessmen or entrepreneurs, particularly the micro and informal businesses, wallets will help decrease the reliance on the hard coins and enable quicker transactional cycles. Previous research suggests that digital wallets enhance the efficiency of cash-flow since they allow instant receipt and disbursements of cash and reduce the duration of settlement [10, 11]. Such a timeliness improves the management of the working capital enabling the entrepreneurs to reinvest the revenues in inventory and operations faster. The use of wallets in expense tracking and financial planning is also linked to research as the records of transactions allow real-time monitoring of inflows and outflows. These characteristics are especially useful when it comes to small businesses that do not necessarily have formal accounting. In India, the adoption of wallets increased in tandem with increased activities in digitalization and acceptance of mobile payment by the consumers [12]. Table 1 summarizes previous research on the contribution of digital payment toward inclusion and entrepreneurship development. According to scholars, the use of wallet-based incentives, which include discounts, cashback, and loyalty programs, has motivated merchants and customers to abandon the use of cash. Moreover, wallets tend to offer value-added business services, such as micro-credit, insurance, and analytics, which also facilitates the process of making decisions by the entrepreneur.

Table 1. Summary of Related Work on Digital Payments, Financial Inclusion, and Entrepreneurial Growth

<i>Study Region</i>	<i>Payment Technology</i>	<i>Target Group</i>	<i>Methodology</i>	<i>Key Variables Analysed</i>	<i>Research Gap</i>
Global [13]	Digital Payments	SMEs	Survey & Econometric Analysis	Account ownership, payment usage	Lacks enterprise performance metrics
Kenya [14]	Mobile Money	Micro-entrepreneurs	Longitudinal Study	Income, savings, consumption	Not focused on formal enterprises
Developing Economies	Digital Finance	Entrepreneurs	Conceptual Analysis	Inclusion, access, trust	No empirical validation
India [15]	Digital Wallets	Small Retailers	Survey & Regression	Cash usage, efficiency	Limited regional comparison
India	UPI	MSMEs	Descriptive & Trend Analysis	Transaction volume, adoption	No impact on revenue examined
India [16]	UPI & Wallets	Informal Enterprises	Mixed Methods	Payment speed, transparency	Credit access not analyzed

South Asia [17]	Digital Payments	SMEs	Policy & Data Analysis	Inclusion, productivity	Lacks firm-level microdata
India	UPI	Micro Enterprises	Survey	Ease of use, trust	Performance outcomes ignored
India	UPI Ecosystem	MSMEs	Secondary Data Analysis	Transactions, outreach	No causal analysis
India [18]	Digital Wallets	Entrepreneurs	Structural Equation Modelling	Usage intensity, efficiency	Limited comparison with UPI
Emerging Economies	Digital Payments	SMEs	Comparative Study	Productivity, access	India-specific insights limited
India [19]	UPI & Wallets	MSMEs	Regression Analysis	Revenue, cost, credit	Short-term analysis only

Research Methodology

Research design and analytical framework

The proposed study will be in the form of explanatory, quantitative research design, which will be carried out to identify the importance of UPI and digital wallets in fostering financial inclusion and business expansion among Indian entrepreneurs. The study is designed on the basis of cross-sectional analytical framework that combines the adoption theory with the enterprise performance evaluation. The conceptual model connects the digital payment adoption (UPI and digital wallets) with the intermediate financial inclusion outcomes, including access to formal financial services, transaction transparency, and financial visibility, and final enterprise growth measures, including revenue growth, operational efficiency, and market expansion [20, 21]. The theoretical framework is based on the adoption of technologies and financial intermediation theory, specifically, the Technology Acceptance Model (TAM) and financial inclusion models. The views allow one to systematically assess the behavioural, technological and institutional factors affecting the adoption decision. Key explanatory constructs are adopted drivers, usage intensity and perceived benefits and outcome variables are financial inclusion and enterprise performance. In order to account heterogeneity, the framework relies on control variables, which are enterprise size, sector, location (urban or rural) and entrepreneur demographics [22].

Data Sources and Sample Selection

The research is based on both primary and secondary data materials to provide the analytical strength and relevance. Primary data used were collected using a structured survey after which the survey was conducted with entrepreneurs running micro, small and medium enterprises (MSMEs) in selected urban, semi-urban and rural areas in India. The survey tool was constructed in such a way that it would obtain data on the use of digital payment, the frequency of using it, financial access, and performance indicators in the enterprise. The sampling was stratified to represent on the basis of the size of the enterprise, sector and geographical location. The target sample was registered and unregistered enterprises in the retail, services, manufacturing, and agri-related business. The criteria of inclusion were that the respondents had to be active business owners or managers who had direct

influence on making payments and financial decisions. The ultimate sample was calculated statistically to use power in order to conduct multivariate analysis. Secondary data were obtained with regards to publicly available reports, datasets published by the Reserve Bank of India, the National Payments Corporation of India and national surveys of entrepreneurship. These sources gave some contextual information on the trends in transactions, the adoption patterns across the regions and the policy developments. The triangulation of data also increased the level of validity as the results of the surveys were compared with the national statistics. In data collection and processing, ethical issues such as informed consent and confidentiality of data were observed.

Variables and Measurement Indicators

The researchers use a systematic dependent, independent, and control variable to empirically determine the effect of UPI and digital wallets on financial inclusion and business development. The major independent variables include the acquisition and utilization of digital payments. The scale of adoption was binary variables that showed whether an enterprise uses UPI, digital wallets, or both and the extent of use was incorporated by the frequency of transactions and the proportion of digital transactions to overall sales. Figure 2 draws major variables and indicators between digital payments and inclusion and growth. Outcomes of financial inclusion represent intermediate dependent variables and were determined by the access to formal bank accounts, credit availability, savings product / insurance product use, and cash dependency reduction.

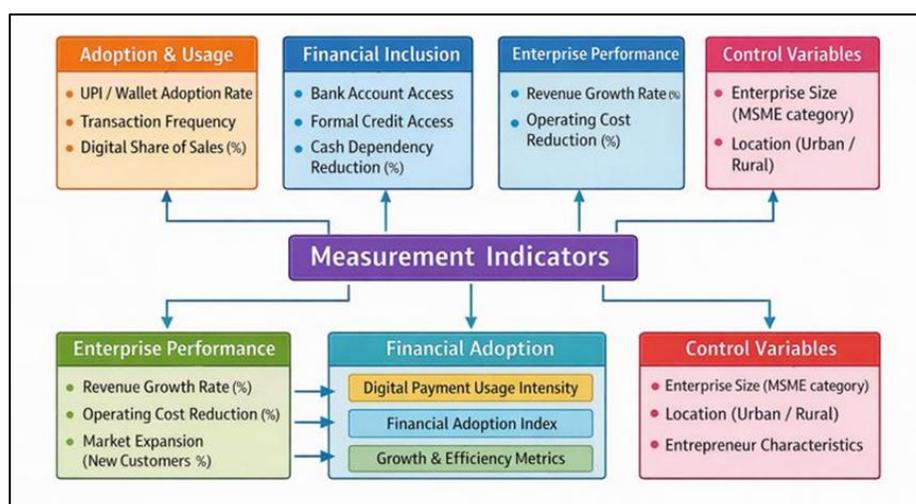


Figure 2. Illustrating Variables and Measurement Indicators for Assessing the Impact of UPI and Digital Wallet Adoption on Financial Inclusion and Enterprise Growth

Financial visibility was evaluated based on whether the company had any records of digital transactions and whether these records were used in credit or financial decision-making. Final dependent variables were enterprise growth and performance indicators, such as self-reported revenue growth, changes in the volume of transactions, cost efficiency, and market expansion. The ease of use, trust and perceived security were assessed on the Likert-scale through adapted items of previous digital finance studies, which are perceptual variables. Age, location, education level in enterprises, size of the enterprise, industry, and level of digital literacy were considered as control variables. The measurement indicators were all checked in terms of reliability and internal consistency through standard statistic methods. This form of variable structure made comparisons and enabled the use of rigorous empirical tests of the hypothesized relationships.

UPI and Digital Wallet Adoption among Entrepreneurs

Adoption drivers and behavioural determinants

Technological factors, behavioural factors and institutional factors interact to influence the adoption of UPI and digital wallets by entrepreneurs in India. The factor of ease of use becomes one of the first ones since user-friendly interfaces, QR-code payments, and a low level of onboarding make small business owners less prone to cognitive and operational barriers. The fact that perceived usefulness especially the possibility of receiving instant payment and other transactions in an efficient manner is highly encouraging to adoption. The importance of real-time settlement and low transaction costs is appreciated by entrepreneurs and it directly promotes liquidity management and day-to-day business processes. Trust on digital platforms and confidence in banking system are behavioural determinants that are also critical. Research also shows that prior exposure to digital banking, usage by peers and assurance measures like transactions notification systems and grievance redressal systems contribute to formation of trust. The social influence also contributes to the quicker adoption as peer entrepreneurs, customers, and suppliers demand digital payment acceptance more and more. Digitalization efforts and stimuli by the government have further enhanced trusted legitimacy and trustworthiness of these sites. Personal traits of entrepreneurs such as education level, digital literacy, and age affect the adoption choices.

Usage Patterns across Enterprise Types and Regions

There are strong patterns of UPI and digital wallets usage among entrepreneurs based on types of enterprises, areas, and geography. The greatest frequency of usage is found in micro and small enterprises in the retail and services industry where it is mostly limited to customer-facing transactions, including sales payments and small-value deals. Such businesses have the advantages of UPI settlement, which is real-time and has a large number of consumers, therefore, is more desirable in day-to-day operations. Digital wallets are commonly implemented with UPI in certain applications, such as promotional payments, customer rewards, as well as the integration with e-commerce systems. There are differences in sectors where the service-oriented businesses display greater intensity of digital transactions than manufacturing-oriented businesses, which still use partly the traditional banking methods to make bulk payments. In urban areas, there is more uniform and diversified usage among urban entrepreneurs due to improved internet connectivity, customer demand of digital payment and exposure to fintech services. Conversely, selective usage is shown among rural and semi-urban entrepreneurs who tend to receive payments, but not comprehensive digital financial management. Irrespective of these differences, there is a convergence trend observed in the literature with rural adoption and use of the device gradually growing as a result of smartphones and better network infrastructure.

Transaction Cost, Speed, and Transparency Analysis

Among the strongest strengths that have fuelled the adoption of UPI and digital wallets among entrepreneurs is the fact that they are more beneficial in terms of cost, speed, and transparency of transactions than cash and other forms of traditional payment. UPI transactions are normally characterized by low or no merchant discount rates, and thus they are very cost-effective to micro and small businesses that work on lean margins. Digital wallets also show low transaction costs which are typically enhanced by promotional activities which further make transactions costs effective. The rate of transaction is a very crucial parameter that affects efficiency. The UPI allows real-time settlement

which allows access to funds immediately, enhancing cash flow and alleviating constraints of working capital. The entrepreneurs are able to move capital fast, pay their suppliers, and save inventory without delays that come with cash handling or bank processes time. Instant or near-instant transfers are also supported by digital wallets, especially peer-to-peer payment and customer payment. Another changeable advantage is transparency. Electronic records created by digital transactions allow the organisation to have a clear understanding of inflows and outflows. Such traceability improves financial discipline; eases record keeping and facilitates compliance with tax and regulatory rules and procedures.

Step 1: Define Transaction Set

Let an entrepreneur perform n transactions in a given period:

$$T = \{t_1, t_2, \dots, t_n\}$$

Step 2: Transaction Cost Function

Total transaction cost is defined as:

$$TC = \sum_{i=1}^n c_i$$

Average transaction cost:

$$ATC = \frac{TC}{n}$$

where c_i represents the cost incurred per transaction.

Step 3: Transaction Speed (Settlement Time)

Let s_i denote the settlement time of transaction i :

$$TS = \left(\frac{1}{n}\right) \times \sum_{i=1}^n s_i$$

Lower TS indicates higher transaction efficiency.

Step 4: Transparency Index

Let $d_i \in \{0,1\}$ represent availability of a digital transaction record:

$$TI = \left(\frac{1}{n}\right) \times \sum_{i=1}^n d_i$$

$TI \in [0,1]$, where higher values indicate greater transparency.

Step 5: Composite Transaction Efficiency Score

A normalized transaction efficiency metric:

$$TES = \alpha \left(\frac{1}{ATC}\right) + \beta \left(\frac{1}{TS}\right) + \gamma(TI)$$

subject to:

$$\alpha + \beta + \gamma = 1$$

Step 6: Impact on Enterprise Performance

Enterprise performance outcome model:

$$EP = \delta_0 + \delta_1(TES) + \delta_2(X) + \varepsilon$$

where:

X = control variables (enterprise size, sector, region)

ε = error term

Role in Financial Inclusion

Access to formal financial services

UPI and digital wallets have greatly increased the formal access of entrepreneurs to financial services in India by reducing structural and procedural impediments, which were linked to banking. Digital payment platform is a gateway into the formal financial system by many micro and small

business people, particularly those working in the informal sector. The integration of UPI and wallets with bank accounts will stimulate the use of bank accounts beyond simple deposit transactions, which attract active use of savings, payment, and transfer services. Availability of mobile-based payment interfaces will discourage the reliance of physical bank branches, which are unavailable to rural and semi-urban entrepreneurs or are expensive to use. Consequently, the entrepreneurs will be able to transact, check balances, and make payments remotely, which enhances convenience and continuity of financial participation. With time, regular online use accustoms business people to formal financial operations, and informational and psychological barriers diminish. In addition, UPI and wallets should be connected to wider financial ecosystems, which will allow access to new services, including micro-savings, insurance, and pension products. These services are offered more and more as bundles on the fintech platforms, which provide entrepreneurs with custom financial services depending on the type of transactions. The empirical evidence reveals that entrepreneurs who make payments online are more probable to possess more financial products than users who only pay in cash.

Reduction of Cash Dependency and Informal Practices

The use of UPI and the digital wallets have helped to reduce the addiction of cash among Indian entrepreneurs gradually though significantly. Convenience, informality, and lack of access to alternatives traditionally have Cash based operations prevail in small businesses. Digital payments present a feasible alternative in terms of preserving transactional simplicity and increasing efficiency and security. Figure 3 demonstrates the effect of UPI and digital wallet on informality and cash reliance. The level of digital payment that is being accepted on a daily basis by entrepreneurs to facilitate their sales, to make payments to their suppliers and peer to peer payments is increasing thus reducing the amount of cash that is being handled. Less cash reduces operational risks like theft, loss and leaking, as well as reduces time taken in managing cash and visiting banks.

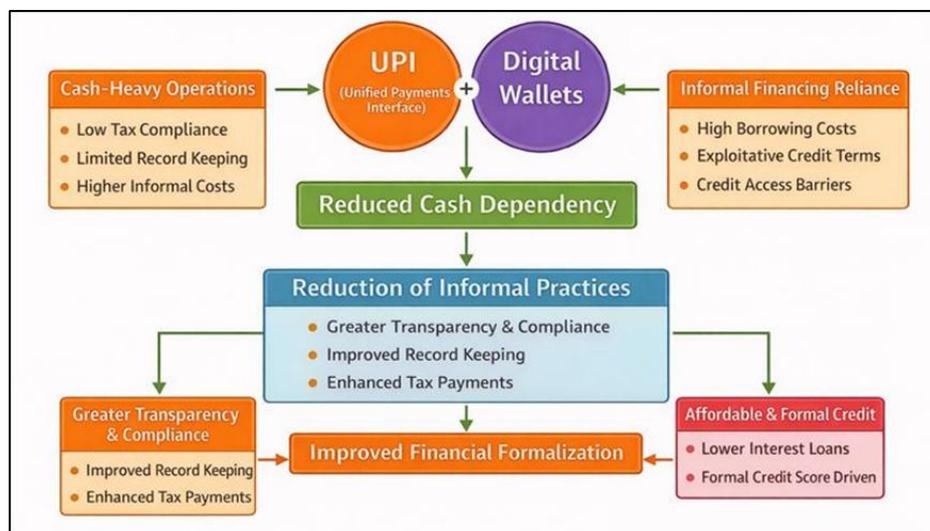


Figure 3. Illustrating the Role of UPI and Digital Wallets in Reducing Cash Dependency and Informal Financial Practices among Entrepreneurs

Systemically, the move towards non-cash fosters informal practices that are prevalent due to anonymity and unrecorded nature. Online transactions leave a record that can be verified, which promotes more transparent business conduct and slow formalization of business operations. Research indicates that entrepreneurs using digital payments have higher chances at meeting the tax reporting and other regulatory requirements since documentation and reporting is of an easy task because there are records of transactions. This shift is helpful in integrating it with formal markets and institutions.

The fact that hybrid payment behaviour, which is a combination of both cash and digital, does persist however, suggests that the shift is gradual and not absolute.

Credit Access, Transaction Histories, and Financial Visibility

The digital payment platforms are important in improving access to credit by the entrepreneurs because they make financial visibility more transparent using the histories of transactions. Lack of formal financial records is one of the key limitations which micro and small entrepreneurs have encountered, and it restricts the capacity of lenders to determine the creditworthiness. Such electronic records allow banks and fintech lenders to transition away from collateral-based lending models to models that are based on data. Digital transaction history is progressively making entrepreneurs with repeat loans eligible in short-term working capital loans, merchant cash advances, and micro-credit products. Access to transaction-level data decreases the information asymmetry, minimizes the lending risk as well as the duration of loan processing. The financial visibility also enables the entrepreneurs themselves as a way of having a better understanding of the revenue trends and seasonal changes and the structure of expenses. The information allows improved financial planning and decision making. In addition, enhanced visibility will enhance the level of trust between businesspeople and formal financial institutions, which leads to repeated involvement and increased participation. Regardless of these advantages, the literature warns that the use of data-driven credit models should be supported by sound data protection and consent frameworks in order to protect the privacy of the entrepreneurs.

Impact on Enterprise Growth and Performance

Revenue growth and transaction volume effects

The implementation of UPI and digital wallet has a quantifiable effect on the increase in revenues and the number of transactions among Indian entrepreneurs. Online acceptance of payment lowers the friction in customer purchase and this increases the frequency of purchase and a smoother process of payment. The empirical evidence provides the same results across the board since businesses that provide a variety of digital payment systems attract more transactions than those that do not because customers want convenience and speed. The convenience of doing small-value and repeat payments also contributes to demand, especially within the retail and service markets. The UPI real-time settlement will enhance liquidity as it allows access to funds in real time, thereby facilitating a quicker inventory turnover and reinvestment. There is less time lag between sales and cash availability, which is beneficial to the entrepreneur in stabilizing revenue flows and better management of working capital. Digital wallets complement this effect as they allow such promotional campaigns as cashback and discounts, which attract customers and increase short-term sales volumes. The use of digital payments is steadier over time, which leads to less unpredictable revenue dynamics in comparison with cash-based activities.

Operational Efficiency and Cost Optimization

UPI and digital wallets substantially impact the speed of the working process and allow optimizing costs among the business people by simplifying financial operations and lowering administrative overhead. Digital payments remove numerous inefficiencies in cash handling, which include counting, storage, reconciliation and going to the bank regularly. Business persons are able to handle payments and receipts via mobile devices, which save time and efforts, which can be used in the main

business operation. The optimization of costs is achieved through the lower transaction costs and enhanced automation of the processes. UPI transactions are often economically accessible to micro and small businesses having a limited margin because they have little or no fees. Digital wallets also save on costs by enhancing built-in features, including automated cost management and easier accounting. Reduction in the number of months to settle also helps to reduce short-term borrowing that is meant to cover liquidity gaps since financing cost is reduced. Digital records enhance the level of operational transparency, thereby streamlining the bookkeeping process, audit preparation and tax compliance. The less payment disputes are reported by the entrepreneurs because of the automated confirmations and traceable transaction records.

Market Reach, Customer Acquisition, and Scalability

UPI and digital wallets are strategic to increase markets and provide scalability to entrepreneurs by aligning business processes and digital consumer ecosystems. Digital payments allow entrepreneurs to reach a wider range of customers, such as digitally native customers who like cashless payments. This inclusiveness increases the rate of attracting customers, in that, the convenience of payment becomes a determining factor in the buying decisions. Especially digital wallets enable connecting it with e-commerce, food delivery, and other online marketplaces to enable small businesses to reach even further than local markets. The interoperability of UPI also contributes to the concept of scalability as transactions between banks and platforms can be created without relying on particular service providers. Business men and women are able to expand their businesses without much investment in the physical payment system. Information created with the help of online transactions promotes the use of the information in targeted marketing and customer interactions. The entrepreneurs are able to study the spending patterns, the customers he finds as repeat customers, and create loyalty programs to reinforce customer retention. The use of such data-driven strategies is critical to competitive market sustainable scaling. Better credibility and formalization is also a support of scalability. For established enterprises that have registered digital payment records, they will find it easier to secure financing, collaborate with platforms and meet regulatory mandates.

Comparative and Regional Analysis

A. UPI versus digital wallets in entrepreneurial contexts

Comparative evaluation of UPI and digital wallets indicates that these two concepts are unique and complementary to each other in the entrepreneurial payment ecosystem. The distinguishing feature of UPI is its bank-to-bank and interoperability nature that allows transferring money among banks immediately without the necessity of stored balances. This functionality renders UPI somewhat appealing to the entrepreneurs that need to perform low-cost and high-frequency transactions and be integrated with the current bank accounts easily. Its universal acceptance by consumers and low transaction charges further qualifies it in terms of its applicability in the day-to-day operation of the businesses. Digital wallets, on the other hand, have more than mere payment capabilities, such as prepaid balances, customer rewards, loyalty programs, and support of e-commerce platforms. Such attributes particularly are useful to entrepreneurs who are concerned with customer interaction and promotions. Peer-to-peer transfers in closed ecosystems are also simplified by wallets, which can be useful to platform-based or gig-based businesses.

Urban–Rural and Sector-Wise Comparative Assessment

There exist considerable differences in the use of UPI and digital wallets between urban and rural entrepreneurs. The urban businesses show a high rate of adoption, volume of transactions and diversified usage because of the improved digital infrastructure, increased smart phone penetration, and increased customer demand on cashless payments. City entrepreneurs are more inclined to digital payments within a wider financial management and marketing approach. Adoption in the rural and semi-urban areas is also increasing but unequally. The digital payments in these regions are often applied selectively by entrepreneurs as they receive customer payments but not to manage their finances entirely. Internet availability is also constrained by intermittent connections, decreased digital literacy and use of cash, which affect the intensity of the usage. However, the existence of these gaps is being reduced slowly through network coverage and specific digital inclusion efforts. Sector-based comparison shows that; retail and service industries have a greater intensity in digital payment than manufacturing and enterprises associated with agriculture.

Challenges, Risks, and Future Opportunities

Cybersecurity, privacy, and trust concerns

Cybersecurity, privacy, and trust are the key concerns of entrepreneurs even in the context of the fast implementation of UPI and digital wallets. Online payment systems make the users vulnerable to phishing, malware, unauthorized access, and other transaction fraud phenomena, which have a disproportionate tendency to impact micro and small businesses that lack technical knowledge. The cases of social engineering and counterfeit payment confirmations have increased the fear of business people, which might delay aggressive adoption. The issue of privacy is brought up by the large scale gathering and analysing of transaction data by banks and fintech platforms. The entrepreneurs might not be clear about the storage, distribution, or commercialization of their financial data, which causes mistrust. Where regulatory systems provide that data protection and user approval is mandatory, the awareness and implementation are not evenly distributed. Trust is also determined by the quality of grievance redressal systems and dispute resolution systems that are essential in ensuring confidence on digital systems. The creation of trust needs to be sustained through the consistent investment in the cybersecurity infrastructure, user training, and the introduction of open data management procedures.

Infrastructure and Digital Divide Issues

The barriers to the inclusive adoption of UPI and digital wallets are infrastructure limitations and the digital divide. The constant internet connection, access to smartphones, and a continuous power supply are the requirements of the successful work of digital payments. Poor network coverage and access to devices in most rural and remote regions hinder adoption and cause inability to make transactions, which reduces user faith. The gap is also increased by digital literacy gaps. Uneducated or less exposed entrepreneurs might not be able to use the interface of digital devices, handle security options, or troubleshoot correctly. The language barrier and a deficiency of localized support are also a barrier to effective usage. This has led to an uneven distribution of benefits of digital payments whereby urban and digitally literate entrepreneurs are gaining more than rural entrepreneurs. These issues can be solved only through a holistic approach that will enhance digital infrastructure, increase the affordability of the internet, and facilitate the penetration of devices. Digital literacy can be improved by capacity-building efforts as well as training and vernacular user interfaces. The digital

divide needs to be bridged so that UPI and digital wallets can be used to facilitate the growth of inclusive entrepreneurship instead of supporting the status quo.

Emerging Fintech Innovations and Future Outlook

Fintech innovations that will be emerging in the future will strongly influence the future of UPI and digital wallets by offering greater functionality, inclusion, and scalability. The innovation of data analytics, artificial intelligence, and open banking is facilitating customized financial products, instant credit evaluation, and the flawless combination of payments with the lending and insurance services. The innovations provide an opportunity to access customized financial services to the entrepreneurs depending on the real-world transaction behaviour. Improvements in interoperability and the ability to make payments across the border will increase the market presence of enterprises that are export-oriented and digital linked. The also inclusion of UPI with other new applications, including offline payments and voice-based payments, can further reduce the barriers to access among less digitally literate users. Also, embedded finance models will probably be embedded in business platforms and payments are going to be simplified. Nevertheless, fintech development should be not only innovative but also regulated so that it was harmless and safe to the consumer. In general, innovative fintech solutions make UPI and digital wallets the key elements of a future-ready entrepreneurial ecosystem to promote the growth of the digital economy and its resilience in India.

Result and discussion

The empirical finding shows that there is a strong and significant relationship between adoption of UPI and digital wallets and better financial inclusion and enterprise performance amongst entrepreneurs in India. Companies that had adopted digital payments recorded greater volumes of transactions, quicker settlement periods, and less dependence on cash than those who did not. The results of financial inclusion were an improved access to the bank-linked services, financial visibility, and improvement of eligibility to formal credit. Users of UPI showed a better rate of scalability and transactions frequency whereas those using digital wallet were granted access to customer engagement and promotional tools. The impacts were more pronounced in urban enterprises and service firms in the service sector, but adoption benefits were becoming more pronounced in rural settings.

Table 2. Digital Payment Adoption and Usage Intensity among Entrepreneurs

<i>Indicator</i>	<i>Non-Adopters</i>	<i>UPI Users</i>	<i>Digital Wallet Users</i>	<i>UPI + Wallet Users</i>
Adoption Rate (%)	100	48.6	32.4	19
Avg. Transactions per Day	6.2	18.4	15.1	22.7
Digital Share of Total Sales (%)	0	54.8	47.2	68.9
Avg. Settlement Time (minutes)	–	1.6	2.9	1.4

Table 2 is a clear testimony to the transformative impact of the adoption of digital payments on the behaviour of the entrepreneurial transactions. Non-adopters are also very dependent on the low-frequency transactions (cash transactions), with 6.2 on average transactions each day, and a zero

contribution by the digital transactions. Figure 4 compares the levels of adoption and performance of transactions among the user groups of digital payments. Conversely, the UPI users are registering a significantly greater number of transactions of 18.4 transactions per day, emphasizing the ease and the acceptance of real-time online payment.

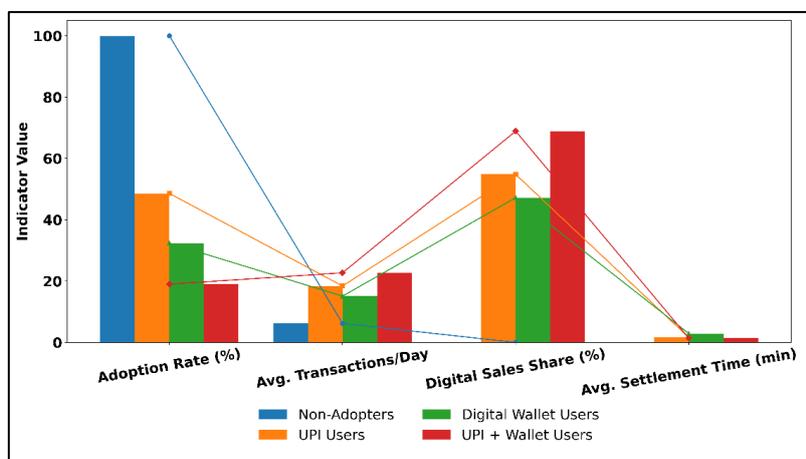


Figure 4. Adoption and Transaction Performance Comparison Across Digital Payment User Groups

UPI combined with digital wallets has the best performance with 22.7 transactions per day and almost 69 percent of total sales being digitally carried out, which demonstrates that these two systems are complementary to each other. The time to settlement becomes a critical measure of efficiency, and UPI allows settling almost instantly in 1.6 minutes, which is even better than digital wallets.

Table 3. Financial Inclusion Outcomes Associated with Digital Payment Adoption

<i>Financial Inclusion Metric</i>	<i>Non-Adopters</i>	<i>UPI Users</i>	<i>Wallet Users</i>	<i>UPI + Wallet Users</i>
Formal Bank Account Access (%)	71.3	94.6	91.8	97.2
Access to Formal Credit (%)	28.4	49.7	45.2	61.9
Use of Savings/Insurance Products (%)	22.6	41.8	38.5	56.3
Reduction in Cash Dependency (%)	9.4	46.2	39.6	58.7

Table 3 points out significant progress in financial inclusion results that can be associated with the use of UPI and digital wallets. Non-adopters have a low level of integration with formal financial systems with only 71.3% of having access to bank accounts and less than 1/3 having formal credit. Figure 5 shows the financial inclusion indicators on non-adopters, UPI, wallet, and combined users.

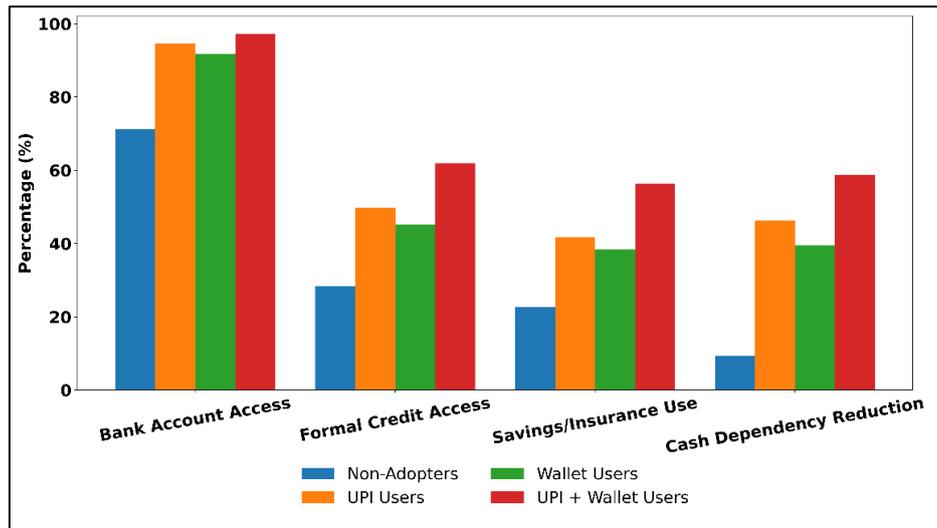


Figure 5. Comparison of Financial Inclusion Indicators Across Non-Adopters, UPI Users, Wallet Users, and Combined UPI–Wallet Users

By comparison, UPI users are significantly more financially included, 94.6% of them having bank accounts, and almost half having formal credit, highlighting the effects of bank-linked digital payments in enhancing financial inclusion.

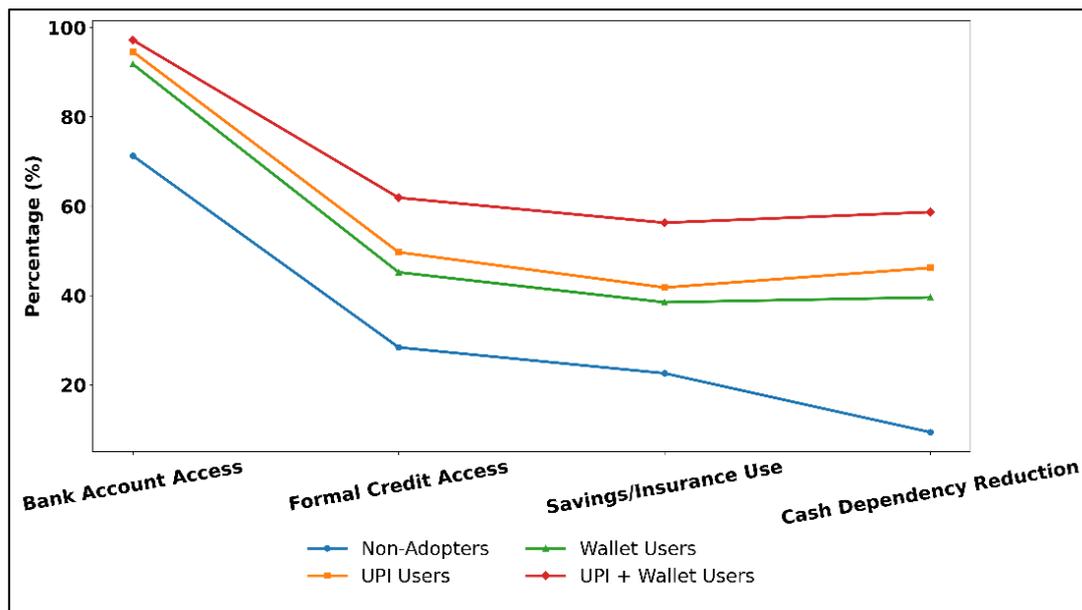


Figure 6. Illustrating Improvements in Financial Inclusion Metrics with Digital Payment Adoption

Figure 6 shows better inclusion measures based on the adoption of digital. Users of digital wallets also record meaningful increases especially in terms of savings and insurance adoption which indicates access opportunities in the wallet platforms of financial services. The combination of UPI and wallets produces the best results in all the indicators such a reduction of cash dependency of 58.7%. Altogether, the results affirm that the digital payment adoption is a bridge to formal finance and it improves access to credit, financial security and decreased dependency on cash-based activities.

Table 4. Impact on Enterprise Growth and Performance Indicators

<i>Performance Indicator</i>	<i>Non-Adopters</i>	<i>UPI Users</i>	<i>Wallet Users</i>	<i>UPI + Wallet Users</i>
Annual Revenue Growth (%)	4.8	12.6	10.9	17.4
Transaction Volume Growth (%)	6.3	19.8	16.4	25.1
Operating Cost Reduction (%)	2.1	9.6	8.3	13.8
Working Capital Cycle Reduction (days)	1.2	4.8	4.1	6.7

Table 4 shows that there is a positive correlation between the adoption of digital payment and the growth rate and performance of an enterprise. Non-adopters record low revenue growth of 4.8% per annum indicating low scalability and slower transactions rates. Comparatively, UPI users record high revenues growth of up to 12.6 which is backed by rapid settlements and higher volumes of transactions. Figure 7 has a comparison of performance indicators in micro, small, and medium enterprises.

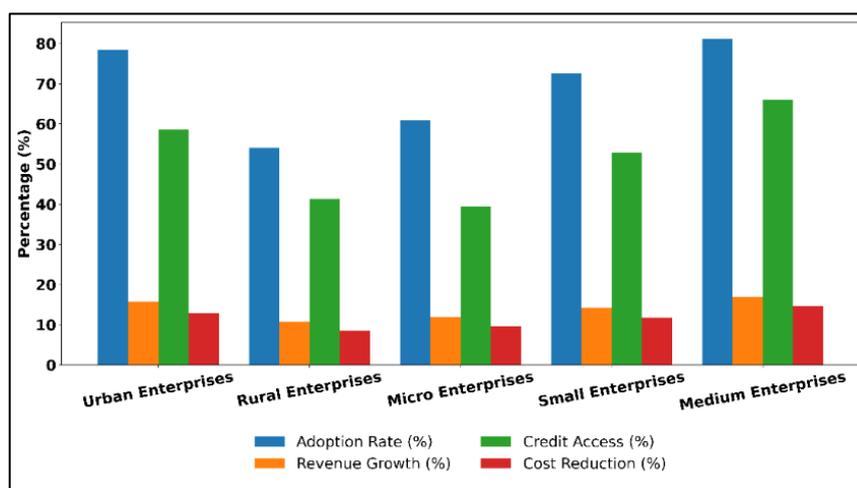


Figure 7. Comparative Performance Indicators Across Enterprise Categories

There is also a significant enhancement in the performance of digital wallet users, in terms of increasing the volume of transactions, and decreasing the costs, which means that the efficiency improves due to the smoothness of the payment procedures and the promotion mechanisms.

Table 5. Comparative Urban–Rural and MSME-Level Impact Analysis

<i>Category</i>	<i>Adoption Rate (%)</i>	<i>Revenue Growth (%)</i>	<i>Credit Access (%)</i>	<i>Cost Reduction (%)</i>
Urban Enterprises	78.4	15.8	58.6	12.9
Rural Enterprises	54.1	10.7	41.3	8.6

Micro Enterprises	60.8	11.9	39.4	9.7
Small Enterprises	72.6	14.3	52.8	11.8
Medium Enterprises	81.2	16.9	66.1	14.6

Table 5 shows that there is a significant impact of digital payment adoption by region and enterprise size. The highest adoption rate (78.4) is observed with urban enterprises, and the revenue growth of urban enterprises is higher (15.8%), credit access is better (58.6%), and the cost reduction is higher (12.9%). Figure 8 demonstrates economic effects on enterprises due to the adoption of digital payments at the enterprise level.

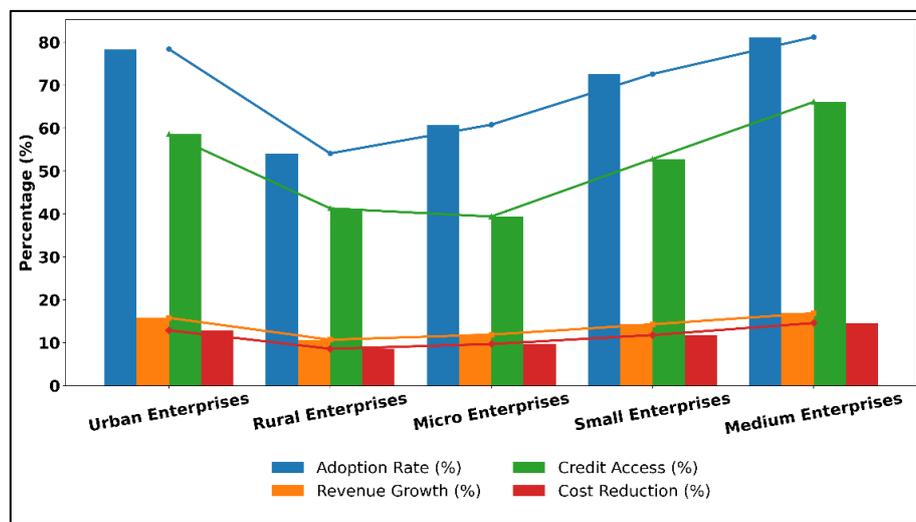


Figure 8. Enterprise-Level Impact of Digital Payment Adoption Across Key Economic Indicators

These are indicators of improved digital infrastructure, increased customer adoption, and increased exposure to fintech services in the city. Rural businesses, though with a weaker adoption (54.1%), nevertheless also gain significantly, and it means that the digital payments are slowly consolidating the financial inclusion outside of urban areas despite the lack of infrastructures. As an MSME, the performance of medium enterprises is the most favourable in all indicators, as they have a better capacity of adoption and integration with the formal financial systems. Administrative gains are also significant especially in access and affordability of credit by small enterprises.

Conclusion

This paper has explored how UPI and digital wallets empower business people in India by evaluating their value towards the increase in financial inclusion and business growth. The results indicate that the digital payment systems have revised the financial practice of the entrepreneurship through lowering the transactional costs, increasing the speed with which the payment is made and improving the level of transparency. In the case of micro and small enterprises, the UPI and digital wallets will be available as the point of access to the formal financial system, allowing them to engage with bank-linked services and digital financial products regularly. The discussion shows that the use of digital payments greatly enhances the financial inclusion outcomes through minimizing cash

dependency, creating transaction histories, and improving financial visibility. These mechanisms deal with long term barriers encountered by entrepreneurs including restricted access to credit and formal records. The availability of better financial data can be used to support data-driven lending models, which will allow access to working capital and other financial services needed to sustain a business. In the performance aspect, enterprises that have reinforced digital payments have increased revenue stability, enhanced operational efficiency, and market reach. Comparative analysis shows that UPI is superior in terms of interoperability and scalability and thus the heart of digital payments in the entrepreneurship world, with digital wallets providing value addition with customer interaction and ancillary services. There are, however, also issues of cybersecurity risks, digital illiteracy, and infrastructure differences, which still hinder equal benefits in the regions and types of enterprises.

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