

DECODING THE FACTORS IMPACTING THE DYNAMICS OF DIGITAL PAYMENT SERVICE ADOPTION IN MSMEs.

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ABSTRACT

To be able to survive in the ever-changing dynamics of business world, digital transformations are at the heart of any business model revamping. In this academic endeavour an attempt has been made to understand the saga of digital payment adoption in Indian micro, small and medium enterprises through technological perspective and role of external forces. The results depict the positive and significant impact of perceived usefulness, Trading partner pressure and government support on the adoption of digital payment among MSMEs. Moderating effect of digital literacy between perceived usefulness and adoption of digital payment has been proved. This piece of academic work would contribute to meagre literature available on digital payment adoption from business perspective and would also aid the concerned stakeholders in chalking out the desired policy formulations.

Keywords: Digital Payments, Digital India, MSMEs, Less-Cash Economy, Innovation.

INTRODUCTION

Digital payments are turning out to be the most phenomenal aspect of broader digital transformations worldwide. In Indian context, digital payment ecosystem offers a spectrum of payment solutions. The digital payments index (DPI), launched by RBI (Reserve Bank of India) in January 2021 to signify the extent of digitisation of payments across the country, demonstrate that for September 2021 index stood at 304.06 against 270.59 in March 2021 (RBI report as cited in Business Standard, 2022). This revolution in payment landscape is bound to transform the way of transacting

in the business sphere also. For that matter, in the context of business, shifting towards digital payments in MSMEs (Micro, Small, Medium Enterprises) sector has always been a matter of a concern provided its excessive reliance on cash mode of transacting.

Further consumer digital payments have always been attracting major attention for defining the fate of digital payments in India, but with this approach attainment of permanent shift towards digital modes of payment is not going to be easy (Venkatesh, 2017). MSMEs sector holds a great importance for Indian economy in terms of employments opportunities and immense economic growth potential associated with it. For survival and growth, they need to revamp their business model in terms of imbibing digital transformation within their respective businesses. In this regard certain policy interventions by government of India like Demonetization, Goods & Service Tax (GST) has caused some major disruptions in the digital landscape. Among the gamut of digital ancillary services, digital payments have emerged out as one of the most beneficial business enablers for MSMEs (IAMAI, 2019). Covid 19 pandemic outbreak and associated threat of cash being the potential carrier of virus has been a game changer in redefining the role of digital payments as a “matter of necessity” rather than being that of a “mere convenience” (Tafti et al., 2020). For enduring challenges emanating due to disruptions in economic and business environments or for that matter, during some crisis like global COVID-19 health pandemic, adopting technologies can immune SMEs to some extent (Javaid et al., 2020; Akpan et al., 2021).

As per report by Mckinsey, different stakeholders providing payment infrastructure must ensure its stability to be able to emerge as resilient and reliable one among its users during these hard times of surviving turbulence caused by covid-19 pandemic (Bruno et al., 2020). Manoeuvring these changes even business need to uptake some initiatives of digital transformations and payments being the most part prominent part of any business demands due attention (Tafti et al., 2020). Despite different policy initiatives, the penetration of digital payments particularly in MSMEs of tier 2 and tier 3 is still not satisfactory (Goyal, 2021). In this study effort has been made to understand the influence of factors like perceived usefulness, digital literacy, trading partner pressure and government support on adoption of digital payments among MSMEs based in tier 3 region of India. As per government of India, cities having population ranging between 50,000- 100,000 are considered as tier 2 cities, while those with a population oscillating between 20,000 and 50,000 are labelled as tier 3 cities (Boddupalli, 2018).

LITERATURE REVIEW

Review of literature reflects that most of the academic studies has considered single theory or amalgamation of theories. The TAM (Technology Acceptance Model)

(Davis,1989) is one of the most frequently used models in studying the technology adoption behaviour ((Hong et al., 2006). However, Oliveira and Martins (2011) asserted that use of Technology Acceptance Model (TAM) are predominantly related with individual acceptance of novice technology as opposed to Technology, Organization and Environment (TOE) theory (Tornatzky & Fleischer, 1990) which considers firm level constructs. Combination of TAM and TOE has been foundation of research models designed to explore technology adoption among MSMEs in previous studies. Digital transformations are must for the growth MSMEs, provided the MSMEs must be capable of imbibing technological advancement within their business. Many MSMEs from tier 2 and tier 3 region of India are initiating their digital journeys to weather the aftermath of covid-19 pandemic (Racherla & Nidumolu, 2021). Keeping in mind certain crucial developments witnessed in the payment arena during recent times, MSMEs has potential to contribute towards the broader initiative of digital India by promoting less-cash society. In this regard Ministry of MSMEs in India has undertaken some efforts to spread awareness on the ease and benefits of different modes of payments such as BHIM, UPI and Bharat QR code (MSME Annual Report, 2020-2021). Digital payment is being demarcated as payments that are made or aided through mobile digital technologies which offers mobility via handheld devices, with or without using the mobile telecommunication networks (Raharja et al., 2020). Nahata (2018) stated that in Indian context, market is primarily dominated by m-wallets, payments-based fin-tech companies and several other lending aggregators. Major proportions of digital payment adopters in India are primarily exposed to the fintech industry through such prepaid instruments. Further, Mansur (2020) asserted that as per certain analyses adoption of a digital payment solution for the business amounts to increment in the revenue of firms by around 34%, thereby inducing many businesses to adopt digital payments for their business.

Major technological advancements in financial service industry coupled with high-speed affordable internet across different regions turns out be game changer in providing customized electronic-based financial products to match up with the user's expectations related to convenience (Ahmed & Sur, 2021). Perceived usefulness is considered as the important factor in technology adoption studies (Chen, 2008; Kim et al., 2010). Usefulness or utility of certain technology is often analysed in terms of operational benefits associated with it. Thaker et al. (2019) put forth that intention of embracing m-banking is positively influenced by parameter of functionality. The functional efficacy of m-payment service in terms of enabling payments by eradicating the need of carrying cash and physical cards magnifies the tendency of its adoption (Ma et al., 2018). Upadhyay and Jahanyan (2016) inspected the role of perceived operational benefits of transfer payments facilitated digitally, they found empirical evidence that the benefit of speedy payment transfer over traditional mode of transfers increases the adoption of digital mode (i.e., money money).

Further, one important observation through lens of literature review is that although there are different factors identified by the researchers that affect digital payment adoption, results have not been consistent across the studies. Technological factor like perceived usefulness has been studied widely but the results vary across the studies being conducted. In this context previous research has stated that digital literacy of employees as a serious dynamic capability of organizations while initiating their digital transformations journey (Vial, 2019; Warner & Wäger, 2019). This aspect has been often mentioned in many academic works yet needs to be explored in a refined manner. According to American Library Association digital literacy has been defined as “the ability to use information and communication technologies to find, evaluate, create, and communicate information, requiring both cognitive and technical skills” (Van Deursen & Van Dijk, 2014). Those who possess higher e-skills are able to navigate the internet in a more productive manner. In order to ensure smooth transition from cash to digital modes of payment, steps must be undertaken to enhance the digital literacy of Indian population (Sivathanu,2019). Most of the time focus on digital literacy is at individual level, which posit a gap wherein the role of digital literacy needs to be explored at firm level. Organisations can benefit from technology adoption in true sense by training their workforce with digital skills to meet their objectives (Kane et al., 2019). This study aims at evaluating the potential moderating impact of digital literacy in adoption of digital payments.

TOE framework encircles the technological, organizational and environmental aspect of technology adoption at organisation level. However, since the ground realities of MSMEs based in developing nations is totally different from that of its counterpart in developed nations, the factor of study would vary significantly. For that matter, since adoption of digital payment is a mutual decision between two firms, environment factors would be of greater importance comparatively. Sobti (2019) stated that contribution of government is of utmost importance in boosting digital payments service adoption by providing desirable ecosystem and creating alertness regarding the benefits. Chiu et al. (2017) emphasised that government support amplifies the prospects of accepting innovations among small and medium enterprises. Lee et al. (2014) investigated the role of government policy initiatives on technology adoption and found empirical evidences supporting positive influence of policy initiatives on adoption. More so, it is inevitable for any business to survive in isolation, this is evident from studies which empirically proved the influence of trading partners in compelling their counterparts to adopt technology (Walker et al., 2016; Awa, et al., 2017). The demand of external stakeholders often shapes the priorities of MSMEs. Since transition towards less-cash society is more of a public challenge, it is of utmost of importance to ensure that the shift towards digital payment service penetrates deep down in the business model of MSMEs based in tier 3 cities to level up their game to reach greater heights.

RATIONALE OF STUDY

There are many paradigms of studying technology adoption, most of the studies with regard to digital payment are conducted from consumer perspective, however in the broader ecosystem, for attaining sustained shift towards digital payments, it is equally important to consider the perspective of merchant/businesses. Entire economy has undergone turbulent phase during covid-19 pandemic. Surviving this economic battle would require MSMEs based in tier 2 and tier 3 region to use digital technology. Digital payment service as a strategic tool to access the market and providing liquidity to MSMEs can speed up their recovery process. During financial year 2021, digital transaction around 35 billion with worth of 60 trillion of Indian rupees recorded across India. Further, in financial year 2026 transaction value was estimated to rise up to over 385 trillion Indian rupees in the country (Keelery, 2022), suggesting enormous potential of digital payments for Indian MSMEs and scholarly endeavours needs to be initiated to explore the depths of digital payments.

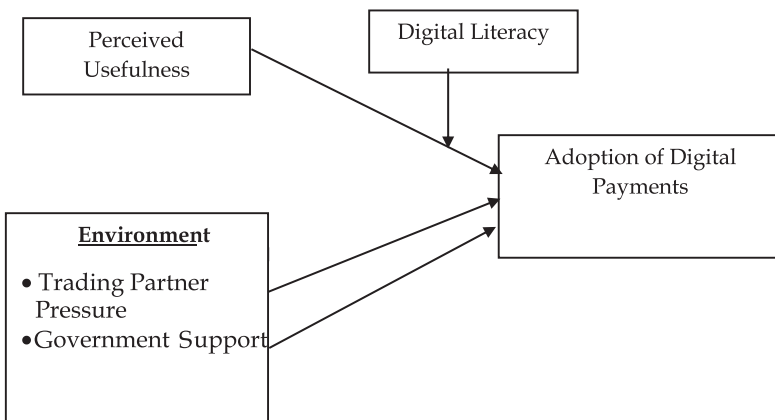
RESEARCH MODEL AND HYPOTHESIS

The following section presents the conceptual model (Figure 1) and the hypothesis formulated for the present study

CONSTRUCT DEVELOPMENT

Five constructs are used in this paper: Perceived Usefulness (PU), Digital literacy (DL), Trading Partner Pressure (TPP), Government Support (GS) and Adoption.

Figure 1. Research Model



Perceived Usefulness

Perceived Usefulness (PU) is being branded as the most robust antecedent in context of technology adoption studies. According to De-Luna et al. (2019), PU is a kind of expectation that using a particular technological solution would certainly subsidize towards the attainment of a certain goal in an efficient manner. Shankar and Datta (2018) empirically proved the positive relationship between perceived usefulness and m-payments adoption. Time and again scholars stated the worth of PU in field of technological innovation adoption. Scholars like Liébana-Cabanillas et al. (2018) observed its strong positive impact on adoption intents regarding m-payments. Further, Sharma (2019) summated alike findings in context of m-banking. Kalinic and Marinkovic (2016) remarked positive impact of user's belief related with operational utility of m-commerce on the intention to adopt it. In connection to present scenario of digital payments, there lies a great prospect that it can make payment handling procedure manageable and more opportune, thus enabling its adoption. Accordingly following hypothesis is framed:

H1: Perceived Usefulness influence the adoption of digital payments.

Digital Literacy

Digital literacy comprehends the competences of using new technological innovations (Mohammadyari & Singh, 2015). Buckingham (2010) stated that mere access to any technology doesn't guarantee the accomplishment of desired goals, somehow some basic skills are must for optimum usage in pursuit of realising certain specific goal. To be able to thrive and survive in digital economy, small and medium enterprises need to adopt technologies, nevertheless having a desired level of digital skill at their disposal is a main factor inducing the adoption (Vieru, 2015). Yu et al. (2017) observed empirical evidence regarding the impact of digital skills on adoption behavior in context of information communication technology. Murawski and Bick (2017) stated that the main challenge for any organisations is to adjust their outlook and skills to the new, digitalised way of managing business process rather than any new disruptive innovations. Further, Ghosal et al. (2020) acknowledged that inability to understand the new technological innovations and the up-gradations associated with it, amounts to limited adoption of digital elements among units dealing with handicrafts business. On the similar line D'Souza (2018) acknowledged that lack of digital literacy hinders the actual usage. Skills to operate certain technology generally enhance the possibility associated with its adoption. Accordingly, following hypothesis is framed:

H2: Digital literacy moderates the relationship between perceived Usefulness adoption of digital payments.

Trading Partner Pressure

Trading partner pressure is a matter of constant investigation when it comes to adoption of technology. Several scholars like Walker et al. (2016), Awa et al. (2017) and Ghobakhloo and Tang (2015) confirmed significant impact of pressure from trading partner on technology adoption. Senyo et al. (2016) in their study related to adoption of cloud computing noted that business may be pressurised by trading partners for adoption to facilitate positive alliance with them. Ocloo et al. (2018) in their study on e-commerce adoption among SMEs, stated that the degree of sensitivity towards the pressure exerted by trading partner is more among small businesses because of their high dependence on respective trade partners for survival. For the present study regarding adoption of digital payment modes, this factor of trading partner pressure deserves due attention. Due to recent transformational surge in digital payments along with wide range of payment solutions available in digital payment landscape, there is a great deal of possibility that trading partners may exert pressure on their respective counterparts to transact digitally.

H3: Trading partner pressure influences adoption of digital payments.

Government support

The success of drive towards the adoption of digital payment system like m- wallets depends on the amount of regulatory support initiatives undertaken by government in encouraging the usage of payment innovations (Madan & Yadav, 2016). Lack of support and initiatives from government in developing the infrastructure is likely to compound the problems associated with adoption of technology among SMEs (Akpan et. al, 2022). Further, scholars like Chatzoglou and Chatzoudes (2016), Senyo et al. (2016) and Chiu et al. (2017) investigated the role of government policy initiatives in different context of their respective studies on technology adoption. Mohtaramzadeh et al. (2018) asserted that sensitiveness and seriousness on the part of government towards the needs of technology adopters, with constant strive to foster technology adoption encourages adoption.

In context of digital payments, mandatory guidelines by government along with a positive attitude towards mobile payment services promotes favourable environment for cashless economy (Verma et al., 2019). The strategic moves of government aiming to speed up on boarding on digital payment platforms, perhaps deserve due attention in this study.

Based on the aforesaid discussion it is hypothesised that:

H4: Government Support impacts adoption of digital payments.

Research Methodology

Questionnaire design and measure

A structured questionnaire was designed for data collection with three sections: firm characteristics, technological, environmental factors and adoption. The first section measured the features of the firm like status held in the firm, manager or owner's educational level and classification of the firm (Table 1). The second part of questionnaire measured four factors, the measurement of perceived usefulness was from (Davis, 1989; Kim et al., 2010), digital literacy (Chauhan et al., 2018), trading partner pressure (Wu et al., 2003; Al-Qirim, 2007) and government support (Scupola, 2003; Al-Somali et al., 2011). The last part considers the adoption of digital payments (Kim et al., 2010).

A Five-point Likert scale ranging between 5 (strongly agree) and 1 (strongly disagree) has been used in this study for ensuring consistency. For the sake of enhancing the understandability, scale items are being improvised to cater to the need of this study.

Table 1. Sample Profile

Characteristics of the firm	Frequency	Percentage
Position in the organization		
Owner	237	49.8
Manager	239	50.2
Owner or Manager's highest level of education		
Secondary	67	14.1
Higher Secondary	204	42.9
Graduation	152	31.9
Post-Graduation	48	10.1
Other	5	1.1
Classification of firm		
Micro	324	68.1
Small	139	29.2
Medium	13	2.7

Sampling and data collection

Data collection in the study has been done through closed ended questionnaire to record the responses of MSMEs owner/manager having exposure to at least some form of digital mode of payment. This cross-sectional study considers owner/manager of MSMEs in Jammu region. These MSMEs are being chosen from database of MSMEs registered with District Industrial Centre Jammu and the target

population of study comprised of 1058 units. The study chose Jammu region because it is the most vibrant industrial area in terms of industrial activities. Many MSMEs are operating in Jammu region under industrial clusters like Gangyal industrial area, Digiana industrial estate and the industrial areas in Bari-Brahmana. Further, after excluding the newly registered and non-operational units, structured questionnaire was distributed among 563 MSMEs, where there is some form of exposure to digital modes of payment and out of this final sample of 432 was considered for data analysis. In order to make the MSMEs sample more representative MSMEs from different sectors were considered.

ANALYSIS

Exploratory Factor Analysis

Exploratory factor analysis conducted to find out how factor structure emerged without assuming any predetermined structure on the outcome (Child,1990) provided scales has not been validated earlier in context of digital payments in tier 3 MSMEs. The test of appropriateness of factor analysis has been confirmed through Kaiser-Meyer Olkin (KMO) measure of sampling adequacy (Hair et al., 2010). The KMO values of scale are above $>.70$ Further conditionality has been fulfilled by not considering statements with factor loading < 0.50 and multiple factor loadings (Hair et al., 2010). After above assessment final instrument consist of five constructs namely Perceived Usefulness with five indicators, Digital literacy with four indicators, Trading Partner Pressure with four items, Government Support with four items and Adoption with four indicators.

Common method bias

Harman's single factor test was used to detect the presence of common method bias. The common method bias is a phenomenon in research where "disparities in responses are caused by the research instrument rather than the actual predispositions of the respondents that the instrument attempts to reveal". A dataset is said to be free from common method bias when the variance explained by single factor is less than 50% (Podsakoff et al., 2012). CMB is not evident in this study, as the total variance for a single factor of this study is 20.802% and the total variance explained is 72.971% which is greater than the required variance of 60% (Malhotra and Dash, 2011).

Confirmatory factor analysis

In order to verify the factor structure emerged in EFA, CFA was performed (Suhr, 2006). CFA was performed on 21 items defining five latent constructs of the study. The assessment of measurement model fitness has been done by comparing the

model fit indices with threshold limit of model fit indices. Measurement model fit indices considered comprise CMIN/DF, Goodness of Fit Index (GFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA). As shown in **(Table 2)** measurement model had a good fit (CMIN/DF 2.78; GFI 0.900; TLI 0.909; CFI 0.922; RMSEA 0.053). For a model to be considered as a satisfactory one, its CMIN/Df should fall within the permissible range of 0–5 where smaller values indicate a better fit (Gunday et al., 2011). Further, GFI, NFI, CFI values and RMSEA signify a good fit as per the recommendation by (Hair et al., 2014).n order to verify the factor structure emerged in EFA, CFA was performed (Suhr, 2006). CFA was performed on 21 items defining five latent constructs of the study. The assessment of measurement model fitness has been done by comparing the model fit indices with threshold limit of model fit indices. Measurement model fit indices considered comprise CMIN/DF, Goodness of Fit Index (GFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA). As shown in **(Table 2)** measurement model had a good fit (CMIN/DF 2.78; GFI 0.900; TLI 0.909; CFI 0.922; RMSEA 0.053). For a model to be considered as a satisfactory one, its CMIN/Df should fall within the permissible range of 0–5 where smaller values indicate a better fit (Gunday et al., 2011). Further, GFI, NFI, CFI values and RMSEA signify a good fit as per the recommendation by (Hair et al., 2014).

Table 2. Model Fit Indices Summary

Model fit indices	Measurement model	Structure model	Standard level
Normed ch ² /square	2.78	2.890	<5.0
GFI	.900	.902	>0.90
TLI	.909	.932	>0.90
CFI	.922	.942	>0.90
RMSEA	.053	.065	<0.08

Further validation of measurement model is done by evaluating it in terms of reliability- convergent validity and discriminant validity. Convergent validity basically aims to figure out whether the indicators of latent constructs converge or how closely they are related through composite reliability (CR), Average Variance Extracted (AVE) and Standardized loading estimates (Hair et al., 2010). Composite Reliability of all constructs is >.70 falling between 0.818 and 0.954, thus proving the reliability of measures. More so, the value of AVE and standardised loading estimates fulfils the recommended criteria of >.50 thereby evidencing convergent validity shown in (Table 3).

Table 3. Loadings, Average Variance Extracted and Composite Reliability

Construct	Items	Loadings	AVE	CR
Perceived -Usefulness	PU1	.751	.550	.858
	PU2	.691		
	PU3	.637		
	PU4	.861		
	PU5	.753		
Digital Literacy	DL1	.776	.531	.818
	DL2	.818		
	DL3	.652		
	DL4	.654		
Trading partner pressure	TPP1	.861	.597	.855
	TPP2	.723		
	TPP3	.789		
	TPP4	.707		
Government Support	GS1	.803	.716	.909
	GS2	.733		
	GS3	.940		
	GS4	.894		
Adoption	AD1	.911	.838	.954
	AD2	.928		
	AD3	.877		
	AD4	.944		

Discriminant validity aims to find out whether constructs of the study differ from each other. In this study DV is ascertained by comparing square root of AVE with the inter-construct correlations of latent variable as shown in (Table 4). In this study discriminant validity has been established since value of AVE square root is greater than correlations values (Malhotra & Dash, 2008).

Table 4. Discriminant Validity

	PU	DL	TPP	GS
PU	.741			
DL	.114	.728		
TPP	.082	-.147	.772	
GS	.022	.070	-.064	.846

Testing research hypotheses

Using Maximum likelihood estimation (MLE) Structure equation model (SEM) was performed to test the hypothesis, provided the model fit indices as shown in (Table 2) of SEM are within acceptable range. In order to find out whether the hypothesis of

study stand accepted or rejected, Standardized regression weight of each latent construct is being examined at the significance level of less than 0.05. Results are shown in (Table 5), all the constructs of study- technical factors namely perceived usefulness, digital literacy and environmental factor - trading partner pressure and government support have positive significant impact on the adoption of digital payments. Thus H1, H2, H3 and H4 stand accepted.

Table 5. Hypotheses Results

Hypothesis	Hypothesized Relationship	SRW	P-value	Remark
H1	Perceived Usefulness- Adoption	.104	.001	Supported
H2	PU * DL - Adoption	.074	.040	Supported
H3	Trading Partner Pressure -Adoption	.174	.001	Supported
H4	Government Support-Adoption	.185	.004	Supported

DISCUSSION AND CONCLUSION

CONCLUSION

Surviving the instabilities caused amid covid-19 pandemic and certain past initiatives of government of India to promote the digital India dream, MSMEs have come a long way by understanding the usefulness of digital payments. This study found empirical evidence in this regard, PU, DL, TPP and GS have significant positive impact on adoption of digital payments. Further, for sustaining the shift towards cash-lite society, digital payment service needs to be promoted in every possible manner to increase its scalability among MSMEs based in lesser advanced parts of India. This academic study can help the fin-tech companies to build up their niches by acknowledging the requirements of MSMEs based in tier2-3 region often ignored by traditional players (banks) which may accelerate the pace of adoption. More so, concept of omni-channel sales, digital lending and internationalisation of business can be introduced among tier 2-3 region based MSMEs once they got onboard on their respective digital transformation journeys.

THEORETICAL IMPLICATIONS

Digital transformations across the world are influencing the business models. To be able to survive and thrive MSMEs need to leverage the emerging technology thereby revamping itself in the digital economy. Digital payments can be a game changer technology for the MSMEs based in developing countries which are way behind their counterparts in advanced nations. Most of the technology adoption studies focus on technology-oriented factors adapted from TAM (Technology Acceptance Model) or extensions of TAM, hence holistic approach in understanding the technology adoption in general and adoption of digital

payments in particular has been overlooked in the existing literature. Thus, this study has been curated to have a holistic approach by considering the technical factors like perceived usefulness, digital literacy and environmental factors like trading partner pressure and government support. Many previous studies had focused on understanding the adoption of technology in developed economies but meagre amount of literature is available in context of digital payments adoption among MSMEs based in tier 3 cities of less advanced economies. This piece of academic work provides meaningful insights regarding digital transformation in MSMEs based in Indian sub-continent (area of north India).

Although it is evident from the available literature that functionality or operational utility of payment technology influence its adoption among the users (Upadhyay & Jahanyan, 2016; Ma et al., 2018). In this study relationship has been established between perceived usefulness of digital payment and its adoption in context of MSMEs. However, the impact of perceived usefulness is quite different from consumer-centric digital payment adoption studies. In this study perceived usefulness didn't emerge as most influential factor. Many MSMEs owner were of the opinion that digital payment service needs to be more customized as the needs of the business sector are somehow different from regular consumers. Besides, this study established positive moderating impact of interaction effect (perceived usefulness*digital literacy) on adoption. Kozanoglu and Abedin (2020) has theoretical stated the role of workforce digital skills in the contributing towards the digital transformation. Digital literacy of MSMEs effect their capability to evaluate the perceived usefulness of digital payment technology, with this scenario, the firms with high level of digital literacy are more thoughtful regarding the functional utility of digital payments and consequently more adoption of digital payments. Results are consistent with the previous study (Elhajjar & Ouaida, 2019).

Further advances have been made in digital payment adoption literature by testing the impact of government support and trading partner pressure. Government support emerge as most strong determinant of digital payment which indicates that MSMEs based in tier 2-3 region acknowledges the initiative of government in promoting hassle free and cost- effective digital payment system. Further, trading partner pressure has detrimental impact on adoption among MSMEs of tier 2-3 region indicating their dependence on partner for business survival, customer retention due to high switching cost involved and dearth of close substitute available. This has been confirmed by various scholars that any business organisation doesn't exist in isolation so interplay of external forces is likely to impact its decision (Ammar & Ahmed, 2016; Clohessy et al., 2019).

PRACTICAL IMPLICATIONS

The need of this study is driven by the thought to understand the dynamics of

digital transformation journey among the MSMEs of tier 2-3 region. Digital payment technology is one such basic or baby step towards the broader digital transformation journey, provided number of traditional players (banks) and non-traditional players like fin-tech companies entering the realm of digital payments arena in Indian market. This study clearly single out role of the role of functional utility associated with digital payment service so the traditional players (bank) and non-traditional players like fin-tech companies could focus on improving these by customising their product as per the requirement of MSMEs users. Managers must involve in active reassessment of the benefits offered through digital payment modes, to account for rising novice efforts being introduced in payment arena over time. Perhaps, this would help the payment players (banks and Fin-tech companies) to direct their effort towards the greater good of MSMEs in a more refined manner. Furthermore, government can scale up the level of their support in terms of generating awareness among the MSMEs, providing support in forms of workshops to level up the rate of digital literacy among MSMEs, incentives can also be given to trading partners to bring the MSMEs onboard in the pursuit of less-cash society. Managers should actively participate in various events organized by District Industries Centre (DIC) and other concerned authorities regarding digital business in general and digital payment technology in particular. This would equip them in their transition towards digital business operations at ground level.

LIMITATIONS AND FUTURE RESEARCH

The scope of study is limited to registered MSMEs in Jammu without any consideration on potential outcome of digital payments adoption. Future studies can explore the status of digital payments adoption among MSMEs based in unorganised sector and exclusively examine the outcomes of adoption impact in a comprehensive manner. Future, scholarly work can explore the moderating role of certain other moderating variable like perceived security, digital orientation. Current study is cross-sectional in nature as the data were collected at one point in time. To further improve the generalisation of results, future research work can consider longitudinal approach.

Ethical Approval: In this study list of the registered MSMEs contacted during the study was provided by concerned department of J&K Government. There was no objection on their part and respondents involve this study. Further assurance has been given to respondent that the information provided by them will solely used for academic research purpose.

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