

**Impact of digital payment and e-commerce platforms on small businesses growth using financial literacy as moderator**

**Muhammad Moaz<sup>1</sup>, Rameesha Latif<sup>2</sup>, Dr Abdul Hafeez<sup>3</sup>, Muzamal khalid<sup>4</sup>, Muhammad Anees<sup>5</sup>**

<sup>1,2,4,5</sup>University of the Punjab Gujranwala.

<sup>3</sup>Imperial college of business Studies

Corresponding Author: [aneesrashid26@gmail.com](mailto:aneesrashid26@gmail.com)

**DOI: <https://doi.org/10.70670/sra.v3i1.463>**

**Abstract**

The world is constantly evolving with the help of technological advancements. The small businesses are the backbone of any country's economy especially in the case of emerging markets of developing nations. The introduction of digital payments is reshaping the traditional business model especially small businesses in emerging markets and economies by providing them with more opportunities for growth and efficiency in small businesses by utilizing the facilities of an e-commerce platform. This paper analyzes the impact of digital payments and e-commerce platforms in small markets by highlighting the role of financial inclusion, efficiency, security risks and economic growth. Additionally, the researcher used Financial Literacy as a Moderating variable, to see the influence and benefits of adopting digital mode of payments and the utilization of e-commerce platforms on small businesses in emerging markets. This study suggests that Governments, Financial institutions and fintech companies prioritizes financial literacy programs and also develop digital infrastructure for the benefits of small businesses. This conceptual study reveals that businesses with higher financial literacy are more likely to maximize the benefits of digital payments and e-commerce platforms. It also concludes that the adoption of digital payments methods and e-commerce platforms will enhance small businesses by improving efficiency, security concerns and awareness.

**Keywords:** Digital Payment, E-commerce Platform, Small Business Growth, Financial Literacy

**Introduction**

The sudden advancement in the field of digital payment systems and e-commerce platforms has significantly revolutionized the small business landscape, especially in emerging economies. These technologies will provide small enterprises with greater market access, smooth financial transactions, and enhanced business efficiency (Minarni 2025); (Putrevu and Mertzanis 2024). While digitalization provides growth opportunities, its benefits are not consistently realized across all businesses. One key factor that plays the role of a moderator is financial literacy. It is the possession of knowledge and skills that are needed in order to make financial decisions (Khando 2022) Small businesses often face challenges in adopting digital payment and e-commerce platforms due to their limited financial and technological knowledge, financial restrictions, and risks of fraud (Seethamraju 2018, Seethamraju and Diatha 2018) . Financial literacy comes into play here it plays a crucial role in determining whether businesses can utilize these digital tools to optimize its operations and streamline cash flow, improve profitability, and reduce risks such as cybersecurity hacks and fraud (Putrevu and Mertzanis 2024)

Studies tell us that businesses with a higher level of financial literacy are more likely to integrate digital financial services effectively, improving their access to credit facilities, investment opportunities, and customer engagement (Ogbari, John et al. 2024). Contrarily, firms lacking in financial knowledge may struggle with adoption, compliance, and strategic financial planning, limiting their ability to scale and compete in digital marketplaces (Oloveze, Oteh et al. 2024). This paper aims to analyze the impact of digital payment systems and e-commerce platforms on small business growth, with financial acting as a moderating factor. By conceptualizing this relationship, we provide insights into how small businesses can maximize digital adoption to enhance their competitiveness and sustainability. The study contributes to the ongoing discourse on digital transformation in small enterprises and highlights the need for targeted financial education programs to bridge the digital divide (Minarni 2025); (Khando, Islam et al. 2022)

### **3. Literature Review**

#### **3.1 Digital Payment Systems as an independent variable**

The implementation of digital payment systems has become an important part for small and medium-sized enterprises (SMEs), offering smooth transactions, less operational costs, and enhanced market reach. A study done by Klapper (2017) highlights that digital payments can connect entrepreneurs with banks, employees, suppliers, and new markets, therefore enhancing business operations (Klapper 2017). Furthermore, the Bank for International Settlements (2023) report states that countries with higher adoption of digital payments experience significant financial inclusion and credit access, which are crucial for SME growth (Settlements 2023). However, certain challenges as well also to be dealt with. A study analyzing financial literacy and digital literacy on the sustainability of micro, small, and medium enterprises (MSMEs) tells us that while digital payments offer several benefits, issues such as cybersecurity risks and the need for technological infrastructure can disrupt adoption among smaller businesses (Putra, Tahir et al. 2023).

#### **3.2 E-Commerce Platforms as an independent variable**

E-commerce platforms have changed the ways that the SMEs operated traditionally. It has paved the way for the SMEs to reach a broader financial market thus increasing the customer market for them. The research conducted tells us that the businesses that used e-commerce platforms have seen a significant increase in the sales and profitability as well as customer engagement. A study on the role of e-commerce and financial literacy on MSME's sustainability performance found that e-commerce adoption positively impacts business sustainability (Wahyundaru, Putra et al. 2024). Although there are clear advantages there are certain hurdles that cause difficulties in adoption of e-commerce platforms. The most significant being lack of financial literacy and lack of infrastructure required to use an e-commerce platform. A study in the Cogent Economics & Finance journal emphasizes that financial literacy and access to digital finance are critical determinants of SME performance, suggesting that without adequate financial knowledge, SMEs may struggle to fully leverage e-commerce opportunities (Frimpong, Agyapong et al. 2022).

#### **3.3 Financial Literacy as a Moderating Factor**

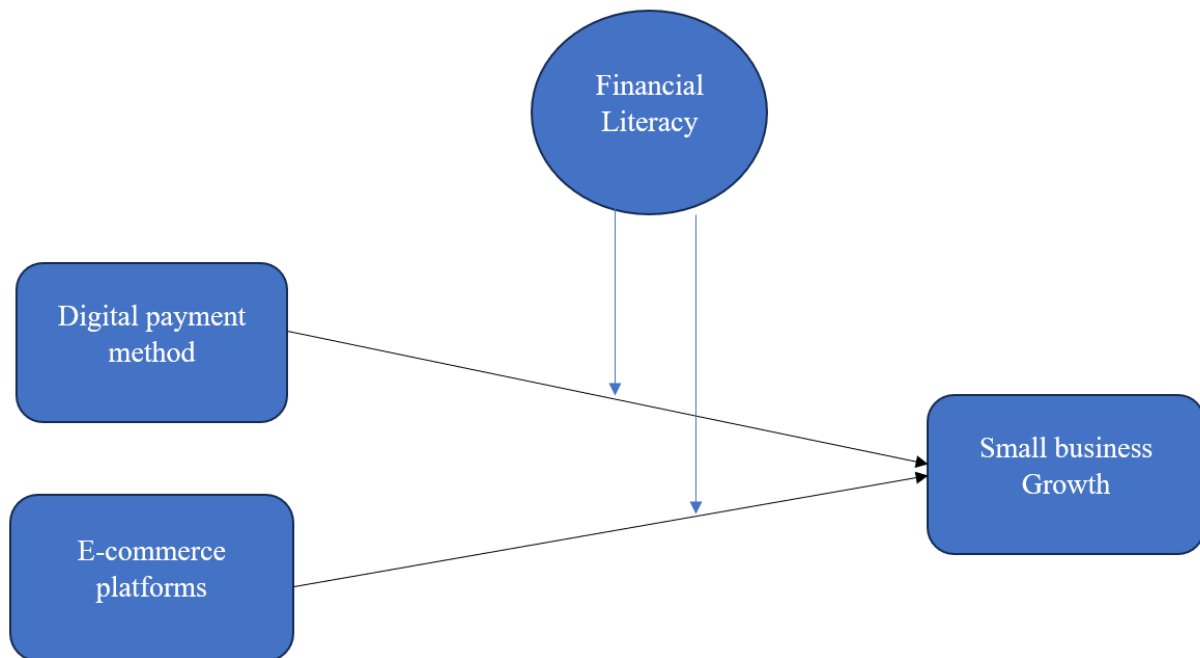
When measuring the growth of SMES people often overlook the moderating role of financial literacy. It greatly impacts the rate of adoptions of digital payment system and usage of e-commerce platforms by SMES. According to a study published in the PLOS ONE found that higher levels of financial literacy among SME owners are associated with better financial management practices and business sustainability (PMC). Research also tells us that financial literacy also improves the ability of SMES to access and utilize the financial services effectively, thus resulting in the promotion of growth and sustainability (Frimpong, Agyapong et al. 2022).

Inversely, the lack of financial literacy can result to financial vulnerability. A study analyzing the relationship between digital payment methods and financial vulnerability found that individuals with lower financial literacy are more susceptible to financial challenges when adopting digital payments (PMC).

### 3.4 Gaps in Existing Research

While existing literature emphasizes on the benefits of digital payment systems and e-commerce platforms for SMEs, there is a deficit of research primarily focused on the interrelation between financial literacy and the adoption of these digital tools. Future studies should explore how different levels of financial literacy among SME owners may influence the successful implementation of digital payment and e-commerce solutions, particularly in emerging markets of developing economies.

## 4. Framework



## 5. Hypotheses Development

H1: The digital payment systems has a positive impact on small business growth.

H2: The e-commerce platforms positively influences small business growth.

H3: Financial literacy moderates the relationship between digital payment adoption and small business growth, such that businesses with higher financial literacy experience greater benefits.

H4: Financial literacy moderates the relationship between e-commerce platform adoption and small business growth, where businesses with higher financial literacy gain stronger positive effects.

## 6. Limitations and Future Research

There are several limitations in this study. It is conceptual in nature and further validation can be done through empirical research to check and validate the proposed relationship between the variables with the help of secondary data collection and through survey-based approach. Further the future researcher can do longitudinal studies. Other moderating variables can also be added like government policies, digital infrastructure to check their impact and influence on the adoption rate of digital payments and e-commerce platforms and growth rate of SMEs.

## 7. Conclusion

The embracing of digital payment systems and developed trust in the e-commerce platforms has caused increase in the growth rate of small businesses by providing them with much streamlined transactions, enhancing their operational efficiency and expanding their market access. These technologies have enabled the SMEs to reach a broader customer base, optimize cash flow management, and enhance business scalability. The extent of these benefits are heavily influenced by the financial literacy which determines how effectively business owners use these financial tools to make sound decisions.

Although there are several benefits associated with digital transformation there are many hurdles and risks as well such as cybersecurity risks, regulatory compliance, and digital literacy gaps. Without financial literacy the businesses may struggle to deal with these issues and will not be able to fully utilize these financial tools to their full potential Future research should focus on empirical studies that examine the real-world impact of digital payments and e-commerce adoption on SME performance. By conducting systematic data collection and analysis, researchers can generate evidence-based insights that help business owners, policymakers, and financial institutions develop strategies to maximize digital transformation's benefits. A balanced approach that combines financial education, technological innovation, and regulatory support will be essential in fostering a sustainable and inclusive digital economy for small businesses

## References

- Frimpong, S. E., et al. (2022). "Financial literacy, access to digital finance and performance of SMEs: Evidence From Central region of Ghana." Cogent Economics & Finance **10**(1): 2121356.
- Khando, K., et al. (2022). "The emerging technologies of digital payments and associated challenges: a systematic literature review." Future Internet **15**(1): 21.
- Khando, K., Islam, M SirajulGao, Shang (2022). "The emerging technologies of digital payments and associated challenges: a systematic literature review." Future Internet **15**(1): 21.
- Klapper, L. (2017). "How digital payments can benefit entrepreneurs." IZA world of labor.
- Minarni, E. (2025). "Impact of Digital Payment Systems on Financial Inclusion and Small Business Growth in Developing Economies." International Journal of Innovation and Thinking **2**(1): 1-12.
- Ogbari, M., et al. (2024). "Impact of Digital Payment System on SMEs Productivity: A study on Small Businesses in Lagos, Nigeria."
- Oloveze, A., et al. (2024). "Socio-Economic Determinants of Pan-African Digital Payments Among Small Marketing Businesses." Journal of Technology Management and Business **11**(1): 122-135.
- Putra, A. T., et al. (2023). "Analysis of Financial Literacy and Digital Literacy on the Sustainability of Micro, Small and Medium Enterprises (MSMEs)." International Journal of Asian Business and Management **2**(6): 977-992.
- Putrevu, J. and C. Mertzanis (2024). "The adoption of digital payments in emerging economies: challenges and policy responses." Digital Policy, Regulation and Governance **26**(5): 476-500.
- Seethamraju, R. and K. S. Diatha (2018). "Adoption of digital payments by small retail stores."
- Seethamraju, R., Diatha, Krishna Sundar (2018). "Adoption of digital payments by small retail stores."
- Settlements, B. f. I. (2023). Digital payments and financial inclusion, Bank for International Settlements.
- Wahyundaru, S., et al. (2024). "Linking the role of e-commerce and financial literacy on MSME's sustainability performance during the digital era." International Journal of Data and Network Science **8**: 2651-2662.