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## E-Wallet Revolution: Fueling Business Performance among SMEs in Kuching, Sarawak

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### Abstract

This study aims to investigate the contribution of E-wallet usage to the business performance of small and medium enterprises (SMEs) in Kuching, Sarawak. In addition, the study explores the common issues encountered by customers during E-wallet transactions. The survey included participation from 150 representatives of SMEs from the food and beverage and retail sectors. The outcome of this study is expected to enhance the understanding of how E-wallet adoption influences SMEs' financial performance and provide insights into customer issues and service provider effectiveness. The results will offer practical recommendations for SMEs and E-wallet service providers, helping them optimize their strategies, improve customer experiences, and ultimately strengthen their businesses in the dynamic digital landscape.

### Introduction

The rapid growth of technology in today's digital environment has changed how organizations across industries conduct their operations (Putri & Sumitra, 2020). Small and medium-sized businesses (SMEs), which are important forces behind innovation and economic growth, are adopting digital solutions in greater numbers to improve their performance and competitiveness. One of the significant technological developments is the use of e-wallets, which has the potential to boost the business performance of SMEs to new heights (Hamzah et al., 2023).

SMEs are essential to economies all over the world because they foster innovation, job growth, and general economic progress. However, they frequently deal with issues like scarce financial resources, ineffective business practices, and barriers to entry into new markets (Eller et al., 2020). Traditional payment procedures, which are characterized by cash or card-based transactions, can place additional demands on SMEs, including high transaction costs, security threats, and time-consuming administrative responsibilities. Adoption of e-wallets offers a revolutionary answer by giving SMEs a simple, safe, and effective payment method (Pingali, et al., 2023).

The use of e-wallets has many advantages that have a direct impact on the success of SME businesses. First, by streamlining payment procedures and lowering dependency on actual currency or conventional card-based transactions, e-wallets improve transactional efficiency. SMEs may now effortlessly take payments, whether they are made in-person or online,

enabling speedier and more convenient transactions. E-wallets also lessen administrative burden and free up critical time for SME owners and workers to concentrate on core business operations by doing away with the requirement for manual reconciliation or cash handling (Augustine, 2023).

Second, by appealing to the expanding proportion of digitally informed consumers, e-wallet adoption enables SMEs to reach a wider customer base. Due to the rising consumer popularity of e-wallets, SMEs that provide this payment option can draw in and keep the kind of tech-savvy clients that are looking for convenience and digital experiences (Razer, 2015). E-wallets' integration with loyalty programs and targeted marketing initiatives improves client engagement and loyalty even more, encouraging repeat business and cultivating long-lasting bonds.

Furthermore, the availability of transaction data through e-wallets empowers SMEs with valuable insights into consumer behavior, preferences, and purchasing patterns. By leveraging this data, SMEs can make informed business decisions, refine their marketing strategies, and personalize customer experiences. E-wallets also enable SMEs to gain a competitive edge by offering tailored promotions, discounts, or rewards, thus enhancing customer satisfaction and loyalty (Humaira & Isa, 2020).

In the context of Malaysia, e-wallet adoption has witnessed significant growth due to factors like smartphone penetration, changing consumer behavior, and supportive regulatory frameworks. According to Commission Factory (2023), more than half of the Malaysian used the E-wallet to make their daily expenses. However, Malaysian SMEs, embracing e-wallets can be a transformative step towards digital transformation, enabling them to leapfrog traditional payment systems and harness the benefits of technology to scale their businesses. As of June 2021, the E-wallet transactions in Malaysia also increased to RM 468 million (MIDA, 2022). However, alongside the benefits, challenges and considerations exist for SMEs in their journey towards e-wallet adoption and maximizing its potential impact on business performance. One primary challenge is ensuring interoperability with various e-wallet platforms and navigating complex payment ecosystems may require SMEs to engage with multiple service providers or establish partnerships, adding further complexity to the adoption process.

The motivation behind this study stems from the increasing E-wallet usage among small and medium enterprises (SMEs) in Kuching, Sarawak. As the adoption of E-wallets continues to gain momentum, there is a need to understand the contribution of E-wallet usage to the business performance of SMEs in this specific region. This study aims to examine the contribution of E-wallet usage towards the business performance of SMEs in Kuching, Sarawak. Meanwhile, this study also aims to examine the common issues faced by customers and how effective is the E-wallet service provider dealing with issues. Thus, the outcome of this study is expected to contribute to the understanding of the impact of E-wallet usage on the business performance of SMEs in Kuching, Sarawak. The findings of this study can provide valuable insights and recommendations for both SMEs and E-wallet service providers, enabling them to improve their strategies, enhance customer satisfaction, and optimize business operations.

### **Data and Methodology**

This section discusses the data and methodology of this study. As of 2020, the definition of SMEs provided by SME Corp are shown in Figure 1. This study applied purposive sampling techniques by focusing on the responses of SMEs from Kuching, Sarawak. The duration of the data collection is up to 4 months. The questionnaire consists of ten questions only; however,

it manages to capture the important information about the E-wallet usage among the SMEs. Figure 2 shows the ten questions asked in the survey form.

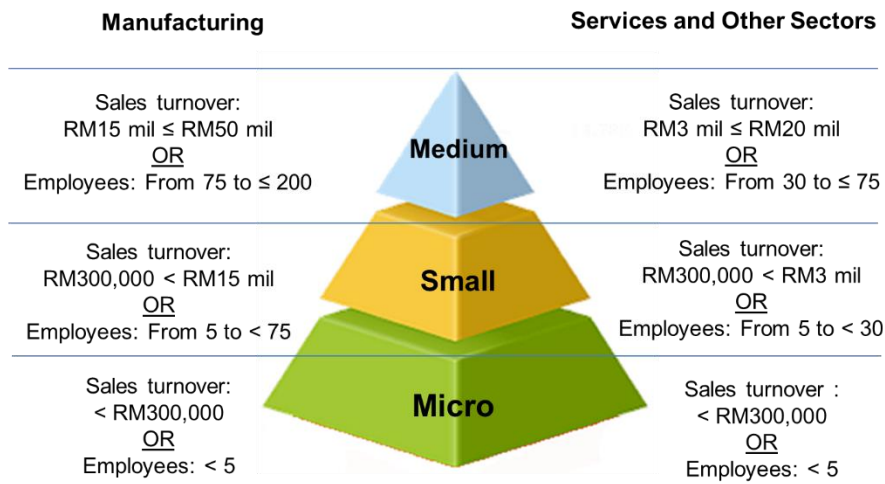


Figure 1: The definition of SMEs in Malaysia

Sources: <https://www.smeCorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-definition>

1. Gender: Male/Female
 

	Male
	Female
  
2. Position:
 

	Owner
	Supervisor/Manager or equivalent
	Sales Assistant/Retail Assistant or equivalent
  
3. Sector: \_\_\_\_\_
  
4. Number of employees:
 

	Less than 5
	5 to 30
	More than 30
  
5. Duration in using E-wallet:
 

	Less than 5
	5 to 30
	More than 30
	More than 30
  
6. I think that the usage of E-wallets contributed to business performance.
 

	Strongly Disagree
	Disagree
	Neutral
	Agree
	Strongly Agree
  
7. I think that E-wallets ease the customer's payment process.
 

	Strongly Disagree
	Disagree
	Neutral
	Agree
	Strongly Agree
  
8. How many percent do you think the E-wallet contributed to the growth of the company's revenue?
 

	0 to 10%
	More than 10%, but less than 20%
	More than 20%, but less than 30%
	More than 30%, but less than 40%
	More than 40%
  
9. What are the common issues faced by customers while using E-wallets?
 

	Forget to update
	Internet connection / Insufficient data plan
	Others: _____
  
10. I think that the E-wallet service provider deals with the issues efficiently.
 

	Strongly Disagree
	Disagree
	Neutral
	Agree
	Strongly Agree

Figure 2: List of Questions

### Results and Discussion

This study successfully collected feedback from 150 respondents (SMEs) from two sectors, (i) food and beverages (89 respondents), and (ii) retail (61 respondents). Table 1 shows that majority of the respondents are female (56.67%) and having the position of

supervisor/managers or equivalent (59.33%). Specifically, the respondents come from various positions, which included owner (10.00%), supervisor/manager or equivalent (59.33%), and sales assistant/retail assistant or equivalent (30.67%). This diverse representation of positions ensures a comprehensive understanding of the impact of E-wallets across different roles within SMEs. Table 2 also shows that most of the SMEs had 5 to 30 workers (84.0%) and used the E-wallet to receive the payment from customers for more than 1 year (48.0%). These findings suggest that E-wallet adoption is relatively common among the surveyed SMEs and has become an integral part of their payment systems.

Table 1

*Demographic Information of the Respondents*

		Frequency	%
Gender	Male	65	43.33
	Female	85	56.67
Position	Owner	15	10.00
	Supervisor/Manager or equivalent	89	59.33
	Sales Assistant/Retail Assistant or equivalent	46	30.67

Table 2

*Information Related to the SMEs*

Sector	Frequency	%
Food and Beverages	89	59.30
Retail	61	40.70
Number of Employees		
Less than 5	23	15.33
5 to 30	126	84.00
More than 30	1	0.67
Duration in Using E-Wallet		
Less than 3 months	5	3.33
3 months to 6 months	12	8.00
6 months to 1 year	61	40.67
More than 1 year	72	48.00

Table 3 shows the respondent's feedback towards the different statements related to the E-wallet. Most of them *agree* that E-wallet usage contributed to their business performance (36%) in between 10% to 20% (28.7%). This demonstrates that SMEs perceive E-wallets as a beneficial tool for improving their business outcomes. However, it is noteworthy that a considerable proportion of respondents (36%) remained neutral regarding the statement "I think that E-wallets ease the customer's payment process". This neutrality may be attributed to the common issue faced by customers, as reported by 72.7% of the respondents, which is the issue of internet connection or insufficient data plans while making payments using E-wallets. This finding highlights the need for improved infrastructure and connectivity to enhance the overall user experience of E-wallets. Furthermore, it is encouraging to observe

that a significant majority of the respondents (68%) agreed or strongly agreed that E-wallet service providers were efficient in dealing with issues. This indicates that SMEs have generally had positive experiences with E-wallet service providers, suggesting a level of satisfaction with the support and problem-solving capabilities offered by these providers.

Table 3  
*Responses to Statements*

Question	Responses	Frequency	%
Do you think that the usage of E-wallet contributed to your business?	Strongly Disagree	0	0.00
	Disagree	2	1.33
	Neutral	43	28.67
	Agree	54	36.00
	Strongly Agree	51	34.00
Do you think the E-wallet ease the customer's payment process?	Strongly Disagree	0	0.00
	Disagree	0	0.00
	Neutral	54	36.00
	Agree	52	34.67
	Strongly Agree	44	29.33
How many percent do you think the E-wallet contributed to the growth of company's revenue?	0 to 10%	33	22.00
	More than 10%, but less than 20%	43	28.67
	More than 20%, but less than 30%	42	28.00
	More than 30%, but less than 40%	32	21.33
	More than 40%	0	0.00
What is the common issue(s) ever faced by the customers while using E-wallet?	Forget to update	41	27.33
	Internet connection / Insufficient Data Plan	109	72.67
Do you think the E-wallet service provider deal with the issues efficiently?	Strongly Disagree	0	0.00
	Disagree	0	0.00
	Neutral	48	32.00
	Agree	54	36.00
	Strongly Agree	48	32.00

### Discussion and Conclusion

In summary, the findings of this study indicate that E-wallet usage has a positive impact on the business performance of SMEs in Kuching, Sarawak. SMEs perceive E-wallets as beneficial tools for improving their business outcomes, with a significant proportion reporting positive impacts ranging from 10% to 20%. However, the issue of internet connectivity and insufficient data plans during E-wallet transactions remains a concern, as reported by a considerable number of respondents. It is recommended that policymakers and stakeholders address these infrastructure challenges to enhance the customer experience and promote further adoption of E-wallets among SMEs.

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