Empowering Kirana Stores in Mangalore: The Impact of Digital Lending Platforms on Financial Growth and Sustainability

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Abstract - Kirana stores are the backbones for the retail sectors in India. They serve the daily needs of the local communities through these store owners in a primary form. Most Kirana store owners in Mangalore do not have access to formal credit, which is a factor leading to various constraints about expansion, stock in hand, and competition against organized retail chains. In this regard, this paper analyses the effects of digital lending on the financial growth and sustainability of Kirana stores in Mangalore.

The research interrogates the level to which FinTech innovations such as digital credit solutions, Buy Now Pay Later schemes, and microfinance reduce the credit gap for small retailers. A mixed-method approach has been used whereby data were collected from Kirana store owners in regard to awareness, adoption, and experience with digital lending services. Findings are that digital lending platforms have greatly improved the availability of working capital, increased the efficiency of operation, and scaled up the businesses of store owners. However, there are some challenges like lack of digital literacy, high-interest rates, and trust issues.

The paper insists that financial institutions and policymakers have to design tailor-made credit products, access, and enhance financial literacy for the Kirana store owners. This digital lending infrastructure can be a push for the unorganized retail sector of Mangalore to get into financial inclusion and economic resilience.

Key Words: Digital Lending, Kirana Stores, Financial Growth, FinTech, Credit Access

1.INTRODUCTION

Kirana stores are the backbones of Indian retail. They are integral parts of local commerce. These are small, family-owned businesses that serve daily consumer needs. They offer personal service, credit flexibility, and a robust supply chain network in the neighbourhood. However, Kirana store owners in Mangalore face various challenges primarily because of their lack of access to formal credit facilities. It has deprived small retailers of the scale of business, good stock holding, and the opportunity to compete with more structured retailing chains. Buy Now Pay Later (BNPL) schemes, microfinance, and other forms of digital credit emerge through new sources of finance for small retailers.

Ideally, such a gap in credit could be filled through FinTech innovations combined with growth in the digital lending platform. These digital lending options can make Kirana store owners strengthen their working capital and reduce operations in a manner to increase business sustainability. However, there still are issues of digital illiteracy, high interest rates, and trust. The objective of this research study will be to discuss how the digital lending platform affects Kirana stores in Mangalore in terms of financial growth and sustainability by highlighting the benefits and potential drawbacks of using the same.

OBJECTIVE OF THE STUDY

Objectives of the paper are as follow:

❖ To track the awareness level and adoption ratio of digital lending platforms among Kirana owners of Mangalore

❖ To measure financial growth, business expansions, as well as working efficiency due to the digital lending solution.

❖ Major barriers that might be coming on access and use for Kirana store owners towards the digital lending service.

❖ Advise financial organizations and policymakers on how best to enhance access to efficient digital lending to petty traders.

PROBLEM STATEMENT

The advancement in FinTech and digital lending solutions is very tremendous, while Mangalore Kirana store owners cannot get free from financial restraints due to the unavailability of formal credits. Banks want collateral, extensive documentation, and a long application process that would be difficult to get loans among small retailers. The opportunity exists in digital lending to bridge this gap, but with several challenges such as a low digital literacy level, high-interest rates, and associated trust issues. The research will analyze the degree of digital lending in filling this gap for Kirana stores.

HYPOTHESIS OF THE STUDY

Null Hypothesis (H0): Digital lending platforms do not significantly impact the financial growth and sustainability of Kirana stores in Mangalore.

Alternative Hypothesis (H1): Digital lending platforms positively impact the financial growth and sustainability of Kirana stores in Mangalore.

SCOPE OF THE STUDY

This research work is limited to Kirana stores operating in Mangalore. The research will analyze evaluating the impact of digital lending platforms on these stores in terms of monetary growth, readiness and access to credits, and operational efficiency. Financial institutions and policymakers are interested in the research because small retailers have to utilize digital lending solutions. Although insights drawn from this study can be transported to a comparable retail setting of any Indian city, this research is mainly interested in what is unique within the Mangalore retail ecosystem itself.

RESEARCH METHODOLOGY

The approach of this study has been based on a mixed method to allow for full analysis. To that end, this study has made use of both qualitative and quantitative research techniques in combination.

Data Collection: Primary data is collected through structured surveys and interviews from Kirana store owners in Mangalore.

Sampling Method: For this study, purposive sampling of participants has been used based on prior experience or keen interest in using digital lending services.

Data Analysis: Growth is measured with the help of statistical tools about finance and change in operations, along with other qualitative inputs which are open-ended answers of the questionnaires to derive an understanding regarding challenges and their perceptions.

Sample size: Sample of 80 Kirana stores operating in Mangalore.

LIMITATION OF THE STUDY

Of course, although the intention of this study is to provide worthwhile information on how digital lending enhances the Kirana store, there are some limitations for mention below:

Geographical Limitation: The study was done in the Mangalore area. Thus, it cannot be said that the findings represent the experiences of all Kirana stores.

Sample Size: This research has only considered a few Kirana store owners for analysis, and there may not be an expression of all other related perspectives.

Rapidly Changing FinTech Landscape: Given the fast pace of FinTech and digital lending solutions, findings may be outdated with new innovations.

Self-reported Data: The study relies on responses from Kirana store owners, which may be biased or inaccurate.

Despite these constraints, the research is a highly important source of information for an understanding of the potential of digital lending as a source for improving the sustainability and growth of small retailers.

2. Body of Paper
LITERATURE REVIEW

Digital financial solutions have adversely impacted the sustainability and growth of business concerning finance in the unorganized retail sector. Rang De is a prosaically, peer-to-peer lending platform that has eliminated poverty with successful financial inclusion activities across the online as well as the offline spaces. The development plans of an economy, along with information and communication technologies, provide the necessary ingredients to provide the sustainable development of a country. This is most notably seen within India's retail sector. Block chain technology has made supply chain management and operations much more efficient for local Kirana shops, thus giving them an edge.

Digital payment mechanisms have made cashless transactions much more straightforward, thereby ensuring efficient financial transactions especially during crises such as the Covid-19. Whereas e-commerce has enhanced the financial performances of the MSMEs, the question of sustaining long-term still remains contentious. Likely trend towards further consolidation of debt dependency: High interest, credit risk assessment, and political factors would altogether submerge the small retailers in debt dependency. The use of the digital system by small retailers is cost-dependent and also determined by how easy it is perceived to use and its compatibility. Kirana stores would, without doubt, survive and expand if they adopted the new strategies and collaborated with larger firms towards proper digitalization and contact with customers.

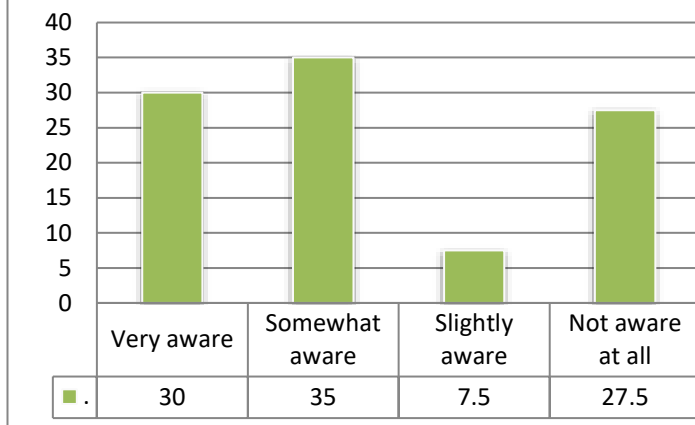**Table 1: Showing how aware respondents are of digital lending platforms available for Kirana stores.**

Particulars	No of respondents	Percentage (%)
Very aware	24	30
Somewhat aware	28	35
Slightly aware	06	7.5
Not aware at all	22	27.5
Total	80	100

N=80
SOURCE: SURVEY DATA

Figure 1: Showing how aware respondents are of digital lending platforms available for Kirana stores.

Particulars	No of respondents	Percentage (%)
Lendingkart	11	18.97
Instamojo	09	15.51
FlexiLoans	11	18.97
Google Pay for Business	20	34.48
Paytm Business Loan	34	58.62
Others (please specify)	18	31.03

	Very aware	Somewhat aware	Slightly aware	Not aware at all
.	30	35	7.5	27.5

Analysis and Interpretation: The majority of respondents (35%) are somewhat aware of digital lending platforms, while 30% are very aware. However, a significant proportion (27.5%) is not aware at all, indicating a need for awareness programs to educate Kirana store owners on the benefits of digital lending.
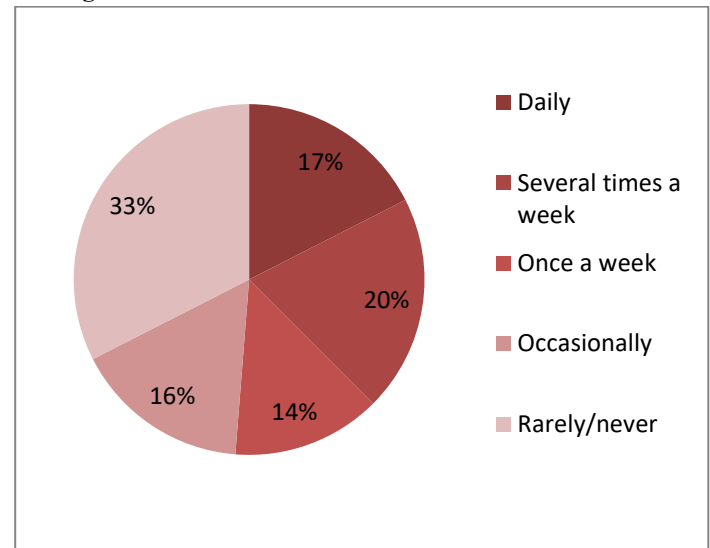
Table 2: Showing how frequently respondents use digital lending services for their business.

Particulars	No of respondents	Percentage (%)
Daily	14	17.5
Several times a week	16	20
Once a week	11	13.75
Occasionally	13	16.25
Rarely/never	26	32.5
Total	80	100

N=80

SOURCE: SURVEY DATA

Figure 2: Showing how frequently respondents use digital lending services for their business.

Analysis and Interpretation: The above table depicts that 20% of respondents use digital lending several times a week, while 17.5% use it daily. However, 32.5% rarely or never use digital lending services, reflecting concerns over accessibility, trust, or financial literacy gaps.

Table 3: Showing digital lending platform respondents primarily use for their business.
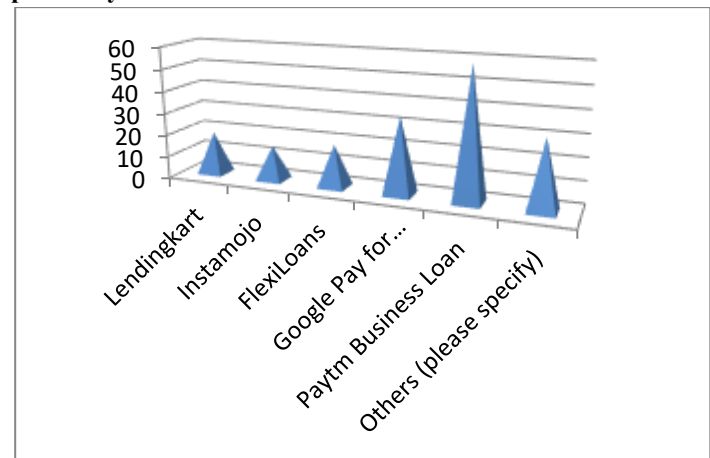
N=58   MRR= 1.8448

SOURCE: SURVEY DATA

NOTE: Percentage is not equal to 100 because of multiple responses and multiple response rate is equal to total number of response divided by the number of respondents.

Figure 3: Showing digital lending platform respondents primarily use for their business.

Analysis and Interpretation: Paytm Business Loan is the most used platform (58.62%), followed by Google Pay for Business (34.48%). The preference for Paytm indicates strong brand trust and ease of access, while other platforms still need to gain widespread acceptance.
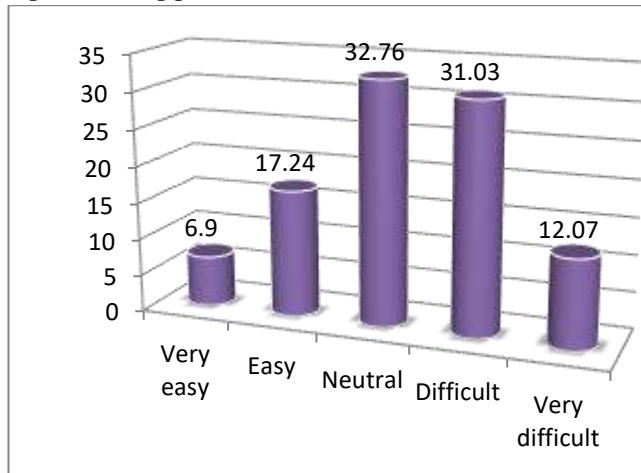
Table 4: Showing how easy is it for respondents to access digital lending platforms

Particulars	No of respondents	Percentage (%)
Very easy	04	6.90
Easy	10	17.24
Neutral	19	32.76
Difficult	18	31.03
Very difficult	07	12.07
Total	58	100

N= 58

SOURCE: SURVEY DATA

Figure 4: Showing how easy is it for respondents to access digital lending platforms

Analysis and Interpretation: The above table depicts that 32.76% of respondents feel neutral about ease of access, while 31.03% find it difficult. This suggests that while digital lending platforms are available, their accessibility remains a challenge for many Kirana store owners.
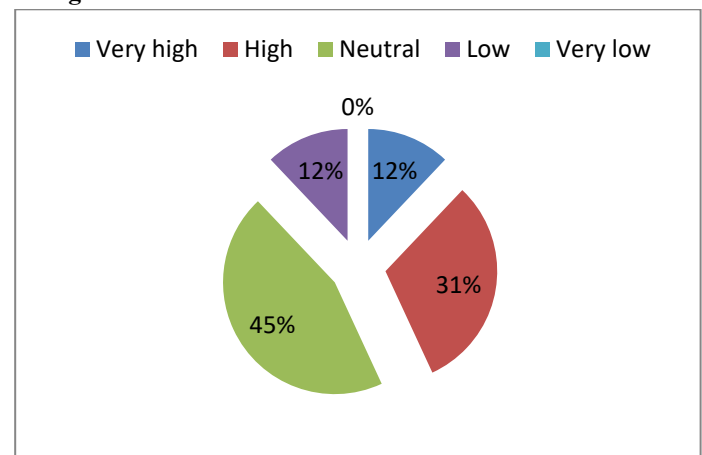
Table 5: Showing how respondents rate the interest rates on digital loans.

Particulars	No of respondents	Percentage (%)
Very high	07	12.07
High	18	31.03
Neutral	26	44.83
Low	07	12.07
Very low	00	00
Total	58	100

N=58

SOURCE: SURVEY DATA

Figure 5: Showing how respondents rate the interest rates on digital loans.

Analysis and Interpretation: The above table depicts that 44.83% of respondents remain neutral about interest rates, while 31.03% believe they are high. The perception of high interest rates might discourage adoption and require better financial education or revised lending terms.
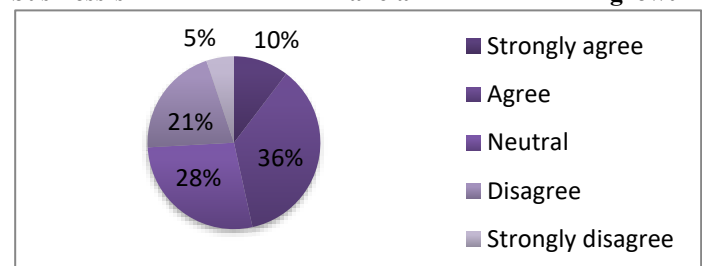
Table 6: Showing whether respondents believe that digital lending platforms have significantly improved your business's financial growth

Particulars	Observed Frequency (O)	Percentage (%)	χ^2
Strongly agree	06	10.34	2.70
Agree	21	36.21	7.62
Neutral	16	27.59	1.67
Disagree	12	20.69	0.01
Strongly disagree	03	5.17	6.38
Total	58	100	18.38

N=58

SOURCE: SURVEY DATA

Figure 6: Showing whether respondents believe that digital lending platforms have significantly improved your business's financial growth

Analysis and Interpretation: For a significance level of 0.05 and 4 degrees of freedom, the critical Chi-Square value is approximately 18.38. Since the p-value (0.00104) is less than 0.05, we reject the null hypothesis (H_0). This indicates that there is a statistically significant relationship between digital lending platforms and financial growth perception among Kirana store owners. Respondents' opinions are not evenly

distributed, meaning that digital lending has a measurable impact on their financial growth.

The test confirms a significant relationship between digital lending and financial growth. The majority (36.21%) agree that digital lending has positively impacted their business.
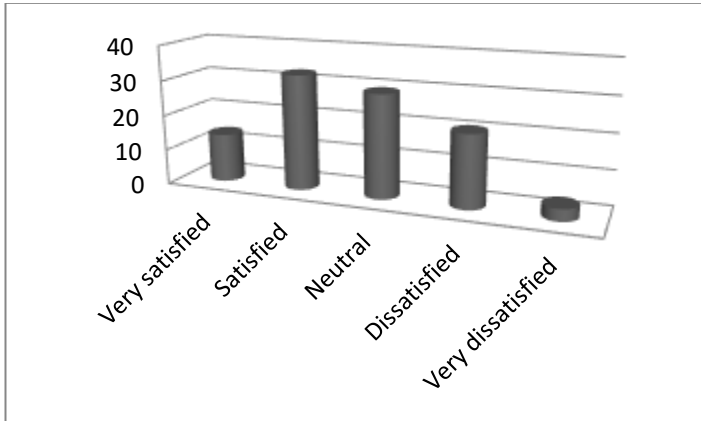
Table 7: Showing how satisfied are respondents with the customer support provided by digital lending platforms.

Particulars	No of respondents	Percentage (%)
Very satisfied	08	13.79
Satisfied	19	32.76
Neutral	17	29.31
Dissatisfied	12	20.69
Very dissatisfied	02	3.45
Total	58	100

N=58

SOURCE: SURVEY DATA

Figure 7: Showing how satisfied are respondents with the customer support provided by digital lending platforms.

Analysis and Interpretation: The above table depicts that 32.76% of respondents are satisfied with customer support, but 20.69% are dissatisfied. Improving customer support services can enhance trust and increase platform adoption.
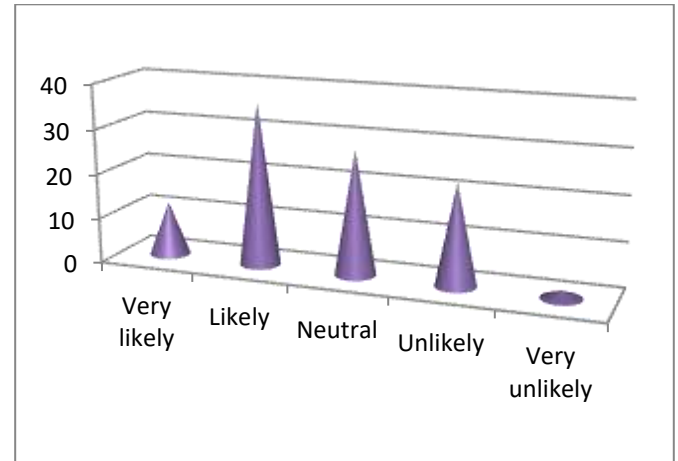
Table 8: Showing how likely respondent is to recommend digital lending platforms to other Kirana store owners.

Particulars	No of respondents	Percentage (%)
Very likely	07	12.07
Likely	21	36.21
Neutral	16	27.59
Unlikely	13	22.41
Very unlikely	01	1.72
Total	58	100

N=58

SOURCE: SURVEY DATA

Figure 8: Showing how likely respondent is to recommend digital lending platforms to other Kirana store owners.

Analysis and Interpretation: The above table depicts that 36.21% are likely to recommend digital lending, but 22.41% are unlikely. Increasing awareness, reducing high-interest rates, and improving customer experience can improve recommendations.

3. CONCLUSIONS

FINDINGS:

➢ Awareness of digital lending is moderate, but a significant portion remains uninformed.

➢ Adoption rates are mixed, with many Kirana owners hesitant to use digital lending frequently.

➢ Paytm Business Loan is the most preferred digital lending platform.

➢ Accessibility and high interest rates remain major concerns for store owners.

➢ The Chi-Square test confirms a significant impact of digital lending on financial growth.

➢ Customer support needs improvement to enhance user satisfaction and trust.

➢ Many of the store owners are not willing to recommend digital lending, which indicates a need for improvement in service quality.

SUGGESTIONS:

✓ **Enhancing Awareness:** The Kirana store owners need to be made aware of the advantages of digital lending through digital literacy campaigns.

✓ **Accessibility:** On boarding process can be streamlined, and outreach in local languages can be improved towards better adoption.

✓ **Interest Rate:** Policymakers need to work out at the end of lending platforms with lower interest rates and flexible repayment options.

✓ **Customer Support:** The customer service provided through a multilingual interface and faster query resolution would increase the trust among the customers.

✓ **Peer recommendations:** incentives for referral would increase adoption and credibility amongst the Kirana store owners.

CONCLUSION:

The research deals with the increasing importance of digital lending to empower Kirana store owners in Mangalore. Although digital lending platforms have high impacts on financial growth, problems like access, high interest rates, and lack of awareness are remaining. This Chi-Square analysis proves that digital lending has a positive influence on financial growth, thereby validating the alternative hypothesis, H1. Further improvement in financial literacy, the reduction of borrowing costs, and improving customer service will enhance the adoption further.

Long-term financial inclusion for digital lending requires that such platforms make services easier to use and more accessible. The government agency and the financial institution have to collaborate with each other in formulating policies aimed at raising the financial literacy level of small retailers. The other is flexible repayment terms and reduced interest rates.

Having AI-driven risk assessment and block chain for secure transactions integrated into it would help digital lending increase transparency and efficiency. Training Kirana store owners on the management of digital finance also empowers them to be more financially independent.

Digital lending may serve as a sustainable financial support system for small retailers, as this can build their economic resilience and growth in key areas. Finance empowerment for Kirana stores would be targeted toward facilitating the establishment of economic stability and financial inclusion in the retail sector of the country.

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