

The Digital Wallet Worker: Policy Challenges and Opportunities at the Intersection of FinTech and the Gig Economy

Ms. Shallu^{1*} | Ms. Ocean Rana²

^{1,2}Assistant Professor, IPS Academy, Indore.

*Corresponding Author: nancyvats2013@gmail.com

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ABSTRACT

This paper provides an insight into the increasing convergence between digital financial technologies (FinTech) and the gig economy in India, with a particular focus on the impact of digital wallet usage on the financial behavior of gig workers. By using empirical data gathered from a pilot survey of 120 gig workers operating within various online platforms in Indore, the study examines the role that digital payment mechanisms play in shaping their financial confidence, savings inclination, and use of credit. The regression results show that those who use digital wallets on a regular basis have a greater level of financial confidence and more savings discipline; however, they are also characterized by higher exposure to digital credit services. Such a combination indicates that FinTech not only helps in achieving financial empowerment but also makes individuals more susceptible to financial risks. The results obtained indicate the importance of developing balanced regulatory measures and financial education campaigns in order to capitalize on the inclusion opportunities offered by digital finance and avoid new risks associated with borrowing and information security.

Keywords: *FinTech, Digital Wallets, Gig Economy, Financial Behavior, India, Financial Inclusion, Policy.*

Introduction

The growth of FinTech in India has completely revolutionized the landscape of daily financial transactions. In recent years, technological innovations in the form of mobile payment applications and digital wallets have changed the way people handle, receive and view money. In this context, one of the most important beneficiary groups of these technologies is gig workers, who often do not have access to traditional financial institutions. Digital wallets, which are now being used by many workers in the gig economy, such as delivery persons, Uber drivers and freelancers, have become the main means of payment and transaction.

In spite of the positive effects of FinTech in promoting financial inclusion, there are some challenges associated with the use of these technologies. While the digital platforms make transactions easy, they also create new risks for people, such as higher vulnerability to consumption based on credit, issues related to data privacy and the possibility of being exploited by algorithms. On the one hand, the access to financial services leads to financial inclusion but, on the other hand, it makes people vulnerable to using credit and making reckless financial decisions.

The Indian FinTech ecosystem is one of the best examples to study this process. Digital India, Unified Payment Interface, and the rise of affordable mobile data services in India have helped the rapid adoption of digital finance among different social layers of society. The gig workforce constitutes an interesting group of people within this shift because of the fact that they are digitally connected but insecure, tech-savvy but financially fragile. It is thus necessary to know what impact does their interaction with digital wallets have on their financial behavior such as confidence in handling finances, savings rate, and access to credit services. The increasing usage of digital wallets has transformed financial behavior

in terms of accessibility, confidence and usage of digital credit system. As seen from figure 1, digital wallets act as the main driver behind financial inclusion, financial confidence and credit dependency.

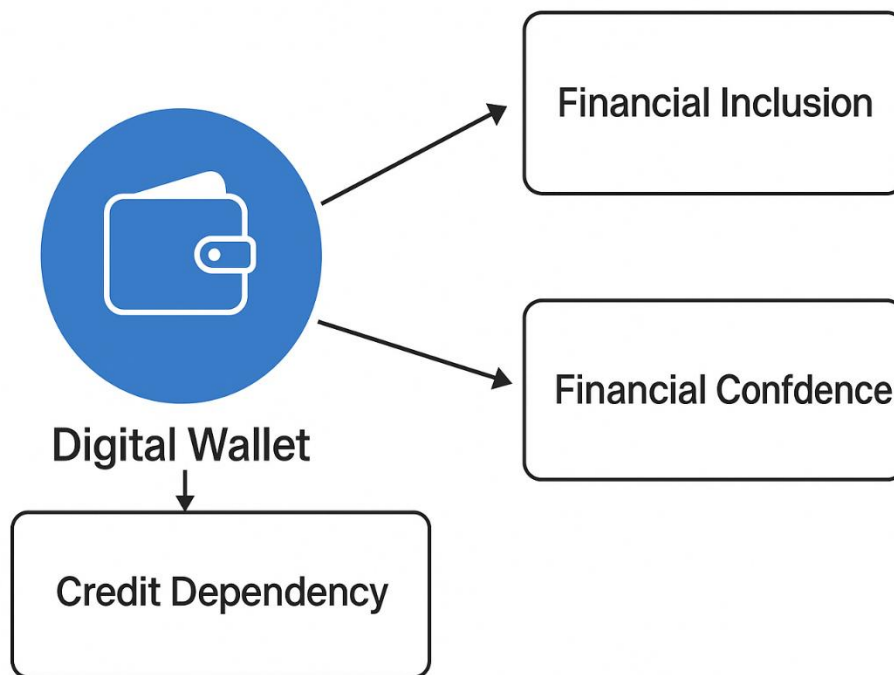


Figure 1

The current study draws from previous studies on the nature of FinTech, which recognize FinTech as both democratizing and disruptive technology. While past studies have largely focused on the benefits of FinTech in increasing access to financial services (Ozili, 2018; Gabor & Brooks, 2017), other studies have warned that convenience of the digital process could make individuals lose self-control and continue living in precarious conditions (De Stefano, 2016; Soman, 2020). Through empirical evaluation of the impact of digital wallets on the financial behavior of gig workers in Indore, this study contributes to the ongoing debate. The urgency of the need for initiatives to promote digital literacy, transparency in credit systems, and ethical FinTech solutions is thus highlighted.

Literature Review

The fast pace of technological innovation has changed contemporary financial systems, especially in developing countries like India. Financial technologies, such as mobile banking, payment gateways, and digital wallets, have become an integral part of financial inclusion efforts. FinTech's potential contribution in terms of providing access to financial services for those who have been denied access before is recognized in many academic publications. For example, Ozili (2018) explains that digital financial technologies make the use of financial services more accessible and stable because they reduce transaction costs. At the same time, Gabor and Brooks (2017) see FinTech as a new frontier of financial development that changes international development paradigms through embedding digital infrastructure into economic activity.

Nevertheless, there is another viewpoint regarding the role of FinTech. A number of scholarly works warn about the possibility of reproducing inequalities within the FinTech system. De Stefano (2016) stresses that the development of on-demand jobs and algorithmic work distribution has deprived gig workers of their employment protection rights, leaving them in a precarious situation, where technology controls both the process of their work and their earning potential. Within this framework, FinTech services can be seen both as a means of empowering and controlling gig.

Moreover, studies in the area of behavioral finance highlight the psychological and behavioral dimensions of the use of financial technologies. According to Soman (2020), the convenience of mobile

money can create problems for mental accounting and self-control of users, thus provoking overspending or improper credit behavior. This is explained by the tendency toward instant gratification when using mobile payments, which can lead to the loss of the notion of expenses and delays and increase financial vulnerability even when people have better access to financial instruments.

Finally, the literature on the impact of FinTech use in the gig economy highlights the role of contextual and behavioral factors in shaping the consequences of adopting financial technologies. People engaged in such occupations as delivery services, ride-hailing and freelancing are characterized by unstable incomes and the absence of the social security system. In such circumstances, digital wallets serve as convenient payment and savings tools but can also pose risks related to high-interest microloans and "Buy Now, Pay Later" services available in FinTech applications.

However, in the context of India, where there is an increased proliferation of digital payments through schemes like UPI and Jan Dhan Yojana, it becomes extremely important to analyze these dynamics. The fusion of FinTech and gig work, therefore, forms the crux of such research which can help us study how the process of over-digitization, indebtedness, and surveillance of data can pose risks to these individuals while simultaneously empowering them. In that sense, this study forms a part of the new and evolving academic discourse by contributing the empirical insights collected from Indore, a mid-sized city.

Objectives and Hypotheses

The current study attempts to examine the multidimensional effects of the use of digital wallets on the financial behavior of gig economy workers in India. It is acknowledged that gig economy workers represent a volatile demographic in the workforce who will be impacted by FinTech adoption in terms of financial confidence, savings, and credit usage.

Objectives

- **To evaluate the extent and patterns of digital wallet adoption among gig economy workers in Indore.**
 - This includes assessing the frequency of wallet use, preferred platforms, and the degree to which wallets serve as substitutes for conventional banking services.
 - **To analyze how digital wallet usage influences financial confidence and saving frequency.**
 - The study aims to determine whether consistent interaction with digital financial tools enhances individuals' sense of control, planning, and financial discipline.
 - **To examine the relationship between digital wallet dependency and exposure to digital credit.**
- As many wallet providers now integrate credit products within their applications, it is critical to explore whether higher wallet engagement corresponds with increased borrowing behavior.

Hypotheses

- H1:** Frequent usage of digital wallets is positively associated with higher financial confidence among gig workers.
- H2:** Greater wallet usage is linked to stronger saving habits and financial discipline.
- H3:** Increased reliance on digital wallets correlates with higher exposure to digital credit or short-term borrowing facilities.

Methodology

Research Design

The current study adopts a quantitative and cross-sectional approach to investigate the impact of digital wallets use on the financial behavior of gig workers. The use of survey method was opted due to the time-efficiency and capacity of such an approach in examining several dimensions of financial activities, digital literacy, and behavioral consequences at once. The choice of Indore city as a case study area is made due to the fact that it is a vivid example of a city where the usage of digital financial services is spreading among poorer classes of the population.

Sampling and Participants

A purposive sampling strategy was adopted in the research, involving people who were part of platform work or application-based gig work. These consisted of people who worked in the main three

areas of gigs: food delivery (for example, Swiggy, Zomato), ride-hailing (for example, Ola, Uber), and freelance digital services (such as content creation, IT services, design, and so on).

Criteria for inclusion included the following:

- People who had been doing gig work for six months or more, and
- Used at least one digital wallet for payment and receipt of income.

There was representation of various demographics among the participants, mainly male (83%), between the ages of 20 and 40 years, with different educational qualifications and earning capacity of ₹10,000 and ₹40,000 per month.

Data Collection Procedure

Data collection was done using online questionnaires where participants completed the questionnaires on Google forms and the questionnaire links were shared with gig worker WhatsApp groups and community organizers. The online format enabled access to participants despite time and mobility constraints that gig workers face. Prior to the main questionnaire, a pre-test was carried out involving ten people in order to confirm that questions had been understood properly and consistently. Ethics have been fully upheld during data collection; informed consent was sought and anonymity assured while personal information was not collected.

Variables and Measurement

The key variables included four constructs: frequency of use of wallets, financial confidence, savings practices, and reliance on credit, with FinTech literacy and income as control variables. The constructs were measured using Likert-type scales (1–5).

- **Wallet Usage: Frequency of using digital wallets such as Paytm, Google Pay, and PhonePe for payments and money transfer purposes.**
- **Finances Confidence: Confidence level in handling personal finances and savings.**
- **Savings Practices: Frequency and regularity of savings from gig work income.**
- **Dependence on Digital Credit: Self-perception regarding usage of digital credit services, such as small short-term loans and pay-later services.**
- **FinTech Literacy: Knowledge about digital finance tools and transaction security, as well as knowledge about interest rates.**
- **Income: Logarithmically transformed to control for income variability.**

The questionnaire had a Cronbach's alpha value of 0.81, which shows acceptable internal reliability of measurement items.

Analytical Framework

For the purpose of identifying the nature of the relationships between the central variables, multiple regression analysis was employed in the study. Specifically, the multiple regression models were built separately to examine the effects that the frequency of using digital wallets has on three key outcomes — financial confidence, saving frequency, and credit dependence — taking into account the influence of income and FinTech literacy.

Multiple regression is helpful in identifying the magnitude of change in one variable (e.g., financial confidence) in relation to changes in other variables (e.g., wallet use/financial literacy), while separating the impact of each individual independent variable. Consequently, multiple regression analysis fits well for the analysis of complicated relationships involving multiple influencing factors.

The general regression equation is expressed as:

$$Y_i = \beta_0 + \beta_1(\text{WalletUsage})_i + \beta_2(\text{FinTechLiteracy})_i + \beta_3(\text{Income})_i + \epsilon_i$$

Here, Y_i stands for the dependent variable for individual i . This could be related to the level of financial confidence, the frequency of savings, or credit dependency. Beta-zero, or β_0 , represents the intercept, meaning the initial level of the dependent variable. β_1 , β_2 , and β_3 represent the coefficients of predictors (usage of digital wallet, financial literacy, and income). Finally, the ϵ_i is a random error that captures the factors not captured by the equation.

It has made possible the investigation of the impact of digital wallets engagement and the level of financial literacy on the level of financial confidence, the habits of savings, and credit dependency in the changing environment.

Statistical Tools and Software

The data cleaning and coding process has been done using Microsoft Excel and statistical analysis has been conducted using SPSS 26.0 software. Descriptive statistics including mean, standard deviation, and range have been calculated, and then hypotheses H1 – H3 were analyzed using linear regression. Significance levels have been defined at $p < 0.05$. Standardized and unstandardized coefficients have been analyzed.

Reliability and Validity

In order to ensure the credibility of the results, several approaches to validation have been considered in this study. The construct validity of the measurements used in the study was achieved through already existing scales of financial confidence and FinTech literacy based on previous literature. The reliability analysis helped to establish internal consistency, while regression diagnostics including VIF and residuals plotting were conducted to avoid multicollinearity and heteroscedasticity. This is a pilot study, so the sample size is relatively small yet adequate for statistical inference.

Results and Discussion

Descriptive Overview

Table 1 summarizes the descriptive statistics for the core variables under study.

Variable	Mean	SD	Min	Max
Wallet Usage Frequency	4.1	0.7	2	5
Financial Confidence	3.9	0.8	2	5
Savings Frequency	2.9	1.2	0	5
FinTech Literacy	3.6	0.6	2	5

The wallet usage score of 4.1, on a five-point scale, shows that digital wallets have been adopted extensively by gig workers in Indore. This is because there is an ease and necessity of using such digital payment options while conducting a gig. On the financial confidence scale, the score of 3.9 reveals that most respondents were financially confident.

Mean Values of Key Study Variables

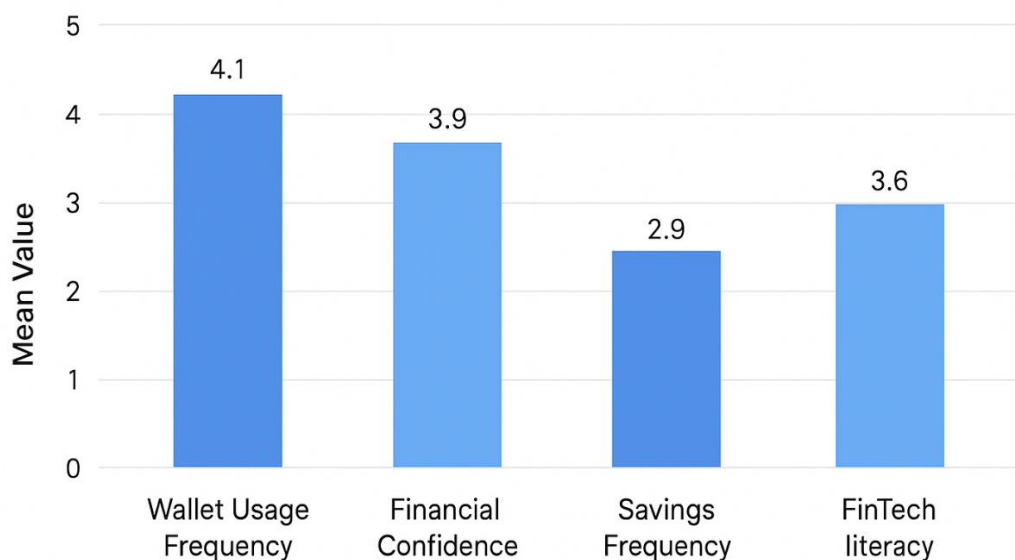


Figure 2

However, savings behavior was not as frequent, having a mean score of 2.9, which demonstrates that although carrying a wallet can facilitate savings, savings behavior is not as practiced

as frequently by the respondents. The literacy score in FinTech is 3.6, showing adequate knowledge on FinTech among gig workers.

Interpretation of Regression Results

The regression analyses (Table 2) provide substantive insights into the relationships between digital wallet usage and financial behaviors:

Variable	Coefficient	Std. Error	t-value	p-value	Model
Wallet Usage	0.38	0.08	4.75	<0.001	Financial Confidence
FinTech Literacy	0.32	0.13	2.46	0.018	Financial Confidence
Income (log)	0.27	0.12	2.25	0.028	Financial Confidence
Wallet Usage	0.29	0.11	2.64	0.011	Credit Dependency
Savings Frequency	0.21	0.10	2.10	0.040	Credit Dependency

- Financial Confidence:** The findings from the data analysis have revealed that the frequency of use of digital wallets is a statistically significant and positive determinant of financial confidence of gig workers ($\beta = 0.38$, $p < 0.001$). The finding supports Hypothesis 1 since it suggests that increasing interactions with digital wallet platforms increase individuals' perceptions of their ability to manage their financial transactions. FinTech literacy was found to be positively and significantly influential on financial confidence ($\beta = 0.32$, $p = 0.018$), which further supports the assertion that a full knowledge of digital financial technology increases financial self-efficacy (refer to Figure 3). Also, the income level positively and significantly influenced financial confidence ($\beta = 0.27$, $p = 0.028$) such that individuals had increased confidence in managing their finances independent of wallet usage frequency.

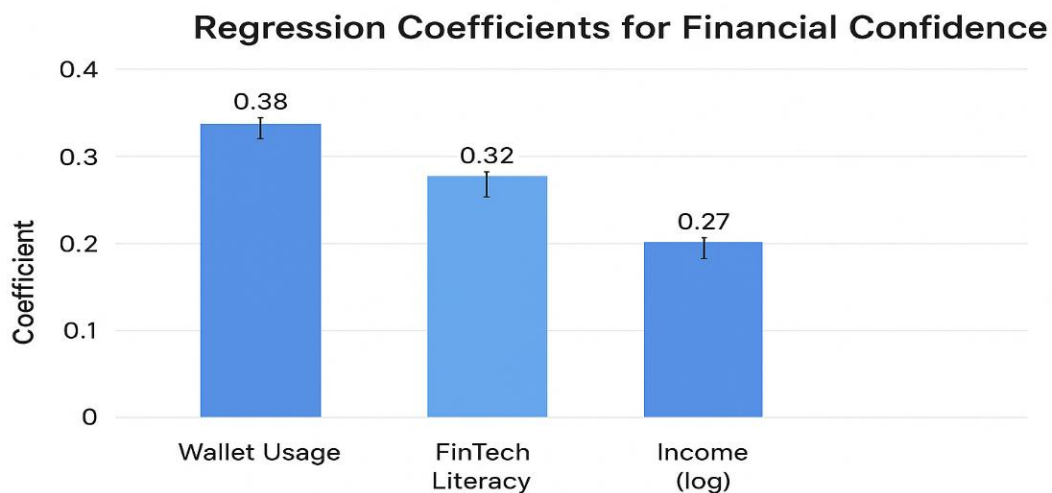
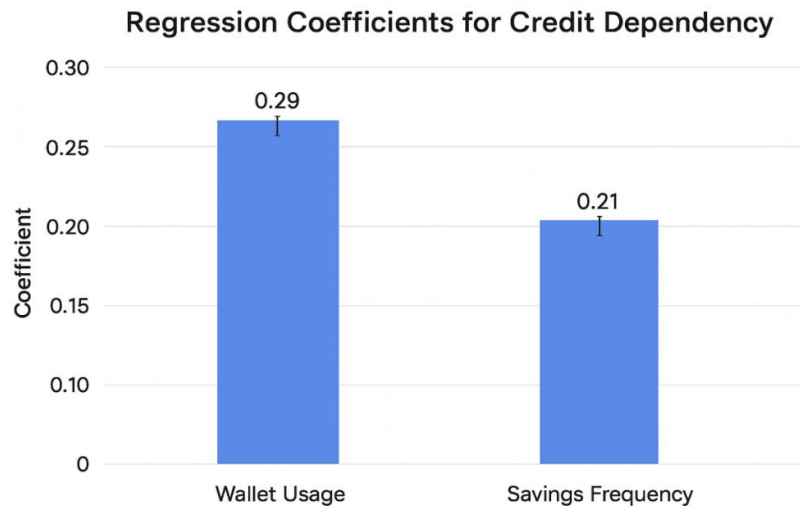


Figure 3

- Credit Dependency:** Contrary to the unambiguously positive effects on confidence, wallet usage also predicted increased credit dependency as shown in figure 4 where ($\beta=0.29$, $p=0.011$), confirming Hypothesis 3.

**Figure 4**

It shows that there is a risk component to digital finance, where an increased use of wallets can expose employees to credit instruments that come with digital finance, making them vulnerable to their risks. Also, there was a significant relationship between increased savings frequency and credit dependency ($\beta=0.21$, $p=0.040$), meaning that people who were actively managing their money were using credit more.

Discussion of Findings

The contradictory nature of digital wallets as facilitators of financial empowerment and as sources of risks is in line with the current research on FinTech's ambivalence. While the increased sense of financial empowerment can be associated with Gabor and Brooks (2017) and Ozili (2018), who consider democratization as an empowering feature of FinTech in terms of increasing financial inclusion and promoting savings. It can be argued that digital wallets make financial transactions easier and more engaging for those people who work in the gig economy and do not have access to traditional banking institutions.

At the same time, the relationship between the use of digital wallets and dependence on credit services can be related to the negative aspects of digital finance identified by De Stefano (2016) and Soman (2020). It appears that digital credit offered by digital wallets is easily accessible and can cause over-indebtedness, compulsive borrowing and financial distress which are intensified by the unstable income from gig jobs and poor financial education.

In addition to that, the correlation between saving habits and credit use reveals that gig economy earners might apply credit as a tool for financial management in order to even out consumption or bridge gaps instead of experiencing financial stress due to credit use. It is important to conduct further studies related to the application and perception of credit within the context of the gig economy.

Policy and Practical Implications

It is necessary to state that these results have significant policy implications for policymakers and FinTech companies. To begin with, it is essential to develop appropriate consumer protection tools in order to make digital financial products accessible and affordable for the target audience. Moreover, appropriate training should be provided to gig earners in order to help them become financially literate.

Limitations and Future Directions

Although this study has provided insightful results, it has certain limitations owing to small sample size and its cross-sectional nature that prevent causal inferences and generalizations. Further research may adopt longitudinal design and involve bigger and more diverse samples in order to understand FinTech's implications in more depth. Moreover, qualitative studies may be conducted in order to examine subjective perceptions and experiences underlying the quantitative findings revealed in this research.

Policy Implications

There are several key areas identified in this study where policies could help maximize positive impact of FinTech for gig economy workers and reduce possible risks. Firstly, there should be improvements of consumer protection policies in relation to digital financial landscape. There should be mandatory regulation of fees, interest rates and terms and conditions associated with digital wallets and embedded credit products in order to prevent predatory lending and other hidden fees and conditions.

In addition, the development of digital literacy programs, tailored to the circumstances of the gig economy employees, is crucial for empowering the users. Training the competences for managing one's digital money, understanding the risks associated with credit products, and ensuring data security is critical. Such programs can be implemented in collaboration with government bodies, FinTech providers, and local organizations, which maintain close relationships with gig economy workers.

Furthermore, FinTech firms are also accountable for implementing responsible credit policies and developing safe products. Introducing the features of lending on wallets should be combined with protective mechanisms of setting credit limits, based on the income levels, and notification of repayments. Innovations, related to encouraging people to save money and manage their budgets, not only spend credits, could promote better financial habits.

Lastly, the ecosystem that promotes financial inclusion but does not increase vulnerability of its participants needs to be developed. This means finding the balance between the innovation and regulatory policies to ensure that digital products support people's financial stability and do not contribute to precarity of their conditions.

Conclusion

These findings point out that digital wallets are used in a complex dual manner to affect the financial behavior of gig workers in Indore. Despite the fact that high usage of digital wallets is linked to an increased sense of financial confidence and enhanced saving practices, which demonstrate that great progress has been made in the domain of financial inclusion, at the same time it increases the vulnerability of the workers due to higher chances of getting into debt. Hence, these results show how FinTech is able to promote financial inclusion among marginal workers by providing access to financial services; however, at the same time, there are also some dangers in this process.

It becomes clear that due to the gained knowledge, it is important to strike a balance and take advantage of the opportunities provided by digital finance in a controlled way in order to transform digital wallets into tools of financial empowerment of gig workers. Thus, it is crucial to take all the necessary steps regarding policy design, education, and ethical FinTech development.

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