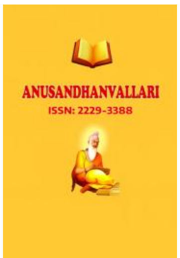

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Impact of Financial Acumen on Economic Penetration among Micro-Entrepreneurs: A Study of Bilaspur City

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Abstract: Micro-enterprises make up a sizable portion of the local economy, especially in developing tier-II cities where small businesses play a major role in creating jobs and advancing the local economy. However, they frequently find it difficult to achieve sustainable business growth due to limited financial capability. The current study looks at how financial acumen affects micro-entrepreneurs' ability to grow their businesses in Bilaspur City, Chhattisgarh. The study's objectives are to measure the degree of financial acumen, gauge the degree of economic penetration, and ascertain whether financial acumen has a major impact on business growth.

The study uses a descriptive and inferential design based on primary data gathered from micro-entrepreneurs in the food, retail, services, and small manufacturing sectors using a structured questionnaire. While economic penetration was measured in terms of growth in sales, assets, market reach, and overall development, financial acumen was measured through dimensions like financial knowledge, financial skills, financial attitude, and digital financial practices.

The results show that economic penetration is positively and statistically significantly impacted by financial acumen. Higher levels of business growth and operational improvement are exhibited by entrepreneurs with superior financial knowledge and management skills. The study comes to the conclusion that microenterprise development is significantly influenced by financial acumen and emphasizes the necessity of bolstering financial education programs to improve the sustainability of entrepreneurship.

The study comes to the conclusion that financial acumen plays a significant role in the growth of microenterprises and emphasizes the necessity of bolstering financial education programs to improve the sustainability of entrepreneurship in local economic contexts.

Keywords: Financial Acume, Micro-entrepreneurs, Economic Penetration, MSMEs, Bilaspur, Regional Development

Introduction

Micro-entrepreneurs constitute a vital pillar of India's socio-economic structure, significantly contributing to grassroots development and national income generation. As highlighted by Ministry of Micro, Small and Medium Enterprises (2023), the MSME sector accounts for nearly 30% of India's GDP and plays a crucial role in balanced regional development. Micro-enterprises, in particular, generate large-scale employment opportunities, especially for semi-skilled and unskilled workers, women, and marginalized groups, thereby reducing income disparities and regional inequalities. According to Reserve Bank of India (2022), micro-entrepreneurial activities enhance financial inclusion and stimulate local demand cycles, strengthening rural and semi-urban economies. Furthermore, micro-entrepreneurship fosters inclusive growth by promoting self-employment, encouraging

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innovation at the grassroots level, and integrating informal enterprises into the formal financial system (International Labour Organization [ILO], 2023). In emerging tier-II cities like Bilaspur, micro-entrepreneurs serve as catalysts for local economic resilience and sustainable community development

Financial acumen refers to the ability to understand, interpret, and effectively use financial information for informed decision-making. It encompasses knowledge of budgeting, savings, credit management, investment options, and risk assessment. For micro-entrepreneurs, financial acumen plays a crucial role in resource allocation, cost control, and strategic financial planning. Sound financial knowledge enhances risk management capacity and enables entrepreneurs to evaluate credit options, manage cash flows, and make profitable investment decisions. Empirical studies indicate a positive relationship between financial acumen and business performance, sustainability, and expansion among small enterprises (Organisation for Economic Co-operation and Development [OECD], 2023).

Despite their significant contribution to local and national economies, micro-entrepreneurs face multiple structural and operational challenges that restrict economic penetration and sustainability. One of the most critical barriers is limited access to formal credit due to inadequate collateral, poor credit history, and low financial awareness. According to the Reserve Bank of India (2023), a substantial proportion of micro-enterprises continue to rely on informal borrowing sources, which increases financial vulnerability. Poor financial planning and weak cash flow management further constrain growth, often resulting from inadequate financial acumen and lack of record-keeping practices. Additionally, many micro-entrepreneurs lack formal business training, limiting their ability to adopt innovative practices or leverage digital financial tools. Market uncertainties, including fluctuating demand, price volatility, and competitive pressures, intensify these challenges. In tier-II cities like Bilaspur, such constraints directly affect business performance, innovation capacity, and long-term sustainability.

Economic penetration is widely regarded as a key indicator of entrepreneurial success and long-term viability. For micro-entrepreneurs, expansion reflects improved financial performance, increased market reach, and enhanced operational capacity. Growth in business size often enables entrepreneurs to diversify products, adopt new technologies, and improve service quality, thereby fostering innovation and competitiveness. Sustainable expansion also strengthens resilience against market uncertainties and economic shocks. According to the World Bank (2023), small business growth significantly contributes to employment generation and regional economic development, particularly in emerging urban centers. In tier-II cities like Bilaspur, expansion of micro-enterprises stimulates local supply chains, increases income levels, and supports inclusive and balanced economic growth.

Bilaspur, located in Chhattisgarh, represents a growing tier-II urban center with a mixed economic structure comprising agriculture, trade, services, and small-scale industries. The city functions as an important commercial and administrative hub in the region, supporting surrounding rural and semi-urban areas. Agriculture remains a dominant activity in the district, particularly paddy cultivation, which has earned regional recognition and supports a network of small traders, food processors, and agri-based micro-enterprises. In addition, the presence of transport services, retail businesses, handicrafts, and local manufacturing units highlights the expanding micro-entrepreneurial ecosystem of Bilaspur.

The city has also witnessed gradual growth in rural innovation and self-employment initiatives supported by government schemes and financial inclusion programs. However, many micro-entrepreneurs operate with limited financial knowledge, informal bookkeeping practices, and restricted access to institutional finance. Within this context, examining the impact of financial acumen on economic penetration becomes highly relevant. Understanding how financial awareness influences performance, innovation capacity, and sustainable growth among Bilaspur's micro-entrepreneurs can provide region-specific insights aligned with the objectives of the present study.

The present study aims to examine the impact of financial acumen on economic penetration among micro-entrepreneurs with specific reference to Bilaspur City. It seeks to analyse how financial knowledge and skills influence business performance, innovation capacity, and sustainable growth. The study further explores the role of financial acumen in improving decision-making, resource allocation, and access to formal financial services, thereby facilitating the long-term expansion and competitiveness of micro-enterprises in the regional context

Objectives of the Study

1. To assess the level of financial acumen among micro-entrepreneurs in Bilaspur City.
2. To assess the level of economic penetration among micro-entrepreneurs.
3. To examine the impact of financial acumen on economic penetration among micro-entrepreneurs.

Hypothesis of the Study

H_0: Financial acumen has no significant impact on economic penetration.
H_1: Financial acumen has a significant impact on economic penetration.

Significance of the Study

This study is significant as it examines the role of financial acumen in influencing economic penetration among micro-entrepreneurs in Bilaspur City. Micro-enterprises contribute substantially to local employment and economic development, yet many struggle with financial management. By assessing financial acumen levels and their impact on expansion, the study provides insights into how financial knowledge and skills support growth. The findings can assist policymakers, financial institutions, and training agencies in designing targeted financial education programs to strengthen entrepreneurial sustainability and regional economic development.

1. Literature Review

A robust conceptualization of financial acumen is essential for understanding its implications for entrepreneurial performance and growth. Financial acumen has been defined by scholars as the fusion of financial knowledge, skills, and attitudes that enable individuals to make informed and effective decisions regarding the use and management of money (Huston, 2010). Lusardi and Mitchell (2014) describe financial acumen as awareness and understanding of financial concepts such as inflation, interest rates, risk diversification, and budgeting that facilitate rational financial behaviour. The core components identified across studies include cognitive knowledge (awareness of financial instruments), functional skills (budgeting, saving, investing), and positive attitudes towards planning and financial discipline (Atkinson & Messy, 2012).

Existing literature consistently highlights a positive relationship between financial acumen and business performance. Manocha and Garg (2020) found that small business owners with higher financial acumen showed significantly better profitability and decision-making capabilities compared to those with low literacy levels. Similarly, Fatoki (2014) observed that micro-enterprise owners in South Africa with strong financial understanding maintained healthier cash flows and experienced fewer solvency challenges. Financial acumen equips entrepreneurs with the ability to plan budgets, assess costs, and make spending decisions that enhance profitability (OECD, 2023). Enhanced financial decision-making also improves strategic choices related to pricing, credit management, and risk mitigation (Grohmann et al., 2018).

Regarding economic penetration, empirical evidence indicates that literate entrepreneurs are more likely to experience growth. Financially literate micro-entrepreneurs show better capabilities to plan and manage investments, diversify product lines, and scale operations. For instance, research by Koomson and Adjasi (2015) revealed a significant positive effect of financial acumen on business growth metrics such as market reach and asset accumulation. Studies in Indian contexts also show that financial knowledge helps enterprises access external finance and invest in capacity building, which are critical for expansion (Sathye & Clarke, 2007). Better investment planning, such as capital budgeting and working capital management, enables micro-entrepreneurs to take computed risks that drive expansion and competitive positioning (Lusardi & Tufano, 2015).

Financial acumen also plays a pivotal role in innovation and sustainable growth. Entrepreneurs with stronger financial frameworks are better positioned to adopt innovative practices and adapt to market shifts. Innovation in product development and service delivery often requires resource allocation decisions grounded in financial awareness (Zhao, 2019). A financially literate entrepreneur can evaluate the cost–benefit of technology adoption, market research, or process improvement initiatives, contributing to sustainable growth. Moreover, literate entrepreneurs demonstrate superior adaptation to market volatility by applying financial forecasting and scenario planning, which builds resilience (Behrman et al., 2012).

The role of technology in financial management cannot be understated in contemporary entrepreneurial ecosystems. Digital financial services, such as mobile banking, digital payments, and online accounting tools, have significantly increased efficiency and transparency in micro-enterprise finance (World Bank, 2023). Adoption of digital platforms reduces transaction costs, improves record-keeping, and enhances access to financial products. Research by Arif et al. (2021) found that micro-entrepreneurs who effectively utilize digital financial tools exhibit better cash flow management and greater integration into formal financial systems. Technology thus acts as both a facilitator of financial acumen and an enabler of improved financial practices.

Financial inclusion closely interacts with financial acumen to influence entrepreneurial development. Access to banking services, credit, and formal financial markets enables micro-entrepreneurs to mobilize capital and manage risks more effectively. Studies in India emphasize that entrepreneurs who possess financial knowledge are more likely to engage with formal credit channels and banking products (Malhotra & Singh, 2020). This, in turn, enhances business sustainability by providing resources for investment, inventory management, and unforeseen expenditures. Inclusive financial systems that support literacy initiatives contribute to long-term stability and expansion of micro-enterprises (Demirguc-Kunt et al., 2018).

Several Indian studies provide localized insights into financial acumen and entrepreneurial outcomes. In Tamil Nadu, research by Ramesh and Murthy (2019) showed that micro-entrepreneurs with structured financial training exhibited higher growth and profitability. A study in Kerala reported that financial acumen positively influenced credit access and business innovation, particularly among women entrepreneurs (Nair & Menon, 2021). In the Delhi–NCR region, Sharma (2022) found that financial acumen positively affected investment behaviour and expansion decisions among small enterprise owners. Despite varied regional contexts, these studies collectively affirm that enhanced financial acumen is associated with improved business performance, innovation capacity, and sustainable expansion.

Research Gap

Although several studies have established a positive association between financial acumen and business performance, limited empirical research specifically examines its impact on economic penetration among micro-entrepreneurs in tier-II cities such as Bilaspur. Most existing studies focus on broader SME performance indicators or metropolitan contexts, leaving a gap in localized evidence. There is a need for region-specific empirical investigation to understand how financial acumen influences economic penetration among micro-entrepreneurs operating in semi-urban environments.

2. Research Methodology

The present study adopts a descriptive and inferential research design to examine the impact of financial acumen on economic penetration among micro-entrepreneurs in Bilaspur City. The descriptive aspect of the study focuses on assessing the level of financial acumen and evaluating the extent of economic penetration among micro-

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entrepreneurs. The inferential component is employed to determine whether financial acumen significantly influences business growth through hypothesis testing. The study is empirical in nature, as it is based on primary data collected directly from micro-entrepreneurs in Bilaspur City using a structured questionnaire.

The population of the study includes all micro-entrepreneurs operating within Bilaspur City across sectors such as retail, services, small manufacturing, food businesses, and home-based enterprises. Since a comprehensive official list of both registered and unregistered micro-entrepreneurs is not available, the exact population size cannot be determined. Therefore, the sample size is calculated using Cochran's (1977) formula for large or unknown populations. Based on this formula, a sample size of 386 respondents is considered appropriate to ensure representativeness and reliability at a 95 percent confidence level.

A non-probability convenience sampling method is adopted due to the absence of a complete sampling frame and the inclusion of both registered and unregistered micro-entrepreneurs. Respondents are selected from major commercial areas and residential clusters in Bilaspur City. Eligibility is determined through screening questions such as number of employees (typically fewer than 10) and small-scale operational nature, rather than formal MSME registration status.

Primary data are collected through a structured questionnaire consisting of three sections: demographic details, financial acumen indicators (knowledge, skills, attitude, and digital practices), and economic penetration indicators (sales growth, asset growth, employee growth, and market expansion). A 5-point Likert scale is used for responses.

Descriptive statistics, mean and standard deviation are used to assess levels of financial acumen and economic penetration. To examine the impact of financial acumen on economic penetration, Simple Linear Regression is applied:

$$\text{Economic penetration} = \beta_0 + \beta_1 (\text{Financial acumen}) + \varepsilon$$

The hypothesis is tested at a 5 percent level of significance. If the p-value is less than 0.05, the null hypothesis is rejected.

3. Data Analysis and Results

The study was conducted among 386 micro-entrepreneurs operating in Bilaspur. The respondents were engaged in different types of businesses such as retail trade, service activities, and small-scale manufacturing. Most respondents had several years of business experience, suggesting that they were actively involved in financial decision-making and business operations.

Reliability Analysis

Before conducting further analysis, the reliability of the measurement scales was examined using Cronbach's Alpha. This test helps determine whether the questionnaire items consistently measure the intended construct.

Variable	Number of Items	Cronbach's Alpha
Financial acumen	8	0.82
Economic penetration	6	0.79

The Cronbach's Alpha value for financial acumen is 0.82, which indicates good internal consistency. Similarly, the Economic penetration scale has an alpha value of 0.79, which is also considered acceptable. Since both values are above the recommended threshold of 0.70, the scales are reliable and suitable for further statistical analysis.

Descriptive Statistics

Descriptive statistics were calculated to understand the overall level of financial acumen and economic penetration among the respondents.

Variable	Mean	Standard Deviation
Financial acumen	3.78	0.61
Economic penetration	3.65	0.68

The mean score for financial acumen is 3.78, which indicates that most respondents agree that they possess financial knowledge and skills such as budgeting, record-keeping, understanding loans, and financial planning. This suggests a moderate to high level of financial acumen among micro-entrepreneurs.

The mean score for Economic penetration is 3.65, indicating that many businesses have experienced growth in terms of sales, customer base, assets, and investments. Overall, the descriptive results show that both financial acumen and economic penetration are present at moderate levels among the respondents.

Regression Analysis

To examine whether financial acumen has an impact on economic penetration, a simple linear regression analysis was conducted.

Model Summary

R	R^2	Adjusted R^2
0.63	0.40	0.39

The R value of 0.63 indicates a strong positive relationship between financial acumen and economic penetration.

The R^2 value of 0.40 means that 40% of the variation in economic penetration can be explained by financial acumen. This is a substantial proportion in social science research, suggesting that financial acumen plays an important role in business growth.

ANOVA Results

F-value	Significance (p-value)
256.78	0.000

The significance value ($p = 0.000$) is less than 0.05, which indicates that the overall regression model is statistically significant. This means that financial acumen significantly predicts economic penetration.

Coefficient Results

Variable	Beta (β)	t-value	p-value
Financial acumen	0.63	16.02	0.000

The regression coefficient ($\beta = 0.63$) is positive, which means that financial acumen has a positive impact on economic penetration.

The p-value (0.000) is less than 0.05, confirming that the relationship is statistically significant. This indicates that an increase in financial acumen leads to a corresponding increase in economic penetration.

In practical terms, micro-entrepreneurs who possess better financial knowledge and management skills are more likely to expand their businesses.

The regression analysis indicates a strong positive relationship between financial acumen and economic penetration (R = 0.63). The R^2 value of 0.40 shows that 40% of the variation in economic penetration is explained by financial acumen, which reflects substantial explanatory power in social science research. The ANOVA results (F = 256.78, p = 0.000) confirm that the overall model is statistically significant. Further, the regression coefficient (β = 0.63, t = 16.02, p = 0.000) reveals that financial acumen has a strong and significant positive impact on economic penetration. Hence, financial acumen significantly predicts business growth, and the null hypothesis is rejected.

4. Conclusion

This study examined the impact of financial acumen on economic penetration among micro-entrepreneurs in Bilaspur. The findings reveal that financial acumen has a positive and statistically significant influence on economic penetration. The regression results indicate that entrepreneurs who possess higher levels of financial knowledge, financial management skills, and sound financial attitudes are more likely to experience growth in sales, assets, customer base, and overall business performance.

The analysis further shows that financial acumen explains a substantial proportion of variation in economic penetration. This highlights that financial capability is not merely a supportive skill but a central factor in entrepreneurial growth. Micro-entrepreneurs who understand budgeting, loan management, profit calculation, and financial planning are better equipped to make informed decisions, manage risks, and reinvest profits effectively.

Overall, the study provides empirical evidence that strengthening financial acumen can significantly enhance economic penetration in tier-II cities such as Bilaspur. The findings contribute to the growing literature on entrepreneurship and financial capability by offering localized evidence from a developing regional context.

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