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STRATEGIC FRAMEWORKS: CONCEPTUAL PERSPECTIVES ON THE INFLUENCE OF MODERN BANKING ON THE DEVELOPMENT OF THE SME SECTOR

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ABSTRACT

Technology has influenced every aspect of our lives. From the moment we wake up to when we go to bed, we are surrounded by technological advancements. The banking sector is no exception. Internet banking has greatly simplified daily life for people worldwide. This is particularly true in India, where visiting a bank often means standing in long queues. Internet banking has been a significant convenience, streamlining almost every customer task and allowing transactions to be completed in seconds with just a few clicks. New-age banking, also referred to as online banking, e-banking, or internet banking, is a service provided by financial institutions that enables customers to perform banking activities online.The primary aim of this research is to identify the key factors that favor the use of digital banking and the rate of acceptance of digital finance in the SME sector. The study also examines the impact of digital banking usage and acceptance on the growth and cost-effectiveness of SMEs. It confirms that while SMEs play a crucial role in the economy, they often face limited access to finance. This research develops a conceptual framework for the adoption of e-banking by SMEs by integrating all relevant factors and demonstrates that SMEs find it more convenient to accept and make payments through new-age banking.

Keywords: Technology, Internet Banking, SME's, Banking Services

1. INTRODUCTION

1.1. INTERNET BANKING IN INDIA

The Indian banking framework comprises commercial banks, which might be public scheduled or non-planned, private, provincial, and agreeable banks. The financial framework in India characterizes banking through the Banking Companies Act of 1949. After independence, the advancement in the financial framework in India proceeded with basically equivalent to previously. In 1969, the Government of India chose to nationalize the banks under the Banking Regulation Act, 1949. An aggregate of 14 banks was nationalized, including the Reserve Bank of India (RBI). In the current scenario, it is alluring for entire India to be a functioning piece of the digitization process. That is the reason; the financial area of India has totally changed itself by presenting the advanced new age banking. New-age banking is the change of actual banking wherein clients must be offered in the bank office for banking transactions like financial records balance, fund transfer, and so on. These days "in the case of banks, the internet system has been liked by the educated and youthful individuals as it is useful to them in numerous ways". The customers who were formerly waiting in a long line in banks just to pull out cash to utilize hard money with the end goal of installments, to move the cash to a far off individual through National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) and in some cases to refresh the passbook to know their current bank balance, are presently utilizing new-age advanced banking, what's more, doing all such financial exercises with a simple snap of mouse or with a simple dash of a finger on their cell phone. "Other than adaptable ease of use, computerized banking is savvy and more business effective".

Additionally, "new age banking is relied upon to influence the activities and performance of the small and medium enterprise in a form of conditional comfort, saving of time, speedy exchange caution and cost-saving". While the challenges are profound, the government is making plans to resolve the major questions. For example, the foundation of MUDRA bank, under the Pradhan Mantri Mudra Yojana (PMMY), to dispense advances of more modest sums is an incredible move. the Mudra bank has figured out how to dispense Rs 1.32 lakh crore to around 3.48 crore recipients and has set an objective of Rs 1.8 lakh crore has been set for the current monetary year. The PMMY has figured out how to reinstall a quality of positive thinking in the SME area with its work towards renegotiating miniature units - little individual and endeavor borrowers – who only occasionally get credits from banks. SMEs are correlative to enormous ventures as auxiliary units and contribute massively to the financial turn of events of the country. SMEs of India need to confront numerous challenges and use the chances in the quickly evolving worldwide business sectors. Presently, SMEs are needed to utilize consultancy administrations to overhaul their capabilities in different fields like promoting, finance, business improvement tasks, innovation, and so on.

Presently, numerous SME clients utilize their cell phone or a PC to communicate with the bank, while simultaneously SME banking has developed in intricacy, with clients creating some distance from plain vanilla banking for more bespoke and imaginative solutions. In the most recent couple of years, digitization has significantly affected how SMEs work together. Versatile innovation, specifically, is changing the way that SMEs source, produce, market, and sell their items. The speed of progress is additionally speeding up, with cell phones broadly anticipated to turn into the favored customer installment gadget in only a couple of years.

As anyone might expect, all of this has changed what SMEs need from their monetary specialist organizations, introducing another period of SME banking. With the branch at this point, not the support connections, banks should discover an approach to reconnect with SMEs in the computerized space. In spite of noteworthy, computerized methodologies and the dispatch of numerous new channels, many banks presently can't seem to sort out how best.

India has the third biggest web populace in the world after China and United Stated and presents an unrivaled formative possibility for the web portion in coming years. The banking area is one of the significant recipients of the Internet transformation and the development of banking innovation items has been astoundingly expanding. The pervasive addition of Internet banking is that individuals can pay out the administrations sitting at home, without visiting the branch. This assists clients with finishing their exchanges in a small part of the time, hence saving both time and exertion. Web banking framework ends up being extremely adaptable in finishing exchanges like equilibrium request, withdrawal, stores, seeing the bank articulation, and record of the late exchange. Thinking about every one of the benefits, security of the monetary data of clients is an exceptionally major worry, everything being equal.

2. LITERATURE REVIEW

The vast majority of the firm falls into the category of small and medium enterprises. SMEs play a significant part in the economy as far as balanced and sustainable development, employment generation, improvement of pioneering abilities, and commitment to export earnings. In spite of their significance to the economy, most SMEs are not ready to face the difficulties of globalization, mostly due to hardships in the field of financing. Small and medium enterprises (SMEs) assume an exceptionally critical part in the economy as far as adjusted and feasible development, work age, improvement of pioneering abilities, and commitment to trade income. However, regardless of their significance to the economy, most SMEs can't bear the difficulties of globalization, fundamentally in light of troubles in the space of financing.

With the development of the Indian Economy, it is of need for the MSME to raise capital is becoming progressively. He says that there is a requirement for the committed STOCK Exchange for the SME area to take into account their requirements better which are unique in relation to the enormous enterprises [Jagannathan, Kapoor & Schaumburg (2009)].

The serious issue of deficient financing to SMEs needs a dire consideration among the others, for example, satisfactory credit conveyance to SMEs, the better danger the board, innovative up-gradation of Banks esp. Public Sector Banks, attitudinal change in Investors. The SMEs area is viewed as an undiscovered market for monetary foundations in India. The main way out of the soil is that the Indian manufacturing area could be reinforced by the current country frameworks and make them independent. This could occur simply by aiding Small and Medium Enterprises and the country craftsman (individuals with natural abilities and skills) in becoming successful and serious enough to face what's to come. Various issues and strategic policies of worldwide players and markets can be noticed, learned, and adjusted for guaranteeing the intensity of Indian SMEs [Keasey, Thompson & Wright (2005), Mulungula et al.,. (2023].

The author says Private Equity and Venture capital firms would be keen on putting resources into a recorded organization. FICO valuations would assist a substance with getting an exposure First of all; the dread is that the MSME may not get a decent evaluation. Second, presumably, the budget summaries that they have arranged to get appraised don't mirror the valid and reasonable image of their presentation. Also, the rating offices won't look past that. These could be the two primary motivations behind why SMEs may not be intrigued while going for a rating. We need to see what their administration is and how solid an advertiser is, or on the other hand how versatile the SME has been and their general execution [Martins, Oliveira & Popvic (2014)].

SMEs in India face many difficulties, however, maybe none are just about as troublesome as the test of financing, both present moment and long haul. [Cowling,Liu & Zhang, (2018)]. Helpless benefit and absence of admittance to formal capital business sectors and foundations bring about substantial reliance on elective financing challenges which is for the most part more exorbitant than subsidizing from typical sources and makes an endless loop in the example of subsidizing [Ou & Haynes (2006)].

It reflects that while the government can be a facilitator of development and advertiser of value, the job of the enormous undertakings is additionally basic, The MSME could be the steroid the Indian economy needs at this crossroads. The SME gives not just the genuinely necessary support for development, business, and products but more essentially, adds to geological and social value [Malhotra & Singh (2007].

The worldwide economy is in the downturn and joblessness rates are taking off, in any case, the monetary emergency is a simple indication and not simply an illness. The central reason for the emergency is the work supply shock and not the overabundance of liquidity which is frequently accused. A higher reserve funds rate in the obligation-loaded created country and more prominent capital streams in the agricultural country will address the underlying awkward nature of worldwide capital streams [Wu, Song & Zeng (2008)].

Small enterprises have a high failure rate, no security, less reliability, high managerial expense, lacking record as a consumer, no appropriate danger the board, and absence of data framework with the monetary organization of MSMEs which demotivates to give credit. In contrast to huge businesses, independent ventures need more credit and they have a higher penchant to bomb moreover [Abouzeedan, (2003), Serrasqueiro, , & Smallbone, (2021)].

Small and medium enterprises deal with the issue of loaning, financing, and marketing issue. SMEs are not after the distinct capital construction. Ventures are not having satisfactory money. Enterprises in the country can't get credit from monetary foundations. Proprietors of these ventures don't have monetary influence information. Microenterprise depends on outer sources. Small scope ventures are not keeping up with satisfactory monetary records moreover [Zetzsche et al., (2017)].

During the resulting development stages as SMEs mature, they begin to set up a history notwithstanding the capacity to give the guarantee. This serves to work on the financial soundness of the firm and consequently draws in the consideration of financial backers readily infusing cash into the business. As an outcome, firms start subbing inside with outside financing sources, including investors, exchange credit, and bank credits to give some examples. In the further developed phases of their development cycle, when SMEs become more educationally straightforward, they might foster admittance to securitized obligations and freely recorded value markets [Chittenden, Hall & Hutchinson (1996)].

The accessibility of money has been featured as the main consideration in the turn of events, development, and achievement of SMEs [Berger & Udell (1998), Cassar, (2004)]. Financing strategies utilized by SMEs shift from beginning interior sources, like proprietor administrator's very own investment funds and held benefits [Huyghebaert & Gucht (2007)] to casual outside sources, including monetary help from loved ones [Rocca, Rocca & Cariola (2011)], exchange credit, adventure capital, and heavenly messenger lenders and thus to formal outer sources addressed by monetary delegates like banks, monetary foundations, and protections markets [Myers, (1984)].

The study found that trust, visual security, and visual usability are the best predictors of digital payments and bank acceptance in Gulf countries through weighted literature reviews and meta-analyzes [Cassar & Holmes, (2003)]. The study aims to explore aspects that affect purpose using digital banking in Vietnam using multivariate data analysis [Gregory et al., (2005)]. However, research suggested that a structure model by re-evaluating the impact of flexibility i.e., perceived as useful, seemingly easy to use, visual pleasure, security, trust, social influence, Self-reliance, Helpful Conditions, Attitude With a view to acceptance a wallet carried by Indian consumers using Small Part Square. A study by [Sanchez & Ugedo (2005)] provides a conceptual framework for new classification digital currency, identify some of its risks, think carefully impacts, and provide other intermediate policy options banks to consider (Zhang, Chen, Liu, & Hao, (2023).

As SMEs advance through their business lifecycle, they start to bit by bit change their capital design [Cassar & Holmes (2023)]. During resulting development arranges as SMEs mature, they begin to build up a history notwithstanding the capacity to give security. This serves to work on the reliability of the firm and in this manner draws in the consideration of financial backers readily infusing cash into the business. As a result, firms start subbing inner with outside financing sources, including investors, exchange credit, and bank advances to give some examples. In the further developed phases of their development cycle, when SMEs become more instructively straightforward, they might foster admittance to securitized obligations and freely recorded value markets [Rocca, Rocca & Cariola (2021)].

2.1. RESEARCH OBJECTIVES

1) To determine the major favorable factors of digital banking affecting digital banking usage and acceptability rate of digital finance in the banking sector by SMEs
2) To study the impact of ease in making payments on digital banking usage and acceptability.
3) To study the impact of timesaving on digital banking usage and acceptability.

3. RESEARCH METHODOLOGY

The research conducted in this paper is primarily based on secondary data, drawing information from existing literature, studies, and reports related to the impact of digital banking on small and medium enterprises (SMEs) in India. The aim of this research is to explore the factors influencing the usage and acceptability of digital banking among SMEs, with a specific focus on the major favorable factors such as ease in making payments and time-saving. The primary source of data for this research is scholarly articles, research papers, government reports, and industry publications related to the banking sector, digital finance, and SMEs in India. The information gathered from these secondary sources provides a comprehensive overview of the evolution of the banking system in India, the role of digital banking, and the challenges and opportunities faced by SMEs in the country.

4. DISCUSSION

According to the results, there existed a positive and strong association between Ease in making payments, time-saving, expanded customer reach, applying and approval of loans, ease in database management, ease in transaction record keeping, reduced transaction cost, and digital banking usage and acceptability for financing SMEs. With New Age Banking making payment to their suppliers and creditors has become easy and secure and thereby creating a digital transaction database which is easy to use while seeking finance or loan from the Banks.

The New Age Banking (Internet and Mobile) has significantly reduced the time taken for doing transaction with the Bank Moreover the SMEs find it easy to submit the Digital record of their account transactions as and when required by the Bank for their credit assessment. In earlier times Banks required the documents from SMEs in two or three sets for the credit assessment at different levels. The new age Banking has saved lot of time and energy of the SMEs which is being be utilized by them for their other business-related activity thereby increasing the growth and profitability of the firm.

There exists a significant impact of expanded customer reach on digital banking usage and acceptability for financing SMEs. With the New Age Banking SMEs are able to increase their customer base as the Banks are offering Online Platforms to offer Digital Banking services to exporters and importers across India to make overseas trade convenient and seamless, as it eliminates the requirement to deal with multiple agencies. Both the supply and demand sides of lending have changed as a result of New Age Banking (Internet and Mobile) . Because of this, an SME owner's lack of an online presence, official paperwork, or owned properties is not a barrier. By utilizing data analytics and AI, New Age Banking Lenders evaluate a borrower's creditworthiness using data mapped from economic activity, payment history, and other previous transactions. A more diverse lending ecology is created by these cutting-edge techniques. The accessibility of credit has also been expanded through digital lending; business owners in small cities may now easily get finance that was previously only available to them in distant physical locations. The Record keeping and the database Management of the SMEs have Improved with the Help of New Age banking. With the New Age Banking, SMEs find it easy and convenient in transaction recordkeeping and retrieval of the statement of account of any specific date without going to the Bank. The Digital record of transactions is cost effective, convenient and can be used multiple time.

Making payments and collecting payments have become very easy and cost effective. Earlier SMEs had to deploy one additional staff just to do the transaction with the Bank for Depositing cheque, collecting statement of account, Collection of Cheque returns etc. SMEs are making payment themselves without intervention of the Banks directly to the suppliers through Internet Banking and Mobile Banking thereby saving on the cheque Cost.

The regression supports the determination of the dependent variable with the help of the independent variable. The coefficient values show, the change in performance with a unit change in a variable value, when all the other variables are held constant.

The New Age banking enables SMEs in receiving payments from customers or borrowers through NEFT, RTGS, IMPS, e-wallets. In addition, the amount received from the customers would be directly placed into the bank account. This condenses the probabilities of bad debts as customers could not evade payment due to lack of money. In relation to digital banking, the ease of accepting payments would certainly impact the cost-effectiveness of SMEs as it reserves time in payment collection and also reduces the probabilities of bad debts at the time of cash payment. “Not only is going cashless safer than cash transactions, it is less time-consuming and does not pose the hassle and wear and tear of paper money” [Srinivas (2009)]. In addition, “plummeting the risk of crime by eliminating the need to carry cash is noteworthy” [Kumar & Sinha (2009)]. The more convenient it is for merchants to carry digital cash, the greater the chance of reducing the risk of crime or theft, ultimately improving the performance of SME merchants.

5. CONCLUSION

In conclusion, this research comprehensively explores the transformative impact of digital banking, particularly New Age Banking through internet and mobile platforms, on small and medium enterprises (SMEs) in India, with a specific focus on the Delhi NCR region. The findings reveal a robust positive association between various dimensions of digital banking, such as ease in payments, time-saving, expanded customer reach, efficient loan processes, streamlined database management, and reduced transaction costs, and the increased usage and acceptability of digital banking among SMEs. New Age Banking has not only revolutionized financial transactions but has also significantly enhanced the overall operational efficiency of SMEs. The ability to make secure and easy payments to suppliers, coupled with streamlined digital record-keeping, has minimized the traditional challenges faced by SMEs in credit assessments. Moreover, the expanded customer reach has empowered SMEs to engage seamlessly in global trade, and the infusion of data analytics and artificial intelligence has diversified lending processes, making credit more accessible even to businesses in smaller cities. This research underscores the pivotal role of digital banking in fostering growth, profitability, and adaptability among SMEs in the ever-evolving landscape of the Indian banking sector. As SMEs continue to navigate the challenges of globalization, digital banking emerges as a key enabler, providing not just financial solutions but also contributing to the overall development and sustainability of these enterprises.

CONFLICT OF INTERESTS

None .

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