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AN EMPIRICAL APPROACH TO ANALYZE THE IMPACT OF INTERNET BANKING ON SMEs PERFORMANCE

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ABSTRACT

Internet banking or the Electronic banking or is the series of mechanical marvels in the new past including utilization of Web for conveyance of banking items and administrations. E-Banking is changing the banking industry and is having the significant consequences for banking connections. E-Banking alludes to the utilization of the Internet as a distant conveyance channel for banking administrations. The objective of the study is to look at how SMEs operates in Delhi NCR and utilize the Internet Banking and how the Internet Banking affect their firm performance and also to recognise the Internet based Banking Systems and Facilities related to the customer relationship management explicit to the Small Medium Enterprises. The exploratory and the descriptive research design were adopted for this study. The sample size of 300 SMEs in Delhi NCR was determined to conduct this Study. Both the secondary and primary method of data collection was used in order to conduct this research. The structured questionnaires were used for the primary data collection to get the insights into how the internet banking in SMEs impact the performance level and also the internet based banking systems and facilities related with CRM explicit to the SMEs. SPSS v 21 was utilized for data analysis for the data that was gathered for the purpose of the study after checking their reliability and validity of the data collected. The factor analysis, correlation and regression techniques were used to Investigate the data collected in order to satisfy the objectives defined in this study. SEM was also used in order to get the better insights into the research. The study depicted the strong correlation between the internet banking usage and its impact on the firm's performance. The study also revealed the strong association between the Internet-based banking Systems and Facilities related to the customer relationship management explicit to SMEs

Keywords: *Internet Banking, SME's, Banking and E-banking, eCRM, firm performance.*

INTRODUCTION

The Indian banking framework comprises of 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 development of 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. Technology has affected each and every facet of our lives. Right from the instant we get up in the morning to the instant we get back to bed at

night, technology ambiances. Be it errand for groceries, paying utility bills, gaining knowledge to play a new gadgets, receiving food ordered, looking for a plumber or anything else for that matter, technology lends an answer for almost the whole lot that we could perhaps visualize. Electronic banking is the series of mechanical marvels in the new past including utilization of Web for conveyance of banking items and administrations. E-Banking is changing the banking industry and is having the significant consequences for banking connections. Banking is currently no more restricted to the branches were one needs to move toward the branch face to face, to pull out cash or store a check or solicitation an assertion of records. In obvious E-Banking, any request or exchange is handled online with practically no reference to the branch (anyplace banking) at any time. Giving E-Banking is progressively turning into a "need to have" than a "good to have" administration.

Banking is certainly not at all unfamiliar to technology. Online banking has made our lives meeker for thousands and thousands of individuals round the globe. Particularly in India, where a bank stopover infers waiting in long-lasting queues, internet banking is certainly sanctification. Internet banking has made it conceivable for clienteles to perform guileless chores such as gain access to their savings account anytime, anywhere, constantly have hold on the accounts balance, retrieve e-statements, payment of bills online, shopping online, transfer of funds and much more within a few seconds or few clicks.

Electronic banking (e-banking) weakens the functioning charges of financial transactions for both small and medium scale initiatives. Small and medium scale initiatives not required to stopover banks for financial dealings, offering amenities twenty four hours a day (Cheng et al., 2006). Small Medium Enterprises can smear for credits and can go for different financial transactions through Internet Banking (Smith and Rupp, 2003). Regardless of these assistances, diminutive investigation has been steered on elements distressing Internet Banking adoption by Small Medium Enterprise in developing nations. Online banking spreads quicker than other types of e-commerce, as services in the financial Sector need rigorous statistics and involve no physical supply (Zekos, 2004). The prose on Small Medium Enterprises in urbanized realms has generally concentrated on electronic-commerce related problems (Bunker and MacGregor, 2000), as contrast in evolving realms, bankrolling appears not to be a perilous issue (Guglani, 2001). The start of the e-business age has been shivering the business climate and breaking out inventive and capricious methods of working together. One of the most recent results of e-business is web banking or e-banking. Banking areas are currently reengineering its cycles, items, and frameworks to take on the change and to be in the race of globalization (Mia et al., 2007). A few examinations expressed that banks offering web locales and taking on them to stay serious and hold clients, maybe than any increment in incomes to take care of their expenses (Berger 2003, Sullivan 2001).

Online financial help or e-banking, the most recent age of electronic banking exchanges, has opened up new open door to existing banks and monetary foundations. It licenses business process re-designing, serving borderless market, to accomplish zero dormancy prompting upgrades in client support levels what's more, better danger the executives as a result of continuous settlement (Mia et al., 2007).

The latest trend in the Banking Industry is the use of AI (Artificial Intelligence) for better customer experiences , Compliance and Fraud Detections , Cost reduction etc . In India the

usage of AI in Banking sector is growing and Banks are exploring different ways of enhancing customer experience and better controls. As per study by McKinsey AI can add up to $1 Trillion of additional value to the global Banking Industry.

REVIEW OF LITERATURE

Within their organisation, firms have both resources and capabilities that can be created and utilised as specialised capabilities for the execution of operational activity and/or to gain a competitive edge over their market competitors. (Helfat and Peteraf,2003). This firm's view is sometimes described or referred as the RBV of the firm (Wernerfelt 1984, 1995; Barney 2001). This fundamental approach emphasises the internal organisational vision, as contrast to the external and/or product views of the firm's strategic leadership. RBV facilitates to provide a focused, firm-level perspective with respect to finding out how firms utilize their capability . In state-specific context research, the RBV and capacity frameworks have been utilised to discover distinctive features of company specific factors that differ from the standard due to the national environment. (Wei et al. 2016). According to recent study, when assessing creativity within businesses, national context variables, company-level competencies, and firm size all play a role. (Ballot et al. 2015). As a result, while assessing innovation such as emerging technologies, state -specific components as well as firm-level technical skills should be considered. 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 the satisfactory money. Enterprises in country can't get to credit from monetary foundations. Proprietors of these ventures don't have monetary influence information. Micro enterprise depends on outer sources. Small scope ventures are not keeping up with the satisfactory monetary records moreover (Yadev, Vinod kumar 2013).

H1: Internet Banking Connectivity is favourably associated to the Firms Performance (e-CRM advantage)

By means of Internet-banking or Digital banking, SMEs can pertain online for running credit limit , credit cards , Business loans and mortgages, hence, no or fewer stopoversare obligatory to banks for performing banking transactions. Rikta (2007) broached that in Bangladesh, Entrepreneur of SMEs had to stopover more than 15 times at their usurer for a single business loan. Han (2008) also initiated the commendatory influence of the benefits of informational technology (IT) on Small Medium Enterprise (SME) finance. He determined that online SME organizations are more profitable and generate higher returns, than SMEs that use only conventional modes. Through Internet, SMEs can evaluate banking products, interest rates, terms and conditions , and can choose money lender that best fulfil their Requirements and needs. Customers prefer internet banking because of the comforts, quickness, 24 hour services, and global access to their accounts. (Cheng et al., 2006). As per the research of Adachi and Diniz (2005), Nelson et al. (2005) and Cheung and Lee (2009), internet banking submissions should give subtleties like data security, data quality and framework coordination, in this article characterized as aspects of Internet Banking Proficiencies. For the principal aspect (security), the client's consideration is centred around

admittance to the World Wide Internet (Internet), which is a two-way organization. Indeed, even as the client approaches a large number of distributed data, lawbreakers additionally approach the servers where information is facilitated (Adachi and Diniz, 2005). Along these lines, it became important to ensure this new climate, which has removed the actual hindrance of bank offices.

H2: The Internet based Banking information delivery over the internet is favourably associated to the Firms Performance (e-CRM benefits)

Satisfied customer associations are of premeditated value to Small Medium Enterprises and chiefly establish their bloodthirsty pro alongside Big-firm players because SMEs have less capabilities in delivering other benefits, such as a extensive product range or profound concessions. Regardless of the rising realistic requirement for an indulgent of CRM in the SME context, the role of information technology in SMEs' CRM actions (based on the Internet-based technologies here termed eCRM) has acknowledged relatively little research consideration (Cooper et. al., 2005; Lawson &O'Keef, 2006; O'Toole, 2003; Ritchie & Brindley, 2005). Most of research, instead, Mainly focuses on the CRM technology solutions chased by big organizations, which tend to involve multifaceted software applications and information systems (Maguine et. al., 2007; Zhu, 2004). E Banking Skills – as an instrument for admittance to online administrations – present better approaches for correspondence between the client and the bank, just as to help and initiate better approaches for business and to diminish working expenses (Donner and Oliveira, 2008). The clients – more involved in the arrangement of banking administrations – select items and administrations, and run the cycles for achieving his objective (Mello et al., 2006).

H3: Network integration is favourably associated to Firms Performance (e-CRM benefits)

OBJECTIVES OF THE RESEARCH STUDY

- To propose a comprehensive and diverse conceptual framework of factors that influence SMEs' adoption of e-banking in Delhi NCR.
- To evaluate the Internet-based Banking Infrastructure associated with customer relationship management that is specific to small and medium-sized businesses.

RESEARCH METHODOLOGY

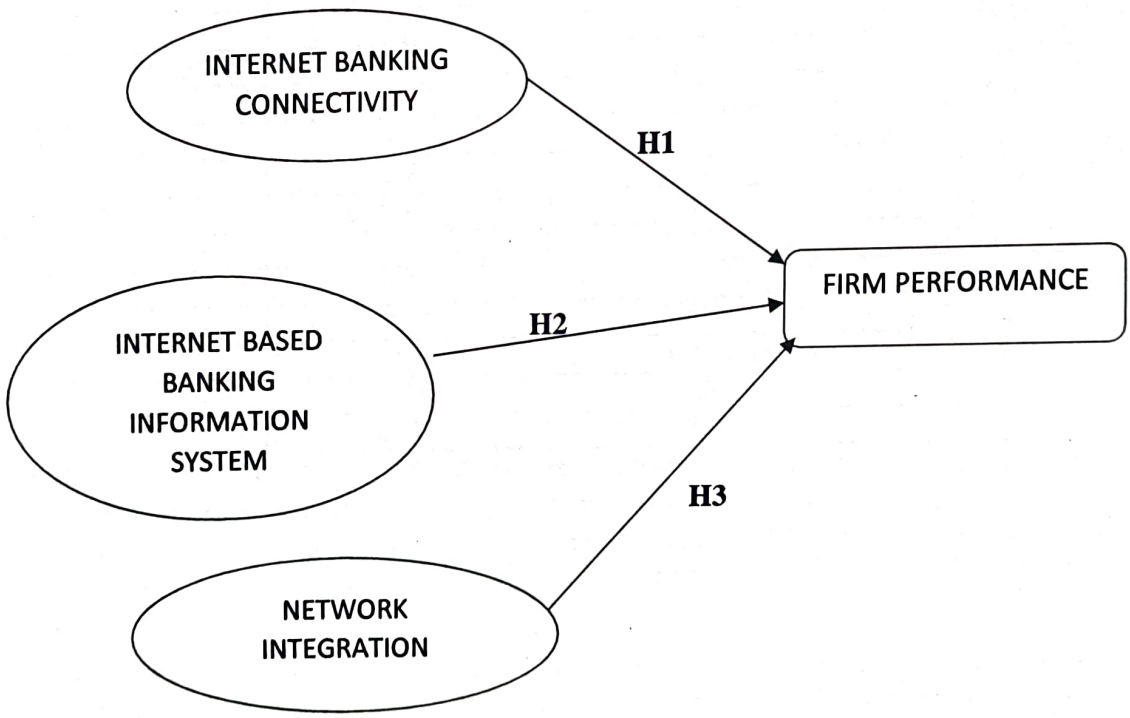
The exploratory and the descriptive research design were adopted for this study. As the research is exploratory in nature , the research model was tested by using cross -sectional study across 300 SMEs in Delhi NCR , postulated links were explored by constructing measures and analysing the empirical validity of hypothesised relationships. Both the secondary and primary method of data collection was used in order to conduct this research. The secondary data was be collected from Journals, articles, books, websites etc The questionnaires were used for the primary data collection to get the insights into how the internet Banking impact the performance level of SMEs and also the internet based Banking

infrastructure proficiencies related with CRM specific to the SMEs. SPSS v 21 was used to analyze the data that was collected for the purpose of the study after checking their liability and validity of the data collected. The factor analysis, correlation and regression were used to analyze the data collected in order to satisfy the objectives defined in this study. SEM was also used in order to get the better insights into the research.

Table 1: Reliability Test

Variables	Cronbach alpha (α)
Internet Banking connectivity	0.881
Internet Based Banking Information system	0.712
Network integration	0.784
Firm performance	0.853

CONCEPTUAL FRAMEWORK



DATA ANALYSIS

Exploratory Factor Analysis

The values obtained of each item were studied on its proposed construct, the cross-values of each item onto other constructs, the internal uniformity reliability of the construct, the average variance taken, and studied the overall discriminant validity of the construct from other constructs.

Table 1: (Values and Cross values for Items of latent Variables)

CONSTRUCTS	MEAN	SD	FACTOR LOADING
Internet Banking Connectivity			KMO = 0.711
IC1	4.65	1.88	0.876
IC2	4.32	1.92	0.882
IC3	3.51	1.87	0.692
IC4	3.03	1.43	0.613
IC5	3.41	1.54	0.739
Internet Based Banking Information Dissemination			KMO = 0.756
IB1	5.50	1.51	0.512
IB2	3.21	1.89	0.665
IB3	4.67	1.65	0.803
IB4	4.52	2.91	0.432
IB5	5.07	1.54	0.593
IB6	4.23	1.72	0.732
Network Integration			KMO = 0.719
NI1	2.85	1.85	0.542
NI2	2.81	2.10	0.541
NI3	2.41	1.82	0.759
NI4	2.93	2.32	0.487
NI5	2.17	1.79	0.501
Firm Performance			KMO = 0.834
P1	3.65	1.59	0.681
P2	4.10	1.42	0.862
P3	3.84	1.60	0.896
P4	3.74	1.56	0.606

The above table indicates the Explanatory factor Analysis depicts the reasonable model fit to measure the impact of internet Banking capability, internet based Banking information system and network integration with firms performance. The alpha score and KMO determine that these constructs have adequate construct reliability to assess the firms performance.

The hypotheses were tested by applying the confirmatory factor analysis (CFA) within a structural equation modelling process. This test permitted us to find the backgrounds of firm-level proficiencies and performance. The results support Hypotheses 1 and 2, which envisaged Internet Banking capability has a favourable impact on firm performance, as well as Internet based Banking information dissemination having a favourable impact on firm performance (Hypothesis 1; $\beta = .22$, $p < .001$; Hypothesis 2; $\beta = .17$, $p < .05$). Hypothesis 3 showed that having a favourable perception of network integration had a favourable impact on the firm's performance of the firm ($\beta = .20$, $p < .001$).

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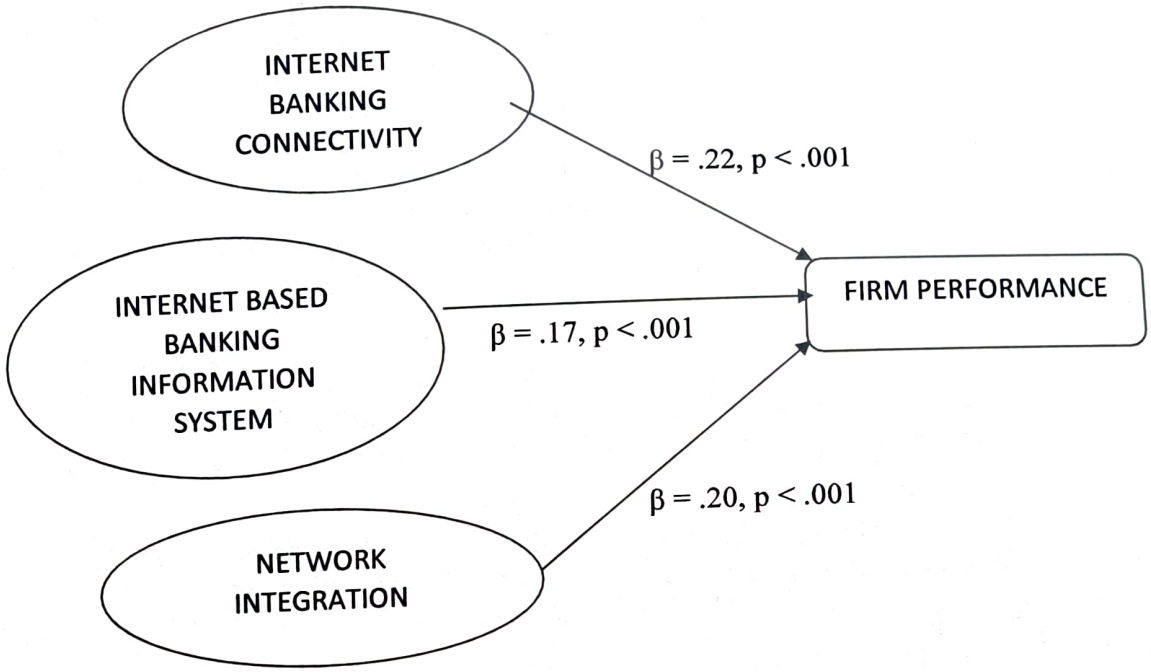

The standardized path coefficients were set up to be considerable and positive at $p<0.01$ and $p<0.05$, this shows that there exists the sturdy confirmation in acceptance of the hypotheses. First of all, Internet Banking Connectivity is positively related to the Firms Performance (e-CRM benefits), accept H1. Second, the results of the present study confirm Internet based Banking information delivery is favourably associated to the Firms Performance (e-CRM benefits) (H2). Third, the results of the present study confirm Network integration is favourably associated to Firms Performance (e-CRM benefits), a positive effect (H3) is confirmed.

Table 3: Summary of SEM Results and Hypotheses Testing

Hypothesis	Path	Path coefficient	Standard error	t-static	P	Contrast
H_1	IC→P	0.530	0.051	10.453	0.000	Supported
H_2	IB→P	0.438	0.047	9.387	0.000	Supported
H_3	NI→P	0.398	0.049	8.181	0.000	Supported

CONCLUSION

The study support the earlier research and cover its understanding by compounding Internet resources and Internet readiness, something not emphasized in the literature; that is, this study offers evidence that both Internet Banking resources and readiness should be evaluated concurrently so as to better comprehend their influence on firm performance. Compounding both measures of the Internet Banking as a connected resource (Internet readiness) and Internet capabilities (Internet business capabilities) highlights the importance of apportioning Internet resources. This is aligned with broader propositions that there is a relationship between the Internet Banking and firm performance.

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