



## SMALL AND MEDIUM-SIZED ENTERPRISES' OPINIONS ON USING NEW PAYMENT TECHNOLOGIES

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### Abstract:

This research paper endeavours to explore the perspectives and attitudes of Small and Medium-Sized Enterprises (SMEs) towards embracing new payment technologies, investigating an area that is becoming more crucial in today's digitised economy. With the emergence of technology such as digital wallets, contactless payments, and cryptocurrencies, the landscape of financial transactions is experiencing a tremendous upheaval. This research utilises a mixed-methods strategy by combining surveys, in-depth interviews, and case studies to collect data from SMEs in many different sectors. The goal is to learn about the perceived advantages and disadvantages of integrating these technologies, as well as the variables that impact the choices of SMEs to embrace them. Although the potential benefits of new payment technologies to improve productivity and the customer experience are widely acknowledged, preliminary studies reveal that adoption rates are inconsistent across SMEs. These perspectives are heavily influenced by contextual factors as organisational size, industry dynamics, resource accessibility, and risk perception. This paper seeks to add to the conversation about digital transformation in business by shedding light on the experiences of small and medium-sized enterprises (SMEs), with the hope that this will help policymakers, technology providers, and SMEs themselves make more well-informed decisions and more deliberately adopt new payment technologies.

**Key Words:** Small, Medium, Sized, Enterprises, Organizational

### 1. Introduction:

In the current digital era, the integration of new payment technologies is swiftly transforming the financial transaction landscape, presenting a paradigm shift that businesses, irrespective of their size, cannot ignore. Small and Medium-Sized Enterprises (SMEs), recognized as the backbone of the global economy, are at a critical juncture where embracing digital payment innovations is no longer a choice but a necessity to remain competitive and meet evolving customer expectations [1]. This paper seeks to explore the attitudes and opinions of SMEs towards adopting new payment technologies such as digital wallets, contactless payments, and cryptocurrencies. Understanding these perspectives is vital as it influences SMEs' readiness to transition towards digital payment solutions, subsequently affecting their operational efficiency, customer satisfaction, and overall business resilience. SMEs' contribution to employment, innovation, and economic growth is substantial, making their adaptation to digital payment technologies a topic of significant interest and importance. However, the extent to which SMEs are willing and able to adopt these technologies varies widely. This disparity raises critical questions about the factors that influence SMEs' adoption decisions and the perceived benefits and challenges of integrating new payment technologies into their operations [2]. By delving into these issues, this study aims to provide a nuanced understanding of SMEs' attitudes towards digital payment innovations, offering insights that can guide technology providers, policymakers, and the SMEs themselves in facilitating a smoother transition to digital payment platforms.

Table 1: FinTech Hubs of India (among top 100 cities of the World)

Regional Rank (Asia Region)	Global Rank	City	Total Score
2	7	Bangalore	16.093
3	10	Mumbai	15.063
6	16	New Delhi	13.958
13	64	Pune	9.046
15	68	Hyderabad	8.94
17	75	Chennai	8.772
22	103	Ahmedabad	7.984

Source: Global FinTech Index, 2020 (findexable.com)

Institutions such as IRDA (Insurance Regulatory and Development Authority), RBI (Reserve Bank of India), and SEBI (Securities and Exchange Board of India) all contribute to the development of India's FinTech sector. CII (Confederation of Indian Industry), ASSOCHAM (Associated Chambers of Commerce and Industry in India), COAI (Cellular Operators Association of India), SIAM (Society of Indian Automobile Manufacturers), FICCI (Federation of Indian Chambers of Commerce and Industry), and other industry associations work to represent the interests of their members ([indiafintech.com/forum/](http://indiafintech.com/forum/)). The India FinTech Forum (a non-profit organization) provides a forum for various FinTech companies to collaborate and share their perspectives on various policy issues. Due to Aadhar, UPI, and other technologies, Indian FinTech firms have abundant chances unavailable anywhere else in the World ([indiafintech.com/forum/](http://indiafintech.com/forum/)).

## **2. Review of Literature:**

Made et al. (2022) conducted a study to evaluate the effects of E-commerce, FinTech Transactions, and Human Resource Quality (HRQ) on the competitive capabilities of small and medium-sized Apparel industries in Denpasar city, Bali. The study utilised a primary data set consisting of 87 sectors, which was a subset of the total population of 664. The significance of the different variables being considered was determined using the R-square value in the F test. The results revealed a noteworthy and meaningful impact of E-commerce, FinTech Transactions, and HRQ on the competitive drive of the industries under examination. In their study, Raj and Upadhyay (2020) examined the impact of Financial Technology (FinTech) on the promotion of Financial Inclusion in India. The report underlined the necessity of promoting cooperation between conventional financial institutions, Non-Banking Finance Companies (NBFCs), and FinTech enterprises. Credit ratings for those with a short credit history may be improved with the use of Alternative Data, Big Data, and Machine Learning, pertaining to.

Siddiqui and Siddiqui (2020) looked at how telecommunications services affected the level of financial inclusion in India. A total of 200 families in the Indian states of West Bengal and Gujarat were included in the study. Latent components including "Awareness," "Usability," and "Ability" were included using Structural Equation Modelling (SEM) in SmartPLS for this research. The results demonstrated a favourable association between telephony and Financial Inclusion, with eight out of nine paths indicating statistical significance in both states. The Extended Technology Acceptance Model (TAM) was used to analyse how quickly and widely adopted FinTech services are among bank customers in a research by Hu et al. (2019). Three hundred and eighty-seven bank clients participated in the study. The research analysed many characteristics including User Innovativeness, Brand Image, Government Support, and Perceived Risk. According to the findings, trust has a significant role in determining how people feel about using FinTech. Perceived danger and perceived simplicity of use, however, were shown to have little impact on their opinions.

In their paper, Kandpal and Mehrotra (2019) did an analysis on the influence of FinTech and Digital Financial Services on Financial Inclusion in India. The researchers found that factors including slow internet penetration and a lack of investment in physical infrastructure were impeding the growth of FinTech in the nation. The research highlighted the importance of trust within traditional banking systems and highlighted how worries about security and privacy are major roadblocks to the widespread adoption of new technologies. Breidbach et al. (2020) detailed a research framework that helps direct the use of FinTech technologies in the digital transformation of Financial Services Systems. The research aims to examine a corpus of 1545 practitioner articles in order to analyse the management and social difficulties associated to the FinTech revolution. The goal was to provide a fresh line of inquiry into the topic.

Ma and Liu (2017) analysed patterns using secondary data from 2004-2017 to learn more about the overlap between FinTech and Crowdfunding. Seven academic studies were used to draw conclusions about the relationship between FinTech and Crowdfunding's uneven growth. Vasiljeva and Lukanova (2016) compared and contrasted the services offered by FinTech companies with those of conventional banks. The researchers employed a main data set comprising of 231 respondents. The study results reveal that FinTech services, notably those linked to payments, are chosen by consumers because of their perceived high degree of security and trustworthiness.

## **3. Adoption Rates:**

The acceptance rates of new methods of payment among Small and Medium-Sized Enterprises (SMEs) exhibit notable variations across diverse industries, regions, and business sizes. This variation is influenced by various factors, such as the perceived advantages and disadvantages of adoption, the level of digital literacy, and external pressures from market trends and customer expectations [3]. Certain industries exhibit higher rates of adoption as a result of the inherent characteristics of their transactions and interactions with customers. For example, small and medium-sized enterprises (SMEs) in the retail and hospitality sectors demonstrate a greater inclination to embrace new payment technologies in order to improve customer convenience and optimise transaction processes. On the other hand, small and medium-sized enterprises (SMEs) operating in conventional sectors like manufacturing or agriculture tend to demonstrate slower rates of adoption. This is frequently attributed to a lack of perceived necessity or awareness.

The geographic location of an area significantly impacts adoption rates. Small and medium-sized enterprises (SMEs) located in urban areas exhibit a higher propensity to embrace novel payment technologies in comparison to their rural counterparts. The discrepancy can be ascribed to superior infrastructure, technological accessibility, and increased customer demand for digital payment alternatives in urban regions [4]. Larger small and medium-sized enterprises (SMEs), characterised by their greater number of employees and higher revenue, exhibit a higher propensity for embracing new payment technologies compared to smaller enterprises. This trend can be attributed to the fact that larger SMEs possess greater resources to allocate towards technology investments and possess a higher capability to effectively integrate new payment systems into their current operations. The adoption rates are also greatly impacted by various external factors, including customer demand for digital payment options, actions taken by competitors, and changes in regulatory policies. Small and medium-sized enterprises (SMEs) that operate in highly competitive markets, where digital payments are increasingly prevalent, are more inclined to embrace new payment technologies in order to sustain their market standing. To gain insights into the adoption rates of new payment technologies among small and medium-sized enterprises (SMEs), it is essential to adopt a comprehensive approach. This approach should take into account industry-specific trends, geographic location, business size, and external influences [5]. By thoroughly examining these factors, stakeholders can refine their strategies to effectively promote the adoption of new payment technologies among SMEs. This will ultimately facilitate a seamless transition to digital payment platforms and prevent SMEs from being left behind in the digital transformation.

#### **4. Perceived Benefits:**

One of the most noticeable advantages acknowledged by SMEs is the increase in transaction speed and efficiency. Customers spend less time waiting in queue thanks to new payment technology, which also improves the whole shopping experience. This means more business may be done in less time, which might improve earnings [6]. The client and the merchant may both benefit from the high level of security built into today's payment systems. Protecting private financial data is a top priority, which is why we use encryption, 2FA, and other security measures. requiring no.

Customers benefit greatly from the increased efficiency and simplicity of modern payment systems. Contactless payments, mobile payments, and internet payments are all options that may be tailored to the individual preferences of consumers, which can boost satisfaction and loyalty. For SMEs aiming to increase their client base, embracing new payment methods may be a big facilitator. By eliminating the need for additional paperwork or time zones, these innovations make international business transactions more convenient for consumers [7]. Furthermore, they appeal to newer, tech-savvy generations, ensuring that the firm stays relevant as demographic preferences develop. In addition to improving operations and decreasing administrative overhead, new payment technologies generally connect with other company systems. Accounting processes, cash flow management, and the elimination of human error in transaction processing may all benefit from this unified approach.

Small and medium-sized enterprises (SMEs) who are proactive in incorporating new payment technologies into their operations will have an edge in areas where acceptance of these technologies is still in its infancy. Customers may switch to them from rivals that are slower to adapt because of their reputation for innovation and focus on the consumer [8]. When it comes to operational efficiency, security, customer experience, market growth, and competitive positioning, SMEs believe the advantages of embracing new payment technology are enormous. Recognising and capitalising on these advantages may help small and medium-sized enterprises (SMEs) thrive in the digital age. Therefore, it is critical that SMEs, technology providers, and policymakers work together to create an environment that supports and promotes the use of these game-changing technologies.

#### **5. Perceived Challenges:**

The price tag associated with implementing new payment systems is a major deterrent for small and medium-sized enterprises (SMEs). The initial expenditure needed for hardware, software, and integration services might be large. In addition, certain payment processing services may charge you a monthly or annual fee [9]. For small enterprises running on low margins, these fees might be a disincentive, even if the long-term advantages potentially surpass the initial expenditure. It may be difficult and time-consuming for businesses to adopt and use innovative payment technology. Small and medium-sized enterprises (SMEs) often rely on external suppliers because they lack the in-house technical skills necessary for implementation. Because of its complexity, some company owners may be hesitant to embrace it for fear of being overwhelmed by or experiencing disruption from the integration process.

While many modern methods of making payments have increased security measures, the changeover itself might introduce new risks if not handled properly. Small and medium-sized enterprises (SMEs) are wary of doing financial transactions online because of privacy and security concerns [10]. These fears may be compounded by high-profile examples of cyberattacks and data breaches highlighted in the media. One of the biggest obstacles is getting people to accept and use new payment methods. SMEs may not be properly educated about the possibilities available to them or how these technologies may be used to their unique company setting.

This lack of understanding might lead to a belief that current payment methods are adequate, lowering the perceived need for adoption. Adoption of new payment systems might be hampered by inherent aversion to change, especially among well-established SMEs with established business practises [11]. Changing payment methods might be regarded as disturbing the status quo, resulting to hesitation among company owners and workers.

It may be difficult for small and medium-sized enterprises (SMEs) without legal experience to navigate the regulatory environment connected with digital transactions and payment systems. Businesses that are thinking about adopting new payment technologies may also face compliance challenges, notably in regards to client data security and privacy. Doubts regarding the stability of emerging payment systems and the possibility of service interruptions also present difficulties. Small and medium-sized businesses (SMEs) are very vulnerable to disruptions in their payment systems [12]. There are several positive outcomes that might result from small and medium-sized enterprises (SMEs) adopting innovative payment technology. Small and medium-sized enterprises (SMEs), technology providers, and legislators all need to work together to offer the required assistance, knowledge, and resources to tackle these issues. By minimising these issues, stakeholders may promote a faster transition to digital payment systems, ensuring that SMEs are able to fully harness the advantages of these technologies and prosper in the digital economy

#### **6. Influencing Factors:**

An SME's propensity to embrace cutting-edge payment solutions is heavily influenced by factors such as the company's size, sector, and organisational make-up. Small and medium-sized enterprises (SMEs) that are larger and have a more formalised organisational structure are more likely to embrace new technology. The industry also has a role, since organisations in tech-savvy or customer-facing industries are more likely to implement new payment methods compared to those in conventional sectors [13]. One of the most important aspects of a small or medium-sized business is the level of digital literacy among its employees. Businesses using antiquated systems may find it more complicated to embrace modern payment solutions. Similarly, if employees aren't tech-savvy, it might slow down the process of implementing new technologies. A person's choice is heavily influenced by how they feel about the costs and advantages. When the long-term advantages of adopting new payment technologies, such as higher efficiency, enhanced security, and improved customer experience, exceed the initial and recurring expenses, SMEs are more likely to do so [14].

The necessity to preserve market share in cutthroat environments might accelerate uptake. In a similar vein, if consumers want several payment methods, companies may feel pressured to embrace cutting-edge solutions. Security worries, the possibility of fraud, and system downtimes are just some of the hazards that SMEs may perceive when considering the use of new payment technology. Businesses that view these risks as large may be more unwilling to embrace new technology [15]. One of the most important factors is the company's culture and the way its executives think. For new technology to be widely adopted, a company must have both a culture that welcomes change and innovation and a leadership that is enthusiastic about doing so.

The capacity of small and medium-sized enterprises (SMEs) to embrace new payment technologies may be influenced by their access to financial resources, technical competence, and external assistance. New payment methods are more likely to be effectively implemented in businesses that have access to capital, technical guidance, and support services [16]. There is a complicated interaction between internal and external elements that determine whether or not a small or medium-sized business will embrace new payment technology. Understanding these characteristics is critical for SMEs, technology providers, and governments to overcome possible bottlenecks and ease the adoption of new payment systems. Stakeholders may help small and medium-sized enterprises (SMEs) expand and thrive in the digital economy by facilitating their adoption of digital payment innovations by providing the required assistance and resources and creating a hospitable atmosphere [17].

#### **7. Conclusion:**

The findings derived from this research have significant consequences for a range of stakeholders. It is essential for small and medium-sized enterprises (SMEs) to possess comprehensive knowledge on the advantages and obstacles associated with the adoption of novel payment technologies. This awareness is vital in order to make well-informed judgements. The facilitation of adoption in digital payment systems is contingent upon the active involvement of technology providers and legislators. These key stakeholders are responsible for tackling the many problems, offering educational resources and assistance, and establishing a regulatory framework that fosters trust and confidence in such systems. The integration of novel payment technologies plays a vital role for small and medium-sized enterprises (SMEs) as they embark on the path of digital transformation. Although there exist some obstacles that need to be addressed, the potential advantages in terms of operational efficacy, consumer contentment, and competitive edge are considerable. By actively participating in the utilisation of these technologies, and using the assistance of technology providers and policymakers, small and medium-sized enterprises (SMEs) may effectively manage the digital transformation, so guaranteeing their significance and ability to withstand the ever-changing business environment.

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