

ADAPTATION OF DIGITAL BANKING CHANNELS BY INDIAN CONSUMERS- AN EMPIRICAL STUDY

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Abstract

Digital Banking facilities have a role to play in customer satisfaction as they are beneficial in providing services that are easy to use and cost-efficient at the same time. Digital banking has various channels to do their transactions (Mbama et al., 2018). The data collected through these channels help in formulating strategies by understanding the opportunities in the market. For the development of the economy, a banking system entailing the appropriate facilities is essential. The advent of IT has surfaced in all domains, including the banking sector. The advantages of internet banking services are innumerable. Hence, it has become imperative to study the connected matters of digital banking facilities. This study aims to propagate the understanding of consumers and their behavior about the digital banking channels and their adaptability in handling the technology. The paper deals with the individual factors linked to digital banking, such as privacy, ease of handling technology, security, and real-time access to data. A sample of 207 Indian consumers was surveyed to know the reason and level of adopting digital banking channels. The Chi-square test was applied to analyze the data and reach results. The study concludes that Indian consumers are showing a significant level of adoption of digital banking channels due to privacy, convenience, security, and 24X7 access.

Key Words-*Banks, Financial Institutions, Digital, Customer, India, Consumers*

Introduction

Digital banking is a relatively new concept and quite trending in nature. Consumers get the chance to execute their financial transfers and transactions in a transparent and time-efficient approach. It is an electronic medium and does not need the help of real banking offices. Technology has altered the banking business and has made people's employment simple (Loebbecke & Picot, 2015). Almost all the industries are linked to the banking sector and require easy transactions. Therefore, it plays a significant role in the industry. Innovative digital activities have impacted the banking industry, for instance, internet banking (Stoica et

al., 2015). Throughout the entire globe, technology has taken a toll on existing services. It has made an exact amount of space for itself in all the services offered by companies. The government has stressed implementing technology-based services in the banking sector to develop net-banking facilities.

A report formulated by Gartner has presented some valuable information regarding the expenditure of IT companies. It has been reported that IT companies have spent around 9.1 billion dollars concerning the growth of 11.7%. It has also been projected that the IT expenses in total will lead to roughly around 11 billion dollars by the year 2020. The ROI as measured in the account of Indian banks as per the usage of technology sums to only about a mere 12% compared to US banks (Gupta & Khanna, 2015). This occurrence is the unacceptance of digital techniques for banking facilities. The people are yet to adapt themselves to the digital banking channels. The transactions are done through cash amount to about 1.7% of the national GDP (Khiaonarong & Humphrey, 2019). It is vast, and it creates a burdensome experience for the economy. The public administration of India has taken steps to incorporate digital methods of transaction through the famous campaign named Digital India in the year 2015. This campaign has widened its awareness programs which have yielded some positive results, as it is witnessed that more than a billion people have identified themselves as digital users. Along the same line, more than five hundred sixty million people have availed internet connections (Sisinni et al., 2018).

The rural areas of the country are mostly disconnected. Hence, Digital India has provided a platform for inclusiveness of the backward areas into the financial stream and uplift them while contributing to its development. The digital media services help to link the main banking channels with the backward areas so that they can use various innovative facilities offered by the technology in their daily lives. The cell phone is the tool that helps them to avail the of banking and non-financial services simultaneously (Shaikhet *al.*, 2020). However, the usage of mobile banking facilities is subject to the awareness of the people in digital technologies. Lack of awareness can deprive them of using the facilities that offer so many things with just a few clicks. For complete utilization of services, people must be educated about the advantages these services offer. Individuals must be aware of the digital banking channels. Even if they lack knowledge, they must be taught about the benefits and influence of using these services for the betterment and development of the economy.

Literature Review-

The rapid rate at which India is witnessing the development and advancement of “Information and Communication Technology” (ICT) has empowered enterprises to establish specific value in an IT ecosystem. People are now trying to grasp the development of an organization’s technique as it is a fundamental prerequisite. The co-creation of value has the main job of facilitating this type of development. Few authors have conceptualized the addition of value as a community-oriented movement, in which customers effectively partake and choose products and services of their own choice. Along these lines, in the digitalization era, the value creation or value proposition has helped organizations produce better results (Pang *et al.*, 2014). Similarly, the banking sector is also enhancing its services by attracting customers with the proposed value of its products and services.

Banks and many other financial firms recommend many options for providing financial services using innovative technology popularly known as mobile banking services to keep up with the industry's competition and fulfill customers' expectations. Cell phones and desktops have progressively become instruments that the present-day customers execute through e-banking to pay for items and services of their choice. Accordingly, e-banking can adjust to customers' requirements, like the execution of banking exercises, without visiting a physical bank or an ATM (Hymavathi, 2021). Therefore, e-banking has extensive value addition for some financial associations and their customers.

The banking channels in India should make sure that the technology they are investing in cannot serve all the purposes. Customers who have logged into their banks must also be using the services. Otherwise, the whole procedure will fail. The banking transactions can be done via the digital banking channels, albeit they are aware of the functionalities. The digital infrastructure of banks serves as a marketing strategy for them, and it provides many features to its users. The Digitization movement in India has brought forward an immense number of opportunities for the banking sector to provide the best facilities to its customers (Elavarasan *et al.*, 2020). The banking firms are putting their best foot forward to influence customers using modern banking techniques. However, the adaptation for digital banking methods is still lesser than expected. The marketing strategies used for communicating the benefits of using the modern methods are getting popular day by day, and people are getting accustomed to the digital ways of doing their transactions (Jain & Yadav, 2017). This research paper is

trying to establish an understanding of the need to adopt digital transaction channels. It is essential to connect the rural areas with the mainstream banking channels to give them access to better financial infrastructure (Ozili, 2018). Technology has played a significant role in the banking sector globally.

The rate of adapting online services is different in different countries. Banks are trying to offer the best services to their customers in the growing digital technology market. Financial companies invest a lot in technology, especially in India (Malali & Gopalakrishnan, 2020). The strategists must understand the consumer's behavior towards digital banking services. By introducing new innovative platforms, demonetization has created new chances for digital transactions. The public authorities in India permitted the usage of unified payment interface, e-wallets, mobile and internet banking, Aadhar enabled services for payment (Gochhwal, 2017). After the demonetization, the non-cash payments in India spurred up to more than 1.9 billion in the year 2016 and 2017. It was too low before this. The numbers were as low as 228.9 million somewhere in the year 2004.

However, these numbers are contrary to the SBI's data concerning mobile banking customers. They have reported only around 5.86% and close to 9.69% internet banking service users in 2016 (Sathyakala et al., 2017). The technological innovation is only successful if the customers are well-aware of the user interface and the usage of the services to carry out their transactions and mobile banking activities smoothly. The important thing to ponder is that India is home to several rural inhabitants who are deprived of many essential resources because of lack of awareness or even their reach to the urban cities to avail the facilities provided to the citizens. Therefore, it is a challenge for the banking sector to include unbanked people in the financial stream. Hence, through the intervention of technology, the rural people are being financially included in the mainstream. According to "Global Findex Database," the use of digital channels has potentially increased from around 51% to 69% in 2017 (Makhkamova & Saidmurodov, 2019). The developing economies still lack the adoption and rapid usage of digital banking services. This scenario is different from the already developed economies, which have included almost all the banking users in the digital banking medium. It has been witnessed by "Global Findex Database" in 2017 that 91% of adults have registered themselves to digital methods of transactions. In contrast, in developing countries, only a small population of 44% adults are registered in the mobile banking services for their transactions (Pirhonen et al., 2020).

The Indian economy has seen varying statistics in the digital mode of transactions after the advent of the Digital India campaign and the demonetization effect in the year 2016. Most of the population shifted their daily transactions from conventional banking to digital mode. However, specific reasons such as internet connectivity issues, lack of financial infrastructure, and so on made it difficult for the population to remain active on the digital banking mediums. Lack of education is another reason that has hindered the masses from shifting to modern banking methods. According to Economic Times statistics from 2018, over 80% of the Indian population has a bank account. This being the case, World Bank has reported that in the total of 310 million bank accounts, almost 48% were inactive accounts in 2017 (Banerjee & Gupta, 2019). The researchers are trying to find evidence-based statistics on how the customers can be persuaded to switch to the digital banking model.

The financial business in the coming years shall appear to be drastically unique from what it looks like in the present scenario. It has been going through some developmental changes. One can easily state that banking would be appearing online or digital in the future, as one may call it. The pandemic has reshaped the lives of all the people right from the way individuals shop, work, or travel and mostly the banking methods, and has likewise determined an adjustment of customer demands. The pandemic has forced people on the social and monetary front. It has been profoundly reshaped while the customers' needs and demands progressively develop. Consumers have also started demanding user-friendly and hassle-free digital experiences for their daily chores. The pandemic has just intensified the requirement for simple admittance to products and services offered by banking channels. Consumers have switched to the digital way of information perusal.

Most of the people have now adapted themselves to utilizing on the web channels. Customers' traditional loyalty for having banks nearby would now be affected by customization offered by digital banking channels. A portion of the existing customer base is loyal due to a variety of factors, including the value they receive for their money, hassle-free purchasing experiences, the security of the funds they invest, satisfaction and meaningful experience they receive from digital banking services, and the level of customization they receive when using such services. Internationally, the banking industry has been overwhelmed with another wave of developing neo banks. In contrast to conventional banking, these are not troubled by innovation and new technologies and are working with more remarkable dexterity; neo banks can offer customized insight and consistent association

that is usually wanted by the new generations (Freeman & Freeman, 2019). The users appreciate the simplicity with which these banks offer their services. However, the Neo banks have not yet turned into the essential financial assistance for the customers, and they still count on conventional financial channels just for their everyday banking needs. In the same line, it would be wise enough for the existing conventional banks to increase their contributions and services adapting to the change being explored by the users in the modern-day scenario. They would keep pace in this race only by catering to the public demand by adhering to technological advancements.

The objective of the study

1. To know the reasons for adopting digital banking channels by Indian consumers.
2. To find the level of adoption of digital banking channels among Indian consumers.

Hypothesis

H10 There is no significant level of adoption of digital banking channels among Indian consumers.

H1a There is a significant level of adoption of digital banking channels among Indian consumers.

Research methodology

A sample of 207 Indian consumers was surveyed with the help of a questionnaire to know the reason and the level of adoption of digital banking channels among them. The study is empirical, and the primary data was collected through random sampling. The statistical tool of the chi-square test was applied to analyze the data and reach results.

Findings of the study

Table 1 shows the respondents' demographic profile in which a total of 207 were surveyed, where 57.5% are male, and 42.5% are female. Among them, 34.3% belong to 21-31 yrs, 40.1% are from 31-41 years. The rest, 25.6%, are above 41 years of age. 23.7% of the

respondents adopt these digital banking channels for privacy reasons, 24.6% due to its convenience, 27.5% for security reasons, 18.8% had adopted these channels for 24X7 accessibility, and the rest 5.3% are using them for some other reasons.

Table 1 Demographic profile of the respondents

Variables	No. of respondents	Total %age
Gender	119	57.5
Male	88	42.5
Female		
Total	207	100
Age		
21-31 yrs	71	34.3
31-41 yrs	83	40.1
Above 41 yrs	53	25.6
Total	207	100
Reason for using digital banking		
Privacy	49	23.7
Convenient	51	24.6
Secure	57	27.5
24X7 access	39	18.8
Others	11	5.3
Total	207	100

Table 2 Reason and level of adoption of digital banking channels

Reason of adoption	Level of adoption			Total
	Low	Medium	High	
Privacy	6	24	19	49
Convenient	5	26	20	51
Secure	10	16	31	57
24X7 access	11	7	21	39

Others	3	4	4	11
Total				207
Value of Chi-square				18.0925
Degree of freedom				8
p-value				0.020

Table 2 shows the reason and level of adoption of digital banking channels among Indian consumers. It is found in the table that the p-value is below 0.05 (0.000); hence the null hypothesis is rejected, and the alternate hypothesis is accepted that there is a significant level of adoption of digital banking channels. The Indian consumers are showing a significant level of adoption due to reasons like privacy, convenience, security, and 24X7 access.

Conclusion

This paper has fostered a structure to comprehend the variables that add to the perusal of “digital banking channels” and help business enterprises formulate strategies that could be dependent on the co-production of the value proposition that caters to the customer needs. The paper gives an extensive perspective on the primary components affecting e-banking goals and the components that should be considered to expand the utilization of digital services for transactions. The e-banking domain has seen authors feature different variables to evaluate customers' adaptation to digital services like convenience or trust. Moreover, authors have also brought out that the security in the components of using e-banking is another factor pertinent to the banking domain (Machogu & Okiko, 2015). It likewise recommends that consumers trust the bank to heighten the beneficial outcome of the users toward digital banking. Suppose the customers believe their bank is straightforward with their operations and proficient with what they serve. In that case, their outlook toward the utilization of e-banking will bring about trust, and they would be willing to share data or give input to the banks. Financial institutions ought to enhance security measures and information privacy. It would be feasible by incorporating the trending concept of adaptation of technological advancements and innovation in digital banking channels.

It is found that the reason behind adopting these digital banking channels among Indian consumers are privacy, convenience, security, and 24X7 access. The study also concludes

that Indian consumers adopt digital banking channels significantly due to privacy, convenience, security, and 24X7 access.

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