

FACTORS AFFECTING CUSTOMERS' PERCEPTION TOWARDS DIGITAL BANKING SERVICES

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Abstract

There is a rapid development in the banking industry. The use of Digital banking has become an integral part in our life. And it is an effective and the most viable tool for creating customer value. Digital banking is the process by which the customers perform their financial transactions digitally without visiting the bank branch. Digital banking has transformed from the banking activities from brick to click. In digital banking customers use laptops, computers, smartphones, other gadgets and digital technology as a substitute for cheques and other paper transactions. Advancement in the computer, smartphones, internet, information and communication technology, the attraction of customers towards digital banking can be done by communicating the benefits of digital banking services. This is a descriptive study, which deals with digital banking services. This paper is aimed to identify the factors affecting the customers' perception towards digital banking services, to know the satisfaction level and preference towards digital banking services. After developing a structured questionnaire, survey was conducted among 150 digital banking users, Percentage and Factor Analysis were used in this study. The result reveals that respondents of various age groups prefer doing digital banking over traditional banking. The customers perform their digital banking services using their smartphones. Users feel that digital banking is convenient, ubiquitous, instant transfer of funds and they are satisfied with digital banking services. The implications of the study, suggestions to enhance digital banking services and scope for future research is also being highlighted in this study.

Key Words: Digital banking, compatibility, convenience, instant transfer of funds, ubiquitous.

INTRODUCTION

Digital banking is a refers to accomplishment of financial transactions over the Internet through a bank's secured websites. Digital banking enables the customers to do their banking transactions with the help of gadgets and through the internet. Digital banking is also known as "internet banking" or "web banking" Online banking delivers all the traditional banking services available in a local branch.

Digital banking offers numerous benefits to its customers. The benefits are such as it removes the geographical barriers for the customers. Anytime and anywhere access to accounts for the customers. The digital banking attracts customers who use traditional banking due to its convenience and innovative techniques. Digital banking offers internet-based services and it saves time, easy to access and nominal transaction fees. Owing to the system of self-access, it has minimized the customer attrition and maximized the customer loyalty. The intrusion detection system to various virus control equipment made the digital banking services free from hazardous circumstances.

REVIEW OF LITERATURE

- **Massilamany & Nadarajan (2017)** examined the factors influencing the adoption of digital banking services in Malaysia. The dependent variable is digital banking adoption and the independent variable are trust, security, knowledge, self-efficacy and convenience. The results of this study depicts that there is a significant influence of dependent variable on the independent variables.
- **Gupta (2017)** In a conceptual study the researcher has studied the evolution of Indian Banking System from conventional to convenience (cash to click) mode. In this study the secondary data

have been used to examine the trends of banking system. This study has explained the types, merits and demerits of each form of digital transactions. The researcher has also highlighted the challenges of digital mode. In this study, the researcher states that there should be proper security system, protection of data and suggests to educate the people to use digital systems which helps to achieve the mass usage of digital transactions.

- **Yeremenko & Rudskaya (2016)** In a conceptual paper the researchers studied the innovations made by the banking business in Russia. By theoretical backgrounds they elaborated the concept of digital banking, that is – innovations in banking, payment systems from cards to digital banking to digital banking, have been discussed in this study. The researchers enunciate that banks should adopt the state-of-the-art technology and provide services at reasonable cost and also enhance the customers' loyalty for online services which will ultimately trigger customers to embrace the modern banking technology.
- **Berndt et al., (2010)** In a quantitative research the researchers evaluated about the customers readiness towards the adoption of new banking technology. The result of this study found that factors such as optimism, innovation are the key drives whereas factors like discomfort and insecurity are inhibitors for customers' technology readiness index and the result also shows that majority of the respondents are embracing and adopting modern technology. The researchers state that some of the customers are hesitating to use modern technology for their banking services, hence suggested that it is the responsibility of the banks to educate them and to improve their services to satisfy the needs of their customers.
- **Darlington, L (1999)** The researcher states that the banking industry is revamping itself for the digital age. Earlier customers have to physically visit the bank branch to perform their financial transactions, but now in the modern era it is branchless banking. That is with the advent of information and communication technology the banking transaction can be done from anywhere and at any time. The banking industry has transformed from conventional to convenience banking. It is beneficial for customers as well as bankers. Hence, the study reveals that automated form of interaction with customers implicate comparatively lower cost and allows customers to select best delivery channel from various alternatives. The researcher suggests that banks in the modern era should concentrate and improve their abilities to add value to their customer relationship.

OBJECTIVES OF THE STUDY

- To understand the concept of digital banking services.
- To identify the factors that induce the customers to prefer digital banking services over conventional banking services.
- To offer suggestions to improve the digital banking services.

SCOPE OF THE STUDY

The main objective of the study is to understand the concept digital banking services in India and to identify the factors that influence the customers to prefer digital banking services over conventional banking services. Furthermore, this study suggests the banking companies how to popularize their banking product and services to their customers and to general public at large. The study is useful for the both public and private banking companies to feel the pulse of the customers.

RESEARCH GAP

The literature reviews relating to the result of digital banking concept are deeply analyzed from several perspectives. It is obvious that all the studies have attempted to analyze customers' perception on E-Banking/ Internet Banking/ Digital banking services with many different constructs. The analysis of the review of literature unleashed an abundance of innovative thoughts aimed at identifying the perception on digital banking services. The most of the studies have focused on extent of adoption of digital banking; some have studied factors affecting continued usage of digital banking, service quality, impact,

customer satisfaction, etc. Thus, most of studies were limited to either one or two aspects of digital banking. This study is focused the identify the prime factors affecting the customers perception towards digital banking services. The 'Digital India' campaign has the potential to transform the Indian banking industry. Therefore, Research attention is required to point out the most influencing factors inducing the customers to adopt digital banking in Digitalized India. This was identified as research gap after a thorough review of literature.

RESEARCH METHODOLOGY

Methodology is a systematic way to solve the research problem. It may be understood as a science of studying how research is done scientifically. The study is descriptive in nature. The present study is focused on identifying the factors influencing the customers' perception to prefer digital banking services over conventional banking.

- **Data Collection:** Primary Data were collected with the help of well-structured questionnaire. Secondary sources include research articles, journals, books, etc.
- **Sampling Design and Size:** Convenience sampling was used for collecting the responses from the digital banking service users. The questionnaires were issued to 178 respondents. But only 150 questionnaires were in usable condition and were taken up for the statistical analysis of the study.
- **Questionnaire Structure and Design:** The questionnaire consists of two parts. Part I deals with the demographic profile and Part II related to the factors affecting the customers perception towards digital banking services.
- **Statistical Analysis:** The collected primary data were statistically analyzed using SPSS version 23. Statistical Tools used are Percentage Analysis, Exploratory Factor Analysis.

DATA ANALYSIS AND INTERPRETATION

The process of statistically evaluating the primary data and determining the results are explained in this section. The primary data collected with a help of a structured questionnaire was taken up for the statistical analysis of the study. Frequency Analysis and Factor Analysis was expended in this study.

Frequency Analysis:

The distribution of respondents based on their gender, age, marital status, educational qualification, occupational level and annual income was evaluated and results are portraited in the following table:

Table:4.1 Frequency Table representing the Demographic profile of the Respondents

Demographic Variables	Categories	Frequencies	Percentages
Gender	Male	56	37.3
	Female	94	62.7
	Total	150	100.0
Age Group (in years)	Below 20 years	5	3.3
	21-30 years	103	68.7
	31- 40 years	28	18.7
	Above 40 years	14	9.3
	Total	150	100.0
Marital Status	Married	57	38.0
	Unmarried	93	62.0
	Total	150	100.0
Educational Qualification	High School	3	2.0
	Diploma	5	3.3
	UG	48	32.0
	PG	69	46.0
	Professional Degree	25	16.7

	Total	150	100.0
Occupational Status	Student	34	22.7
	Employed	57	38.0
	Business	11	7.3
	Professional	15	10.0
	Others	33	22.0
	Total	150	100.0
Annual Income	Below 1 Lakh	35	23.3
	1 Lakh – 3 Lakhs	52	34.7
	3 Lakhs – 5 Lakhs	21	14.0
	Above 5 Lakhs	42	28.0
	Total	150	100.0
Preference of Digital Banking	Always	53	35.3
	Often	37	24.7
	Sometimes	40	26.7
	Rare	16	10.7
	Never	4	2.7
	Total	150	100.0
Digital Banking Devices	Personal Computers	14	9.3
	Laptops	48	32.0
	Smartphones	88	58.7
	Total	150	100.0
Years of Accessing	Less than 2 Years	41	27.3
	3 – 5 years	78	52.0
	Above 5 years	31	20.7
	Total	150	100.0
Satisfaction Level	Highly Satisfied	34	22.7
	Satisfied	95	63.3
	Neutral	21	14.0
	Total	150	100.0

Source: Primary Data

The frequency analysis reveals the demographic profile distribution of the digital banking service users – Majority 94% are Female. In age wise classification majority of the respondents are in the age group of 21-30 years. 93% of the respondents are unmarried, 69% of the respondents are Post Graduates, 57% of the respondents are employed, 52% of the respondents are earning rupees 1lakh to 3lakhs annually. 53% of the respondents are prefer to use digital banking Always. 88% of the respondents prefer to use smartphones for their digital banking transactions. 78% of the respondents are using digital banking services for more than 3 years. Majority 95% of the respondents are Satisfied with their digital banking usage.

Factor Analysis:

The exploratory factor analysis was executed by using Principal Component Matrix Method and Varimax Rotation, to identify the factors influencing the customers towards digital banking services. 25 variables were taken up for the analysis out of which 3 variables were eliminated since the factor loading was very low and the rest 22 variables were reduced to 5 factors. The result of rotated component matrix is being given below:

Table 4.2 – Table representing variables with factor loadings and its naming.

Factor Naming	Variables	Factor Loadings
Factor – 1 Transaction Speed	Digital banking transfers are completed quickly when compared to traditional methods.	0.773
	Digital banking saves travel time and energy as we need not to stand in queue in banks or to pay utility bills.	0.733

	Within few minutes even the high value transfers can be made in Digital banking.	0.702
	Digital banking saves time as it is available 24x7	0.681
	Digital banking improves the speed of transaction.	0.565
Factor – 2 Compatibility	I enjoy using Digital banking as it suits me.	0.813
	I think that using Digital banking fits my lifestyle.	0.785
	I believe that using Digital banking enhances my image.	0.780
	I consider that using Digital banking is hassle-free.	0.776
	I think digital banking is compatible with the way I like to shop.	0.625
Factor – 3 Connectivity	The services should be easily accessible and portable.	0.729
	I expect the services to be available whenever I need it.	0.704
	The internet network should be adequate to ensure success of Digital banking.	0.644
	I expect that Digital banking connection is available anywhere and anytime.	0.573
Factor – 4 Security	Security matters have significant influence on using Digital banking.	0.813
	I am concerned about my security while using Digital banking.	0.739
	Higher confidence in your network service provider is essential for safe transaction.	0.649
	Digital banking transaction requires technical experience for performing secured transfers.	0.643
Factor – 5 Convenience and Benefits	Users can easily do their various payments anywhere and anytime.	0.669
	It is a great compliment to cash.	0.606
	Digital banking saves time, energy and money.	0.558
	Discounts, rewards cash-back offers received on Digital banking are appreciable.	0.414

Source: Computed Data

Factor–1 “Transaction Speed” – Customers find that mobile payments are advantageous due to its transaction speed and ubiquitous (Nath & Chen, 2008). Nowadays customers are highly sensitive as they want to have a speedy delivery of service (Bateson, 1985). Time saving was considered to be highly significant factor for the adoption of electronic banking facility as the transactions are completed in a jiffy while compared to conventional payment methods (Ledingham, 1984). Therefore, these points culminated to profoundly state that Transaction Speed can be considered as one of the important factors of Digital banking.

Factor–2 “Compatibility” –The customers’ perception towards adoption digital banking is possible only if the technology is compatibility with the lifestyle. Compatibility feature is significant for smartphones and digital banking usage, as people consider that technology should be compatible with their lifestyle. Therefore, these points culminated to profoundly state that Compatibility can be considered as one of the important factors of Digital banking.

Factor–3 “Connectivity” – Connectivity refers to the speedy access, usability, appearance of interface and navigation facility (Kim et al., 2004; Vance et al., 2008). Lack of proper connectivity will hinder the customers to adopt digital banking (Upadhyay & Jahanyan, 2016). Therefore, these points culminated to profoundly state that Connectivity can be considered as one of the important factors of Digital banking.

Factor–4 “Security” – It is found that security hinders the usage of electronic payment system (Sathye, 1999). The various studies have been conducted to evaluate the effect of security matters on the adoption of electronic payment systems, since security is closely associated with decision to use electronic

payment system. (Abrazhevich, 2004). Therefore, these points culminated to profoundly state that Security can be considered as one of the important factors of Digital banking.

Factor-5 “Convenience and Benefits” – Accessibility (anytime, anywhere) is found to be more important variable of convenience. On the other hand Benefit (saving of cost, time and energy) was found to be the significant factor that drives the customers to acceptance and usage of electronic payment system. (Chou, et al. 2004) Therefore, these points culminated to profoundly state that Convenience and Benefits can be considered as one of the important factors of Digital banking.

MAJOR FINDINGS

The results of this study depict that majority of the respondents are in the Millennial Age group. Most of the respondents are Employed and earning a moderate income. The customers prefer to do digital banking transaction Always rather than visiting the bank. The customers prefer Smartphones to prefer their digital banking transactions as it is very compatible for them. The respondents are having more than 3 years in using digital banking services. Most of the respondents feel satisfied by doing their banking transactions digitally.

The users of digital banking transactions are influenced by the factors such as Transaction Speed, Compatibility, Connectivity, Security, Convenience and Benefits. These factors are significant towards the adoption of digital banking. The respondents feel that using digital banking services are very much beneficial for them in many ways. Customers agree that doing the banking transactions saves their time and cost. The fund transfers are made instantly just by a click. The digital banking services are ubiquitous and convenient.

SUGGESTIONS TO IMPROVE DIGITAL BANKING SERVICES

- Digital banking services must generate and induce the customer attention to online banking services by the better marketing and advertisement strategies. Customers should be informed about its convenience features, advantages and benefits of using digital banking services.
- The procedure for initial set-up difficulties should be streamlined by providing necessary assistance.
- Bankers should provide the customer reassurance and information regarding trust of digital banking activities, which will certainly improve the application of security and privacy of the digital banking services.
- To enhance the digital banking services, the bankers should help the customers by developing the secured practices in digital banking and management of risk should be made aptly.
- A boost in the degree of expediency to customer, that will increase the level of customer satisfaction.
- Concentrate on the enlightening the suitable network information and digital infrastructure.
- Customer support system should be enhanced for digital banking services and improve the dimensions of management strategies
- Offering of reward points, incentives to users will motivate them to use digital banking services.
- The knowledge of digital banking service uses should be provided to the customers, specially to gadgets illiterate customers through workshops and seminars which will certainly enhance the digital banking value and volume.
- Government must concentrate on developing the internet facility, information and communication technology. to promote digital banking facilities in India.

IMPLICATIONS

- The prime suggestion is that the security and privacy issues should be resolved.
- The banks have to create trust in the minds of their existing and potential customers.
- They have to assure that using digital banking transactions are reliable, safe, secured and steadfast.
- The banks should guarantee to the customers that personal and financial information will be kept confidentially.

- The banks website, applications should be developed in such a way that it is easy to navigate and hassle-free.
- The transaction fees should be fixed at a nominal rate.
- The Government should concentrate on improving the internet access and take actions against the cyber frauds and hackers.
- Enriching the digital banking facility and providing expedient and ubiquitous services at an affordable cost will induce the customers towards digital banking services.
- All these will create trust among the customers and will subsequently help to elevate the adoption of digital banking services.

DIRECTIONS FOR FUTURE RESEARCH

This study is focused only on the users (customers) perception towards digital banking services. The future research can be performed with businessmen, bankers, corporates perception. The perception of non-users can be performed to identify the reason for not adopting digital banking services. A comparative study on the users and non-users of digital banking services can be carried out and identify the prime reason for adoption and non-adoption of digital banking services.

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