

A study of Customer perception regarding Issues and Challenges in Digital Banking

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Abstract

Digitization is the advent of information communication technology (ICT) and information technology proved as a magic for banking sector. Banks are investing a big proportion of its funds on digital banking services but still these channels are not used by all the bank's customers. The inequality has also been examined in usage of all digital banking channels. This study emphasized to find out the perceived issues and challenges faced by customers in availing digital banking services. The relationship between demographic factors and digital banking is calculated by applying chi square test and the relationship between customer dissatisfaction and their adoption of digital banking is calculated by applying t-test. Awareness of customers towards digital banking has also been examined in this study.

Keywords: ICT, Digital banking, issues and challenges, customers.

INTRODUCTION

Digital banking is the revolution of traditional banking activities that previously could be availed by the customers only inside the bank branches. Basically digital banking is the innovative step taken from "Brick and Mortar banking" to e-banking. It helps in performing activities such as immediate fund transfer, mobile recharge, point of sales, online shopping and e-ticketing etc. Convenience, Any time anywhere banking, ease of use are the features that influence the customers towards digital banking channels such as ATMs, mobile banking, internet banking etc.

In 1960 the digital banking began in the form of ATM machines and cards. With the help of internet, digital banking became a norm in 1990. In early 2000, the advent of broadband and e-commerce brought about a shift in the usage of banking from traditional to digital banking.

The arrival of smart phones creates a new room for transactions for the customers that moved them a step forward in the era of digitalization. Unified Payment Interface (UPI) a new digital banking option, introduced by Indian Government on April 11, 2016 allows the people to transfer money from one bank account to others in an easy manner with the help of smart phones. These smart phones enable the bank customers to manage their funds in their hand only. Some of the popular digital banking channels are explained below:

Automatic Teller Machine (ATM): ATM renders services such as cash withdrawal, mini statement, balance enquiry, cheque book requests, cheque deposit, aadhar and mobile number update, insurance premium payment and mobile recharge etc.

Point of Sales machines (POS): In 1970, IBM Company installed POS terminals for the first time which is a payment device mode and it enables to process the transaction at merchant

location by swapping debit or credit card. It is an easy way to pay for goods and services purchased without carrying any cash and reduce the risk.

Mobile Banking: With the help of internet mobile phones can provides the services such as fund transfer, utility bill payment, payment of insurance premium, online shopping, balance enquiry etc. Different mobile banking interface such as UPI, E-wallets and mobile banking applications of banks have enhanced the usage of mobile banking in recent era.

Objectives of the Study:

1. To study the awareness of respondents regarding digital banking.
2. To study the impact of demographic factors on usage of digital banking.
3. To study the reasons of customer dissatisfaction that restricts them to use or adopt digital banking.
4. To study perceived issues and challenges faced by customers in digital banking.

Review of Literature:

Santhiya & Radhika (2019) examined the problems faced by customers while using internet banking of SBI and found that majority of the customers are aware about internet banking. Fear of fraud and security issues are the major problems while using internet banking. Lack of confidence and lack of knowledge also restrict customers to avail this service. Further the Gender has also a signification relation with internet banking usage

Nayak Raghavendra (2018) assessed the issues and challenges in digitalization of banking and found that major hurdles in the road of digital banking in the rural sector are lack of financial literacy, improper infrastructural facilities, minimal usage of smart phones, lack of banking interest, network issue, literacy rate,

financial services cost and customer reluctance to new technology. Growth of country can be enhanced by digitization. Awareness regarding digital banking benefits should be created among customers and financial literacy must be provided to include the excluded ones in formal financial sector. Youth of country should be contacted by visiting schools and colleges and their parents should also get aware about various perks of digital banking.

Ramesh & Muthumani (2017) emphasized on challenges and opportunities in electronic banking in India through secondary data and found that although Indian banks are making ardent efforts towards e-banking yet not able to convenience the masses. But younger generation is being convenience by this service and gets benefitted from it. The days are not so far when e-banking will not only acceptable mode, it would be a preferable mode of banking.

Marathe (2017) studied the problems of online banking and concluded that future of online banking is very bright in near future. English language and lack of awareness of use of technology are the main road blockers of online banking. Governments at state or centre level must take major initiatives to create awareness for online mode of banking and to provide every good facility to safeguard the money of the customers.

Goudarzi shidrokh et al. (2013) conducted a study on impact of trust on internet banking adoption and a conceptual framework of customer's factors and website factors has been proposed after reviewing the existing studies on internet banking. Researchers concluded that trust and internet banking has a positive relation with each other and internet banking is strongly influenced by customer's trust.

Ingle & Pardeshi (2012) examined the challenges and opportunities in internet banking in India and found that internet banking should be promoted and there is a need to educate the customers regarding internet banking especially for those who find it risky and do not use it. Special seminar should be

organized to make the people financially literate in terms of internet banking and to change their negative perception regarding online banking. Their complaints should sort with immediate effect by providing proper infrastructure. Where there is so many customers who find internet banking as time save, easy way of banking and convenient, contrary of it still many of the customers find it risky and insecure. So steps should be taken to change the perception of people regarding internet banking.

Problem statement: Even after providing convenience, ease of use and time saving features digital banking is not availed in every corner of the country. All the digital banking channels are not consumed by all the consumers in equal proportion. This study will emphasize on the awareness of customers regarding digital banking and various issues and challenges faced by the customers that restrict them either to use digital banking or to use it in unequal proportion.

Scope of the study: The present study highlights the awareness level of customers of Tri city (Chandigarh, Mohali and Panchkula). It also limelight the issues and challenges faced by customers while using digital banking to examine the reasons of dissatisfaction that restricts them to avail digital banking services.

Research Methodology:

Sample size and Research Design: Sample of 100 respondents is taken from Tri city

(Chandigarh, Mohali and Panchkula). Random sampling method is used to collect the data. The study is descriptive in nature for which the data is collected through primary and secondary sources. Secondary data is collected through Journals and books and self-assessed questionnaire is used to collect primary data from respondents.

Limitation of study: The main limitation of the study is that research is done only on 100 respondents of Tri city which might not predict accurate results for whole population. Majority of the respondents is of students who may not have good income to avail digital financial services.

Hypotheses:

1. H₀: There is no significant relation between demographic factors and usage of digital banking.
2. H₀: There is no significant relation between customer dissatisfaction and adoption of digital banking.

Data Analysis and Interpretation:

Hypothesis 1: H₀: There is no significant relation between demographic factors and usage of digital banking.

Analysis for relationship between demographic variables and usage of digital banking						
		Responses	Chi- Square	p-value	Significance	H ₀
1	AGE		11.689	0.02	Significant	Rejected
	16-20	60				
	21-25	15				
	26-30	8				
	31-35	14				
	ABOVE 35	7				
2	GENDER		0.474	0.541	Not Significant	Accepted
	MALE	48				
	FEMALE	56				

3	OCCUPATION		22.543	0.001	Significant	Rejected
	HOME MAKER	2				
	SALARIED	32				
	OWN BUSINESS	4				
	SELF EMPLOYED	5				
	STUDENTS	58				
OTHERS	3					
4	EDUCATIONAL QUALIFICATION		17.82	0.001	Significant	Rejected
	DOCTORATE	1				
	POST GRADUATE	52				
	GRADUATE	43				
	HIGHER SECONDARY	5				
	OTHERS	3				
5	MONTHLY INCOME		0.13	0.988	Not Significant	Accepted
	0-15000	66				
	16000-30000	21				
	31000-45000	7				
	ABOVE 45000	10				

As the calculated value of Chi square for demographic variables viz. age, gender, occupation, educational qualification and monthly income is founded to be 11.689, 0.474, 22.543, 17.82 and 0.13 with p-values of 0.020, 0.541, 0.001, 0.001 and 0.988 respectively. So it can be concluded that

i. For age composition and the digital banking users, the p- value for calculated chi square was found to be significant. Therefore the null hypothesis is rejected and it can be said that age composition has significant relation with digital banking usage.

ii. For gender profile and digital banking users, the p-value for calculated chi square was found to be insignificant. Therefore the null hypothesis is accepted and alternative hypothesis is rejected. It represents that there is no significant relation between gender and digital banking usage.

iii. The p-value for calculated chi square for occupation and digital banking usage was found to be significant. Therefore the null hypothesis is rejected and it can be said that occupation has significant relation with digital banking usage.

iv. For education profile and digital banking users, the p-value for calculated chi square was found to be significant. Therefore the null hypothesis is rejected. It represents that there is significant relation between education and digital banking usage.

v. The p-value for calculated chi square for income and digital banking usage was found to be insignificant. Therefore the null hypothesis is accepted and it can be said that income has no significant relation with digital banking usage.

Hypothesis 2: H₀: There is no significant relation between customer dissatisfaction and adoption of digital banking.

SATISFACTION_ LEVEL	N	Mean	Std. Deviation	Std. Error Mean
USAGE NOT SATISFIED	11	1.00	.000	.000
SATISFIED	93	.98	.146	.015

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference
USAGE	Equal variances assumed	.992	.032	5.047	102	.027	.022
	Equal variances not assumed			1.422	92.000	.0158	.022

As the calculated t value is 5.04, p-value being 0.03 which is lesser than 0.05, which is found to be significant, H₀ is rejected. Thus, it can be concluded that there exists a significant relationship between customer dissatisfaction and adoption of digital banking.

Conclusion:

It has been concluded from the research that majority of the customers are aware about digital banking. The age, occupation and educational qualification has significant relation with the digital banking usage but gender and income do not have any impact on usage of digital banking. Further it has also been examined that adoption of digital banking is depend on the customer's satisfaction or dissatisfaction. Hence, there is significant relation between customer dissatisfaction and adoption of digital banking. The necessary measures should be taken to provide high security digital banking channels without any network issue to change the perception of the bank customers towards digital banking.

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