

A Study on Customer Preference towards Digital Banking: A Study of customers at Ahmedabad

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Abstract:

The study aims to find customer preference towards digital banking by customers in Ahmedabad. In today's era it is necessary to find the relation between the use of digital banking and its usage by consumers. As the future of banking is digital so it is necessary to study about same. On another hand banks are putting continuously effort on developing products based on consumer needs which are friendly and convenient to use. Various papers were examined to understand how people have accepted digital banking as part of life in various countries. Where on the other side where the world is shifting to new era it is necessary to study on the topic to analyze and understand while growing what are the barriers, problem been faced by the consumers and based on such factors study was conducted.

Descriptive study was conducted on research which shows customer preference towards Digital banking. The research intends to know what the effect of Digital banking is and which factor has major influence on the customer, so "what" and "which" are being answered in the research making it the research of 6Ws. The study includes both Qualitative and Quantitative approach to find out the impact of customer preference towards Digital Banking. Questionnaire was used as our data collection tool. From the questionnaire it was analysed that majority of respondents have ranked transfer of funds and payments as main reason behind using digital banking services.

The statistical tools Chi – Square and correlation tests were performed to analyze the relationship between digital banking services and consumer demographic variable. Sample of 101 respondents was collected to study the factors. Association was found between occupation and balance enquire, also between age and online shopping. Although positive correlation was found between overall digital banking services satisfaction and services variables but the correlation was not very high.

Keywords : Digital Banking, Customer Preference, Banking, Digitalization, Customer Satisfaction

Introduction to Study:

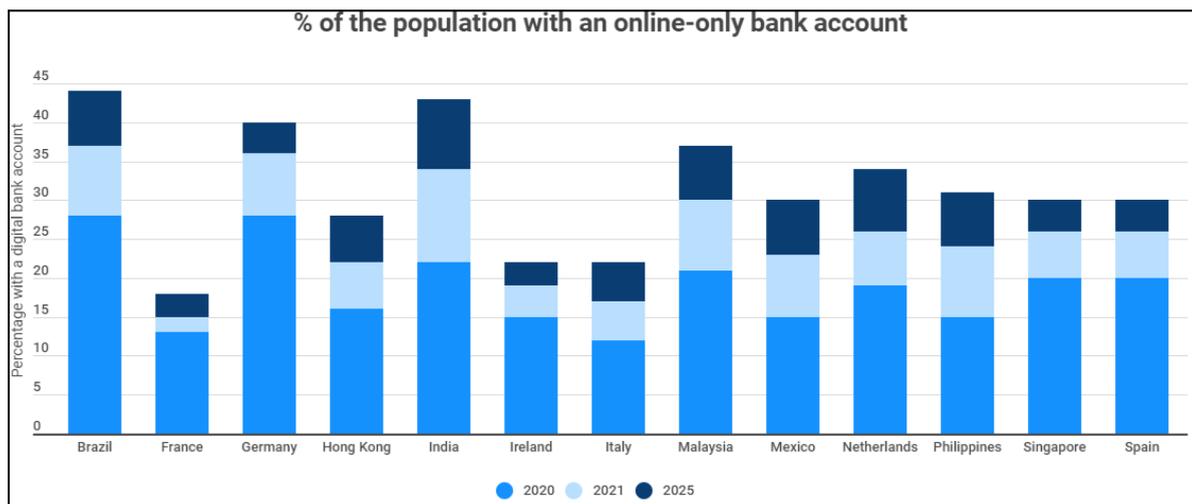
Digital Banking has seen huge growth in India with the use of latest technology. With the growth of digital banking many consumers of India adopted digital banking services. Many financial organizations are struggling to adapt their banking experience to online channels and to the smaller screens of mobile devices. Unfortunately, banks can no longer afford to wait to invest in digital transformation, as customers are increasingly willing to switch banks to digital features such as bill pay, mobile payments and applications for loans.

Digital Banking is a new era that explores the new horizons of success and development to facilitate and enhance society and open the door to banking industry development to enhance business operations. According to survey by Cruz and Binsted published on finder says that 43% of Indian adults to have a digital bank account by 2025. Around 700 million consumers use digital banking across Asia.

Figure:1

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(Source :<https://www.finder.com/in/digital-banking-statistics>)

The above figure highlights the global trend of increasing digital banking account which is set to reach 50% of overall banking account by 2030.

This study will focus on Ahmedabad region to understand whether the usage of digital banking has increased or not. Also, study will also focus on overall customer satisfaction with reference to various factors like safety, innovation, reliability and many more.

Objectives:

- I. To study adoption of digital banking by consumers.
- II. To understand the preferences of customer's with respect to digital services at Ahmedabad.

Literature review:

Traditional Banking Vs Digital Banking:

The study examines the comparison between the Traditional Banking and Digital Banking services lend by the banks to customers. From the study it can be observe that traditional banking has been taken over by Digital Banking in terms of services (Mavhiki; Shumba, 2015). Where earlier people used to wait in long queue to get work done but now within minutes work is done (Pooja, 2015). The banks have chosen to be part of the wide world web to stay competitive in the rapidly changing business world and also to take additional advantages (Sharma, 2016). Digital banking transforms or digitization had improved traditional banking into a technology driven banking system. It also offers Consumers tremendous advantages in terms of transaction cost and ease. These have ease of access, comfort, timeliness and cost savings as attributes for customer satisfaction. Although these new products and services had not replaced traditional banking practices they had influenced and enhanced the way in which banking activities were carried out (Severino; Tonderai 2016).

Technology Innovation in India:

The study examines about the innovation in technology in terms of Digitization and studied about the paradigm shift with reference to adoption of new technology. Most people in the banking sector believe that the wave of the future is digital banking. Banking is a fast- changing sector. The biggest paradigm shift that has occurred is bank digitization, which aims to provide a wide range of benefits for customers (Dr. Malini; Menon, 2017). Banking products are based on advanced solutions which may exceed real market demands. Technology like Fintech, APIs, cybersecurity, Cloud services, robots' services and biometric tools for enhancing the transaction done through digital banking and also ensure the problems faced by person are met through this technology invention (Kartikeya, 2014). Mobility and customer convenience are today seen as the primary growth factors and banks are continually exploring new technology. Banks need to undergo a deeper change in their business, culture and IT, and above all they will need to put innovation as its core and use data to create new business, revenue and customer engagement (Malik, 2016).

Impact of DB on Public Sector VS Private Sector:

The Study examines that it has become imperative for both public and private sector banks to do their best to retain their customers by catering to their both explicit and implied needs (**Gupta; Agarwal, 2013**). It happens many times that banks fail to satisfy their customers, which can cause huge losses to banks, and the need for this study arises there. According to (Gupta:2013) the study was to examine customer satisfaction between customer groups towards the Indian public sector and private banking industries. The study clearly shows that Indian (public sector) banks have a large perceptual gap in overall service quality with their respective customers compared to banks in the private sector (**Nisha; Saini, 2013**). Service quality has been described as a form of attitude that results from the comparison of prospect with recital (Cronin and Taylor, 1992, Parasuraman et al, 1985). Providing Internet banking is becoming more of a "need to have" service than a "nice to have" which is one of the important concerns for banks to render service (**Vyas, 2012**).

Customer Preference and Perception towards use of Digital Banking:

Various study has been conducted over the years to understand the perception, satisfaction and preference towards using Digital Banking products and services. From most of the study it has been suggested that DB study is real time study which need to be study over and over to understand the changes implemented by banks are affecting or not (**Kumar; Saxena, 2015**). Many consumers within the globe have shifted them to use the technology and get used with the system also the people who are less educated didn't shift to technology as they find difficulty in operating the system (**Singh, 2017**). The future growth of the banking sector depends on how the banks that are oriented to technology and communication would be. The study shows that most customers prefer Internet Banking (IB) services instead of branch banking because of Reliability, convenience, speed, safety, cost-effectiveness, user-friendly system and error-free system (**Omar; Sultan, 2011**). With E-Banking Services, around 70 % of people have a positive perception & are satisfying. It was also found that the demographic factor excluding education has little impact on digital payment adoption. From the study it is understood that customer is using digital services to accept the new change (**Mrinal Phalle, 2019**).

Other Dimensions towards Digital Banking:

The Study here examines about all other findings which has led Digital banking to new phase. There are various facilities available like Digital Wallets where through UPI and with linking bank accounts transaction can be done (**Akhila, 2018**). With the increasing penetration of internet connectivity and smart phones, the numbers of digital wallet users have increased. Digital wallet is becoming rapidly trendier among consumers. Digital wallet is becoming popular among young generation lots, such as students and employees, according to the study findings (**Jagannathan, 2020**). The study witnessed that Paytm is leading among other wallet providers. "By identifying the aspects of a

digital banking that bank managers perceive as more advantageous or challenging to cultivate the relationship with their customers, bank managers should gain awareness of being able to more effectively develop appropriate strategies to address the customers of the bank” **Larsson. A. and Viitaoja, Y. (2017).**

Research Methodology:

The main aim of research is to understand the customer preference towards Digital Banking. In today’s era, customers demand a lot from the banking services especially in reference to the Digital banking, so in order to create and maintain Digital banking customers or to stay competitive, it is vital to provide them the best services by understanding their satisfaction and preference to satisfy their needs. Descriptive Study is used for the research as it involves a survey to study the factors. Primary and Secondary study is conducted based on the objective of research. The approach used in the research is both qualitative and quantitative. The purpose of the research is to find the customers’ perception and attitude towards the Digital Banking. This makes it a quantitative research. The approach of research is also quantitative as a questionnaire is used and outcomes are found in figures. So, the research follows dual approach i.e. Qualitative and Quantitative. Convenient Sampling is used for the research from the Ahmedabad city and lastly CHI – SQUARE and Correlation tool has been used to find the relation between the factors which influence them to use DB and overall satisfaction while using it.

The hypothesis for the research is as follows: -

H1 – There is no significant relationship between **Features of Services** [Quick service; Convenience; Innovative services; Comfort; Reliable; Cyber risk free; Accurate] and **Customer Experience**.

H2 – There is no significant association between **Digital Service preference** [Transfer of Funds; Account Statement; Paying Bills; Enquire about balance; Online Shopping] and **Demographic variables** [Gender; Age; Occupation]

In our hypothesis, the independent variables are digital banking services dependent variable is consumer behavior.

Data Analysis:

From the Data collected it can be studied that 101 response was collected from Ahmedabad region. Out of that 52 were female and 49 were male. From the Cross tabulation we can find the age group and different occupation of respondents 1- Student, 2- Service, 3 – Businessman and 4 – Housewife) majority of respondents belong to age group of 18-29 years and major of them are Students.

Occupation * Age Crosstabulation

Count

		Age				Total
		Less than 18 years	18-29 years	30-49 years	50 years & above	
Occupation	1	11	38	0	0	49
	2	0	1	4	4	9
	3	0	6	14	3	23
	4	0	3	8	9	20
Total		11	48	26	16	101

Table: 1 Cross – Tabulation Occupation and Age

In order to check the adoption of Digital banking, respondent were ask their frequencies of usage

How often do you use Digital Banking services?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not so Often	13	12.9	12.9	12.9
	Often	48	47.5	47.5	60.4
	Rarely	7	6.9	6.9	67.3
	Very Often	28	27.7	27.7	95.0
	Very Rare	5	5.0	5.0	100.0
Total		101	100.0	100.0	

Table: 2 Frequency of Digital Banking Usage

It can be observed that approximately 70% of the respondent use often or very often which clearly highlights high adoption level of digital banking.

From the data collected Correlation and Chi – Square test has been run to find relation between the Overall Satisfaction while using DB services and Various factors which influence their activity.

The Chi – Square test was applied between Demographic variables [Gender; Occupation; Age] and Digital Banking services which they prefer.

- No association between gender and preference of services was found [Table: 3].
- An Association was identified between occupation and balance enquiry service whereby students and service people preferred this more than other groups [Table: 4].
- Association was also identified between age and online shopping preference whereby age group less than 30 preferred online shopping more than other age groups [Table: 6]

Sr_No	Output Summary	P – Value	Null Hypothesis Accept/Reject
1	Gender * Transfer of Funds	0.100	Accept
2	Gender * Account Statement	0.315	Accept
3	Gender * Paying Bills	0.770	Accept
4	Gender * Enquire about balance	0.673	Accept
5	Gender * Online Shopping	0.383	Accept

Table: 3 Chi – Square Output (Gender and Preference of Service)

Sr_No	Output Summary	P – Value	Null Hypothesis Accept/Reject
1	Occupation * Transfer of Funds	0.211	Accept
2	Occupation * Account Statement	0.103	Accept
3	Occupation * Paying Bills	0.127	Accept
4	Occupation * Enquire about balance	0.002	Reject
5	Occupation * Online Shopping	0.497	Accept

Table: 4 Chi - Square Output (Occupation and Services)

Sr_No	Output Summary	P – Value	Null Hypothesis Accept/Reject
1	Age * Transfer of Funds	0.164	Accept
2	Age * Account Statement	0.194	Accept
3	Age * Paying Bills	0.489	Accept
4	Age * Enquire about balance	0.060	Accept
5	Age * Online Shopping	0.039	Reject

Table: 5 Chi – Sqaure Output (Age and Preference of Service)

Correlation test was also conducted on overall satisfaction and factor like convenience, reliable, security, accuracy, innovation and cyber risk-free factors. From the study it was found that all variables had positive relation between the variables.

Surprisingly it was found that none of the variables were highly correlated which means that there are some other variables which might be leading to overall satisfaction of customers towards digital banking. [Table :5]

		Rate, overall experience while using digital banking services.
Rate, overall experience while using digital banking services.	Pearson Correlation Sig. (2-tailed) N	1 101
With digital banking access to banking services is quicker.	Pearson Correlation Sig. (2-tailed) N	.577** .000 101
Digital banking services are convenient to me.	Pearson Correlation Sig. (2-tailed) N	.496** .000 101
Bank develops innovative digital services which attracts me to use services.	N Pearson Correlation Sig. (2-tailed) N	.505** .000 101
Digital banking provides me comfort of working peacefully without external fear.	N Pearson Correlation Sig. (2-tailed) N	.288** .003 101
The digital banking services are efficient and reliable.	Pearson Correlation Sig. (2-tailed) N	.443** .000 101
Digital banking services are cyber-free risk.	Pearson Correlation Sig. (2-tailed) N	.278** .005 101
My online transaction with bank are always accurate.	Pearson Correlation Sig. (2-tailed) N	.525** .000 101

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

Table: 6 Correlation between Satisfaction and other Variables

Conclusion:

Indian banking system has adopted the new technology in order to make India Cash free society. Majority of the people have adopted the Digital Banking services and are using more frequently as it is more convenient and cost effective. According to present the use of digital technology has rose and if we look towards the aim of India's Government to make India Digital India is growing at great speed. It is shown from study that factors like Reliability, convenience, security, innovation, cyber – risk are all important factors and this has direct relation with overall satisfaction while using services.

From the data analysis it was found that in Chi – square females are more influenced by using DB than that of males. In Correlation findings suggest that none of the variables are highly correlated with the factors mentioned above. There are certain factors which restrain users from getting maximum satisfaction. Association between occupation and balance enquiry as well as age and online shopping as digital banking service were identified.

Providing Digital banking is becoming more of a "need to have" service than a "nice to have" which is one of the important concerns for banks to render service. DB study is real time study which need to be study over and over to understand the changes implemented by banks are affecting or not. Many people who are older at age still didn't prefer to use digital banking as they think traditional banking is more convenient. Banks need to follow a strategic approach in order to satisfy customers' ever-changing demands and achieve a greater market share. It has been rightly said that "If banks can't offer something more valuable than Amazon Prime, then we're probably in wrong business" – Bradley Leimer.

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