



A Study of the Customers Perception towards Digital Banking Services of Commercial Banks in Kalyan-Dombivli Region

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Abstract:

Technology has changed drastically and is continuing to change the way banking is conducted. Every new development in technology is widely accepted by banking and finance through various digital platforms of banks. The present paper attempts to study the customers perception towards digital banking of commercial banks in kalyan Dombivli Region and to learn the usage of various digital banking applications among customers of commercial banks in day to day life. For studying customers perception to digital banking services percentage method and chi-square test is applied. It also highlights various challenges and opportunities in implementation of digital banking in commercial banks.

Key Words: *Digital banking, Online banking, Digital platform, Digital Banking services*

Introduction:

Digital Banking means the digitalization of traditional banking activities and services that were earlier only available when customers visited the bank branch in person. Digital Banking is done through digital platforms. The banking services can be accepted through smart phones, laptop etc. Digital banking technology is providing convenience, customer friendly service to banks officials and customers. Today almost all banks are attempting Digitalization of banking services. Customer perceptions and awareness regarding digital technology plays important role to improve efficiency in Digital Banking. It is expected that over a period of time errors would be reduced in digital banking and bring improvements in processes and work practices within banks. Banks started using information technology initially with the introduction of standalone personal computers and migrated to local Area Network connectivity. Then with further evolution, banks adopted core banking platform. Core banking solution allowed banks to raise the comfort aspect to customers and it was held as a promising step towards improving customer convenience through the so-called “Anywhere and Anytime Banking.”. Many commercial Banks started adopting digital customer services to stay competitive in furtherance to the growth of digital Banking in India.

The Government launched the UPI system a banking system, in 2016, that allows people to easily transfer money to and from bank accounts. Now with UPI, anyone can open a bank

account and make transactions via mobile phone. The concept “digital banking” refers to banking that is done fully online without the need of paper documents like cheques, pay-in-slips or Demand Drafts.

The government has also asked the customers to link their bank accounts with their Aadhar number. This is to ensure that the person accessing the bank account is the person who owns it. With digital banking a person can easily open a bank account in India and that too without even visiting bank branch.

Digital banking is delivering a customized and consistent brand experience to customers across all channels and points of interaction including analytics and automation. However it requires a change in the operating model, namely organization culture, products services and IT skills in order to deliver and achieve sustainable business management of the banks.

The international data confirms that the cost of conducting digital banking accounts for about 0.2 percent of its cost in the case of relying on the traditional bank branch, 3.6 percent in the case of using telephone service while it constitutes 8 percent of its cost in the case of using an ATM. Payments have shown healthy growth both in terms of volume and value of usage. Comparative analysis was done for the increasing volumes of e-payments adaptation and usage by the customers. For example, RTGS and NEFT volume increased almost threefold between 2013-2016 reflecting great adoption of the digital banking system by all segment of users.

Literature Review:

Sai Koteswara Rao, A. Dhanunja Yulu & Prof. K. Jaya Chandra Reddy (2022), the article entitled, “Digital banking in India- A study on trends & opportunities”. This paper focused on challenges and opportunities in present era in digital banking scenario. Present paper discussed about recent innovations and services emerged from digital banking for a period of 5 years.

Vidyam M. & Shailashri V.T. (2021), the article entitled, “A study on Evolving Digital Transformation in Indian Banking System”. The present paper have studied various electronic system practiced by the banking industry through the analysis of digital payment using ABCD analysis of selected public sector and private sector banks. This paper highlights value and volume, growth of digital payments over last 5 years (2015-16 to 2019-20).

Dr. Arunangshu Giri and Ipsita Paria (2018) the article entitled “A Literature Review on Impact of Digitalization on Indian Rural Banking System and Rural Economy”. The present paper focuses on the review and summarizes various studies which were made by different researcher of different location across India on the impact of digitalization on rural banking system of India. The study found that, digital banking is having enormous potential to change the landscape of financial inclusion

K. Hema Divya and K. Suma Vally (2018) the article entitled “A Study on Digital Payments in India with Perspective of Consumer’s Adoption”. The study found that, the deployment of technology for digital payments have improved the performance of banking sector and able to achieve the motive cash less country.

Anthony Rahul Golden S. (2017) the article entitled “An Overview of Digitalization in Indian Banking Sector”. In this article an attempt has been made to study the overview of digitalization in India. Thus banks always try to adopt latest technologies to enhance customer experience. The study found that, due to the adoption of this digitalization, the banking sectors in India face some remarkable changes as well as hurdles. The study also found that, as we are in the digital era, it is not possible to avoid the growth and services or digital banking.

Shilpa Chauhan et. Al., Asif Akhtar and Ashish Gupta (2022) the present study entitled, “customer experience in digital banking: a review and future research directions”. This study focused on digital banking’s influence on customer evaluation of service experience and introduced a framework identifying the most significant variables of digital banking that influence the financial performance of banks. Present paper identified 88 articles published between 2001 and 2021, examining distinct aspects of digital banking and their impact on financial performance.

Objectives of the Research:

The objectives of this analysis are:

1. To determine whether there is a significant difference in customers perception of the quality of different digital banking services offered by commercial banks.
2. To identify which digital banking services are rated higher or lower by customers.
3. To provide actionable insights for the bank to improve underperforming services and maintain or enhance high-performing ones.

Hypothesis:

- **Null Hypothesis (H0):** There is **no significant difference** in customers perception (Poor, Fair, Good, Very Good, Excellent) across the five digital banking services (ATM Facility, Internet Banking, Fixed Deposit Schemes, Issuing or Clearing of Cheques, Mobile Banking).
- **Alternative Hypothesis (H1):** There is a **significant difference** in customers perception (Poor, Fair, Good, Very Good, Excellent) across the five digital banking services. (ATM Facility, Internet Banking, Fixed Deposit Schemes, Issuing or Clearing of cheques, Mobile services)

Research Methodology and Analysis- I:

The study has taken primary data by taking online survey form through random sampling. The data has been analyzed with the help of percentage method and interpretations has been drawn. To prove the hypotheses, Chi-square test is applied and the results are interpreted. I have taken primary data by taking survey online regarding my topic, also my data is analytical so I have interpreted below. Customers perception towards digital banking services is measured by giving the ratings such as poor, fair, good, very good and excellent.

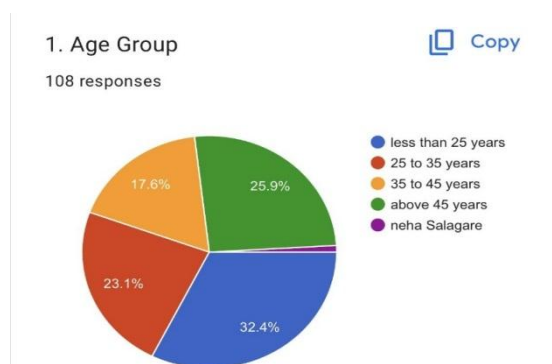


Figure 1. Age Group Segmentation

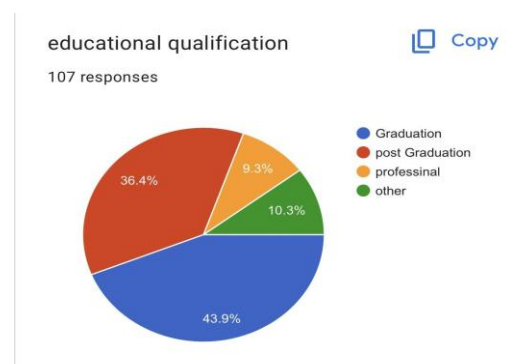


Figure 2. Educational qualification

Out of 108 responses collected, 32.4% , 23.1%, 17.6%, and 25.9 were in the age group of less than 25 years, 25 to 35 years, 35 to 45 years and above 45 years respectively

Out of 108 responses, 43.9% are graduates, 36.9 % are post graduates, 9.3% are professional and 10.3% are in other categories.

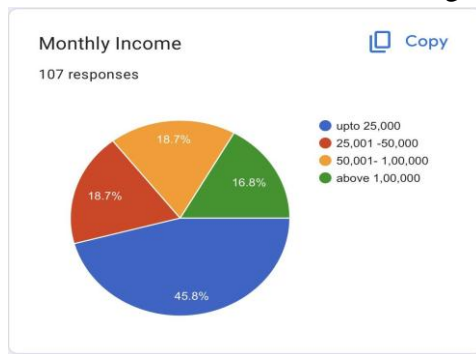


Figure 3. Monthly Income

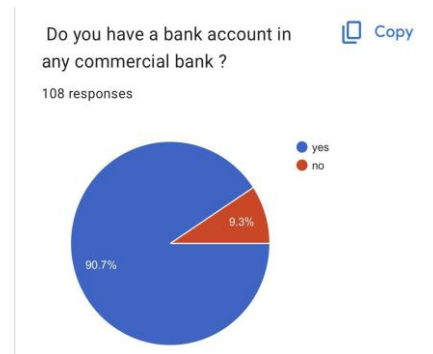


Figure 4. Bank account in commercial Bank.

Out of 108 responses 45.5% respondents are earning less than 25,000; 18.7% are having monthly income of 25,001 to 50,000; 18.7% are earning income of 50,001 to 1,00,000 and 16.8% are earning income above 1,00,000.

Out of 108 responses, 90.7% customers are having their account in commercial bank whereas only 9.3% don't have their account in commercial bank.

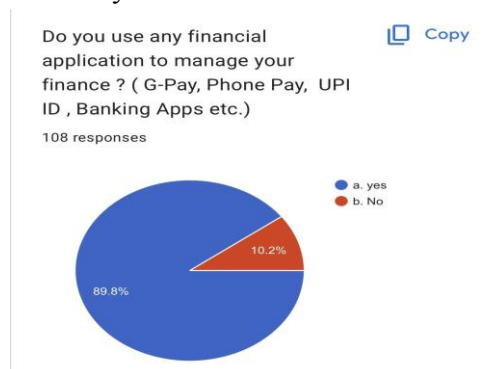


Figure 6. Usage of Financial Applications

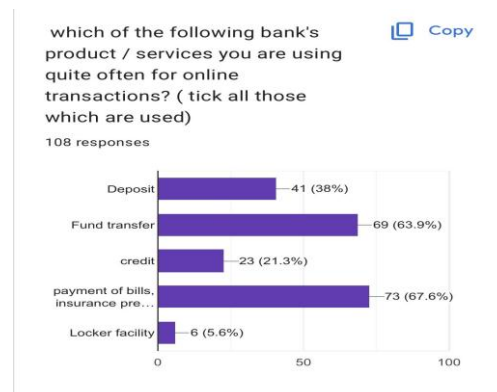


Figure 7. Usage of bank's product/services for online transactions.

Out of 108 responses 89.8% customers are using various financial applications such as G-pay, phone Pay, Unified Interface Payment(UPI), various Banking apps, online banking account etc.

Out of 108 responses, 67.6% customers are using digital banking applications for payment of bills / insurance premiums etc., 63.9% customers are using it for bank transfer, 38% are using it for depositing their amounts.

Detailed Analysis of Interpretation – II :

The analysis of the quality of service offered by the bank involved a Chi-square test to determine whether there are significant differences in customer ratings across various digital banking service categories. Here's a breakdown of the interpretation:

The primary goal was to assess customer perceptions of service quality across different banking services. The services in question included:

- ATM Facility

- Internet Banking
- Fixed Deposit Schemes
- Issuing/Clearing of Cheques/DD
- Mobile Banking

The ratings were based on a 5-point scale ranging from "poor" to "excellent".

Chi-square Calculation:

For each cell, $(O-E)^2/E$ was calculated, and the values were summed to obtain the Chi-square statistic:

$$\chi^2 = 45.89$$

Degrees of Freedom:

Degrees of Freedom (df) = (Number of Rows-1) × (Number of Columns-1) = (5-1) × (5-1) = 16

Critical Value:

At a significance level of 0.05 and df = 16, the critical value from the Chi-square distribution table is **26.296**.

Decision:

- **Calculated Chi-square value:** 45.89
- **Critical value:** 26.296

Since $45.89 > 26.296$, we **reject the null hypothesis (H₀)**.

Interpretation:

- The significant Chi-square result indicates that customer perceptions of service quality vary across the five digital banking services offered by commercial banks.
- Some services are rated significantly higher or lower than others.
- There is a **significant difference** in the distribution of customer ratings across the five digital banking services. This means that customers perceive the quality of these services **differently**, and some services are rated significantly better or worse than others..

Key Insights:

1. Significant Differences:

- Customer perceptions of service quality vary significantly across the five banking services.
- Some services are rated significantly higher or lower than others.

2. Underperforming Services:

- Services with higher "Poor" or "Fair" ratings (e.g., Fixed Deposit Schemes with 5 "Poor" ratings) may need improvement.
- The bank should investigate the root causes of low ratings and take corrective actions.

3. High-Performing Services:

- Services with higher "Very Good" or "Excellent" ratings (e.g., Mobile Banking with 37 "Very Good" and 18 "Excellent" ratings) are performing well.
- These services can serve as benchmarks for best practices.

Recommendations:

1. Improve Underperforming Services:

- Banks should Focus on services with higher "Poor" or "Fair" ratings (e.g., Fixed Deposit Schemes, Issuing or Clearing of Cheques).
- It should collect customer feedback to identify specific pain points and address them.

2. Maintain High-Performing Services:

- It should Continue to monitor and maintain services with high "Very Good" or "Excellent" ratings (e.g., Mobile Banking, ATM Facility). It should Share best practices from high-performing services with other departments working in the Banks. Banks could consider conducting further qualitative research to explore customer experiences in-depth and identify specific areas for enhancement.
3. **Enhance Customer Experience:**
- By implementing training programs for staff to improve service quality.
 - By investment in technology and infrastructure to enhance customer experience. The findings can guide the bank's strategic initiatives, ensuring that resources are allocated effectively to maintain or improve service quality across all categories

Implications of the Finding:

- **Customers Perception:** The significant differences indicates that customers may not have a consistent perception of service quality across different banking services. This lack of consistency could be seen as a positive aspect, suggesting a improved and updated standard of digital banking services provided by the commercial banks.
- **Areas for Improvement:** While the uniformity in ratings could suggest stability, it may also indicate a lack of distinctiveness in service quality. Banks could consider conducting further qualitative research to explore customer experiences in-depth and identify specific areas for enhancement.
- **Policy and Strategy:** The findings can guide the bank's strategic initiatives, ensuring that resources are allocated effectively to maintain or improve service quality across all categories.

Further Research Recommendations

- **Segmentation Analysis:** Investigate whether specific customer segments (age, income, etc.) perceive service quality differently.
- **Longitudinal Study:** Conduct follow-up studies over time to assess changes in customer perceptions and the impact of any implemented improvements.
- **Qualitative Insights:** Use surveys or focus groups to gather detailed feedback from customers regarding their experiences with each service.

The analysis concludes that, based on the Chi-square test, there is statistically significant difference in the quality of service ratings across the various banking services. This insight provides a foundation for the banks to improve and update its service standards while exploring opportunities for growth and differentiation in customer service.

Challenges and Opportunities:

The biggest challenge in adopting digital banking technology in banking sector is Cyber security. With the help of technology and access to internet services, criminals have become IT savvy and cyber-attacks are becoming highly sophisticated. New technologies like cloud based computing, Block chain processing technologies and virtualization of IT systems is making these threats more easy and vulnerable. By digitalizing end to end process and providing customers different options for payments, and settlements, of their transactions, the dream of cashless and chequeless system can come true. The Boston Consulting Group, FICCI and IBA in their Report "Digital Banking- Opportunity for extraordinary gains in reach, service and productivity" in the next five years have said that eradicating cash from the financial system can enable banks to achieve 30 percent jump in sales productivity, reduce administrative staff by 10-15 percent and

improve back office staff productivity by 20 percent. However banks must provide customers improved and updated digital banking services.

Conclusion:

After analyzing all the data and responses, we found that out of 108 responses collected 75 percent prefer to use digital banking services over cash transaction. We found that after demonetization and covid wave people started using digital banking services for their needs and they found it to some extent convenient. customers uses various platforms to pay to merchant or opening fixed deposits or other forms of investing tools and transferring money with use of digital banking services through their accounts with commercial banks. However customers need improved and updated qualitative digital banking services offered by commercial banks in Kalyan Dombivli Region.

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