Customer Perception towards the Digital Transformation in Banking Industry with Special Reference to Madurai City

Dr. S. C. B. Samuel Anbu Selvan[1], N. Vivek[2]

[1]Associate Professor of Commerce, The American College, Madurai
[2]Research Scholar in Commerce, Madurai Kamaraj University, Madurai

Abstract:
The financial services industry is going through dramatic changes as a consequence of changing customer behavior, increasing expectations, channel proliferation, disruption, innovative use and adoption of new technologies and the digitization of business and society in general. Cost reductions, increasing top-line revenue and mitigating risk remain the key drivers, also in banking industry The digital transformations taking place in finance are driven by many common challenges and opportunities across the industry, whether it concerns insurance, (retail) banking or other financial services. At the same time, in each of those financial industry segments there are several specific challenges, depending on the digital transformation maturity level, the region, the overall ecosystem, the customer context (including the use of digital channels), the business scope and the degree in which digitization has taken place and processes have been connected. This article focuses on the customer context. It deals in detail about the perception of the customers about the Digital Transformation that has taken place in the Banking Industry. Various variables were identified during this study. Statistical techniques such as ANOVA, Correlation, Regression, were used for analysis purpose and the related findings, suggestions and recommendations were arrived from the study undertaken.

Keywords : Digitization, Customer Context , Digital Transformation, Correlation, Regression.

I. Introduction

Banking faces challenges from everywhere in these trying times. Unlikely to grow, low interest rates seriously impact banks' revenue streams in Europe and the US. Innovations are reshaping the payments landscape, and fintech startups and challenger banks are proliferating, leading to increased competitive pressures and more sophisticated customer demands.For any retail bank to endure this transformative period, it has to modernize its tactics and embrace technology. Replacing legacy systems alone isn't enough; stepping on the digital transformation path marks a fundamental disruption of the banking business model, culture, and relationships with the customer.Digital adoption provides tremendous potential for banks to improve efficiency, optimize processes, and increase customer convenience with innovation, among other benefits. Some of the world's largest banking institutions are already embracing enterprise software development to tap these values.

Last year, Lloyds Banking Group announced a three-year digitization plan worth €3.35 billion,

covering a complete facelift of the bank's technologies, and organizational restructuring including thousands of staff. Another top bank, HSBC, set aside a much bigger heap of $17 billion to be invested in digital technology initiatives by 2020, to enhance the digital offering for corporate clients.

II. Objectives of the Study

- To analyze the socio economic profile of the respondents
- To study the customer's perception towards the digitalization of banking industry
- To identify the major issue faced and the Benefits that influence the respondent's to use the digital services of Banks.
- To offer findings, suggestion and conclusion based on the study undertaken

III. Literature Review

Following the boom of Internet, the Internet can no longer be considered a "fad" or the preserve of "techies" and "computer nerds". Commercial uses of the Net have become the fastest growing part of the World Wide Web (WWW) (Hamid et al, 2007). About the same time, Internet Banking was thought to signal a revolution in banking distribution. Banks invested heavily in the development of the Internet channels (Accenture, 2005).

Internet Banking has experienced explosive growth in many countries and has transformed traditional banking practice (Mols, 1999). Inevitability, Internet Banking will continue to revolutionize the current traditional banking industry and offers more opportunity to meet better consumer services through enhanced interaction, data mining and customization in the Internet Banking services (Hamid et al, 2007).

Thulani et al (2009) refer Internet Banking as systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations. It is the types of services through which bank customers can request information and carry out most traditional retail banking services such as opening an account or transferring funds to different accounts, and new banking services, such as electronic online payments via a telecommunication network without leaving their homes or organizations (Aladwani, 2001; Daniel, 1999; Mols, 1998; Sathye, 1999).

It provides universal connection from any location worldwide and is universally accessible from any Internet linked computer (Thulani et al, 2009; Perumal and Shanmugan, 2004; Bradley and Stewart, 2003 and Rotchanakitumnuai and Speece, 2003). At an advanced level, Internet Banking is called transactional online banking (Sathye, 1999). On the other hand, PC banking is defined as a home banking whereby consumers supplied with a financial software package on disks, allowing consumers to fill in details offline and then to send them into the bank over the bank's private network. Unlike PC banking, Internet Banking or online banking does not require proprietary software or access to a private network (Hamid et al, 2007).

IV. Research Methodology

Research Design : Analytical Research Design has been chosen for the study undertaken.

Sample Size : 35 respondents has been chosen as the sample for the study

Sampling Technique : Convenience sampling is adopted for the study since the population of the study undertaken is of large size.

Data Collection : Both Primary and secondary data collection techniques are adopted for the study. Primary data is collected through

survey method using a questionnaire and the secondary data for the study is collected through websites, books, journals and the like.

Statistical Tools Used : Statistical tool such as correlation and chi square is used for analysis purpose. Simple Percentage analysis is used to present the data collected in Table and Chart formats for better and easy understanding. The data collected is analysed using SPSS.

Data Analysis and Interpretation

Analysis of Socio Economic Profile

gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	24	68.6	68.6	68.6
	female	11	31.4	31.4	100.0
	Total	35	100.0	100.0	

Agegroup

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-28	3	8.6	8.6	8.6
	28-38	14	40.0	40.0	48.6
	38-48	6	17.1	17.1	65.7
	above 48	12	34.3	34.3	100.0
	Total	35	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	schooling	10	28.6	28.6	28.6
	UG	15	42.9	42.9	71.4
	PG	10	28.6	28.6	100.0
	Total	35	100.0	100.0	

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	private job	25	71.4	71.4	71.4
	government job	5	14.3	14.3	85.7
	pensioners	5	14.3	14.3	100.0
	Total	35	100.0	100.0	

Monthly income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 10,000	11	31.4	31.4	31.4
	10,000 to 20,000	18	51.4	51.4	82.9
	20,000 to 30,000	6	17.1	17.1	100.0
	Total	35	100.0	100.0	

Possess a bank account

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	35	100.0	100.0	100.0

Aware about digital services of bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	35	100.0	100.0	100.0

Digital service often used

		Freque ncy	Perce nt	Valid Percent	Cumulati ve Percent
Val id	internet banking	16	45.7	45.7	45.7
	banking apps	10	28.6	28.6	74.3
	digital activation services	4	11.4	11.4	85.7
	mobile banking	5	14.3	14.3	100.0
	Total	35	100.0	100.0	
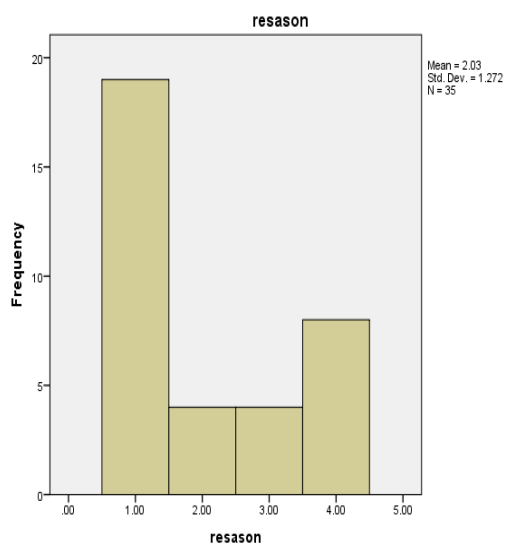
Frequency of usage

		Freque ncy	Perce nt	Valid Percent	Cumulati ve Percent
Val id	daily	4	11.4	11.4	11.4
	once a week	20	57.1	57.1	68.6
	twice a week	5	14.3	14.3	82.9
	once a month	6	17.1	17.1	100.0
	Total	35	100.0	100.0	

Digital transformation is need of the hour

		Frequ ency	Perce nt	Valid Percent	Cumulat ive Percent
Val id	strongly agree	35	100.0	100.0	100.0
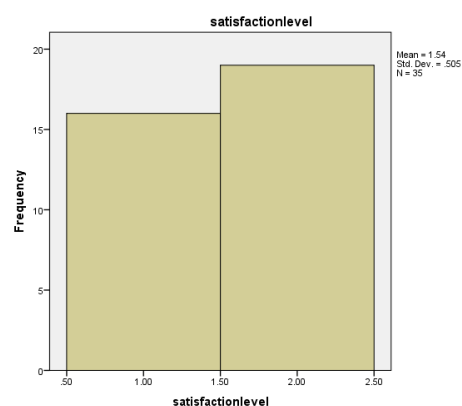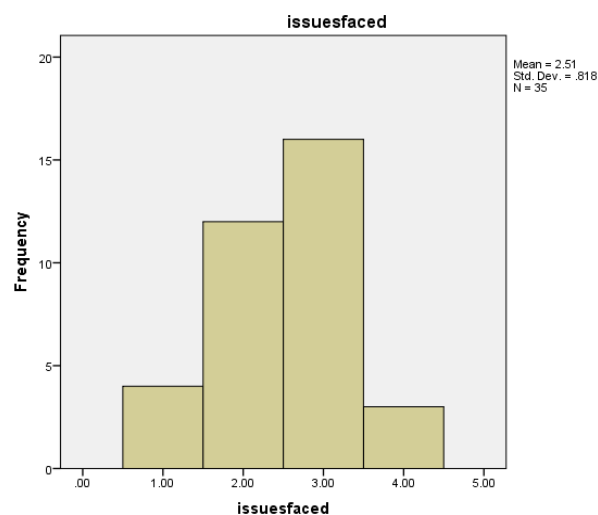
Correlation Analysis

Correlation analysis is used in the study to

1) The relationship between age group and issues faced.

Correlations			agegro up	issuesfa ced
Spearman's rho	agegrou p	Correlation Coefficient	1.000	.306
		Sig. (2-tailed)	.	.074
		N	35	35
	issuesfa ced	Correlation Coefficient	.306	1.000
		Sig. (2-tailed)	.074	.
		N	35	35

2) Chi square analysis is used to test the following hypothesis

Ho : There is no association between socio economic variables and satisfaction level towards digital transformation of banks

H1 : There is association between socio economic variables and satisfaction level towards digital transformation of banks

Test Statistics						
	gend er	agegr oup	educa tion	occup ation	monthly income	satisfact ionlevel
Chi-Square	4.82 9[a]	9.000 [b]	1.429 [c]	22.85 7[c]	6.229[c]	.257[a]
Df	1	3	2	2	2	1
Asymp. Sig.	.028	.029	.490	.000	.044	.612

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.5.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.8.

c. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 11.7.

Findings

- Majority of the respondents are male

- Majority of the respondents belong to the age group between 28 – 38 years.
- Majority of the respondents are UG degree holders
- Majority of the respondents are private employees
- Majority of the respondent's (51%) earns a monthly income of 10,000 to 20,000
- All the respondents possess bank account
- All the respondents were aware about the digital transformation in banking sector.
- Most frequently used digital services is ranked as per the respondent's perception as follows;
  1) Internet banking
  2) Banking Apps
  3) Mobile Banking
  4) Digital Activation Services
- Majority of the respondents (59%) use the digital services once in a week
- All the respondents agree that digital transformation in the banking industry is need of the Hour
- Majority of the respondents stated that they support the digital services since it's available 24x7
- Technical problems is ranked as the first issue faced while using the digital services of Banks
- Majority of the respondents are satisfied towards the digitalization facilities.
- It is found from the Correlation analysis that there is a positive relationship between age group and the issues faced.

Chi square revealed that thereis association between socio economic variables and satisfaction level towards digital transformation of banks

Suggestions

Major suggestions presented to the policy makers a sthe result of the study is as follows;

1) Banks must attempt to deliver Next Gen Customer Support

2) The sector must use insights to meet the unmet needs of the customers

3) The Banking industry must try to remove the internal silos, which literally means a bad employee morale.

V. Conclusion

Based on the respondents the following could be concluded from the study. All the respondents agree that digital transformation in the banking industry is need of the Hour. But they do have some suggestions such as ; Banks must attempt to deliver Next Gen Customer Support, The sector must use insights to meet the unmet needs of the customers and The Banking industry must try to remove the internal silos, which literally means a bad employee morale. If these suggestions of the sample respondents were considered by the policy makers, it would definitely add to the merits of digital transformation in banking industry.

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