

# "A CRITICAL STUDY OF CONSUMER EXPERIENCES WITH DIGITAL RETAIL BANKING"

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## **Abstract**

The banking sector is the backbone of socio-economic development of our country. At present, the banking system is moving rapidly with the help of latest technology and marketing their services and products through digital retail banking. However, most important of all is the digitization and therefore ease of doing retail banking operations. Nowadays, banks introducing various digital procedures which is one of the dynamic steps to overcome long, deep and a constant battle against traditional banking. Consumers are experiencing digital retail banking in their life and thus contributing to the national economy. It is a big challenge for the banking industry to connect people digitally and became more transparent as well as profitable. Therefore, digital retail

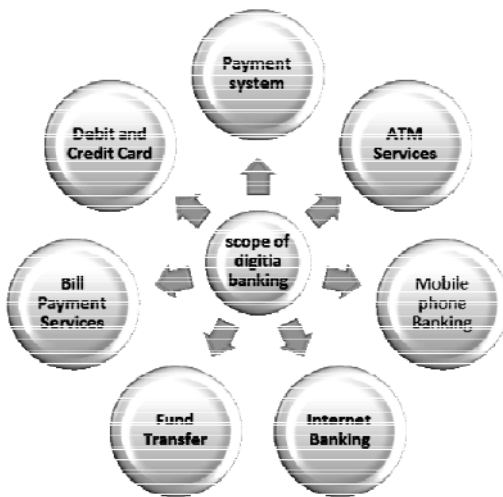
banking is a big opportunity for commercial banks to meet the objectives of financial inclusion. The present study is an attempt to understand consumers' the experience towards digital retail banking and its impact on society in general and retailers' perspectives in particular.

**Key words:** Digitization, Financial Inclusion, Retail banking, Consumers, Commercial Banks.

## **1.1 INTRODUCTION**

The Indian banking sector is growing rapidly with the help of technological developments. The 21st century is a technology driven period and therefore, all public utility service providers' has adopted technology to market their product and services. Banking sector requires innovative

developments and thus introduced digital banking operations with much more value added products and services. As per RBI's annual policy report 2016, Indian banking sector has the potential of becoming the 5th largest banking sector in the world by 2020 and 3rd largest banking sector by 2025. Updated technology based products are beneficial to the customer and resultantly online banking transactions taken place by all the sections of the society. Digital banking is promoting scope for various online services such as payment system, automatic teller machines, electronic clearing services, mobile phone banking (Apps, M-wallet, BHIM), internet banking, fund transfers (NEFT, AEPS, IMPS), utilities bill payments, and debit/credit card transactions, etc.



In India computer network based technology was introduced in the year 1987 through the national satellite

system and further utilized for various banking transactions. The government of India's Globalization, Privatization and Liberalization policy helped all the industries to make the transformation into multi-dimensional activities. RBI allowed private Banks to operate technology based services to their customers. Commercial banks adopted computerization and promoted core banking solution towards safe, convenient and customer oriented system. Presently, digital retail banking is helpful to customers to avail online services such as check account balance (recent as well as history of transactions), get bank statement, request for cheque book, downloading of M-banking and E-banking, BHIM apps, fund transfer between customer's linked accounts, third party payment including register utilities billers, mobile recharge, payment of taxes, investment portfolio, loan application and debit/credit card applications as well as transactions, etc.

### 1.2 Digital Retail Banking

Digitization of the banking industry was taking place after the launch of "Internet" technology development in the year 1990. Internet technology has simplified almost every banking transaction to the extent as most convenient to the individuals as well as industries. The mobile telephone device has made penetration and thus customers are availing maximum benefits out of it. Commercial banks initiated affordable

banking services with cheaper rates and convenient banking as when one will banking (24x7) to cater the demands and supply of money. There are various types of digital retail banking services viz., Mobile phone banking, internet banking, micro-ATMs, Services, e-KYC, IMPS, debit and credit cards, AEPS, APBS and e-Commerce, etc. Fund transfer, immediate payment system, bill payments, search services, demat account and request for cheque book etc., are operating through smart phone.

through UPI. At present, 1.3 versions of the apps are available and can be upgraded with 1.4 versions for speedy operations. An individual can make a direct bank to bank payment by using virtual payment or mobile number@UPI/account number as a payment identifier for sending and collecting money instantly. Following is the statistics of cards transactions and value made during the month of June, 2017.

Table No.1

| Credit Card Transactions |           |                 |        | Debit Card Transactions |           |                 |        |
|--------------------------|-----------|-----------------|--------|-------------------------|-----------|-----------------|--------|
| Actual's (in Nos.)       |           | Amt (₹ Million) |        | Actual's (In Nos.)      |           | Amt (₹ Million) |        |
| ATMs                     | PoS       | ATMs            | PoS    | ATMs                    | PoS       | ATMs            | PoS    |
| 554992                   | 109471450 | 2671            | 354832 | 667805951               | 254663941 | 2256528         | 385238 |

Immediate Payment System (IMPS) was introduced on 22.11.2010 to facilitate interbank transactions through mobile phone device, ATMS and internet banking facility. Micro-ATMs are the services available with the help of biometric authentication available with Business Correspondents duly authorized by banks. Such services are helpful to customers to make instant deposits and withdraw of funds regardless of the having saving account with a particular bank. Recently introduced BHIM (Bharat Interference for Money) is a mobile phone device based apps for financial operations of an individual to any bank account using Aadhaar/IFSC code. It is a simple, easy and quick mode of payment

(Source: Reserve Bank of India's document)  
Table No.1, proclaimed that ATMs/Point of Sale facilities is more acceptable by the customers. As per RBI released data as on 30th June, 2017, customers are more inclined to POS rather than an ATM machine due to demonetization of currency. Moreover, debit card transactions are rapidly increasing. Customers are giving preference to digital retail banking rather than cash transaction which is unsafe. This indicates that digital retail banking service is more satisfactory as compared to traditional banking.

Table No.2.  
NEFT Statistics as of 30.06.2017

| Total Outward              |  | Debit            | Total Received      |  | Inwards           |
|----------------------------|--|------------------|---------------------|--|-------------------|
| No.of Transactions         |  | Amt (in Million) | No. of Transactions |  | Amt(₹ in Million) |
| 148138696                  |  | 12011599.04      | 148138696           |  | 12011599.04       |
| <b>STATE BANK OF INDIA</b> |  |                  |                     |  |                   |
| 26589512                   |  | 1862388.13       | 31040489            |  | 1787053.16        |
| <b>HDFC BANK</b>           |  |                  |                     |  |                   |
| 21398193                   |  | 1717931.50       | 11836718            |  | 1684511.64        |

(Source: Reserve Bank of India document)

Table 2, describes about National Electronic Fund Transfer (NEFT) mode of digital banking is safe and quick financial module. During June, 2017, there were inward and outward transaction of 1,481,38,696 with value 120,11,599 million. SBI with largest network and customer base, stands at 310,40,489 transactions with 17,87,053 million, whereas among the private banks, HDFC bank stand at 118,36,718 transactions with 16,84,511 million. This revealed that retail digital banking sector is creating confidence amongst the customer to incline towards digitization.

(Source: Reserve Bank of India's document)

Table No. 3 provides the details of Real Time Gross Settlement (RTGS) transactions in June, 2017 having a strong customer base of 90,66,138 to 87,149.26 billion. Among private banks, HDFC bank recorded inward transactions as 14,75,291 customers with 19,029.96 billion and outward transactions in 13,33,087 with 19,368.35 billion. Secondly, among public banks, SBI recorded inward transaction as 14,34,440 customers of 8477.98 billion and outward transactions in 12,78,638 customers of value 9714.53 billion. This indicates an increment of digital retail banking and satisfactory level of customers.

Table No.3  
Real Time Gross Settlement (RTGS) Statistics as of 30.06.2017

| INWARD                     |          |          |            |                       |       | OUTWARD    |          |          |            |                       |       |
|----------------------------|----------|----------|------------|-----------------------|-------|------------|----------|----------|------------|-----------------------|-------|
| Volume                     |          | (in Nos) |            | Value (₹ in Billions) |       | Volume     |          | (in Nos) |            | Value (₹ in Billions) |       |
| Inter Bank                 | Customer | Total    | Inter Bank | Customer              | Total | Inter Bank | Customer | Total    | Inter Bank | Customer              | Total |
| 313877                     | 9066138  | 9380015  | 9473       | 77676                 | 87149 | 313877     | 9066138  | 9380015  | 9473       | 77676                 | 87149 |
| <b>HDFC BANK</b>           |          |          |            |                       |       |            |          |          |            |                       |       |
| 24664                      | 1475291  | 1499955  | 454        | 18575                 | 19029 | 18863      | 1333087  | 1351960  | 249        | 19119                 | 19368 |
| <b>STATE BANK OF INDIA</b> |          |          |            |                       |       |            |          |          |            |                       |       |
| 58601                      | 1375839  | 1434440  | 768        | 7709                  | 8477  | 106992     | 1171646  | 1278638  | 1013       | 8701                  | 9714  |

## 2. LITERATURE REVIEW

Till this date, there are several studies conducted on technological development in commercial banking in India. These were highlighted upon various dimensions of the banking operations and customer satisfaction at different levels. Most of the studies threw light on operations and expansion of technology, cost, digital banking and e-governance, etc. In order to

point out the contributions of various research scholars in the field of banking sector, researcher has reviewed some relevant studies through authenticated literature available on the subject.

Mani N (2015) has studied the digital retail banking in India and said that Information Technology providing a great opportunity to innovate at a much faster pace and creates a new financial system. It made an attempt towards transformation of functioning of businesses the world over effective integration. Reserve Bank of India, is playing an aggressive role in the implementation of information technology with the introduction of technology based three objectives such as better record keeping, improved customer services and systematic efficiency. Accordingly, commercial banks are capable to achieve a substantial level of digitization in their operations. Shah Alpesh et.al. (2016) did a study of concept of digitization in Indian banking sector. His study

found that India is going to be digitized with the help of four trends viz., digitization, favourable regulatory environment, efficient payment service system and enlarged customer experience. Digitization also includes mobile (smart) phone users increasing rapidly. At present around 240 million customers are using smart phones for their financial transactions and may cover target of around 520 million by 2020. Internet facility is expanding rapidly with the help of "The National Optical Fiber Network" (NOFN) and covered more than 250,000 gram panchyats. Digital retail banking's various financial products and services are increasing at a speed of 15 percent annually. Prepaid wallets, mobile cash and payment banks, etc., Are sound examples of digital transactions, wherein prepaid mobile recharge and bill payments are the most popular among all the sections of the society. To provide last mile connectivity, retailers required to set up "hybrid" network, i.e., digital solutions and physical networks. Rajiv Anand (2017) in his article examined the commercial banking sector in India. The study observed that digitization covered 250,000 gram panchyats across the rural India. Small saving accounts opened under Jan Dhan Yojana made a record of 282 million accounts and 220 million cards (till 29.03.2017) which are in operation for universal access of digital banking. A Unified Payment Interface (UPI) launched by

National Payment Corporation of India, is the game changer in a way that it is a unique interface which work 24x7 across the banking systems with special features as instant, safe, secure, cost effective and convenient to use, etc. A banking sector is a complex business demand through multiple channels. Above various studies revealed that the digital retail banking is the need of an hour to avail appropriate choice of financial products/services by the people and provide them with the freedom to move towards mainstream of the economy.

### 3. RESEARCH METHODOLOGY

The main purpose of this study is to examine the various factors related to customers' satisfaction level with reference digital retail banking in India. The secondary data has been borrowed from reliable sources, especially issued by the Ministry of Finance and the Reserve Bank of India. There is outcome through field survey which was collected from samples of 100 males and females those

are regular customers of commercial banks situated in Thane District. In this respect, the researcher has collected the information through simple random sampling method and valid responses were tabulated for analysis of data. The procedures and rules framed for digital retail banking by the RBI and other related guidelines were adequately used for the prospect

of the study.

#### 3.1 Objectives of the Study

- a) To study the various concepts of digital retail banking in India.
- b) To examine the significance of commercial bank's customers' experience with reference to retailers' perspective.
- c) To analyze the role of commercial banks in digital retail banking in India.
- d) To understand the problems of the digital retail banking and make suggestions for further improvement.

#### 3.2 Hypotheses

The present research work deals with the functioning of the digital retail banking in Thane blocks and also critical study of government authorities providing financial assistance. In view of the above, researcher has made an attempt to understand their experience with digital retail banking. Following hypotheses has been framed for proper evaluation of the study.

H0 : The customers' experience of digital retail banking is not satisfactory with respect to traditional banking.

H1 : The consumer experience of digital retail banking is satisfactory with respect to traditional banking.

### 4. RESULT AND FINDINGS

#### 4.1 Demographic profile

Thane district is having unique combination of population such as semi-urban and rural. It is a set of

administration, judiciary, market and industries. The district has 8 talukas which are covering agriculture, industries, labor, and corporate, etc. Following table meant for a demographic profile of the respondents to understand their status to draw a logical conclusion.

(Source: Compiled from primary data)  
From the table No.4, it is observed that 70 percent customers' of nationalized banks and 65 percent of private banks having an easy operation of retail banking and doing regular operations for various types of financial

Table No.4  
Demographic profile of respondents.

| Sr.No | Particular   | Description        | No of Responses |            |
|-------|--------------|--------------------|-----------------|------------|
|       |              |                    | Frequency       | Percentage |
| 1     | Gender       | Male               | 50              | 50         |
|       |              | Female             | 50              | 50         |
| 2     | Age group    | 18-30 years        | 20              | 20         |
|       |              | 30-45 years        | 25              | 25         |
|       |              | 45-60 years        | 45              | 45         |
|       |              | 60 years and above | 10              | 10         |
| 3     | Education    | SSC passed         | 35              | 35         |
|       |              | Graduate and above | 65              | 65         |
| 4     | Occupation   | Self employed      | 30              | 30         |
|       |              | Salaried employees | 70              | 70         |
| 5     | Income level | Up to ₹20,000/-    | 40              | 40         |
|       |              | ₹ 20,000 & above.  | 60              | 60         |

( Source: Compiled from field survey)

#### 4.2 Results of field survey.

In India, digital retail banking facilities are beneficial to the customers, but with certain limitations. Following table is compiled from field survey shows the access of retail banking by customers.

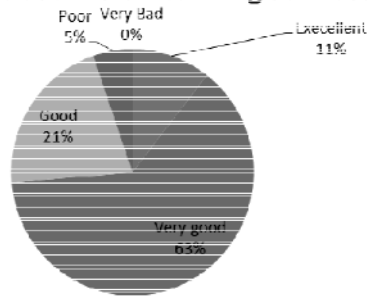
transactions. Few customers are showing their dis-satisfaction about the access of digital banking due to non-operative ATMs machines and not capable to purchase a smart phone due to cost constraints.

Table No. 5. Access to retail digital banking.

| Types of Bank       | Access to retail digital banking. |                |       |            |          |                   |       |
|---------------------|-----------------------------------|----------------|-------|------------|----------|-------------------|-------|
|                     |                                   | Strongly Agree | Agree | Don't Know | Disagree | Strongly Disagree | Total |
| Nationalized Banks. | Count                             | 40             | 5     | 3          | 2        | 0                 | 50    |
|                     | Percent                           | 70%            | 10%   | 6%         | 14%      |                   |       |
| Private Banks.      | Count                             | 35             | 5     | 5          | 5        | 0                 | 50    |
|                     | Percent                           | 65%            | 10%   | 10%        | 15%      |                   |       |

Graph 1.

**Opinion about retail banking services**



: Compiled from primary data)

(Source : Compiled from primary data)

Secondly, opinions were asked from 100 respondents about digital retail banking services. There were 63 percent customers satisfied with the easy and convenient operations, whereas 5 percent shown their dis-satisfaction due to non-availability of technology and felt that traditional banking is safe and secure than retail digital banking. The computerization involved risk of hacking of bank accounts as well as cards.

#### 4.2 Findings of the study

ϕThe study indicates about high levels of digital retail banking transactions by the customers, wherein the satisfaction level is 75 percent and above for nationalized banks whereas 65 percent and above for private banks, due to affordable and economical financial services.

ϕApprox. 65 percent customers having their opinion as "very good" about the retail digital banking whereas 21 percent customers given "Good"

remark. Hence, there is absolute need to develop the innovative strategy to maintain customer's satisfaction level.

ϕDigital retail banking services are more familiar to customers, especially for those earning more than 40,000/- per month.

ϕThere is a strong feeling amongst the customers that retailers' have to make an improvement in their services especially in ATMs facility to reap the benefits easily.

ϕDigital retail banking's various financial products and services are helpful to increase the service rating at 15 percent. Prepaid wallets, mobile cash, and payment banks, etc., are sound examples of digital transactions, wherein prepaid mobile recharge and bill payments remains the most popular among all types of customers.

ϕThe new banking customers constitute a significant portion and therefore, their greater awareness about the system should take at every stage. Financial literacy programmes should be conducted at regular intervals.

ϕBenefits of transfers through electronic mode should be encouraged in order to attain greater coverage of cashless economy.

### 5. FUTURE SCOPE OF THE STUDY AND CONCLUSION

Technological innovations have made a significant impact on the banking system in India. It has not only simplified the payment mechanism but also set up universal bank-



ing. The present topic has a wider scope for research in the various geographical areas and status of the digital retail banking in different perspectives. There is a research gap within sections of the society and therefore, outreach of digital retail banking and its impact having scope for further empirical research. It is also helpful to the policy makers and researcher in the social science, management and economics to understand the gravity of retail digital banking. Moreover, scope of present study is confined to few digital retail banking products and only selected parameters have been evaluated. The spill over effects of the overall banking industry has not been included in the study.

The researcher has made an attempt to study customers' experience with digital retail banking with reference to the banking sector in India. The present study is elaborate various digital retail banking products/services and their subsequent impacts on socio-economic developments of our nation. National Payment Corporation of India is operating various 12 payment services and recently announced record value of 1 billion in financial transactions like cheque clearance, ATMs, IMPS, UPI, BHIM, RuPay, PoS, e-commerce and Aadhaar based payments, etc. Thus, we may conclude that retail digital banking has significantly benefited retailers and generating more business opportunities. Digital retail banking should have access in semi-urban and

rural/remote areas. Retailers should adopt latest technology for extensive coverage of retail digital banking in general and achieve the objectives of financial inclusion in particular.

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