

A study on Consumers Attitudes towards Adoption of digital banking in Udupi

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ABSTRACT

The world is changing at a staggering rate and digitalization is considered to be the key driver for these changes around us. Being in the world of digitalization, all industries are eager to provide quick and competitive services to customer door steps, banking sector is not exception to this. In India, banks are coming up with new technology to make their presence felt everywhere by all to minimize cost, increase revenue and to enhance customer satisfaction. The use of new technologies has brought many changes into customer behaviour, especially in banking transaction. The aim of the article is to uncover the attitudes of different generations towards usage of new technologies of banks and determine whether the diffusion of innovative dealings with banks significantly different among different generations Results of research carried out by semi-structured interviews with 100respondents shows, that there are significant generational differences in all three components of attitude towards digital banking, which can be due to most complex use of new technologies in dealing with banks. Results prove that the diffusion of new technology is significantly influenced by the age group. With age, the number of Innovators significantly drops and the percentage of Laggards rises.

Introduction

Banking institutions are facing competition not only from each other but also from non - bank financial intermediaries as well as from alternative sources of financing. Another strategic challenge facing banking institutions today is the growing and changing needs and expectations of consumers in tandem with increased education levels and growing wealth. Consumers are becoming increasingly discerning and have become more involved in their financial decisions. The banking sector in India has come to experience reasonable amount of changes as a result of the rapid change and contribution of information technology in the society we live in. The quest for global significance made the banking industry involve in continuously enhancing and augmenting services on the internet, including bill payment, electronic checking, tracking of expenditures and credit cards, monitoring transaction history, transferring money between bank accounts, investment tracking, analysing securities, etc (2). The use of new technologies has brought many changes into customer behaviour, especially in banking transaction. The article presents the results of authors' research of usage of new method of dealing with banks, as well as attitudes towards it, among different age groups.

What is digitalization in banking?

Digitalization in banking is not only mobile and online banking but it is actually the reshaping of financial institutions in terms of integration of processes and operations across the boundaries, developing new competencies whose significance and value cannot be under estimated. So basically, digital banking is a structural change in bank (1). Digital Banking is the application of technology to ensure seamless end-to-end processing of banking transactions/operations; initiated by the client, ensuring maximum utility; to the client in terms of availability, usefulness and cost; to the bank in terms of reduced operating costs, zero errors and enhanced service (2). Digital banking is where most or all activities are made available to the customer and performed in the bank using technology (online / mobile) substituting the need for a physical branch and reducing the need for physical employees in the bank.

Recent trends in Indian banking sector due to digitalization.

Digitalization lead to the innovation of financial services that make a way for customer to approach to bank easily. As it's a boon to those unbanked areas and under-banked areas as well. Digital innovations are:

1. Mobile Banking:
2. Social Media Services: Banks are interconnected with various media services to enhance customer satisfaction and also for promotional services too.
3. NFC and biometrics: For high level of security biometric system is good enough rather than just remembering the password and pin. And also it remain with the individual itself but it's a very high cost effective implementation.
4. Cloud: The cloud play an important role in transforming the bank's efforts in to business and operating model. As these techniques automatically assembles, integrates and configures technology resources to meet business goals. The benefit is that it eliminates the need for a physical infrastructure and bank can deploy the sources rapidly and at a lesser cost. Banks are now moving towards the cloud of payment system as it reduces the bank pressure and also payment is the major revenue earning source.
5. Personal finance Management: Managing the customer relations digitally as customer demands better control over their finances and building customer relations by offering finances digitally and banks are trying to transforming the internet bank into an innovative financial manager and advisory centre.
6. Contextual Banking: It's a type of banking where financial services/offers are made as per time and need. In this basically hardware, software and network are combined to know the customer behaviour, intention by creating behavioural graphs.
7. Block Chain: As the banks are moving from ideation and experimentation to pilot deployment, to do this there is certain technology like block chain is emerging for transforming the financial industry by making transactions faster, cheaper more secure and transparent
8. Digital Wallets: This facility had become an incredible service in the payment world in which a customer can make payment without having money even through redeeming reward points. Digital wallets used for storing documents, banking transactions, bill payments and ticketing.
9. P2P funding Digital Platform: This platform solves the banking inefficiencies by developing online marketplaces that use complex algorithms to match borrowers with investors according

to their requirements. This market is growing day by day specially in developed countries with strong financial markets

10. Wearable technology: Banks are coming with smart apps through smart wearables which can show the account statement and enable fund transfer (1)

Diffusion of innovation theory

Innovation diffusion theory explains that the characteristics of innovation are the nature of the diffusion of innovation, where the characteristics of innovation are one that determines the successful use of technology. All products do not have the same possibilities for consumer acceptance, some products can become popular in just one night while others require a very long time to receive or even never be widely accepted by consumers. Innovation Characteristics determine the speed of innovation adoption process at customers level as technology users. In the speed of the process of adoption of innovation is determined by several factors such as communication channels, characteristic features of social systems, promotional activities and the role of communicators. According to Rogers, (1962) there are five characteristics of these innovations that can be used as indicators in measuring perceptions, among others:

1. Relative advantages: Relative advantages is the degree to which an idea is considered a better than the ideas that exist before, and is economically profitable.
2. Compatibility: Compatibility is the extent to which the past of an innovation is considered consistent with existing values, past experiences, and needs of the adopter. Therefore, innovations that are not compatible with prominent social system features will not be adopted as quickly as compatible ideas.
3. Complexity: Complexity is a level where an innovation is considered relatively difficult to understand and use. Difficulty to understand and use will be an obstacle to the process of speed adoption of innovation.
4. Trialability: Trialability is a level where an innovation on a small scale. New ideas that can be tried on a small scale are usually adopted more quickly than innovations that cannot be tried first.
5. Observability: Observability is a level of results an innovation can be easily seen as an economic technical advantage, thus accelerating the adoption process. Other prospective adopters no longer have to undergo a trial phase, can continue to the adoption stage.(4and 9)

OBJECTIVES OF STUDY

Literature review shows that usage of new technology became an ordinary thing among young people, but the market consists of all age groups, therefore researcher felt the need to research what is the trend in different age groups, represented by teens younger generation, middle age and seniors. Usage of new technologies changes the consumers' ways of dealing with banks and the process of accepting new ideas, simply called adoption process of inventions.

1. What is the present situation in usage and acceptance of digital banking
2. Is there is significant difference exist between attitudes of different age group people towards digital banking
3. How does the adoption of usage of digital banking differ among different age group people?

METHODOLOGY

This study is based on interview method of collecting data equally from respondents of different age group in Udupi. out of 100 respondents, teens young age, middle age and seniors represents 25 each. Interviews were conducted face to face where all participants had opportunity to respond freely to get comparable results all interviews analysed taking objectives of the study as base.

LITERATURE REVIEW

The digital revolution adds new layers to the material cultures of financial inclusion, offering the state new ways of expanding the inclusion of the 'legible', and global finance new forms of 'profiling' poor households into generators of financial assets(3)

The study on understanding the diffusion and adoption of digital finance innovation in emerging economies-M-peas money, mobile transfer service in Kenya, finds that TIS framework can be applied to explain the diffusion and uptake of a new technology. However, local adaptation process attracts critical coordination aspects, significant learning and localized capabilities attributed to M-Pesa rapid expansion (5)

The main factors which determine customer experience in digital banking are service quality, functional quality, perceived value, employee*customer engagement, perceived usability and perceived risk. There is a significant relationship among customer experience, satisfaction and loyalty, which is related to financial performance (6) E-banking has taken a new shape in the world of technology. Today the banking industry is re-shaping itself and moving for a technological approach from traditional approach. Initially any banking activity would be accomplished only after visiting the bank, but today customer can get the work done in any corner of the world without even visiting the bank. But it is observed that E-banking facilities are only availed in urban areas and some parts of Semi-Urban areas, and there is no presence felt in the rural areas. The major reason behind this is lack of awareness. People residing in rural areas lack knowledge, poor network and inadequate infrastructure (7). Today only 60% of the population residing in urban and semi urban areas have access to E-banking facilities (7). Also, among the existing client's itis observed that the major users of E-banking fall under the age group of 25-45 years wherein the age groups of 46-65 years hesitate to use E-banking facilities (Mobile Banking). One of the major reason for hesitation is lack of knowledge and safety. Most of the customers do not feel safe to use online banking but feel comfortable to go to the bank and get the transactions done (8). A study on super internet bank concept of people's bank of china, it was found that perceived usefulness, perceived ease of use and users' innovativeness have significant positive influence to individual use of Super-Internet-Bank, while perceived risk does not have significant negative influence to Super-Internet-Bank. Some study shows that technology factors, channel factors and value-for-money factors partially influence consumers' post-adoption behavior towards Internet banking. Social factors were found to be non-significant. The study on attitude and preference in relation to internet banking in Caribbean shows that despite a high level of awareness of internet banking services, only a relatively modest proportion of customers in the Caribbean currently use internet-banking services. Those that use internet-banking services do so relatively infrequently and use the service mainly to check balances and pay bills. Those that do not use internet-banking services

perceive a high level of insecurity surrounding internet banking and perceive it to be a relatively complex activity.

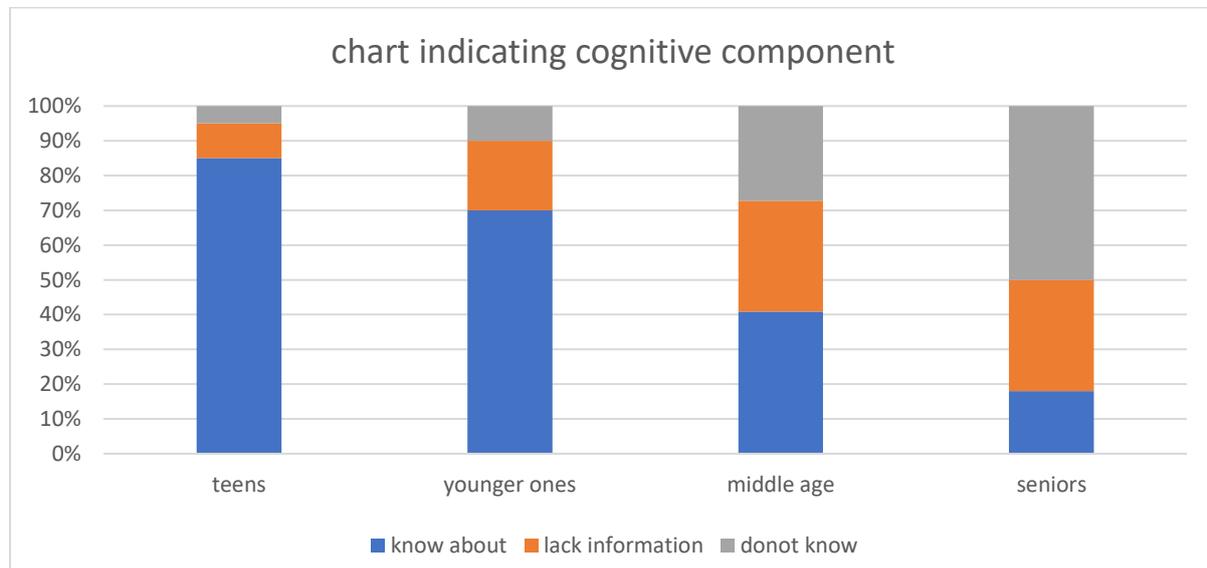
ANANLYSIS AND INTEPRETATION

1. Usage and acceptance of digital banking

As there is no need to visit banks, the current situation of digital banking use is restricted to internet banking, mobile banking and making use of social media services provided by banks to some extent. Also among the existing customers it is observed that the major users of digital banking are teens and young whereas people of middle age and seniors hesitate to use digital banking facilities. One of the major reasons for hesitation is lack of knowledge and safety. Most of the customers do not feel safe to use online banking but feel comfortable to go to the bank and get the transactions done. So individual banks should take preventive measures and conduct various programs to assure the users about the safety. Banking websites have to be very accurate and user-friendly, since there is a lot of competition among the banking players. Hence banks have to be very alert and customer friendly. Customers are very emotional in making banking decisions. Hence adequate measures should be taken to keep up the trust.

2. Attitudes of Different Age Groups Towards digital banking.

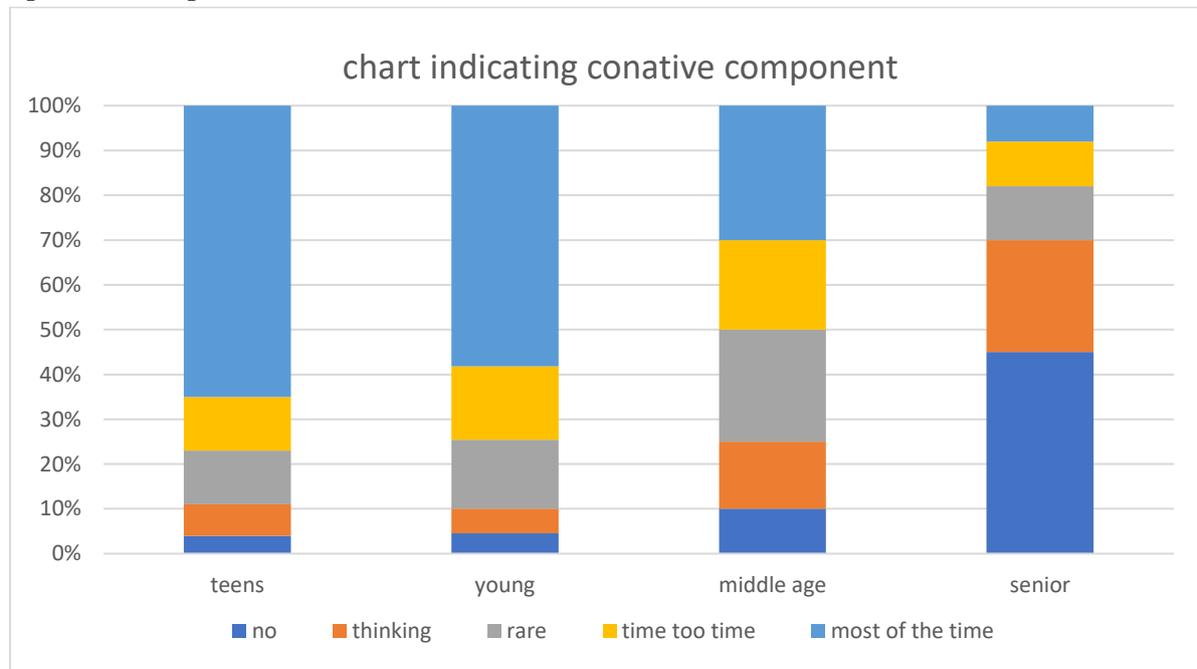
As digital banking is the most complex representative of new technology usage. Therefore, understanding this area requires looking at the attitudes towards digital banking using the “three aspects” perspective. The first aspect is the **cognitive component**, concerning perceived knowledge about digital banking.



Majority of teens currently 85% and young people (70%) claimed to have enough knowledge about digital banking and did not perceive a lack of information. On the other hand, only 40% of the middle-aged and approximately 18% seniors felt informed enough about all the matters needed to do banking online. Although the concept of online banking was partially known to only few individuals in younger generations, almost 50% senior did not know what it is and how it works.

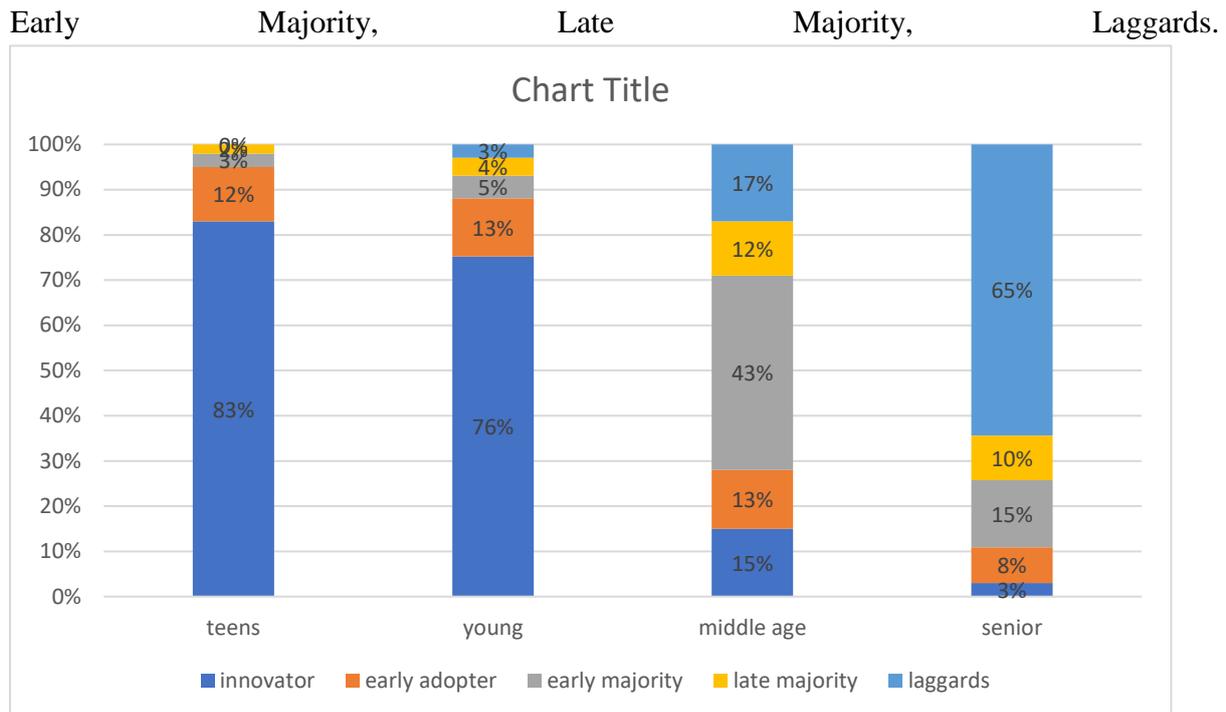
Analyzing the **affective component**, means uncovering what are the feelings of respondents towards banking. According to the theory, affective component of the attitude often has larger impact on the behavior than the cognitive one; therefore, it is needed to understand not only what consumers think and know about the matter but also what they feel.

It was found that differences in perceiving security versus level of risk as well as trust and courage versus fear to involve in e-banking. The fear rapidly rises with age. Among teens and young people the majority (78.9% and 84.9%) felt that online shopping is secure, they had no fear to use online banking and they felt confident to do so. Among middle-aged and senior respondents, the level of perceived risk is high. 42% of middle aged and only 7.8% of senior respondents felt secure and confident to make online banking. The group of those who had no feelings due to no interest in the object of attitude also rises with age. Among young people there were only few respondents that had no feeling about online banking, because they were not interested in it. Almost two thirds (63.3%) of seniors were not interested in it at all. The cognitive and affective component influence and confirm **conative component**, which represents the pattern of behavior



It was found in the study that (as represented in above chart) majority of senior citizen had no interest to make use of digital banking. Only 6% of the seniors are thinking of using it in near future. only 9% of teens and young people had no interest in use online banking but remaining are doing to a certain extent, and some rarely others more often. More than 1/3rd of middle age are using digital banking to certain extent. Being technical savy 23% of middle age group people are not making use of it due to risk associated with it.

After understanding above three factors, researcher divided the respondent's group as per Rozer's diffusion curve: Innovators, Early Adopters,



Above chart shows that Teens has no Laggards and highest percentage of Innovators (83%) young group has majority of respondents in the phase of innovator (76%) Early Adopters (13%). Middle aged with only 15% of Innovators, 13% of Early Adopters, 43% of Early Majority and 29% of those who accept the innovation late (Late Majority and Laggards). As expected, the majority of senior belongs to Laggards (65%) and only 3% of seniors are innovators.

CONCLUSION:

This study shows that the usage of digital banking is currently accepted by above 50% of all respondents. Considering the content of the sample the acceptance of innovative way of dealing with bank is already accepted by the Early Majority and only to be accepted by the Late Majority. So individual banks should take preventive measures and conduct various programs to assure the users about safety. Banking websites has to be very accurate and user-friendly, since there is lot of competition among the banking players. Banks has to be very alert and customer friendly. Customers are very emotional in making banking decisions. Hence adequate measures should be taken to keep up the trust. Also, it is observed that customers are now very much alert in terms of investments, so online trading will definitely be the area where banks can actually focus which will help them gain momentum in digital banking. As every coin has two sides, digital banking also has some loopholes which have a direct impact on the economy. Firstly, due to E-banking, customers do not prefer visiting the bank and hence in the near future there will be definitely lack of job opportunities. Thus, to conclude, Digital Banking has definitely made a change to the banking industry and the level of penetration for digital-banking is increasing.

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