

Customer Adoption of Alternate Channels for Banking Service Requirements - A Case Study of Patna District

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Abstract: *The Indian Banking Industry has undergone a never seen before transformation in the past decade and this change continues to accelerate every year. The introduction of latest technology has helped the banks to strategically look at needs and offer newer and more efficient banking services. Technology has helped in accelerating the service delivery to the customers. Even the small and new banks with fewer numbers of branches have become better placed to compete with the established banks by integrating IT in their operation. It can be said that the world is slowly moving towards boundary less banking wherein the services are not restricted to a certain physical place. With the seamless integration of technology, now the concept of branch banking has changed to doorstep banking service. Services are now available at the touch of screen. The study has been conducted in Patna district and it seeks to assess the level of usage of alternate banking channels by the customers for various banking needs and their satisfaction level with same. It would help draw insight about the preference and behavior of the customers regarding alternate channel adoption.*

Keywords: Alternate Channels, Digital Adoption, Customer Engagement

1. Introduction

Digitization and innovative technologies have transformed the banking industry globally from traditional banking to modern technology based banking. Technology has made it increasingly possible to overcome the banking barriers particularly in emerging markets like India, Brazil and Columbia (Bedford, 2019). Perhaps the most visible impact of technology has been the way in which traditional branch banking has made way for the non-traditional channels and the services now being delivered through these alternate channels. Banks around the world have realized how investment in digital technologies could benefit customer acquisition and satisfaction (Ross & Srinivas, 2018). The introduction of various alternate channels like ATMs, debit/credit cards, net banking, mobile wallets, mobile apps etc. has been a major path breaking initiative in the banking sector and the popularity of these services has brought them into the mainstream concept of banking.

Customers demand for branch banking will continue because they provide emotional engagement to the customers and majority customers still prefer going to the branches. However, the dependence on the traditional branch banking has decreased to a great extent and may continue to decrease owing to the advantages that alternate channels can provide in terms of convenience and time saving. Getting the customers onboard for adopting these channels will depend largely on the degree of trust that customers put forth on their primary banks. This trust is based on the Banks' ability to keep the customer's financial data safe and secure. Banks will have to make extra efforts to win the trust of the customers. This can be done by letting the customers know that they are recognized and valued.

2. Objective of the Study

The study seeks to measure the preference and behavior of the customers regarding digital adoption of banking services and help draw insight on the current status of digital engagement of customers. The study also seeks to understand the future likelihood of the usage of alternate channels by customers. Accordingly the objectives of the study are:

- To study and analyze the adoption of alternate banking channels by the customers for various banking needs and their satisfaction level with the same.
- To study the reasons for not adopting a particular alternate channel.
- To study the perceived benefits of digital adoption of banking services.

3. Literature Review

In India online banking adoption has been significantly low as compared to many other countries. Many customers prefer the hybrid model of alternate channels and branch banking. According to BCG report (2016) there are only 1% customers in India who primarily use online channels for all their banking needs whereas in countries like the UK and USA online channels are the primary mode for around 20% of customers.

Bisht and Kesharwani (2012) studied the impact of trust and perceived risk on internet banking adoption in India. The study revealed that perceived risk had a negative impact on internet banking adoption.

Joshi & Bansal (2015) concluded that the customer perception towards internet banking is determined by four dimensions that are usefulness, exposure, trust and ease-of-use. The study also revealed that various risks like security

and privacy risk associated with online banking negatively impact the usage of online banking in India.

Motwani & Shrimali (2013) studied the satisfaction level of public & private bank customers towards electronic banking. The study revealed that there was no significant difference in satisfaction of customers of both banks on ATM and mobile banking but it differed significantly for internet banking.

Joshua & Koshy (2011) found that "Frequency and duration of usage of ATMs shows that this mode of banking is by far the most popular channel, surpassing even the traditional branch banking. However, there is much scope for improvement pertaining to the frequency and duration of the usage of internet banking and mobile banking services.

Rotchanakitumnuai & Speece (2003) conducted a qualitative research to know the perception of internet banking among corporate customers. An in-depth study suggests that security of the internet, reliability of transaction and trust in the service provider are some of the major factors inhibiting wider adoption. The study also indicates that even the users are not entirely comfortable with internet banking and have not switched all of their transactions to the internet yet.

Ross & Srinivas (2018) in their study revealed that consumers are more likely to increase the use of digital channels if banks allow more regular banking transactions to be handled digitally, more real time problem resolution and strong data security.

4. Research Methodology

Descriptive statistics (frequency, percentage method) has been used to assess the level of usage of alternate banking channels by the customers. The sample size chosen for the study is 105. Data has been collected from customers of various banks, with the help of structured questionnaires. Questions have been asked related to the demographic characteristics of the respondents, whether they have adopted alternate channels for their banking needs and their satisfaction level with the same, the reasons for not adopting a particular alternate channel, what features or benefits will increase their digital usage and the perceived benefits of adopting alternate channels.

Limitations- The primary limitation of this study is the scope and size of the sample which may have an effect on the results achieved.

5. Data Analysis and Interpretation

1) Demographic Profile of Respondents

The table below shows the demographic distribution of respondents. 59% are male while 41% are females. Majority of the respondents belong to the age group of 25-35 years (35%). As for education of the respondents, 45% are post graduates and 35% are graduates. In the occupation category 48% of them are salaried professionals.

Table 1

Particulars	Frequency	Percent
Gender		
Male	61	58.00
Female	44	42.00
	105	100
Age Group		
Less than 25	17	16.19
25-35	37	35.23
35-45	23	21.90
45-55	9	8.57
Above 55	19	18.07
	105	100
Educational Qualification		
Matriculation	3	2.85
Intermediate	7	6.66
Graduation	37	35.23
Post Grad	47	44.76
Others	11	10.47
	105	100
Occupation		
Salaried	50	47.61
Business	11	10.47
Student	19	18.09
Housewife	6	5.71
Retired	10	9.52
Others	9	8.57
	105	100

2) Usage of Alternate Channels (ATM, Netbanking, etc) for various banking needs

About 97% respondents said they use alternate channels for various banking needs but they also visit branches for some transactions. Though customers have started adopting digital channels they continue to operate on the hybrid model of traditional as well alternate channel banking. As can be seen from the table ATM and Debit card are the most preferred channels for digital banking with 97% and 86% users respectively.

Preferred Alternate Channels for Various Banking Activities

Table 2

Alternate Channels	No. of Users	No. of Non-Users	%age Users of Alternate Channels
ATM	102	3	97%
Debit Card	91	14	86%
Credit Card	39	66	37%
Net Banking	59	46	56%
Mobile Banking app	48	57	45%
Mobile wallet	49	56	47%

The users of Netbanking and Mobile Wallet stand at 56% and 47% respectively. Credit card and mobile banking are the least popular of all digital channels with 37% and 45% users respectively.

3) Reasons for not using a particular Alternate Channel

The respondents were asked to cite some important reasons for not using a particular channel. The study revealed that 27% customers never felt the need for adopting a digital channel which shows their preference for the traditional mode of branch banking. There were concerns over privacy of digital data by 18% of customers. 9.6% customers were

not aware of the existence of many such platforms, while 13% didn't know how to use it. 7% respondents felt that there were hidden transaction charges associated with the use of such channels which are not disclosed by the banks at the start but are later debited from their account without prior information. Some other reasons given for low adoption were complexity of interface, fear of fraud and theft and bad experience in the past.

Figure 1: Five Topmost Reasons given by Customers for not Adopting Digital Channel

Never felt the need	27%
Concern About Data Privacy	18%
Do Not Know How To Use	13%
Not Aware	9.6%
Hidden Transaction Charges	7%

4) Features and Benefits to Increase Future Digital Usage

The respondents were asked that if some features or benefits were to be improved would they increase their usage of

alternate channels in case of users and in case of non-users make them first time adopters. The questions were asked on a scale of 'Yes' and 'No'. The responses received were as follows:

- 55% respondents would use or increase the usage of the alternate channels if the banks can assure strong electronic data security.
- 70% respondents would prefer the alternate channels if the banks become more transparent in their dealings with the customers about the service charges.
- 36% respondents replied that they would prefer digital channels if it is made more customer friendly and less complex to operate.

5) Satisfaction level of Users

It is difficult to get the customers on-board to use digital channels for banking transactions but it can be seen from the table that once on-boarded the satisfaction level is usually high for all services.

Table 3

Particulars	Users	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Mean satisfaction Score
ATM	102	45	44	10	3	-	4.3
Debit Card	91	30	50	8	2	-	4.2
Credit Card	39	16	14	2	4	3	3.9
Net Banking	59	20	25	11	1	2	4.1
Mobile Banking App	48	18	20	7	2	1	4.1
Mobile wallet	49	19	22	6	-	2	4.2

As can be seen from the table above, the mean satisfaction score for all channels is 4 and above except for credit cards for which the score is 3.9. It means that customers using digital platforms are usually satisfied with their experience.

6) Perceived benefits of Digital Adoption

The respondents who use the bank's digital services were asked of the perceived benefits of adopting digital mode for banking transactions. The question was a multiple choice one and the perceived benefits have been ranked as per the highest number of responses received. 'Convenience' stands first at 78% in the list of benefits followed by '24hr Availability unlike Branch Banking' at 77%. Other benefits are 'Hassle free transaction' at 62% and 'no waiting time' at 47%.

Table 4

Benefits	Frequency	% age of cases	Rank
Convenience	81	78%	1 st
Hassle free Transaction	64	62%	3 rd
24hr Availability Unlike Branch Banking	80	77%	2 nd
No Waiting Time	49	47%	4 th

6. Findings of the Study

- The ATMs and Debit Cards are by far the most popular alternate channels followed by Netbanking. The penetration has been low for other alternate channels despite the benefits they provide in terms of convenience and time saving.
- Some important reasons for non adoption are that the customers never felt the need or they had concerns about

data privacy and fear of hidden charges. Many said that they were not aware about many channels.

- Once the customers have started using the digital platform, the satisfaction is usually high for all channels.
- Customers would get more digitally engaged if the banks can assure strong electronic data security, transparency and ease of usage.
- Some of the perceived benefits of digital platforms are convenience, 24hour availability, hassle free transaction and no waiting time.

7. Conclusion

The Indian Banking industry is rapidly evolving and they need to monitor the developments in technology and keep track of how innovative leaders are strategizing and investing. Managing customers is getting bigger and challenging by the day. Banks are fighting for a larger share of their customers' wallets. Indian banks' digital journey has just begun and it is changing the way in which they operate today. Therefore new opportunities have to be identified; banks' need to innovate and increase their portfolio and be more employee and customer centric. An in-depth market analysis would give them a better understanding of customers' needs and aspirations. They need to brainstorm new ideas to enhance customer engagement (Partasarthy, Saha, Drury & Marshall, 2017), if they wish to create a mutually beneficial long term relationship with customers and other stakeholders.

The bank branches, ATMs and debit cards are by far the most popular channels, despite many attempts made by

banks to promote other alternate channels. There is significant scope to increase digital penetration by initiating customer awareness and literacy programs. This would improve the understanding of bank's procedures, products & services and technology based applications and also increase comfort level among the customers.

The findings of the study indicate that users of alternate channels are usually satisfied with their usage experience which shows that there is clear opportunity for banks to improve their digital offerings. More carefully designed programmes should be initiated to make the customers digitally engaged and more willing towards digital adoption. The customers also need to commit some time and effort to understand and adopt new technology for their own benefit. The experiences of early adopters can be a positive influence in convincing the late majority and the non-users.

Although technology has made transactions hassle free, it has also led to security and safety concerns among customers. It is worthwhile noticing that customers are highly sensitive in the case of financial matters. One of the important reasons for non adoption of such channels is the customer concern about the privacy of their data. Therefore any misconceptions about privacy and safety of data should be fairly dealt with by the banks.

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