

## Factors Influencing Customers To Use Digital Banking Services In Twin Cities Of Telangana State

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### Abstract

The banking business is rapidly changing. Digital banking is becoming part of our daily lives. And it's the best way to create value for customers. It allows users to do financial transactions without having to visit a bank. With digital banking, brick-and-mortar banking has become a click away. Cheques and other paper transactions are replaced by digital transactions. By presenting the benefits of digital banking services to clients, advancements in computer, smart phone, internet, information, and communication technologies can attract customers. This report describes digital banking services. Aims to investigate factors influencing customers' impression of digital banking services, satisfaction and preference. A survey of 100 digital banking customers using percentage and factor analysis was done after constructing a structured questionnaire. The results show that people of all ages prefer digital banking to traditional. Customers use cell phones to complete digital banking. These customers are pleased with digital banking services because they are convenient and widespread. These include the study's consequences, recommendations for improving digital banking services, and future research directions.

**Keywords:** Digital Banking, Customer Preference, Online Banking, Digitalization, Customer Satisfaction.

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### Introduction

Digital banking refers to the completion of financial transactions over the Internet using a bank's secure websites. Customers can conduct financial transactions using mobile devices and the internet with the aid of digital banking. Digital banking is often known as "online banking" or "web banking." Online banking provides all of the usual banking services that are offered at a local branch.

Customers benefit from a variety of advantages when they use digital banking. One of the advantages is that it eliminates regional restrictions for buyers. Customers have access to their accounts at any time and from any location. Because of its ease and creative ways, digital banking draws people who

previously used traditional banking. Digital banking provides internet-based services that save time, are easy to use, and have low transaction fees. It has reduced customer attrition and increased customer loyalty as a result of the self-service system. The intrusion detection system and numerous virus control devices rendered the digital banking services risk-free.

Customer awareness is defined as a customer's knowledge and comprehension of a product/service/institution/company. It examines if the client is aware of the product or service, its features, replacements, producer/service provider, etc. Customers benefit from more choice, comprehension, and safety when they are aware of the products/services they buy. Currently, technology is required everywhere. Technology also plays a major part in banking. Customers used to line up for years to withdraw cash, get a statement of account, or transfer funds. Therefore, the bank has taken numerous measures to reduce the obstacles and embrace new technologies in digital banking service. Digital banking includes mobile, internet, and ATM banking. Transferring funds is simple if clients utilize digital banking. It offers 24-hour accessibility, user-friendliness, and security. Advertisements in newspapers, television, and notices are effective ways of promoting digital banking. Digital banking is considered a potent marketing tool. Thus, this study attempts to assess customer knowledge of Digital Banking services.

### **Scope of the study**

The study's major goal is to comprehend the notion of digital banking in India and uncover the variables that drive users to prefer digital banking over traditional banking. This research also proposes ways for banks to promote their products and services to clients and the wider public. The survey helps both public and private banks gauge client sentiment.

### **Research Gap**

The literature evaluations on the consequences of digital banking are thoroughly studied from many angles. Many different conceptions have been used in the research to examine customers' perceptions of E-Banking services. After reading the review of literature, many creative ideas emerged to identify the perspective of digital banking services. Most studies looked at the level of digital banking adoption; others looked at characteristics such as service quality, effect, and customer happiness. So most of the research focused on one or two features of digital banking. To investigate the key aspects influencing customers' impression of digital banking services. The 'Digital India' programme might revolutionize Indian banking. Thus, research is essential to identify the most important elements driving customers to use digital banking in Digitalized India. A comprehensive literature assessment revealed this as a research need.

### **Objectives of the study**

- To determine consumer preference for digital banking.
- To research on the numerous services offered by users of digital banking.

- To identify the main issues encountered by customers when using digital banking services.
- To assess client satisfaction with Digital Banking.
- To make acceptable suggestions to raise client awareness.

### **Review of literature**

The research compares the services that banks lend to clients through Traditional Banking and Digital Banking. According to the findings of the research, traditional banking services have been replaced by Digital Banking (Mavhiki; Shumba, 2015).

There are no longer large lines for those who want their work done, because it is completed within minutes now (Pooja, 2018). Because of the quick changes in business, banks have opted to be online in order to remain competitive while also benefiting from new opportunities (Sharma, 2016).

A technology-driven banking system is created by transforming conventional banking through digitalization. As a result, customers enjoy significant savings and convenience. Accessibility, comfort, punctuality, and cost-savings are just a few of the factors that contribute to consumer satisfaction. Traditional banking methods had not been displaced by these new goods and services, but they had been affected and improved (Severino; Tonderai 2017).

Massilamany and Nadarajan (2017) investigated the factors that influence digital banking service uptake in Malaysia. The independent variables include trust, security, knowledge, self-efficacy, and convenience, whereas the dependent variable is digital banking adoption. This study's findings indicate that the dependent variable has a considerable impact on the independent factors.

Gupta's formal name is Narendra Gupta (2017). The researcher examined the transition of the Indian banking system from traditional to convenience (cash to click) mode in a conceptual study. Secondary data was utilized in this study to assess banking system trends. This research has highlighted the many sorts of digital transactions, as well as the benefits and drawbacks of each. The researcher also mentioned the difficulties associated with the digital mode. According to the researcher in this study, there should be a robust security system, data protection, and suggestions to educate people on how to utilise digital systems, which will aid in the broad adoption of digital transactions.

Krupskaya and Yeremenko, (2016) The researchers investigated the banking industry's developments in Russia in a conceptual study. They extended the notion of digital banking based on theoretical underpinnings, that is, advancements in banking, payment methods ranging from cards to digital banking to digital banking, have all been examined in this paper. According to the experts, banks should implement cutting-edge technology and offer services at reasonable prices, as well as increase

consumer loyalty to online services, which would eventually lead to users adopting current banking technology.

Among those who have contributed to this work are Berndt and colleagues (2010). Researchers used a quantitative study to assess customers' preparedness to accept new banking technology. According to the findings of this study, factors such as optimism and innovation are key drivers for customers' technology readiness index, whereas factors such as discomfort and insecurity are inhibitors. The findings also show that the majority of respondents are embracing and adopting modern technology. According to the study, some consumers are hesitant to adopt contemporary technology for banking services, and it is the banks' job to educate them and enhance their services to meet their customers' demands.

L Darlington (1999). According to the report, the banking industry is modernizing for the digital era. Previously, consumers had to physically visit the bank branch to do their financial activities, but in the present day, branchless banking is available. That is, with the advancement of information and communication technology, banking transactions may now be completed from anywhere and at any time. The banking sector has evolved from traditional to convenient banking. It benefits both customers and bankers. As a result, the study demonstrates that automated forms of customer connection are less expensive and allow clients to choose the optimal delivery channel from a variety of options. According to the study, banks in the current day should focus on and increase their ability to offer value to their client relationships.

### **Methodology**

Methodology is a methodical approach to solving a research challenge. It may be thought of as a science that studies how scientific research is conducted. The research is primarily descriptive in nature. The current study aims to determine the elements that influence customers' perceptions of preferring digital banking services over traditional banking.

**Data Collection:** A well-structured questionnaire was used to collect primary data. Research articles, journals, and books are examples of secondary sources.

**Sample Size and Design:** Convenience sampling was used to collect responses from customers of digital banking services. The questionnaires were distributed to 122 people. However, only 100 questionnaires were in useable condition and were used for the study's statistical analysis.

**Questionnaire Structure and Design:** The questionnaire is divided into two sections. Part I is concerned with the demographic profile, while part two is concerned with the variables influencing customers' perceptions of digital banking services.

**Statistical Analysis:** Using the SPSS version, the acquired primary data were statistically evaluated. Percentage Analysis and Exploratory Factor Analysis are two of the statistical tools employed.

**Demographic profile of the Respondents**

<b>Demographic Variables</b>	<b>Categories</b>	<b>Frequencies</b>	<b>Percentages</b>
<b>Gender</b>	Male	37	37
	Female	63	63
	Total	100	100
<b>Age Group (in years)</b>	Below 20 years	3	3
	21-30 years	69	69
	31- 40 years	18	18
	Above 40 years	9	9
	Total	100	100
<b>Marital Status</b>	Married	38	38
	Unmarried	62	62
	Total	100	100
<b>Educational Qualification</b>	High School	2	2
	Diploma	3	3
	UG	32	32
	PG	46	46
	Professional Degree	17	17
	Total	100	100
<b>Occupational Status</b>	Student	23	23
	Employed	38	38
	Business	7	7
	Professional	10	10
	Others	22	22
	Total	100	100
<b>Annual Income</b>	Below 1 Lakh	23	23
	1 Lakh – 3 Lakhs	35	35
	3 Lakhs – 5 Lakhs	14	14
	Above 5 Lakhs	28	28
	Total	100	100
<b>Preference of Digital</b>	Always	35	35

<b>Banking</b>	Often	25	25
	Sometimes	27	27
	Rare	10	10
	Never	3	3
	Total	100	100
<b>Digital Banking Devices</b>	Personal Computers	9	9
	Laptops	32	32
	Smartphones	59	59
	Total	100	100
<b>Years of Accessing</b>	Less than 2 Years	27	27
	3 – 5 years	52	52
	Above 5 years	21	21
	Total	100	100
<b>Satisfaction Level</b>	Highly Satisfied	23	23
	Satisfied	63	63
	Neutral	14	14
	Total	100	100

The frequency research indicates the demographic profile distribution of digital banking service users: 94% of the population is female. The bulk of responders is between the ages of 21 and 30 years old, according to the age distribution. Unmarried people account for 93% of those polled. Post-graduates account for 69% of those who responded. 57% of those polled work. 52 percent of those polled have an annual income of between Rs 1 lakh and Rs 3 lakh. Digital banking is preferred by 53% of respondents, while 88% prefer to use their cell phones for banking. Digital banking transactions, while 88 percent of respondents prefer to work from home. 78 percent of respondents have used digital banking services for more than three years. People, The majority of respondents (95%) are pleased with their digital banking experience.

Dimension	Singular value	Inertia	Chi-square	Sig.	Proportion of Inertia		Confidence
							Singular Value
					Accounted	Cumulatative	Standard

1	0.396	0.157			1	1	0.072
Total		0.157	20.85	0	1	1	
			4	0 <sup>a</sup>			

In the present scenario preference among customers for Digital banking services of banks is different from one person to other person, so to understand preference of different customers we have used various dimensions such as usage of Digital banking service, most preferred service, convenience, security, accessibility, satisfaction level of the customer using Digital banking. The below table shows the classification of the respondents based on choose the Digital banking services.

**Reason for choosing Digital Banking services**

Reason for Choosing Digital Banking	No of Respondents	Percentage(%)
Convenience to use	26	26
Time savings	47	47
Money savings	23	23%
Others	4	4%
<b>Total</b>	100	100%

**Various Digital Banking Services Availed**

Here, we have list out the most preferred Digital banking services availed by the different people. The below table shows the classification of the respondents based on use of Digital banking services.

**Various Digital Banking services**

Digital banking services	No of Respondents	Percentage (%)
ATM	60	60
Mobile banking	8	8
Internet banking	20	20
Mobile Apps	12	12
<b>Total</b>	100	100

Digital Banking: Customer Worries and Apprehensions Some issues have the potential to have ramifications across a number of businesses. Banks encounter a variety of difficulties when their consumers make use of digital services. The results of the poll also addressed issues customers had with digital banking. Here's a breakdown of the major disagreements people had when they took the poll. To be uninformed and content is to be happy. It'll take a long time to finish the therapy. Safe harbour as a notion doesn't exist. How long has this card been in circulation? This service has a cost associated with

it, though. There aren't enough automated teller machines to go around. Inappropriate processing or duplication of information does not satisfy expectations.

Network issues: Piracy There's no way to use it after that. Customer satisfaction with online banking an individual's attitude is a social attribute that affects how he views the world. It entails long-term organization of your ideas, attitudes, and behaviors.

Responses are given a value on a scale, and the scale used to measure them defines that value. When calculating this score, we consider how satisfied customers are with ATMs and mobile banking in general.

To determine the elements impacting consumers' opinions regarding digital banking services, the exploratory factor analysis was carried out using the Principal Component Matrix Method and Varimax Rotation. The study included 25 variables, three of which were excluded due to poor factor loading, and the remaining 22 variables were reduced to five. The rotated component matrix yielded the following result:

<b>Factor Naming</b>	<b>Variables</b>	<b>Factor</b>
<b>Factor – 1 Transaction Speed</b>	Digital banking transfers are completed quickly when compared to traditional methods.	0.653
	Digital banking saves travel time and energy as we need not to stand in queue in banks or to pay utility bills.	0.617
	Within few minutes even the high value transfers can be	0.591
	Digital banking saves time as it is available 24x7	0.560
	Digital banking improves the speed of transaction.	0.445
<b>Factor – 2 Compatibility</b>	I enjoy using Digital banking as it suits me.	0.6132
	I think that using Digital banking fits my lifestyle.	0.643
	I believe that using Digital banking enhances my image.	0.61
	I consider that using Digital banking is hassle-free.	0.645
	I think digital banking is compatible with the way I like to shop	0.523
<b>Factor – 3 Connectivity</b>	The services should be easily accessible and portable.	0.627
	I expect the services to be available whenever I need it.	0.602
	The internet network should be adequate to ensure success of Digital banking.	0.542
	I expect that Digital banking connection is available anywhere and	0.470

	anytime.	
	Security matters have significant influence on using Digital Banking	0.610
<b>Factor – 4 Security</b>	I am concerned about my security while using Digital banking	0.636
	Higher confidence in your network service provider is essential for safe transaction.	0.54
	Digital banking transaction requires technical experience for performing secured transfers	0.540
	Users can easily do their various payments anywhere and any time	0.566
<b>Factor 5 Convenience and benefits</b>	It is a great compliment to cash.	0.403
	Digital banking saves time, energy and money.	0.454
	Discounts, rewards cash-back offers received on Digital banking are appreciable	0.412

Factor-1 "Transaction Rapidity"– Customers prefer mobile payments because of their speed and accessibility. Customers today are extremely picky because they want services to be delivered quickly. When compared to traditional payment methods, time savings were seen as a highly significant element in the adoption of electronic banking facilities. As a result of these considerations, it is possible to assert unequivocally that transaction speed is a significant component in digital banking.

Factor–2 "Compatibility" –A customer's impression of digital banking adoption is only achievable if the technology is compatible with the customer's lifestyle. Because consumers believe that technology should be suitable for their lifestyle, the compatibility aspect is important for cellphones and digital banking usage. As a result of these arguments, it is safe to say that one of the most significant aspects of digital banking is compatibility.

3rd factor, "Connectivity" – Connectivity is defined as the ease of access, usefulness, look of the interface, and navigation capability. Customers would be hampered in adopting digital banking if a sufficient connection is not available. As a result of these considerations, it is safe to say that connectivity is an important aspect of digital banking.

Factor–4 – "Security" Security has been discovered to be a barrier to the use of electronic payment systems. Several studies have been undertaken to assess the impact of security issues on the adoption of electronic payment systems, because security is intimately related to the choice to use an electronic payment system. As a result of these arguments, it is safe to say that one of the most crucial aspects of digital banking is security.

Factor 5 – "Convenience and Advantages" – Accessibility (at any time and from any location) has been discovered to be a more crucial factor in convenience than convenience. Benefits (money, time, and energy savings) were discovered to be a key driver for customers to accept and use electronic payment

systems. As a result of these considerations, it is safe to say that convenience and benefits are significant aspects of digital banking.

### **Findings**

According to the findings of this research, the vast majority of respondents are Millennial. The majorities of those polled are employed and earn a decent living. Customers would rather do digital banking transactions than visit the bank. Customers choose smart phones for digital banking transactions since they are more convenient for them. Respondents have used digital banking services for more than three years. The majority of respondents are pleased with the convenience of doing financial operations online.

Transaction Speed, Compatibility, Connectivity, Security, Convenience, and Benefits all have an impact on the consumers of digital banking transactions. These aspects are important in terms of digital banking adoption. Respondents believe that adopting digital banking services benefits them in several ways. Customers believe that performing financial transactions saves them both time and money. The financial transfers are completed in an instant with the press of a button. Digital banking services are available everywhere and are quite handy.

### **Digital Banking Service Suggestions**

- Better marketing and publicity methods must be used to develop and attract clients' attention to online banking services. Customers should be informed about the advantages and disadvantages of adopting digital banking services.
- By providing appropriate assistance, the procedure for initial set-up challenges should be accelerated.
- Bankers should reassure and educate customers about the reliability of digital banking activities, which will undoubtedly improve the use of security and privacy in digital banking services.
- To improve digital banking services, bankers should assist clients by implementing safe digital banking practices, and risk management should be properly implemented.
- An increase in client convenience, which will lead to higher levels of customer satisfaction.
- Place a premium on illuminating relevant network information and digital infrastructure.
- Expand the scope of management strategies and enhance the customer support system for digital banking services.
- If users are given reward points or other incentives, they will be encouraged to use digital banking services.
- Customers, particularly those who are unfamiliar with technology, should be educated on how to use digital banking services through workshops and seminars, which will undoubtedly increase the value and volume of digital banking.

- The development of internet infrastructure, information and communication technology, and other related technologies should be prioritized by the government. To encourage the use of digital banking in India.

Making people aware of the existence, functioning, and benefits of digital banking products and services is a huge work that has to be performed. Private financial institutions should host exhibits and talk programmes for the public as well as offer goods and services that are available to everyone, regardless of their financial status. The bank could use more compelling advertising and awareness activities to raise awareness. Spreading awareness of digital banking among people of various ages and socioeconomic backgrounds by teaching them about its advantages. Client confidence can only be earned by providing adequate transaction security. Banks should make sure that no service cases are delayed due to a network fault if there are any. The bank's employees must be well-versed in all elements of digital banking in order to inform clients about these services sensibly. The bank could come up with additional commercials via bank flex in the branch to help customers understand how to use digital banking services when they visit any of their counter locations. Using the ATM more than three times will not result in extra charges. For the protection of customers and the security of transactions, government authorities should put up an appropriate regulatory framework. Always be cautious when using the internet from a public computer. Make your password difficult to guess. Education institutions must include practical knowledge in their curriculum if they want to teach students about Digital Banking as a specific topic.

### **Implications of the study**

The main proposal is to tackle the security and privacy problems.

Banks must instill trust in their current and prospective clients. They must ensure that transactions conducted through digital banking are dependable, safe, secure, and consistent. Banks must assure clients that their personal and financial information will be kept private. The bank's website and applications should be designed to be user-friendly and trouble-free. Transaction costs should be kept to a minimum. Making people aware of the existence, functioning, and benefits of digital banking products and services is a huge work that has to be performed. Private financial institutions should host exhibits and talk programmes for the public as well as offer goods and services that are available to everyone, regardless of their financial status.

The bank could use more compelling advertising and awareness activities to raise awareness. Spreading awareness of digital banking among people of various ages and socioeconomic backgrounds by teaching them about its advantages. Client confidence can only be earned by providing adequate transaction security. Banks should make sure that no service cases are delayed due to a network fault if there are any.

The bank's employees must be well-versed in all elements of digital banking in order to inform clients about these services sensibly. The bank could come up with additional commercials via bank flex in the branch to help customers understand how to use digital banking services when they visit any of their counter locations. Using the ATM more than three times will not result in extra charges. For the protection of customers and the security of transactions, government authorities should put up an appropriate regulatory framework. Always be cautious when using the internet from a public computer.

Make your password difficult to guess. Education institutions must include practical knowledge in their curriculum if they want to teach students about Digital Banking as a specific topic. The government should prioritize boosting internet access and pursuing cyber fraudsters and hackers. Improving the digital banking experience and delivering convenient and ubiquitous services at a low cost will entice users to use digital banking services. All of this will foster client trust, hence increasing the use of digital banking services.

#### **Future Research Instructions**

This study is only concerned with the perceptions of users (customers) of digital banking services. Future study might be conducted on the perceptions of businesspeople, bankers, and corporate. The perspective of non-users might be investigated in order to determine the cause for their failure to accept digital banking services. A comparison research of digital banking service users and non-users may be conducted to determine the primary reason for digital banking service adoption and non-adoption.

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