

An Empirical Study on Traditional Banking and Digital Banking adoption in India

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Abstract— Digital banking services have changed the traditional banking system in today's world. Demand for financial products is changing rapidly and customer behavior regarding these products is also changing, with the passing of the traditional banking sector to digital banking, new strategies have become necessary in order to attract new customers. The present study attempts to provide a snapshot of digital banking activities and traditional banking activities.

Key words: Adoption of Digital Banking, Financial Products via Digital Banking, Black Money

I. INTRODUCTION

A. Digital Banking

Digital banking lets you handle many banking activities via your personal computer. For instance, you may use your computer to view your account balance, request transfers between accounts, and pay bills electronically. Digital banking is a system and method in which a personal computer is connected by a network service provider directly to a host computer system of a bank such that customer service requests can be processed automatically without need for intervention by customer service representatives. The system is capable of distinguishing between those customer service requests which are capable of automated fulfillment and those requests which require handling by a customer service representative. The system is integrated with the host computer system of the bank so that the remote banking customer can access other automated services of the bank Sheikh and Rajmohan (2016)

B. Digital Banking in India

Digital banking in India emerged in mid-nineties as newly introduced private sector banks came up with a new business model revolving around a strong information technology (IT) backbone. Digital Banking in India was initiated by ICICI bank, a private bank, in 1998 and success over the last decade has posed a strong competitive pressure on remaining Indian banks (government/public sector/private sector) to respond immediately to remain competitive (Kannabiran and Narayan, 2009). This competitive pressure has led the way for banks to go for IT as a strategic tool to examine the recent development in the banking industry and understanding its impact on banking relationships. Now banking in India is not only confined to brick and mortar banks where customers have to visit the branch in person to withdraw or deposit cash/cheque, make a request for account statements, and many more. Today, through internet banking, most of the banking services (like account enquiry, cash withdrawal, third party transfer, bill payments, book tickets, mobile recharge, etc.) can be accessed online anytime and anywhere customer want. Nonetheless, the success (or failure) of new technology depends on the extent to which it is adopted (or

rejected) by consumers at large. In his study (Gupta, 2008).reported that most of Indian banks are confronting two major challenges in integrating IT into their business activities both as an operational necessity and as a strategic tool. Thus, in addition to the factors that facilitate Digital banking usage, it is more important to identify factors that are roadblocks to Digital banking usage in India.

C. Review of Literature

Sheikh and Rajmohan (2016) explores that all the banks are using information technology as a strategic vehicle to stay competitive against other players. Banking technology helps in increasing customer satisfaction, customer loyalty, improvised growth, and performance of the banks. The perception of Indian customers towards the use of technologies with respect to factors such as convenience, privacy, security, ease of use, real time accessibility, and accurate record of varied transaction that enable customer's adoption of Banking Technology. Other factors such as slow transfer speed, technical failure, frauds and unawareness among customers that make hindrance in adoption of internet banking were also explained, in this study. Further, the results of this work show that demographic variables such as gender, age, qualification and income play a positive role in adoption of banking technology while as Mohammad et al. (2012) have reported that e-banking services are being used with increasing frequency in most countries. Electronic banking enhances the development of the banking system, and it is considered as a strategic weapon for banks. Although it provides various benefits for both banks and customers, low level of customers' adoption of electronic banking services is noted in Jordan. However, electronic banking services cannot achieve expected benefits if it is not used by banking customers. A research model was developed through integrating TAM with TBP and incorporating five cultural dimensions and perceived risk to provide a comprehensive investigation the results of the study revealed that perceived usefulness and perceived ease of use has a positive and significant impact on customers' attitude toward electronic banking services. Banks should make electronic banking services more useful and usable. They could achieve this by increasing the customers' awareness of the usefulness of using electronic banking services through advertising and long-term customer services, this study used a cross-sectional design. One possible direction for future studies is to conduct a longitudinal study to see whether the variables and their relationships are consistent with time. Second: this study used Hofstede's national cultural framework however Margaret et al. (2000) reports that intention to adopt Internet banking services can be predicted by attitudinal and perceived behavioral control factors, but not by subjective norms. The attitudinal factors that are significant include relative advantage; compatibility with respondent's values,

experience, and needs; trial ability; and risk. Although the findings of this study show that perceived complexity has a negative relationship with adoption intentions, this relationship is not significant. One possible reason is that since Internet banking in Singapore is relatively new, most Internet users have yet to try it. As a result, they are unable to effectively assess the complexity of using such systems and the influence that such complexity may have on their intentions. The results of this study have also shown that there are other factors besides attitudinal ones that can help us to better understand the adoption intentions of Internet banking. Two additional influencing factors (subjective norms and perceived behavioral control) proposed by (Ajzen, 1985), in the theory of planned behavior, were included in this study. Although subjective norms were not found to significantly influence adoption intentions, perceived behavioral control dimensions were nonetheless found to have significant influences. In particular, self-efficiency toward using Internet banking services and the facilitating condition of perceived government support for Internet commerce, were both found to significantly affect intentions to adopt Internet banking services.

Lichtenstein et al. (2006) reports key findings from an interpretive study of Australian banking, that an understanding of how and why specific factors affect the consumer decision whether or not to bank on the Internet, in the Australian context. A theoretical framework is provided that conceptualizes and links consumer-oriented issues influencing adoption of internet banking. This study also provides a set of recommendations for Australian banks. Specifically, the findings suggest that convenience is the main motivator for consumers to bank on the internet, while there is a range of other influential factors that may be modulated by banks. This study also highlight increasing risk acceptance by consumers in regard to internet-based services and the growing importance of offering deep levels of consumer support for such services. Gender differences are also highlighted. Finally, this study suggests that banks will be better able to manage consumer experiences while moving to Internet banking if they understand that such experiences involve a process of adjustment and learning over time, and not merely the adoption of a new technology however Bindiya et al. (2011) studied that online banking (Internet banking) has emerged as one of the most profitable e-commerce applications over the last decade. Although several prior research projects have focused on the factors that impact on the adoption of information technology or Internet, there is limited empirical work which simultaneously captures the success factors (positive factors) and resistance factors (negative factors) that help customers to adopt online banking. Further this study explores and integrates the various advantages of online banking to form a positive factor named perceived benefit. In addition, drawing from perceived risk theory, five specific risk facets financial, security/privacy, performance, social and time risk are synthesized with perceived benefit as well as integrated with the technology acceptance model (TAM) and theory of planned behavior (TPB) model to propose a theoretical model to explain customers' intention to use online banking. The results of this study indicated that the intention to use online banking is adversely affected mainly by the security/privacy risk, as well as financial risk and is positively affected mainly

by perceived benefit, attitude and perceived usefulness while as Tan and Teo (2011) explored a research framework based on the theory of planned behavior (Ajzen, 1985), and the diffusion of innovations theory (Rogers, 1983), was used to identify the attitudinal, social and perceived behavioral control factors that would influence the adoption of Internet banking. The results revealed that attitudinal and perceived behavioral control factors, rather than social influence, play a significant role in influencing the intention to adopt Internet banking. In particular, perceptions of relative advantage, compatibility, trial ability, and risk toward using the Internet were found to influence intentions to adopt Internet banking services. In addition, confidences in using such services as well as perception of government support for electronic commerce were also found to influence intentions

D. Objective

- To know the Percentage of Adopters of Digital banking in India
- To know the reasons for usage of traditional banking in India

E. Sampling Details

The primary data for the present Study was collected from the Banking Customers and these customers were identified on random basis from Delhi which is capital city of India The filled up response was collected successfully from 320 respondents, however from collected 320 responses 300 responses were valid and 20 responses was incomplete and hence eliminated from the current study. Hence the sample size for the present work is treated as 300 comprising the Banking customers. Thus, the sampling procedure adopted for the present study is treated as stratified random sampling method. The primary data for the present study is collected between the periods Feb. 2017 to March 2017. The data collected were coded and transferred in to Statistical package for Social Science (SPSS) for the purpose of analysis.

II. DATA ANALYSIS AND DISCUSSION

A. Adoption of Digital banking in India

Frequency of Digital banking usage	High users	Medium users	Low users	Non Adopters
	22%	11%	15%	52%
Adopters 48%				
Computed from primary data				

Table 1: Adoption of Digital banking in India

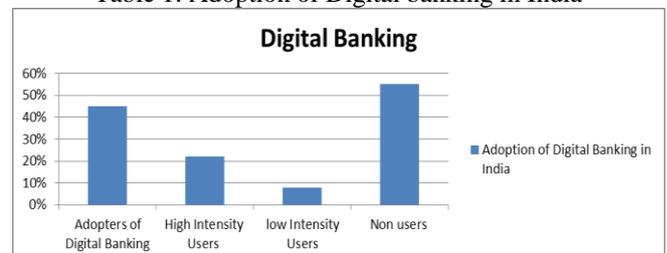


Fig. 1: Graphic representation of Digital banking in India The frequency of digital banking adoption in India is 48% and Non users of Digital banking are 52%. The adopters of Digital banking are classified in to high users, Medium users and low users. The high users of Digital banking consists of 22%, medium users consists of 11% and low intensity users consists of 15% as shown in table-1.

Banking requirement fulfillment through traditional banking	Non users	Low usage	Medium usage	High usage
76%	24%	20%	26%	30%

Table 2: Traditional Banking in India (Computed from primary data)

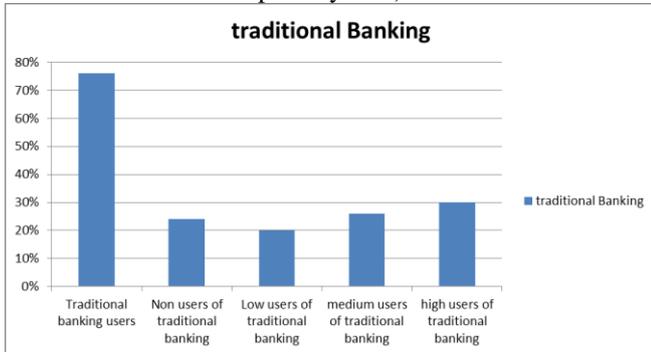


Fig. 2: Graphic representation of Traditional banking in India

The frequency of Banking customers who visit bank branches for traditional banking are 76% while as those banking customers who do not visit bank branches and hence only depends on Digital banking are 24%. The banking customers who visit bank branches for traditional banking are classified in to three categories such as low intensity users, medium intensity users and high intensity users. Low intensity users of traditional banking consists of 20%, medium intensity users of traditional banking consists of 26% and high intensity users of traditional banking consists of 30%.

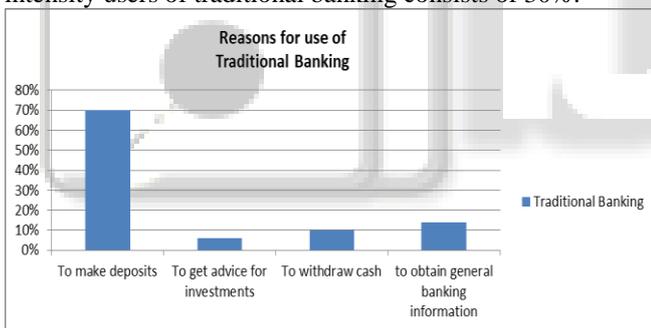


Fig. 3: Graphic representation of Reason for use of Traditional banking in India

Banking functions	Frequency	Percent
To make deposit in bank branch	210	70%
To get advice for Investments from bank branch	19	6%
To withdraw cash from bank branch	31	10%
To obtain General Banking Information from bank branch	40	14%
Total	300	100%

Table 3: Main reasons that drive banking customers to use traditional banking Computed from primary data)

Banking customers who use traditional banking are classified in to four categories such as to make deposit in bank branch, to get advice for Investments from bank branch, to withdraw cash from bank branch and to obtain general banking Information from bank branch. From the results shown in table-3 it is found that 70% of banking customers use traditional banking for making deposits in bank branches, 6% of banking customers use traditional banking to get advice for Investments, 10% of banking customers use

traditional banking for cash withdraw from bank branch and 14% of banking customers use traditional banking for obtaining general banking information from bank branch.

III. FINDINGS OF THE STUDY

- 1) Digital banking adoption in India is found to be 48%, the high users of Digital banking consists of 22%, medium users consists of 11% and low intensity users consists of 15% .
- 2) Non users of Digital banking are found to be 52%.
- 3) Banking customers who visit bank branches for traditional banking are found to be 76%.Low intensity users of traditional banking consists of 20%, medium intensity users of traditional banking consists of 26% and high intensity users of traditional banking consists of 30%.
- 4) It is found that 26% of banking customers do not depend on traditional banking.
- 5) It is found that 70% of banking customers use traditional banking for making deposits in bank branches, 6% of banking customers use traditional banking to get advice for Investments, 10% of banking customers use traditional banking for cash withdraw from bank branch and 14% of banking customers use traditional banking for obtaining general banking information from bank branch.

IV. SUGGESTIONS OF THE STUDY

- 1) Banking customers should adopt digital banking because it is safe, secure, time saving and transparent.
- 2) Banking industry should identify those banking customers who are not using Digital banking services and those banking customers should be invited for special training programmes for adoption and usage of digital banking services.
- 3) Banking industry should install cash deposit machines. Because maximum banking customers use traditional banking for cash deposits.
- 4) Government of India should take necessary steps for Digitalization of Indian banking industry.

V. CONCLUSION

Digital banking is safe secure banking system, in India adoption rates of digital banking is still very low. The reasons for low adoption of digital banking services in India is lack of knowledge regarding digital banking services, fear of loss of money due to hackers and uneducated banking customers. Banking industry should organize demos and events for adoption and usage of digital banking in rural and sub urban areas. Government of India should help banking industry in promoting Digital economy.

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