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A Study of Customer Perception toward Digital Banking Payments

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Abstract

Digital innovation is drastically reforming the provision of payment services. Information Technology has modernised the various aspects of our lives, and the shift from traditional to digital banking has been gradual and remains ongoing and is constituted by differing degrees of banking service digitization. With the advent of digitization, paperless banking has become a reality for everyone. The advancement of technology has been a significant influence on the growth of the banking business. Previously, banking transactions took a long time. Customers were expected to have physical records of their banking transactions or histories. It is essential to first understand the fundamentals of banking to fully comprehend how it will change in the digital era. The paper examines the adaptation and perception of the digital payment system provided by the bank. The study's objectives are to investigate how customers view utilising digital banking to make payments, how they pay for merchandise, how they experience problems while conducting online transactions, and how satisfied they are with the digital banking services they receive. The study is descriptive, with a sample size of 500. The instrument for data collection was a questionnaire, and ANOVA was used for hypothesis testing.

Keywords: Fintech, Retail Banking, Digital Payments

Banking Industry - India

Banking in India, in the modern sense, originated in the last decades of the 18th century. The first banks were the Bank of Hindustan (1770-1829) and The General Bank of India, established in 1786 and since defunct. The Indian banking system consists of 20 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks, and 96,000 rural cooperative banks, in addition to cooperative credit institutions. As on January 31, 2021, the total number of ATMs in India increased to 213,145 and is further expected to increase to 407,000 by 2021. The asset of public sector banks stood at Rs 72.59 lakh crore (US$ 1,038.76 billion) in FY19. As per Union Budget 2019-20, the provision coverage ratio of banks reached the highest in 7 years. As per the Reserve Bank of India (RBI), as of March 13, 2020, India recorded foreign exchange reserves of approximately US$ 481.89 billion. During FY16-FY20, credit off-take grew at a CAGR of 13.93 per cent. As of FY20, total credit extended surged to US$ 1,936.29 billion.6 Indian banks are increasingly focusing on adopting an integrated approach to risk management. The NPAs (Non-Performing Assets) of commercial banks have recorded a recovery of Rs 400,000 crore (US$ 57.23 billion) in FY19, which is the highest in the last four years. The digital payments revolution will trigger massive changes in the way credit is disbursed in India. Debit cards have radically replaced credit cards as the preferred payment mode in India after demonetization. Transactions through Unified Payments Interface (UPI) stood at 1.24 billion in March 2020, valued at Rs 2.06 lakh crore (US$ 29.47 billion).

Digital Banking

Digital banking is part of the broader context for the move to online banking, where banking services are delivered over the internet. The shift from traditional to

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digital banking has been gradual and remains ongoing and is constituted by differing degrees of banking service digitization. Digital banking involves high levels of process automation and web-based services and may include APIs enabling cross-institutional service composition to deliver banking products and provide transactions. It provides the ability for users to access financial data through desktop, mobile, and ATM services. To NPCI data, there are 148 live UPI member banks that issue UPI for their customers and more than 33 third-party UPI apps available in Play Store. UPI transaction has reached Rs 63,20,000 as of November 2021 by transaction value and has already surpassed the debit card transaction for the FY 2020-21.

Literature Review

Shilpa Chauhan, Asif Akhtar and Ashish Gupta (2022) demonstrate digital banking's influence on customer evaluation service experience and develop a framework identifying the most significant variables of digital banking that influence the financial performance of banks. The main factor which determines customer experience in DB is service Quality, functional quality, employee-customer engagement, perceived usability, and perceived risk. Bharat Kumar Meher, Iqbal Thonse Hawaldar and Cristi Spulbar (2021) used a multiple regression model by considering those factors which are positively affecting the growth of Micro, Small, and Medium Enterprises (MSMEs) in India. Methodology: The data used in this study are primarily which are collected through the questionnaire method. The questionnaire involves the nature and size of the business and the opinion of the owners and managers of 454 MSMEs in Katihar district, a semi-urban area of Bihar in India, regarding the various favourable factors of digital banking on a Likert scale of 1 to 10. Findings: The findings of the study suggest the various favourable factors of digital banking with significant coefficients, i.e., Level of Easiness in accepting payments, Level of Easiness in making payments, Level of Easiness in Managing the expenditure of Business, Level of Time Saving, and Level of Check on Misappropriation or Theft of Cash are contributing towards the growth of MSMEs in India. Research Implications: This research will be helpful to bank managers and policymakers to encourage the MSMEs of semi-urban areas to use digital banking by stressing only significant favourable factors and taking necessary steps so that the MSMEs can reap the full benefits of digital banking. Ranjith, Kulkarni and Varma (2021) attempt to identify the thinking of consumers concerning online payment and the safety of these payments. Though a lot of research has been done on consumer perception towards credit card payments, very less has been done on other modes of payment, and the challenges faced by consumers while using digital payment modes may affect consumer perception.to understand the concept and the different modes of digital payment. Still, there are a lot of people who are not using this due to a lack of awareness and other reasons. If security concerns are addressed and more awareness is created, especially in villages, more people will adopt digital payment, which will make the process easier and faster. Gupta and Kumar (2020) review the UPI- Unified Payment Interface technique of Digital Payment, explains its design, Technologies, operations, Parties concerned in UPI dealing, its advantages & Challenges; additionally mention varied current UPI Apps offered, and alternative digital payment technique and their comparison with the UPI transactions and concluded that UPI may be a tool with compatible options which will create financial transactions straightforward and reasonable to the customers however it still wants confidence & awareness of the purchasers primarily type the rural background. The last decade has seen tremendous growth in the use of the web and movable in India. Increasing use of the web, mobile penetration, and government initiative like Digital India electronics acting as a catalyst that results in exponential growth in the use of digital payment and found out education was found to be an important influence for the adoption of digital payment. The growth of users of smartphones and internet penetration in such areas also facilitated the adoption of UPI.

Shree, Pratap, Saroy and Dhal (November 2020) try to understand the impact of user perception, trust in payment systems, and experience of online fraud on the choice of mode of payment with the use of a novel online survey-based dataset to understand how factors such as 'perception' and 'trust' in digital payments, and experience with online frauds, affect the payment behaviour of consumers. While demographic factors like age, gender, and income are relevant factors that determine this choice, The study finds compelling evidence that a person's usage of digital payment methods is influenced by the perception of these instruments, as well as her trust in the overall payments framework and banking system in general. Also, find that the degree to which experience with online fraud deters usage of digital payments varies with the purpose of the transaction. Mr Mahesh Ramamoorthy, Managing Director at FIS (September 2020) knows consumer behaviour for where and how consumers make payments and carry out transactions. The results show that 68 per cent of Indians are now using online or mobile 34 banking to conduct financial transactions, and 51 per cent expect to continue using these banking and payment methods after the pandemic. Nearly half (48 per cent) of respondents stated they expect to use contactless payments instead of cash or cards in the post-COVID-19 world and shows that young and senior Generation (24-39 years) consumers are more adaptive to changes in how they are making payments than other age groups. The survey shows more than 93 per cent of respondents stated they use mobile wallets to make payments, with young and senior Generation consumers being the most active. Sathish, Sermakani and Sudha (2020) this study is revealed that the traditional system of cash transactions cannot completely be replaced by a card or e-payment system. People can adopt and use their mobile wallets for payment transactions, fund transfers, purchasing groceries and paying bills, etc. The study has discussed that trust is the main factor affecting users' satisfaction directly, and it impacts many users' intention to adopt mobile wallets. Rathee and Yadav (October 2019) explore the Intense use of digital technology for delivering banking services is becoming most prevalent because of reduced cost and quick delivery of services. Most frequent use of smartphones and the growth of e-commerce led to the digitalization of banking services. This research paper investigates the role of digital banking in perceived service quality. This is an empirical investigation, and a sample of 180 customers from NCR (Delhi, Noida, Gurugram) has been taken for the study. Out of these, 130 responses were found correct and are used for further research. The response rate is 72.22%. This study found that all the dimensions of service quality, named responsiveness, reliability, assurance, empathy, system availability, and privacy, are found significant in digital banking, but their perceived level of significance is different. The findings of this study might help banks to improve the digital banking service quality. Sudha and Sornaganesh's (2019) article revealed that after demonetization, changes in buying behaviour are clearly explained. After demonetization, the main impact is reducing paper money and increasing digital cash. Most of the customers used digital cash after the demonetization, used through mobile applications, Internet banking, etc., for paying their bills.

Research Methodology

Studied various literature studies on adaptability towards customer perception towards digital banking payment in India. Many customers are not using a digital baking payment system and found the problem is the app error, fraud transitional, etc. Difference between the promised level of security to customers and the delivered privacy and security by the bank services. Measure the gap between customer expectation and perception; this also measures service quality and tracks customer expectation and satisfaction at Ahmedabad. The objective of the study: To study Customer perception towards the usage of digital banking payment. To study the customer payment methods. To analyse the problem faced by them during digital banking payments. To opinion and satisfaction for customer digital banking services. The research design is descriptive, primary data was collected through 500 questionnaires, and non-probability convenience sampling was used.

Data Analysis

H0 – There is no significant relation between income and their opinion about digital banking services are you using for payment.

H1 – There is a significant relation between income and their opinion about digital banking services are you using for payment.

Table 1

Name	*Sig.*	*Accepted Null Hypothesis*	*Rejected Null Hypothesis*
Save time	0.75		YES
Avoid public crowd	0.404		YES
24*7 availability	0.917		YES

Since the P value is greater than 0.05 (the significant value), we accept the null hypothesis, which states that there is no significant relationship between respondents' income and their opinions.

H0 – There is no significant relation between income and their opinion about digital banking services for digital banking services are you using for payment.

H1 – There is a significant relation between income and their opinion about digital banking services for digital banking services are you using for payment.

Table 2

Name	*Sig.*	*Accepted Null Hypothesis*	*Rejected Null Hypothesis*
Bill payment	0.885		YES
Obtain bank statement	0.917		YES
Cash withdrawal	0.537		YES
Mostly transactional	0.262		YES
Finance	0.334		YES
Record	0.384		YES

The null hypothesis is accepted since the P value of 0.885, which is greater than 1, indicates that there is no significant relationship between respondents' income and their opinions towards switching to a different digital banking provider.

H0 – There is no significant relation between income and their opinion about digital banking services for payment Problems faced by the customer during digital banking payment.

H1 – There is a significant relation between income and their opinion about digital banking services for payment Problems faced by the customer during digital banking payment.

Table 3

Name	*Sig.*	*Accepted Null Hypothesis*	*Rejected Null Hypothesis*
Banking customer	0.701	YES	
Fraud	0.224		YES
Technical issue	0.416		YES
Transactional different	0.422		YES
Security	0.974	YES	
Additional bank	0.462		YES

There is no significant relationship between respondents' income and their opinions on switching to the green digital banking payment method, according to the P value of 0.701, which is higher than 0.05 (the significant value).

Findings

Based on research, out of 500 people, 345 are male, and 155 are female, which means 69% are male, and 31% are female. In the survey, most people's age is less than 25 years which is 47% of the total survey; whereas in the age class of 50 & above there are only 56 people participated in the survey, and 259 of the people are having aged 25-50, 196 people are employed, and 61 are professional, 22% people had their own business, 15.5% are Student, and 11.2% are Homemakers. There 34.4% of customers have 2 lakhs to 4 lakh income. There 17.4% of customers are having a 4 lakh to 10 lakh income. Only 11.6% of people have more than 10 lakh income. 66.6% have accounts in the private sector, 23.6% people had a bank account in a public sector bank, and 9.8% people had a bank account in a foreign bank.

The research shows most people are preferring to use UPI, bank cards, and Offline modes of payment using internet banking, Mobile banking as well as M-wallets are using by the customer. Out of 500 customers, there are (83.2%) of customers have been using digital banking services for 1- 5 years, and 41 (41,2%) of customers have been using 6 months to 1 year (29.6%) the customer has been using digital banking services for 5-10 years. There are (15.4%) of customers using less than 6 months. There is only (5%) of the customer is using digital banking services for above 10 years. 86% of customers give their reference to digital banking, and 14% of customers are using traditional banking as of now.

The majority of customers are using digital banking almost every day, which is 42.2% and agree with their safety, saving time, avoiding the public crowd, and 24*7 availability; hence, customers are satisfied. Respondents use digital banking for Monitoring transaction records, financial management, keeping a tap on Transactions like Cash withdrawals, Bill payments, and obtaining bank statements. Out of 500, most of the customers agreed towards security in a digital transaction. 137 customers have changed and adopted traditional banking after the pandemic because of safety measures, but at the same time, they think that digital banking is time-saving.

169 customers are agreeing with physical banking answers their all queries with greater flexibility and security. And suggested that 69.8% of customers want the highest level of security and (38.8%) of customers want automatic bill payment, 32.6% of customers want all notifications, 41% of customers want advanced settings and features, 41.6% of customers want digital insurance, and 40.2% customers want to personal finance management. There are 42.4% of customers are satisfied with digital banking services.

Conclusion and Suggestions

According to the study, clients are satisfied with the digital banking system. Digital banking is frequently used to save time, protect personal information, and avoid crowded areas. Digital banking usage rises during pandemics. We might conclude that India still has a long way to go before being digital. While using digital payment methods, people still lack trust and confidence. Many individuals, both inside and outside of India, are still unaware of the digital or cashless economy. The idea of a digital India has many obstacles, but in the long term, a cashless or digital economy will support growth and provide several advantages and opportunities. Customers believe that using digital banking allows them to receive the right help during a pandemic. Customers concur that digital banking helps them maintain their finances and reduce payment risk.

Project analysis revealed how customers perceive using digital banking for payment, the connection between a bank's digital services, and the general satisfaction of its customers with its digital payment services. To investigate how customers pay. Analyse the issues they encountered when making payments with digital banking & learn how people generally feel about online banking services.

Changes in client behaviour and the use of new tools and technologies by banks are examples of this circumstance. Banks can adopt new tools and technology for everyday use to get more experience. Customers now anticipate banks to take full advantage of digital interactions and develop digital solutions for their regular banking requirements. Due to security concerns, digital banking security systems need to respond quickly. Customers could become impatient as a result of the longer response time. Government should support digital transactions by enabling free bank account establishment, no fees for digital transactions, and free use of debit and credit cards for transactions.

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