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Influence of Digital Innovations in banking factors on consumers of banks

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ABSTRACT

Mobile Banking is in most nascent stage in India. After the introduction of plastic money in India, people accepted the change. Until now the trends we see are digitalisation especially after the demonetisation we see that there are changing peoples' attitudes. People wish that they could have known the digitalisation earlier in their lives after knowing the benefits of saving their time, money and energy. Online banking and also Mobile Banking have been a boon after the digitalisation and there are lot of scope that we see in the Mobile Banking space. Banks have realised that the effect of demonetisation will definitely help the Mobile Banking and true we see that the banks are running their businesses without customers visiting banks. The infrastructure investment now is being moved to the virtual space by banks. Acceptance is there and also that the Mobile Banking is secured and has been proving the banking transactions in the hands of the customers and consumer.

Keywords: Mobile Banking, Online Banking & Demonitisation

I. INTRODUCTION

Digital Transformation is far beyond just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, interact with and satisfy customers. An efficacious Digital Transformation begins with an understanding of digital customer behavior, preferences, choices, likes, dislikes, stated as well as unstated needs, aspirations etc.. And this transformation leads to the major changes in the organizations, from product-centric to customer-centric view. A study by CGI entitled, Understanding Financial Consumers in the Digital Era sheds some light on the desires of today's digital consumer. Interestingly, at a time when financial institutions seem to be in a lock-step with each other, consumers are raising the bar on their expectations. And, according to the study by CGI, they are willing to leave where they currently bank if their needs are not met. The most effective way to understand and bring the organization from traditional banking to digital banking is Omni-Channel approach. Omni-channel is a multichannel approach to customer service where all the channels are tightly integrated, keeping customer in the center of the integration. As customers continue to change their channel usage patterns, banks and credit firms need to focus on delivering a seamless customer experience across various touch points. More than just an axiom, Omni-channel banking is a prospect to take bottom-line on higher note by gaining insights from customers' channels, behavior and preferences. Today's customers are more sophisticated and tech savvy, and to cater to their specific needs, each customer needs a unique experience from banking. They want the companies to understand their unstated needs as well as their likes. So, it should come as no surprise that these customers are expecting similar kind of response and service from banking institutions too. From researching new services, opening an account, checking balance, conducting transactions, loans, credits, wealth management, customer support, delivering an Omni-channel experience has become a key to success in this competitive market place.

II. LITERATURE REVIEW

The several findings concerning the adoption and diffusion of innovation in the manufacturing sector hold for digital-imaging technology in the banking. In particular, S curves can be used to model the adoption cycle of digital imaging in these industries. (Matthew J. Liberatore and Donna Breem 1997), investigates the adoption patterns and implementation issues associated with the use of digital-imaging technology within the banking and insurance industries. The results clearly indicate that the diffusion of imaging can be modeled by an S-curve, and that firm size is a good predictor of the adoption decision.

Banks and other financial institutions have always tried to utilize technology initially for internal use and communication and later as a vehicle for external communication and transactions with their customers. In this process

internet banking should not be seen as an experimental innovation of questionable applicability, separated from its pre-history. Beginning in the early 1970s and following the introduction of credit cards, the next technological step was the development of an automated machine, called ATM, that could perform many of the functions of human tellers. Since a personal computer (PC) offers both visual verification lacking from telephone and two-way communication lacking from television. Nevertheless and despite the investment of huge amounts of money on PC banking this experiment seemed to share the same fate with the telephone and cable systems. The disadvantages of the closed systems above were overcome by the emergence of the Internet and the invention of the World Wide Web. Unlike PC banking, Internet banking does not require proprietary software or access to a private network. Anyone equipped with common Internet access facilities can participate and interchange data with other software applications anywhere in the world (SOFIA GIANNAKOUDI, 1999). While there is currently a whole range of mobile financial services available, most of these services are in an early phase of development and have not reached critical mass. The current full-fledged financial applications need technologies that are not yet widely used, such as GPRS and Java.

Technology has introduced new ways of delivering banking to the customer, such as ATMs and Internet Banking. Hence, banks have found themselves at the forefront of technology adoption for the past three decades. Banks began to look at e-banking as a means to replace some of their traditional branch functions. e-banking products/services like ATM and electronic funds transfer were a source of differentiation for banks that utilized them. This research paper uses the Revised Technology Adoption Life Cycle model to develop a framework for technology evolution in e-banking (Shreyan Singh, Sohrab Singh Chhatwal, Taha Mohammed Yahyabhoy, Yeo Chin Heng 2002), The evolution of the e-banking industry can be traced to the early 1970s. Banks began to look at ebanking as a means to replace some of their traditional branch functions, for two reasons.

A. Branches were very expensive to set up and maintain due to the large overheads associated with them.
B. E-banking products/services like ATM and electronic funds transfer were a source of differentiation for banks that utilized them.

Being in a fiercely competitive industry, the ability of banks to differentiate themselves on the basis of price is limited. Technology has introduced new ways of delivering banking to the customer, such as ATMs and Internet Banking. Hence, banks have found themselves at the forefront of technology adoption for the past three decades. It is imperative for banks to align their strategies in response to changing customers' needs and developments in technology. Our research aims to fill a gap in the current e-banking literature This paper uses the Revised Technology Adoption Life Cycle model to develop a framework for technology evolution in e-banking. The following section reviews existing literature on dynamic innovation models and technological developments in banking. In Section 3, we argue that a modified version of the model provides a useful blueprint for strategies that constitute success at different stages of a discontinuous technology's evolution. Section 4 validates the model by applying it to two such discontinuous innovations, ATM and Internet Banking. Hypotheses on the next paradigm shift are made in section.

From a practical point of view, this would be consistent because the services become convenient to the user if they are adequately supported by the provider. Previous studies have explored convenience as one of the factors that contributes to the use of mobile payments (Pousttchi, 2003). Fourthly, perceived ease of accessibility had an impact on the intention to use the mobile payment services. Majority of the micro business operators who completed the survey questionnaire strongly agree that accessibility of the mobile phone payment is easy.

At the same time, mobile payments must become faster, easier, and more convenient to use, and must have low transaction fees, wide availability, and standardized technologies in order to emerge as a mainstream payment solution. On the payment solution provision side we expect that, as illustrated by the mobile payments framework, different solutions will be developed for different services, depending on the size of the payment (micro or macro) and location (remote or local, manned or unmanned). A possible trend is that operators act alone and develop solutions such as separate accounts or their own clearinghouse or credit institution where banks are not involved. This trend is most plausible for m-commerce micropayments and is possible if different players cannot find a way to cooperate. It is possible that banks develop payment solutions where operators are not involved. Niina Mallat, Matti Rossi, and Virpi Kristiina Tuunainen May 2004

III. RESULTS & DISCUSSION

Analysis & Interpretation:

Numbers of Respondents were 499 , Simple Random Smpling Technique was adopted & IBM SPSS Tool was used .
Primary data is data that is collected for the first time and it is also known as unpublished data. It is generally collected from the respondents. In this study the primary data was collected under the following categories:

1. Raw data and fact sheets from the banking magazines and journals database.
2. By way of questionnaire that the respondents have contributed

- The Data collected has been primarily tabulated & Master table was prepared
- Sample was tested for reliability using Cronbach's alpha
- Percentage analysis is the basic tool for analysis
- Regression analysis a statistical process for estimating the relationships among variables is used

Table 1: Frequency Table for the question "Please mention the bank sector where your primary account is"

Cooperative Bank	**23**	**4%**
Foreign Bank	**20**	**4%**
Private Sector Bank	**192**	**39%**
Public Sector Bank	**255**	**52%**
Total	**490**	

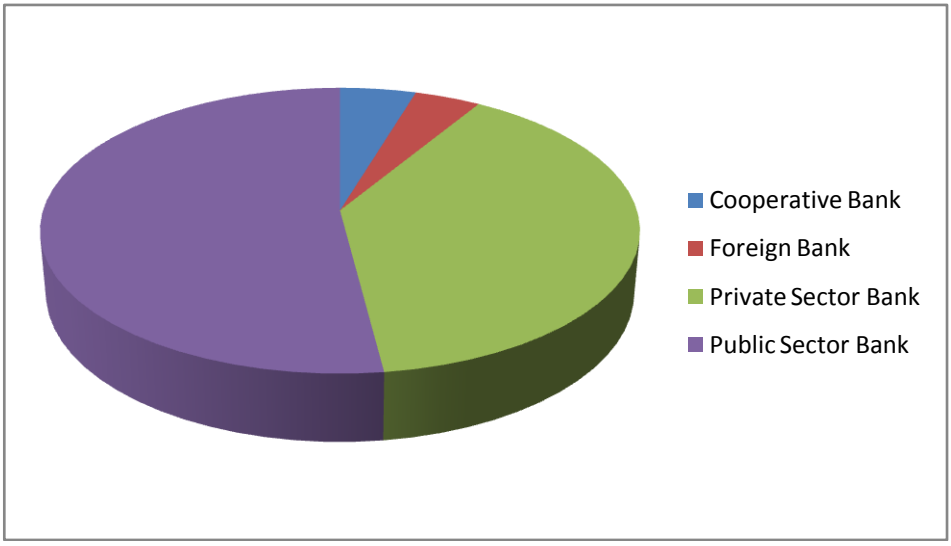

Figure 1: Pie-Chart for "Please mention the bank sector where your primary account is"

For the Research question "Please mention the bank sector where your primary account is" – 39% of the respondents responded saying they have their primary account in Private sector Banks , 52% of the respondents bank account were found in Public sector Banks , 4% respondents had accounts in Foreign & Cooperative Banks

Table 2: Frequency Table for the question "Do you use Internet banking frequently?"

Yes	**300**	**60%**
No	**199**	**40%**
Total	**499**	

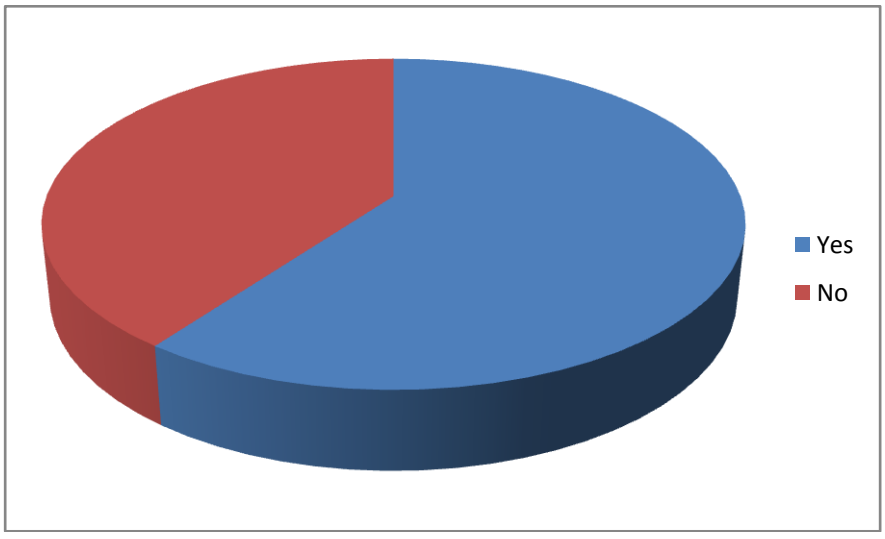

Figure 2: Pie-Chart for "Do you use Internet banking frequently?"

For the Research question "Do you use Internet banking frequently?"– 60% of the respondents responded saying they use Internet banking frequently, 40% of the responded saying they don't use Internet banking frequently.

Table 3: Frequency Table for the question "Do you use Mobile banking regularly?"

Yes	**263**	**53%**
No	**236**	**47%**
Total	**499**	

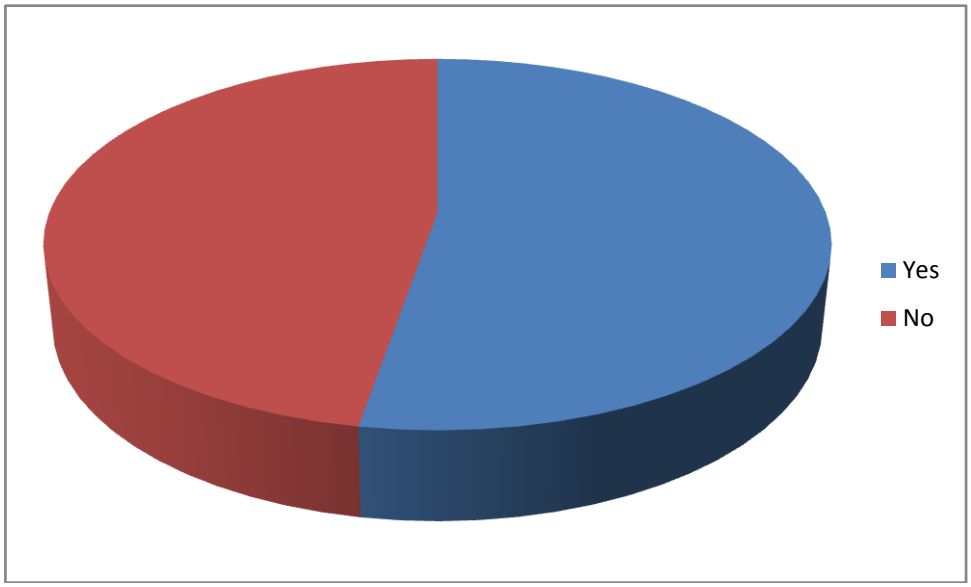

Figure 3: Pie-Chart for "Do you use Mobile banking regularly?"

For the Research question "Do you use Internet banking frequently?"– 53% of the respondents responded saying they use Mobile banking frequently , 47% of the responded saying they don't use Mobile banking frequently.

Statement : Influence of Digital Innovations in banking factors on consumers of banks

H_{01}. Digital Innovations in banking factors would not affect the consumers of banks
H_{a1}. Digital Innovations in banking factors would affect the consumers of banks

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.401	2	3.200	14.018	.000[b]
	Residual	113.239	496	.228		
	Total	119.639	498			

a. Dependent Variable: Do you use Internet banking frequently
b. Predictors: (Constant), The Internet charges increases with the usage of Mobile Banking services, What features you like the most in the mobile banking?

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.231[a]	.053	.050	.478	.053	14.018

Descriptive Statistics			
	Mean	Std. Deviation	N
Do you use Internet banking frequently	1.40	.490	499
What features you like the most in the mobile banking?	2.88	.953	499

The Internet charges increases with the usage of Mobile Banking services	2.83	1.202	499

It can be observed that few dependent & independent variables were considered at 95% confidence levels, Considering the normal distribution It can be seen that Coefficient of R is 0.231 and F value is 14 , the Null Hypothesis is rejected and alternate Hypothesis is accepted

CONCLUSION

While new entrants are changing the face of banking, traditional financial institutions can still dominate by partnering, hiring, crowd sourcing, and piloting new solutions that focus on the customer experience. There is no lack of rhetoric around the 'disruption of the banking industry.' This is because there are several questions that industry observers continue to ask:

- How will innovations (like marketplace lending or block chain) transform legacy banking operations as we know them?
- Will incumbent banking organizations continue to dominate or will there be a disintermediation of banking organizations by the fintech start-ups?
- Will legacy banking organizations and fintech players be competitors or partners in the future?

Limitation of the Research:

- It was noted that the respondents has less knowledge of mobile banking services.
- There were not aware of the negative effect of mobile banking
- The respondents were doubtful infilling up the questionnaire when asked for the difference between internet banking, mobile banking and this caused the probing question related to the questionnaire.
- The respondent's answers or responses could have been biased

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