Role of Digitalization on Customer Perception in Banking Sector: A Case Study of Western Uttar Pradesh

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Abstract

With the advent of technology, especially digitalization, the world has witnessed a rapid growth and development in several sectors. In the present scenario, the banking sector is among the engrossed sector for the perseverance and advancement through digitalization. This sector provides financial assistance and thereby help in capital formation. Therefore, it has become crucial to administer its service delivery and customer perception towards the banking products. Bearing this in mind, the study has generated two main objectives, i.e. to find the factors that influence the perceptions of customers towards banking services and to investigate the role of digitalization on the customer's perception of the banking services. The hypothesis formulated to investigate the relationship between digitalization and customer's perception towards the banking services. The undertaken study is empirical in nature. The study is conducted on the banking sector customers of the western Uttar Pradesh. The sample size of the study was 400 and the final sample was after removing the outliers were 360. A set of self-structured questionnaire was used as a research instrument for the measurement of potential responses. The finding of the study stated that the null hypothesis of the study, i.e. there is no significant impact of digitalization on the customer's perception towards the banking services is partially rejected. It means that there is a significant relationship of digitalization on the customer's perception towards the banking services, such as convenience, transparency and time saving ($p<.05$) is rejected. Thus, digitalization brings more convenience, transparency and time saving. Moreover, it can be said that with the increase in digitalization, customers are concerned about the security of their banking products and services.
Key Words: Digitalization, Banking Services, Customer Perception.

1. INTRODUCTION

In the rapidly changing world, digitalization is pretentious, noticeable and has become an indispensable piece of a human's life, without which we feel the world isn't anything. Basically everyone from different sectors and areas of the economy relies upon digitalization for their development. Improvement in the banking area isn't an exemption for it. The banking sector is proving to be a primary sector for the progress of certain sectors, since the banking sector does deliver and bring fiscal support and thereby help in asset creation. The nations which are effectively adjusting to it are performing astoundingly all around eminent as compared to those nations which are lingering behind in embracing digitalization.

Digitalization has become so certain for the Banking sector of India, that it assumes noteworthy part in assisting economic transactions and predominantly concerned for giving improved services to their customers. Administrations to clients alongside a chance to acquire them are among the priorities of the banking sectors. The financial area which is called as the area of advancement of any remaining areas, on account of the monetary help it accommodates different areas and fields.

Nowadays, individual approaches to the bank have changed. They prefer digital platform rather than physical visits to the bank premises. Today, banking services are available at 24 hours because of the internet or digital banking. It is easier to manage large aggregates of cash or monetary transactions. A powerful advanced change starts with a comprehension of computerized client behavior, inclinations, decisions, prerequisites, and desires. It is an amazing to see that computerized interest points that permit individuals to get help with nimbleness and speed.

2. HISTORY OF DIGITAL BANKING

It is actually the case that digitalization of banking will acquire insurgence in the economy; fundamentally, on adding to the current proposition the utilization of new services empowered with innovation to increment and an incentive for clients. A few commercial banks started to move towards advanced client care to stay serious and significant in the race. Major transformations are stated below:

1994 - Online banking is incorporated into Microsoft cash. 1, 00,000 families start getting into their bank accounts on the web. Stanford Credit Union starts offering banking administrations by means of their site, paying the way for credit associations.

2001 - Online financial hits 20 million clients, with 8 distinct U.S. banks accomplishing somewhere around at least 1 million online clients.

2007 - The dispatch of the i-phone starts moving computerized banking from PCs to advanced mobile phones.

2009 - Online financial hits 54 million clients in the United States.

2015 – Digital India program launched in India to transform India through internet connectivity focusing rural areas.

2020 - Online financial clients in India go up from the current 45 million dynamic metropolitan web based banking clients in India.

India is currently facing tremendous expressions to a splendid & reasonable mechanical and monetary advancement in the country. In this chain, the banking sector has proved to be a huge player with accomplishments. The Indian financial area is touching and headed for digitalization focusing on the client based services.

Make in India and Digital banking gives answers for brokers to their present moment. The digital India is the government's lead program by means of a dream to change over the existing structure of banking. Nondescript, paperless, credit has only been the necessity of India government. The Digital India Program for guaranteeing better client care, in this manner, achieving the objective of a paperless economy.

Enlistment, Invoicing, Payment choice, Payment affirmation is the significant periods of the advanced install framework. This for the most part incorporates three electronic installment instruments like, money, check and card. The principle approach of the Indian government is in making 25 billion computerized exchanges through different offices.

Presently the Indian government is persuasively advancing towards computerized exchanges. The dispatches by NPCI have started that interface of BHIM & UPI. UPI is a portable interface where individuals can make the moment to move the assets between accounts at various banks.UPI has shown a dramatic development contrasted with some other installment item and administrations. The advancement of a computerized installment stage, for example, BHIM-UPI, BHIM Aadhaar and Bharat QR Code has advanced the digitalization interaction.

3. REVIEW OF LITERATURE

The firstpost (2021) published an article on Digital India and a six-year old mission of transforming offline into online. The article stated that India's programme is Rs. 1,13,000 crore top mission with a vision of digital empowerment of the society. The articles spotted the achievements and obstacles arose during this period. These were, rise in UN e-governance ranking, the creation of Aadhaar database, BharatNET, Meghraj (a cloud computing structure), the Swayam online study platform, BHIM app, myGOV for digital democracy and many more.

The Hindu (2020) stated that the digital India campaign is the 'technology-first model' as per government statement. As per PM, digital India is now a way of living for the Indians. He asserted that technology first was their governance model and this initiative would lead India among the toppers of the information era with best minds and biggest market.

Niti Aayog (2018) published a report on Digital Payments. It portrays the significant data identified with installment, development and the instrument wise installment development drifts in India. The retail installment fragment represented, however much almost 100% of all out volumes. IMPS have shown amazing expansions in their offers in the complete volume in the late year.

Antony, R.G.S. (2017) studied the digitalization and its relationship with Indian banking sector. In this study, the researcher found that due to the adoption of digital structure the banking sector faced some marvelous changes along with some hurdles. Furthermore, the study provided that in the era of digitalization, it is very difficult to grow without digital banking. Therefore, banks need to enhance the customer involvement and access to banking services and products.

Valenduc, Gerard and Vendramin, Patricia (2017) evaluated the unsettling nature of the digitalization with a retrospective point of argument. The variables undertaken for the study were digitized information, bound of industrial revolutions, link between technology and practices for virtual work. The findings of the study convey the implications of the digitalization on the economies of different countries. Technological determination has a significant scope and impacts on knowledge-based society.

Bhattacharya, H. (2015) investigated the contrast of digital and online banking. It was based on the web banking principally focusing on money transfer. The study found that the different equivalent web based terminologies used, such as internet banking and e-banking. Web based banking revolves around the digitizing and each actions are associated with financial establishments and with the customers.

Yueh, Hsiu-Ping et al. (2013) considered digital conversion of associations related to farmer's and the study is related to Taiwan. The data of research collected from 3 surveys of the country. On the basis of outcomes, it was concluded that topographical district are associated with digitalization of organizations.

4. OBJECTIVES

The main objectives of the study are to find the factors that influence the perceptions of customers towards banking services and to investigate the role of digitalization on the customer's perception of the banking services.

5. HYPOTHESES

MAIN HYPOTHESIS (H01): There is no Significant Impact of Digitalization on Customer's Perception towards the Banking Services

H01.1: There is no significant impact of digitalization on the customer's perception towards the banking services such as convenience.

H01.2: There is no significant impact of digitalization on the customer's perception towards the banking services such as transparency..

H01.3: There is no significant impact of digitalization on the customer's perception towards the banking services such as time saving.

H01.4: There is no significant impact of digitalization on the customer's perception towards the banking services such as product security.

6. RESEARCH METHODOLOGY

The undertaken study is empirical in nature. The study is conducted on the banking sector customers of the western Uttar Pradesh. The sample size of the study was 400 and the final sample was after removing the outliers were 360. The respondents were selected through a convenient sampling due to unavailability of a proper sampling frame to identify the correct number of population.

7. QUESTIONNAIRE AND DATA COLLECTION

The main source of data collection was primary source, i.e. administering field survey for identifying the required respondents. A set of self-structured questionnaire was used as a research instrument for the measurement of potential responses.

The questionnaire was divided into three parts; the first part is related to the factors influencing the customer's perception towards banking services. Second part is related with the variables related to digitalization and the final part is related to the demographic variables of the respondents.

The instrument used to collect the primary data was delivered to different customers at different branches of the region. Research assistance was responsible for delivering and collecting the instrument. The identity of the respondents was kept confidential for an unbiased approach.

8. DATA ANALYSIS OF STUDY

The given tables illustrate the result of the study in which respondents shown their responses. The exploratory factor analysis or EFA was used for exploring the factor and for sampling adequacy of the data.

Table 1: KMO and BTS		
KMO		.944
BTS	Approx. Chi-Square	6844.561
	df	315
	Sig.	.000

The above table showed the KMO test for sampling adequacy and its value is .944. BTS showed the correlation matrix is identical matrix or not. Chi-square value is 6844.561 with the degree of freedom as 315 and significance value is .000. This showed that the sample taken was appropriate for further analysis.

Table 2:Total Variance Explained						
Component	Initial			Extraction		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	15.262	61.050	61.050	15.262	61.050	61.050
2	.590	2.358	63.408	.590	2.358	63.408
3	.580	2.321	65.729	.580	2.321	65.729
4	.556	2.222	67.951	.556	2.222	67.951
5	.536	2.144	70.095			
6	.509	2.037	72.132			
7	.501	2.004	74.136			
8	.481	1.923	76.059			
9	.466	1.864	77.922			
10	.454	1.818	79.740			
11	.433	1.732	81.473			
12	.410	1.639	83.112			
13	.390	1.562	84.674			

14	.386	1.543	86.217			
15	.377	1.509	87.726			
16	.364	1.455	89.181			
17	.354	1.415	90.596			
18	.334	1.334	91.930			
19	.327	1.309	93.240			
20	.312	1.248	94.488			
21	.297	1.189	95.677			
22	.291	1.164	96.841			
23	.278	1.113	97.953			
24	.265	1.060	99.013			
25	.247	.987	100.000			

Table 3: Rotated Component Matrix[a]				
	Component			
	1	2	3	4
VAR00001			.655	
VAR00002			.620	
VAR00003			.510	
VAR00004	.601			
VAR00005				.608
VAR00006		.579		
VAR00007	.517			
VAR00008				
VAR00009	.567			
VAR00010				.536
VAR00011	.527			
VAR00012	.591			
VAR00013		.566		
VAR00014	.604			
VAR00015		.666		
VAR00016				.562
VAR00017		.547		
VAR00018		.552		
VAR00019				

VAR00020			.534	
VAR00021	.710			
VAR00022			.674	
VAR00023				.653
VAR00024				
VAR00025				.533
Extraction: PCA.				

The table 2 and 3 stated that there are four components or factors extracted with the help of the principal component matrix through varimax rotation. Four factors showed that the model explained around 67.951 percent of the study based on banking services. Factor 1 loads the variables, such as 4,7,9,12,14 and 21; these were related to convenience. Factor 2 loads the variables, such as 6,13,15,17 and 18; these were related to transparency. Factor 3 loads the variables, such as 1, 2, 3, 20 and 22; these were related to time saving. Factor 4 loads the variables, such as 5, 10, 16, 23 and 25; these were associated with product security. Furthermore, variables such as 8, 19 and 24 were excluded as they did not load in these major factors.

Reliability of Factors

Table 4: Reliability Statistics of Factor Convenience	
Cronbach's value	No. of Items
.913	7

Table 5: Reliability Statistics of Factor Transparency	
Cronbach's value	No. of Items
.881	5

Table 6: Reliability Statistics of Factor Time Saving	
Cronbach's value	No. of Items
.876	5

Table 7: Reliability Statistics of Factor Product Security	
Cronbach's value	No. of Items
.910	5

The above tables 4, 5, 6 and 7 showed there liability statistics of factors, i.e. convenience, transparency, time saving and product security and the values were .913, .881, .876 and .910 respectively.

9. ANALYSIS OF HYPOTHESES

H01: There is no Significant Impact of Digitalization on the Customer's Perception of the Banking Services

H01.1: there is no significant impact of digitalization on the customer's perception of the banking services such as convenience

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.647	1	27.647	27.915	.000[b]
	Residual	354.557	358	.990		
	Total	382.204	359			
a. Dependent: CF						
b. Constant: DGT						

The above table showed the ANOVA test that confirmed the complete regression model comes to be a good fit for the data. The table indicated that there is a significant ($p < .05$) relationship between independent variable, i.e. digitalization and dependent variable, i.e. convenience.

H01.2: there is no significant impact of digitalization on the customer's perception of the banking services such as transparency.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.921	1	27.921	26.863	.000[b]
	Residual	372.093	358	1.039		
	Total	400.013	359			
a. Dependent : TF						
b. Constant: DGT						

The ANOVA test that confirmed the complete regression model tend to be a good fit for the data. The table showed that there is a significant ($p < .05$) relationship between independent variable, i.e. digitalization and dependent variable, i.e. transparency.

H01.3: there is no significant impact of digitalization on the customer's perception of the banking services such as time saving.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.624	1	24.624	23.243	.000[b]

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Residual	379.271	358	1.059		
	Total	403.895	359			
a. Dependent Variable: TSF						
b. Predictors: (Constant), DGT						

The ANOVA test that confirmed the complete regression model is a decent fit for the data set. The table showed that there is a significant ($p < .05$) relationship between independent variable, i.e. digitalization and dependent variable, i.e. time saving.

H01.4: there is no significant impact of digitalization on the customer's perception of the banking services such as product security.

ANOVAa						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.627	1	24.627	25.033	.072b
	Residual	338.652	358	.946		
	Total	363.279	359			

The ANOVA test that confirmed the general regression model suits to be a good fit for the data. The table showed that there is no significant ($p > .05$) relationship between independent variable, i.e. digitalization and dependent variable, i.e. product security.

10. FINDINGS

The study found that the null hypothesis is partially accepted and partially rejected, i.e. there is no significant impact of digitalization on the customer's perception towards the banking services is partially rejected. It means that there is a significant relationship of digitalization on the customer's perception of the banking services, such as convenience, transparency and time saving ($p < .05$) is rejected. While, there is no significant impact of digitalization on the customer's perception towards the security. It means that there is no significant relationship of digitalization on the customer's perception towards the banking services, such as security ($p > .05$).Thus, digitalization brings more convenience, transparency and time saving. Moreover, it can be said that with the increase in digitalization, customers are concerned about the security of their banking products and services.

11. CONCLUSION

Computerized banking is acquiring prevailed in the advanced time, and the clients' mindfulness with respect to the financial administrations. Banking services discover the administrations through digitalization are not difficult to access and saves their time, advanced financial administrations could be improved through leading programs and teaching the needy individuals with respect to the administrations, and clarifying them about the advantages of administration. Subsequently, the clients can safeguard their time on the labor-intensive cycles of visiting bank branches and this enormously affects their efficiency. The quantity of client base has likewise expanded as a result of the accommodation in 'Anywhere Banking'. However, these

things can happen just through training and the alleged more youthful and group of people yet to come who are in fact have strong in their positive perceptions.

12. LIMITATIONS OF THE STUDY

The study was based on the 360 respondents those were taken through convenience sampling from the western Uttar Pradesh. The two major variables considered for the study were digitalization and perception of the customer towards banking services. Therefore, there is scope for the future study focusing on the other variables regarding banking services and customer perception.

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