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Preferred Mode of Retail Banking Transactions – Offline, Online or Mobile

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Abstract:

With the demonetization drive that took place in November 2016 at India, several situations changed for the Indian market. Cash was no longer king and as people waited outside ATMs to withdraw cash, a different but pioneering surge of adoption to digital payment solutions took place. People from all social and financial backgrounds attempted to tide over the cash shortage and debit cards, e-wallets and other digital platforms became the need of the hour for financial transactions. While banks fully supported customers that were in need of cash, there was also a surge in people using online and digital payments. One this was certain, the cashless transaction drive was here to stay. What remained to be explored, however, was whether despite the surge, would customers prefer using those for financial transactions or would they still prefer the offline mode? An exploratory study is conducted and findings are indicated. Scope for further empirical research is revealed with Hypothesis generated based on the insights from the present study.

Keywords: Demonetization, retail banking, online banking, Internet, India

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Introduction:

With the demonetization drive that took place in November 2016, several situations changed for the Indian market. Cash was no longer king and as people waited outside several ATMs to withdraw cash, a different but pioneering surge of adaptation to digital payment solutions was taking place. As people from all social and financial background attempted to tide over the cash shortage, debit cards, e-wallets and other digital platforms became the need of the hour for financial transactions. At the centre of it all, were the banks and the mindset change that became necessary for bank employees to be able to pass on the same to customers. While banks fully supported customers that were in need of cash, there was also a surge in people using online and digital payments. One thing was certain, the cashless transaction drive was here to stay.

Literature Review:

Customer satisfaction is the most important factor for any service organisation in today's competitive times. Customer satisfaction is determined by factors such as service quality dimensions viz. getting it right the first time, service features such as competitive interest rates and service recovery. (Levesque & McDougall 2011). A good recovery mechanism and a successful recovery effort reduce the chances of a customer switching to another service provider. A study in the UK explored key factors of the electronic service quality (e-SQ) perceptions of UK banking customers and evaluated the customers' perceptions of their banks' actual performance on the identified e-SQ dimensions. The e-SQ dimensions identified were provision of convenient/accurate electronic banking operations; the accessibility and reliability of service provision; good queue management; service personalisation; the provision of friendly and responsive customer service; and the provision of targeted customer service. (Abraham, Joseph & Ibeh 2006). A much earlier study by Milind Sathye in 1999, quantified the factors affecting the adoption of Internet banking by Australian consumers. The findings indicated that security concerns and lack of awareness about Internet banking and its benefits were the obstacles to the adoption of Internet banking in Australia. The scenario today, however, is much different. Today, the

delivery of financial services over the Internet has become an integral component of a bank's marketing, customer service and distribution strategy. A study conducted in Finland by Matilla, Karjaluoto and Pentto (2003), analyzed the Internet banking behaviour of mature customers. Internet banking was found to be the third most preferred mode of payment amongst the group well-educated mature males were more comfortable with adoption of the Internet as a banking channel. Factors such as security concerns and difficulty of use were hindrances to the acceptance of the Internet as a banking channel. Littler and Melanthiou(2006) in their research, conducted a qualitative study of a small sample of consumers and also a survey of both adopters and non-adopters of Internet Banking based on pre-identified risks and uncertainties for this form of banking. While many risks and uncertainties were recognised, whether or not they were a true reflection of influence on consumer behaviour towards new retail services is not certain. A paper by Kesharwani and Bisht (2012) revealed that perceived risk has a negative impact on behavioral intention of internet banking adoption and trust has a negative impact on perceived risk. The authors have examined a new construct of perceived risk in addition to the traditional construct of TAM. The impact of web design and trust on Internet banking adoption is considered and shows that it is significant at India.

Mobile Banking (M – Banking) is fast penetrating in the developing world to the extent that it is being targeted at the “un-banked” population as well to make formal financial services available to them. Medhi, Ratan and Toyama (2009), researched on variations across countries in adoption and usage of existing m-banking services by low-literate, low-income individuals and possible factors responsible for the same were examined. Parameters that had an effect on the variations were household type, services adopted, pace of uptake, frequency of usage, and ease of use. A study by Dasgupta, Paul and Fuloria (2008) investigated the antecedents to behavioural intention of using mobile services for banking transactions by Indian customers. The results showed that apart from traditional TAM variables like Perceived Usefulness and Perceived Ease of Use, factors like Perceived Image, Perceived Value, Self Efficacy, Perceived Credibility and Tradition all had a significant affect on Behavioral Intentions towards use of mobile banking. A study by Herná'ndez, Jime'nez and Marti'nanalyse analysed inputs from experienced e-shoppers on whether individuals' socioeconomic characteristics such as age, gender and income influenced their online shopping behaviour. The findings indicated that socioeconomic variables do not condition the behaviour of the experienced e-shopper.

Research Methodology

Objective: The study being Exploratory in nature intended to find out the preference of people from various age groups on the use of offline, online or mobile banking for various financial transactions.

Sample

Participants (N=25 of which 14 were males and 11 were females) were interviewed by the researchers. The respondents comprised of a mix of people from different age groups, gender and income.

Semi structured questionnaire was used as a tool and the responses were noted by the interviewers while conducting the interviews. The questionnaire consisted of both closed-ended and open-ended questions as is done in unstructured interviews. Responses to the closed ended questions were analysed based on number of choices for a certain option and the open-ended questions were interpreted by preparing a code-sheet for the responses.

Findings

The findings reveal that while people are using online and mobile banking transactions, individuals still hold back from adapting these dynamic platforms due to issues such as security and lack of awareness. For the younger generation, online and mobile transactions appear to be the most preferred modes due to their facilitation in terms of convenience; ease of use, cash-back offers and rewards, anytime and anywhere banking. However, lack of awareness regarding usage and benefits of the newer platforms and security threats are the most potent reasons for the elderly and mature participant preferring offline banking transactions. The younger generation is more open to the use of online/mobile banking transactions vis-à-vis the elderly who still prefer traditional/offline banking as the most preferred mode of banking. As indicated by one senior citizen aged 68 years “We still prefer going to the bank as it is safe and there is real proof in my hand” where as a young gentleman of 27 years said “I wish I could explain to my parents how easy it is with mobile banking, and they would begin using it too.” Another contrary response from a participant was “I am using it frequently (mobile and online banking) on and off but there are times when I still go to ATM and sometimes to banks. I am fine with this.” Where as a lady 36 years of age said “I am already on it, and will keep increasing my use of it”.

Directions for future research

The insights and exploratory findings from this study were important contributors to the researcher's understanding of technology adoption and the literature available thereto. Qualitative interviews and their findings helped enhance the understanding of how different people from different demographic characteristics are less or more comfortable with the use of newer technologies for financial service transactions.

The authors intend to extend this study to find out the moderating role of age, gender and income in the consumer's choice of mobile/online/offline transactions at India. A quantitative and evidence based research will be conducted for this and the proposed hypothesis for the same are as follows:

H 1: Age plays a moderating role in influencing the preferred mode of banking transactions of consumers

H 2: Gender plays a moderating role in influencing the preferred mode of banking transactions of consumers

H 3: Income plays a moderating role in influencing the preferred mode of banking transactions of consumers.

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