

IMPACT OF DIGITAL BANKING ON RETAIL BANKING PRODUCTS WITH REFERENCE TO PUBLIC SECTOR BANKS IN INDIA

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ABSTRACT

With the advent of new goods, operations, and marketing strategies, digitalisation is fundamentally changing the financial sector. Since it will require some time for this transition to be fully realised, banks must move quickly and adopt the latest technology in order to have a viable model of operation. Almost each economic potential is evolving as individuals use modern technology to a greater extent. The digital advances are dynamically changing acquisition and interaction, screening as well as financial assessment, invoicing and compensation. The fresh wave is fuelled by development, and among the greatest obstacles that happens in the future is the financial sector's technological evolution. This presents a significant chance for these sectors to reinvent itself. A key factor in every company system, conventional or virtual, is client satisfaction. Consumers' pleasure is essential for developing lengthy network connections, thus businesses in uncertain economic environments need to learn how to meet the needs of users in order to safeguard market share and expansion. The truth that assessment methods has grown commonplace in several banking institutions during the past six years is proof of this. Therefore, it is crucial for company to have a foundational grasp of the variables affecting consumer happiness. The difficulties in the financial institution is having a raising customer engagement while promoting its virtual financing options are the main topic of this article.

Keywords: Marketing Strategies, Digitalisation, Financial Sector, Technology, Evolution & Financial Assessment

INTRODUCTION

From conventional banking systems to the modern electronic banking era of the internet, the path of Indian banking transfer as well as settling processes has experienced dramatic development. Also with emergence of new innovation offerings and services by bankers, users' needs for bank services continue to evolve. Public sector banks took a while to adapt to the shifting needs and demands of its customers for financial services.

Latest generation privately held banks with a traditional banking system were introduced in 1995, changing the banking sector's sales and promotion tactics. To deliver more practical, fast, secure, as well as secure services, they pioneered the idea of banks coming to the client. The initial step in contacting clients at their homes and places of employment to fully learn about their requirements was door-to-door financing. Then, in response to those necessities, online banking merchandise such as Digital banking, m - banking, RTGS, IMPS, UPI, credit card, debit card, ATM, etc. were introduced.

As the nation's central bank, the Indian Government's Reserve Bank has only ever placed a priority on banking and financial services that don't require checks or currency. The conceptual transition toward innovation banking systems that bank clients and bankers underwent was significantly influenced by RBI. In addition, RBI made sure that the firm maintained accessible, legal, and professional procedures to provide wonderful and practical services to its clients.

OBJECTIVE OF THE RESEARCH

This study article's primary goal is to:

1. To research the different difficulties that banks and other financial organizations have while promoting their goods online.
2. Understanding client's gratification levels and the specific charities of the rise in financial unhappy clients is the major priority.

LITERATURE REVIEW:

M.S. Balaji, et. al., in the research "Measuring effectiveness of customer relationship management in Indian retail banks", International Journal of Bank Marketing, Vol. 30 Iss: 4, pp.246 – 266" determined that the study develops a cross evaluation to assess the efficiency of client affiliation administration in our banking industry. Consider the connection between the sample's development and validation and the primary consumer dependent variables. Users

of our retail banks were asked to reply to questionnaires in this research in order to discover important client affiliation administration features. 259 active account holders who frequently do operations were used as a sample size to test the reliability coefficient of the client affiliation administration scale. The gathered information was evaluated to understand the link amongst client affiliation administration characteristics and users' behavioural consequences, including cross-selling, retention, and customer loyalty. The determination of the aspect will assist branch managers in putting in place an efficient client affiliation administration that increases consumer loyalty while providing banks the chance to pass their clients on important additional and irrelevant items.

R.D. Sharma et al., in the study "Exploring customer switching intentions through relationship marketing paradigm", "International Journal of Bank Marketing, Vol. 30 Iss: 4, pp.280 – 302" revealed that the research examines the magnitude of consumer shifting and the numerous factors that influence clients' inclinations to change. There are several reasons or circumstances that influence a client's intention to switch banks or not. The greatest aspect that affects a client's choice to switch accounts is contentment, that has evolved as among the most crucial considerations when selecting a new financial institution in the hope that his demands would be met.

Shailendra Singh Bisht et. al., in the study "The impact of trust and perceived risk on internet banking adoption in India: An extension of technology acceptance model", International Journal of Bank Marketing, Vol. 30 Iss: 4, pp.303–322" The researchers have taken into account a number of factors that limit the usage of online banking within "potential benefit," and they also take into account the importance of the payment page as a significant instrument for determining potential risk. The bank's website should really be open and honest about the characteristics of its offerings, entry requirements, bond yields, and fee structure.

"Live Mint – 28th October, 2016 – The Cost of Mis-Selling Financial Products" explored that the findings unambiguously show that banking are motivated by their inner perverse incentives and aren't especially worried with the demands of their clients. The study and analysis note that financial sector banks' promotional activities are centred on increased incentives or commissions, particularly when it comes to 3rd party services. Even though Private Sector Banks' flexible remuneration is correlated to their yearly review and advancement. At contrast, advancements in Public Banks are partially based on the mobilisation of CASA AND Bank Deposits deposits. 98% of bank executives refuse to record accurate profits for financial products, according to the survey. Unaligned opportunity behaviours were a major contributor to the global financial meltdown of 2008. Inappropriate variable annuity promotion may have a negative effect on a person's faith in the banking system, result in lost opportunities or genuine liabilities, and damage the institution's image.

As per "The Economic Times dated 29th August, 2016" explored that RBI should watch out for banks mis-selling health coverage goods - For the year, the Indian Reserve Bank intends to increase its attention on preventing the improper of financial products. "We will therefore assess the performance of bankers and determine whether additional restrictions are required to ensure consumer safety." The most recent financial report for FY'16 included a foreword by RBI governor RaghuramRajan. "For the year, we will definitely pay attention to the problem of improper, notably of healthcare policies. In order to better enlighten the general population about how to avail benefit of financial possibilities and safeguard themselves, we would also concentrate on improving our contact among consumers."

According to Monika Halan, et. al., "Milsead and Misold" determined that monetary misconduct at retail banks: The auditing technique was adopted, and reviewers requested revenue device flyers and other records from banks that were utilised when clients were informed about the programme. Strong sales motivations in private banking firms lead to recommendations for the higher cap offering. When it comes to initiatives to mobilise deposits, public sector banks advise their clients to make term deposits. Banks seldom ever voluntarily disclose the details of their products. It was noted that the consumers' documentation is lacking and does not fully disclose all of the characteristics of the plan. Our findings highlight the difficulties in requiring declarations when consumers are unaware of the importance of a product and its benefits and dealers are either unaware or in the effect of rewards.

In a study by Vikas Gautam (2012) investigates the effect of virtual-banking on the revenue, effectiveness, and level of customer service provided by 15 Indian banks. Electronic-banking has been proven to significantly increase revenue while reducing expenses. Pooja Malhotra and Balwinder Singh's study from 2007 aims to examine the variables influencing 87 banks in India's introduction of electronic banking from 1999 to 2006. The results showed that generation and customer base had a significant detrimental effect on the chance of online banking uptake, but volume, investment, and expenditure proportion all impacted this probability. Private banks have discovered that using online banking features to grow existing network of branches has been less successful overall.

The adoption of internet banking has increased banks performance while cutting down on operating costs. Due to various digital communication, lesser workers are needed to provide operations; the reliability of activities and administration has also increased as systems have replaced people, decreasing potential mistakes; operations, methods, and facilities are now quick and dependable, helps to save time, energy, and cash. (Sumra (2011).

According to experimental observations, Kanika (2017)'s analysed about the influence of internet banking elements on capital structure found that it is significant in public banks but little in private and foreign banks. The results also showed that the efficiency of banks was not significantly impacted by internet banking. Meihami et al. (2013) claimed that by using a variety of IT resources, we may decrease the volume of monetary operations. This finding is supported by studies on the use of IT in banking. By using online banking rather than the conventional banking system, we might just save cost. IT use in banking lowers threat, boosts reliability, and makes life easier. According to Siddik et al. (2016), internet banking has a positive impact on bank efficiency in Bangladesh as measured by ROE.

Bankers Fundamental Change Circumstance: Views from the Customers, Bankers, and Regulators[3]

Client's Interpretation:

All consumers are appreciative of the interpret in the consumer banking services provided by banks and credit unions to their clients. Clients now have a variety of distribution channels options for conducting individual banking activities, including ATMs, contactless payments, bank cards, online banking, m - banking, and numerous electronic payment mechanisms including NEFT, RTGS, and IMPS. When choosing to use digital payments, clients often choose simplicity, money and time benefits, safety, highly customized services, priority banking, bank transfer, and quickness. Cybersecurity scams and lenders' misrepresenting the truth while selling CASA and 3rd party products are two significant obstacles to the expansion of online payments. According to a 2013 Capgemini Survey Conducted on Conventional Banks, global utilisation of m-banking will surpass 63% in 2016 while that of online payments will surpass 93%. [4]

Investment banker's Interpretation:

Banks are actively exploring latest technological channels including mobile distant recording and advertising of electronic banking services in response to altering client requirements. LinkedIn, Insta, Facebook pages, and Youtube have all emerged as popular platforms for promoting bank products to clients. Banks are currently modernising its physical branch network branches to focus mostly on advertising, revenue, and banking and finance consulting while centralising necessary activities. The banks have implemented a number of technological innovations in the transaction system in the hopes of delivering effective services to its clients and fulfilment.

Supervisory body's Interpretation:

The Indian Reserve Bank made the decision to form a taskforce under the Monitoring Costs and Growth Commission Standing Advisory board in April 2016 to examine the specific applications and ramifications of financial technology. This organization's primary goal is to assess the legislative regime, refocus it, and adapt to the realities of the quickly changing Fin Tech electronic banking environment.

RESEARCH METHODOLOGY / DESIGN:

In accordance with demographic factors including Category, Age (years), Academic Accomplishment, Career, a sample size of 100 Delhi NCR residents with bank accounts holders was arbitrarily picked. [5]. The statistical method of the dependent profile is shown in TABLE 'A'.

Table 'A' - Rate of Recurrence Exploration of Statistical Characteristics of Human Populations Parameters

Location State/UT-Delhi			
Ser No	Parameters	Classification	Rate of Recurrence
1.	Category	Male	73
		Female	27
		Total	100
2.	Age (years)	18-25	28
		26-35	27
		36-45	13
		45-60	23
		60 & above	9
		Total	100

3.	Academic Accomplishment	Senior Secondary	8
		Graduate	56
		Post Graduate	23
		PhD	7
		Others	6
		Total	100
4.	Career	Business	28
		Employee	37
		Professional	8
		Student	21
		Others	6
		Total	100

(Source: Primary data was collected from Delhi NCR region with 200 Customers having bank accounts during 2015-16 financial year.)

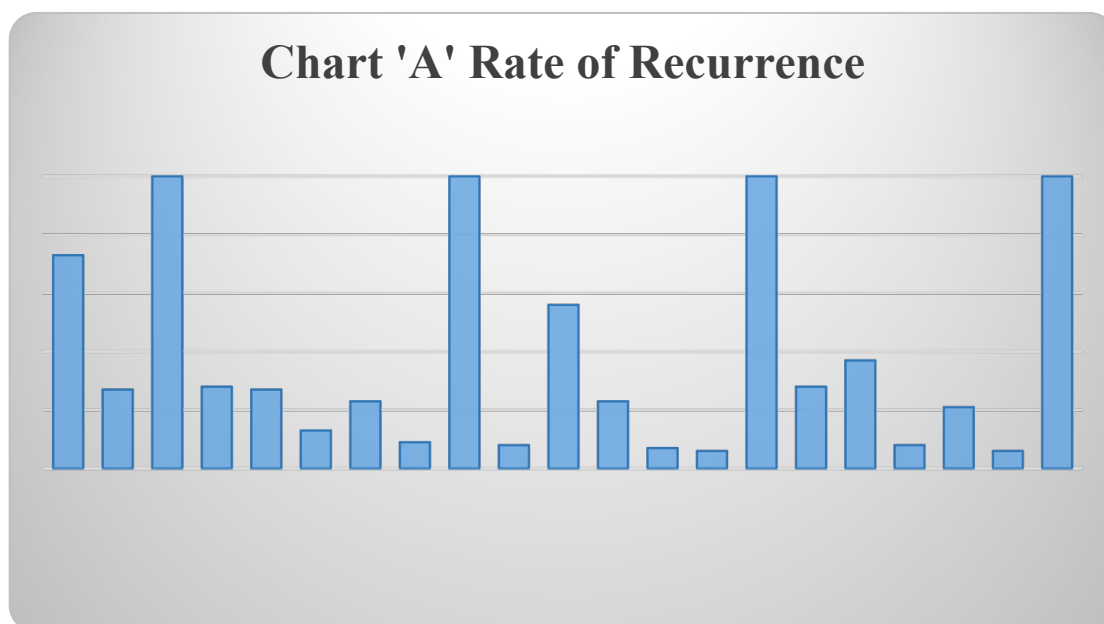


Table 'B' demonstrates that the 05 banks chosen for the research from the 3 types of banks represent the fact that financial companies have varying levels of technological sophistication. Since 2012–2013, latest generation private sector banks have had more advanced online banking systems, but PSB and older private sector banks are currently trying to keep up.

Table 'B' : Survey Questionnaire

Ser No	Public Sector Banks
1.	State Bank of India
2.	Punjab National Bank
3.	Oriental Bank of Commerce
4.	Bank of Baroda
5.	Canara Bank
Source: Principal Data	

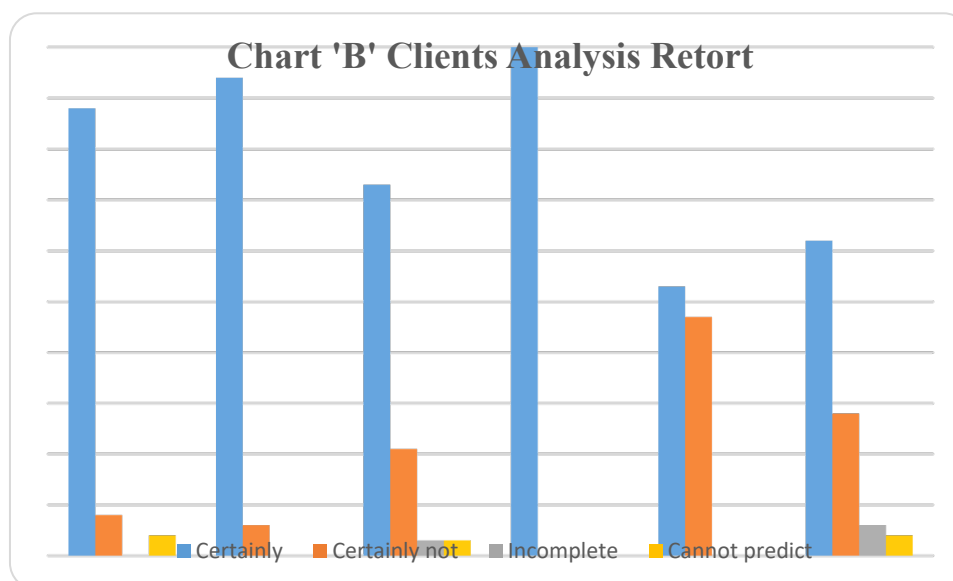
Table “C”: The following list of characteristics served as the basis for designing the survey questions: Table ‘C’ Numerous Criterion – Assessment Feedback form

Ser No	Clients Perspective	Bankers Perspective
1.	Faith	the distribution of current digital goods
2.	Consistency	Bank marketing communications procedure
3.	Approachability	variables influencing consumer adoption of electronic financial services
4.	Exactness	Reception proportion level of electronic banking products
5.	Receptiveness	Favored method of internet banking by clients
6.	Rapid Determination of enquiry	Level of clients fulfilment
7.	Internet site Strategy	Utilization of digital banking products
8.	Consciousness of Bank Merchandises	Falsification of a merchandise or facility's appropriateness undesirable observation
9.	Affiliation Executive Backing	Reasonable regulations against exaggerating the acceptability of an item or service
10.	Continual Provisions	Promotional and operational reporting requirements

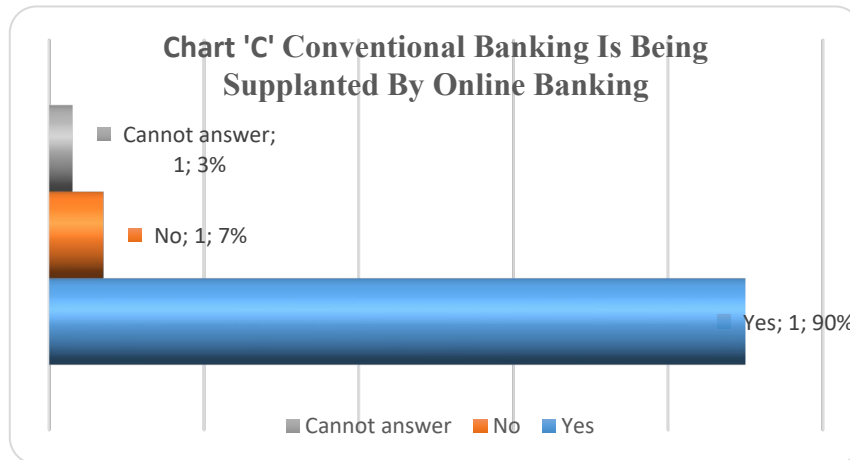
Data Analysis and interpretation:

Table ‘D’ Clients Analysis Retort

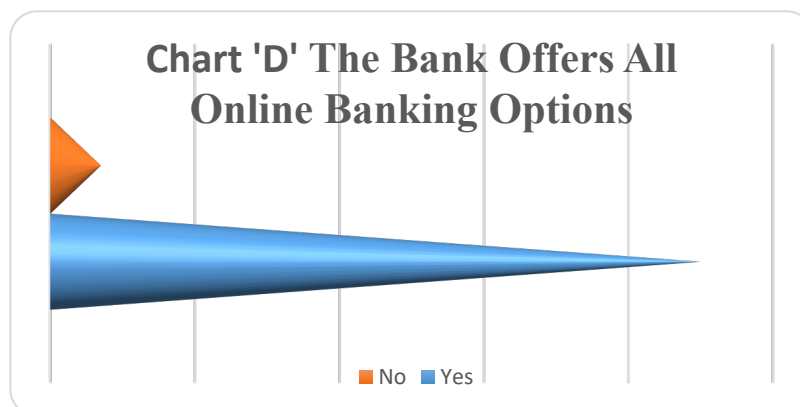
Clients Analysis Retort		Certainly	Certainly not	Incomplete	Cannot predict
1.	Conventional banking is being supplanted by online banking	90	7	0	3
2.	The bank offers all online banking options	95	5	-	-
3.	Users get upset whenever a bank representative calls.	72	19	5	4
4.	Does missed sales have a detrimental impact on how users view the adoption of and use of online banking products?	100	-	-	-
5.	Did you set up a never call list for their contact phone?	52	48	-	-
6.	Banking promotions and regulation are at odds with one another	62	28	6	4



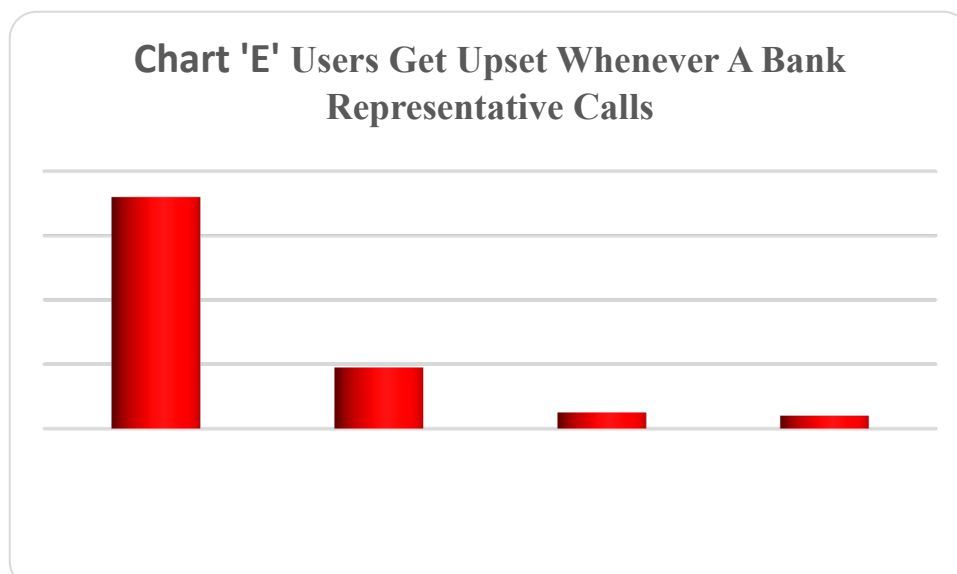
According to Chart C, 90% of respondents concur that conventional methods involving branches visiting and decentralised operation financial systems are being replaced by electronic financial services including ATM, credit/debit cards, online banking, m - banking, and electronic fund transfer. While 7% of users, mostly older individuals, claimed they favored utilizing ATM debit cards instead of internet transactions, 3% of consumers reported being unable to provide comments.



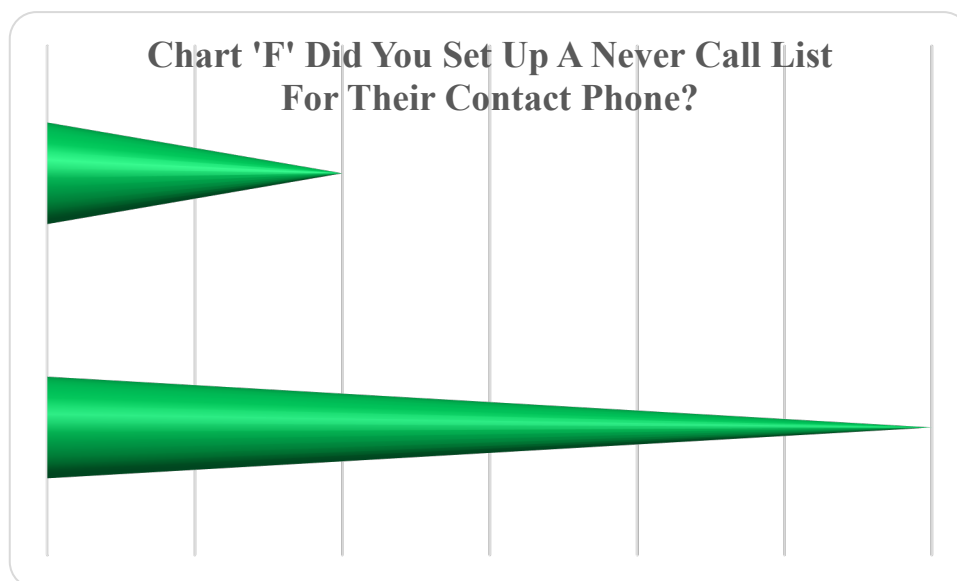
95 percent of banks in Chart "D" that offer electronic banking services and 5 percent of banks that have RTGS and ATM sharing agreements with several other banks.



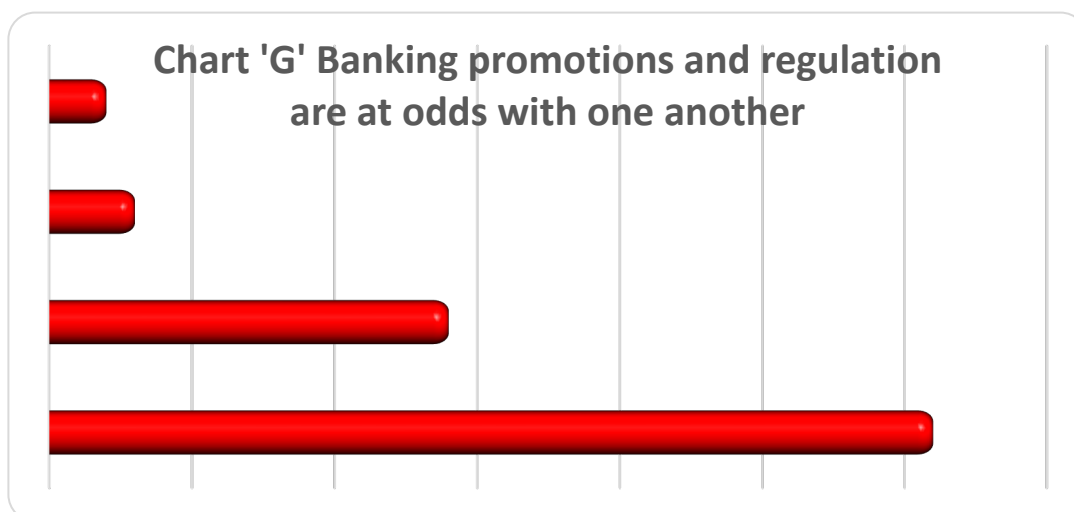
Whenever a bank professional phones consumers to promote items at inopportune moments, 72% of client's report feeling upset, while 19% said they don't care and occasionally acquire valuable knowledge. 5% of clients reported this because when they receive a phone call, the telemarketer usually asks if this is a suitable opportunity to speak or if they should call again afterwards. 4% of customers said they couldn't say.



According to Chart "F," 52% of clients has enrolled for don't disturb, while 48% really haven't.



According to Chart "G," 65% of respondents who responded to the survey believe that meeting requirements for monitoring acquiescence and promotional techniques for the bank's products are incompatible. As an outcome, the consultant at the bank is mis-selling more products



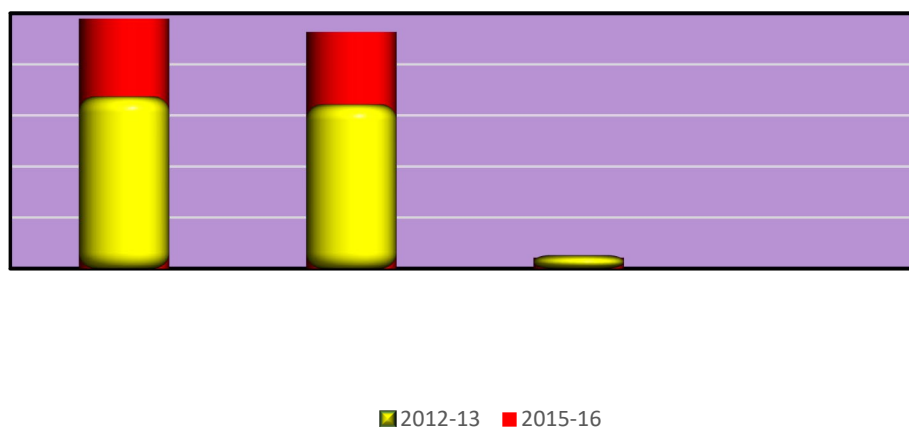
Development&AccumulativeTendencies of Retail AutomatedTransactions

Since 2012–2013, there have been rising tendencies in retailer digital payment size and value. Statistical assessment was investigated for the heightened client adoption and utilization of digital commerce.

Table 'E' : RTGS Accumulative Capacity from 2012-13 to 2015-16

Real Time Gross Settlement Capacity (in Millions)	2012-13	2015-16
Real Time Gross Settlement	67.46	97.93
Client Dealings	64.39	92.72
Cross bank Transactions	5.27	4.29
Cross bank Payment	.0087	.015

Chart 'H' RTGS Increasing Capacity from 2012-13 to 2015-16



The worth of NEFT transactions has climbed by Rs. 29034.72 in 2012–2013 to Rs. 83284.92 billion, a 219% growth in size from Rs. 392.49 million to Rs. 1259.73 million.

Table 'F' : NEFT Transfers

Year	NEFT Capacity	Millions
2012-13		392.49
2015-16		1259.73

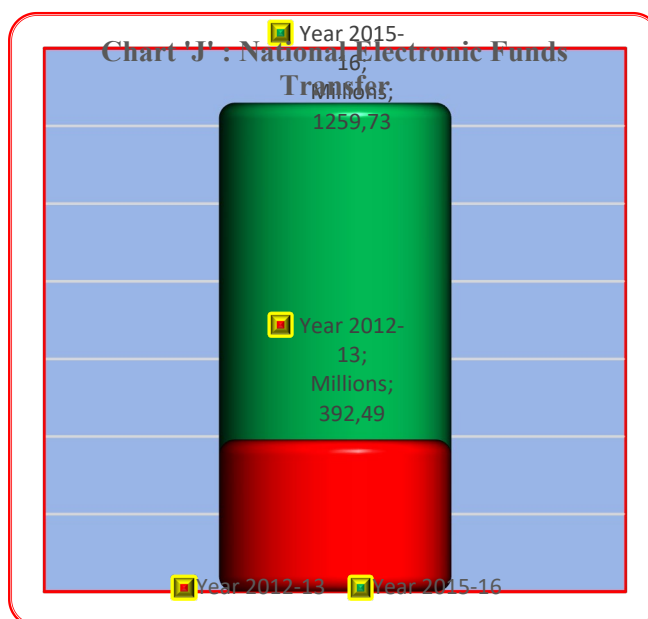
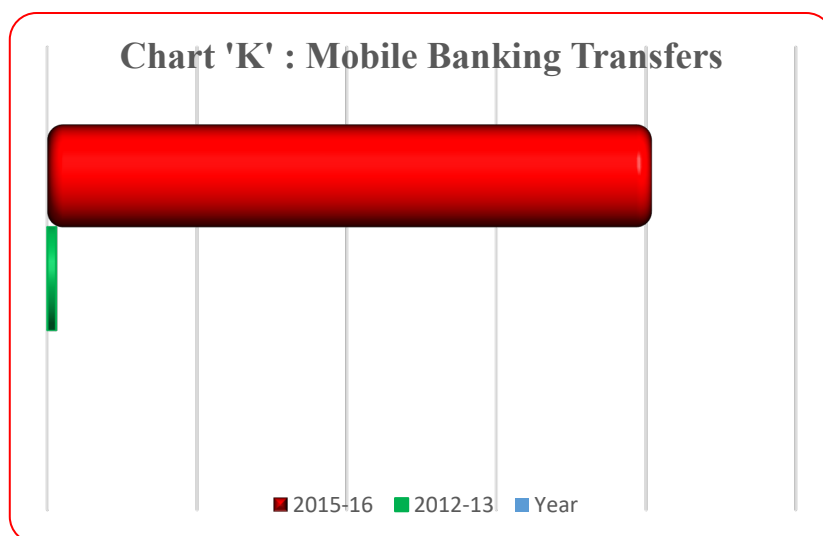


Chart "K" shows a staggering growth in m- banking worth from Rs. 58.92 million to Rs. 4038.74 million between 2015 and 2016, or a 68.54% growth.

Table 'G': Mobile Banking Transfers

M- Banking Capacity	Million
Year	
2012-13	58.92
2015-16	4038.74



While the amount of pixels of sale increased by 63% from 854294 to 1385672, the quantity of ATMs increased by 87% during the span of four years, from 114018 to 212067.

Table 'H': Number of ATMs in Million

Number of ATMs	Year	Million
2012-13		114018
2015-16		212067

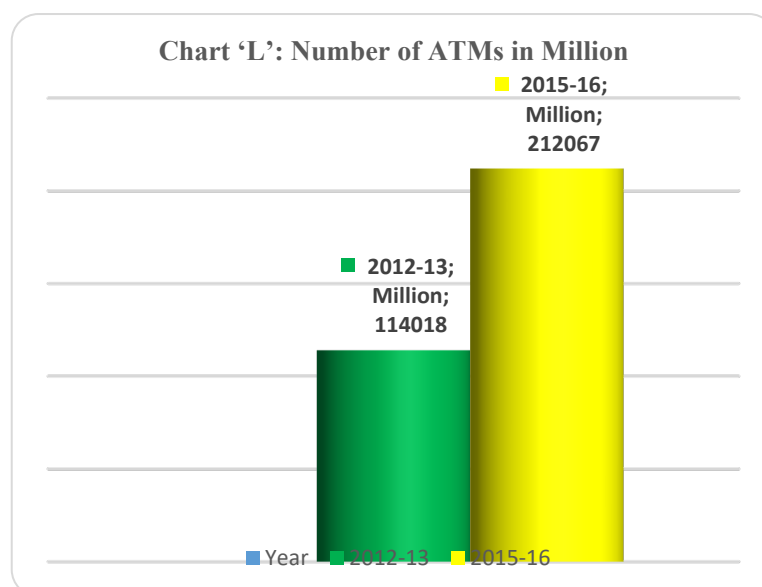
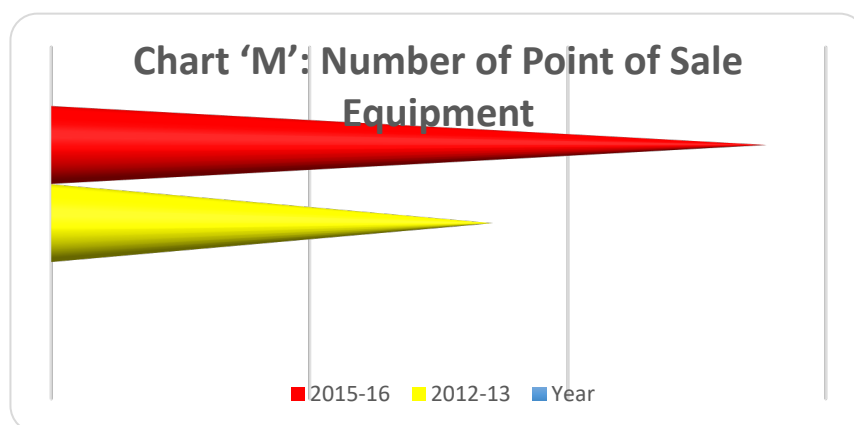


Table 'J': Number of Point of Sale Equipment in Million

Number of Point of Sale Equipment	Year	Million
2012-13		854294
2015-16		1385672



While credit card transactions have increased slowly, debit card transactions have practically doubled.

Table 'K': Number of Credit Card Transactions

Number of Credit Card Transactions	Million
Year	
2012-13	20.28
2015-16	25.94

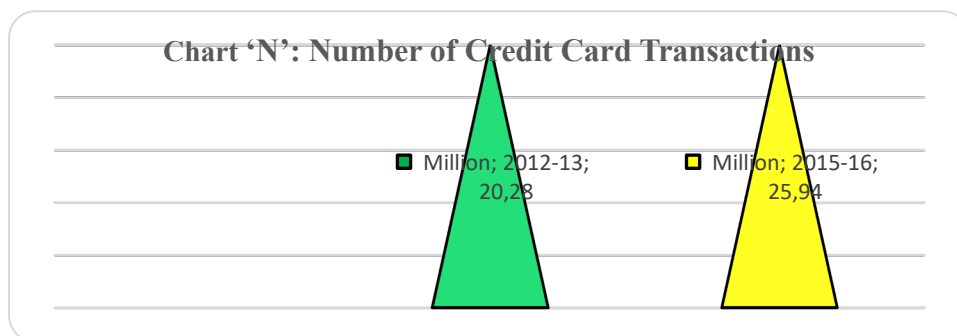
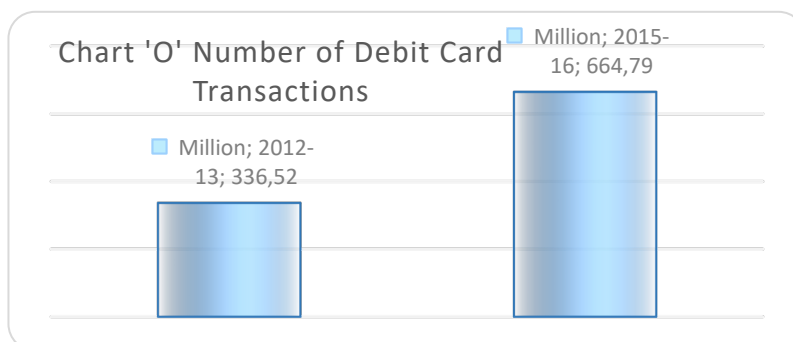


Table 'L': Number of Debit Card Transactions

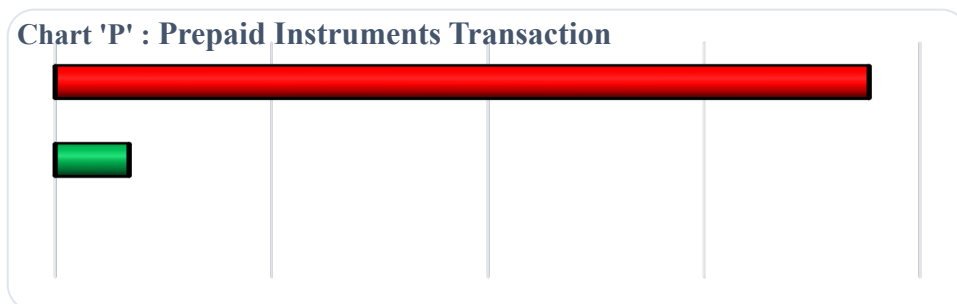
Number of Debit Card Transactions	Million
Year	
2012-13	336.52
2015-16	664.79



Designated payment operations in banks and permitted non-bank companies have increased significantly across both value and quantity.

Table 'M': Number of Prepaid Instruments Transaction

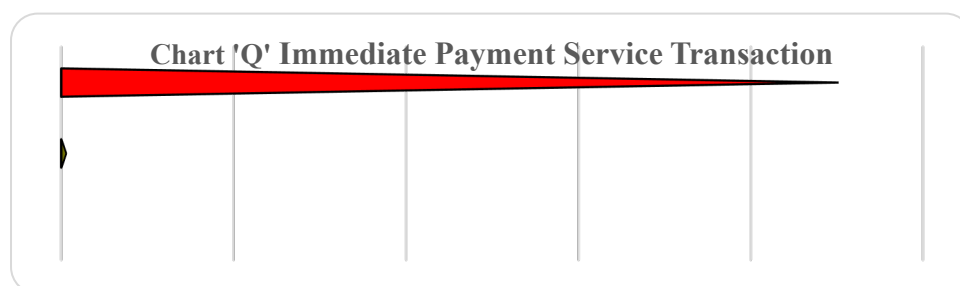
Number of Prepaid Instruments Transaction	Million
Year	
2012-13	68.29
2015-16	752.94



Immediate Payment Service: With the expansion of the Immediate Payment Service as an intern system offering consumers a variety of alternatives to initiate operations, the number and value of IMPS exchanges have also increased dramatically. [6]

Table 'N': Number of Immediate Payment Service Transaction

Number of Prepaid Instruments Transaction	Million
Year	
2012-13	1.36
2015-16	225.51



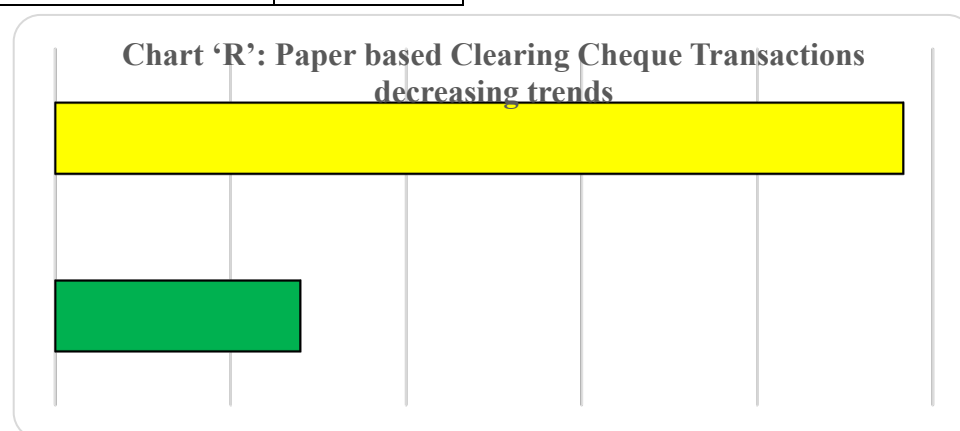
As Electronic Fund transfer Checking has superseded MICR Clearing, the study shown demonstrates diminishing patterns in Cheque transactions from 2013 and 2016 in terms of value and price.

Table 'O': Magnetic Ink Character Recognition Clearing

Number of Magnetic Ink Character Recognition Clearing	Million
Year	
2012-13	826.59
2015-16	No transactions available, since MICR clearing has been replaced by CTS

Table 'P': Paper based Clearing Cheque Transactions declining tendencies

Number of Paper based Clearing Cheque Transactions	Million
Year	
2012-13	279.38
2015-16	966.45



These essential criteria at this beginning to change that Indian bank clients underwent through conventional to electronic payment options is well shown by the current developments in electronic payments. By 2020, the MAPE Expert Panel, a financial institution, anticipates a 15000 Crore sector for internet payment services in the nation.

Findings: The following are the key conclusions of the study and bank interviews.

Significant obstacles that banks must overcome:

(i) Considering the expansion in the number of platforms, marketing expenses are expensive and profits are insufficient. Ignoring the fact that all bank records indicate prosperity, banks' proportion returns on investments have been trending downward. Banks must concentrate mostly on commercial properties and have accessibility to low cost capital. Banks are under compulsion to eliminate competitors.

(ii) **Expanding respondents' perception and knowledge.** The customer engagement and demands are evolving quickly because to modern electronic banking products including RTGS, NEFT, Net Banking, UPI, and m - banking. Banks take a long time to adopt new technologies due to the expense and are therefore unable to satisfy client demands quickly. Clients can alter their choices by using significance products, rewards programs, and redemption bonuses while using cards as well as other facilities.

(iii) **Ongoing deregulatory efforts and escalating rivalry among banking tech firms.** When more clients switch to online banking, the RBI recently published recommendations for the formation of an advisory committee to analyse the operation of Financial institutions. Several Fintech businesses are emerging IT online payment providers that provide banks technology. Therefore, it is important to maintain the integrity of clearing and settlement security and confidentiality.

(iv) **Controlling force.** On the other side, the RBI has established recommendations calling for stern measures to be taken towards banks and for penalties to be imposed for products mis-selling. In order to adhere to regulations and maintain safe data systems, banks must also pay significant sums.

(v) **Altered Fresh Guidelines of Market.** A global banking system has replaced the old banking system as a result of technological advancements. Customers of the global banking system receive all items and services under one roof. To suit client needs and keep competitive in the market, all national and private sector banks have switched to the global banking system.

(vi) **Capability gap.** Employing well-trained employees with solid domain expertise and advertising abilities is the biggest obstacle. At the moment of hiring new employees, two key considerations are interaction and character building. Sectionally items has the dual goals of getting referrals for new purchases while also selling and marketing innovative brands to their current customers. Cross-selling is crucial for growing the amount of clients and items offered, as well as for direct investing.

Level of Clients Fulfilment: According to client polling data, 65% of respondents are happy with the online banking services offered by their banks. According to the report, there are a number main aspects for improving company prospects, including demand loyal customers, brand recognition, and discovering different options while adhering to restrictions imposed. Dependable information security and lowering the associated risks with secure and anonymous electronic financial transactions have subsequently received increased attention.

Other elements that influence client purchasing decisions include confidence, dependability, availability, correctness, sensitivity, and speedy settlement of client queries when they encounter early online banking challenges. In the global banking system used for the promotion of financial sector, there is a favourable correlation between rising financial digitization and digital banking and rising customer experience. Additionally, it was discovered that banks are engaging in unscrupulous business methods while marketing bank services as a result of the intense obligation to meet expenditures and objectives. Authorities including the RBI, IRDA, and SEBI have issued warnings that banks which use aggressive advertising strategies without providing the full specifics of the product may face severe penalties.

CONCLUSION

According to the study described above, online banking had a crucial role in the evolution of the traditional financial system into the current universal banking system. Banks have been encouraged to begin their product offerings using the modern set of rules by key developments in the use of e-payment systems, with a particular emphasis on digital money, online banking, and money transfer. The banks are starting to catch up to satisfy the client's needs, and the degree of service quality has climbed to 66%. Mis-selling of financial services was the major cause of the rise in consumer complaints, and the tension among company goals and legal requirements is to blame for this. This study demonstrates the necessity to segregate the roles of marketing and administrative adherence, and the requirement for specially educated bank employees to comprehend client needs and provide the best options in order to assure effective product placement.

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