

Impact of Digitilization through Mobile Banking

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ABSTRACT OF THE PAPER

The modern world in which we are living is dominated by the concept called “Digitalization”. The government of India recently announced Digital India Programme with a vision to transform India into a digitally empowered society and knowledge economy. The concept of digitalization has been playing major role in all sectors of the economy and banking sector is not exception to it. Digitalization has become decisive for Indian Banking sector, which plays major role in furthering financial inclusion and which is mainly concerned with providing better services to customers along with an opportunity to gain more in near future. But the Mobile banking technology which is the third era of technology of banking sector after phone and net banking and comparatively its growth is phenomenal when compared to the first two eras. Even in India the Mobile Banking is growing fast because of the world’s second largest subscriber base in mobile sector after China. The Main objective of this paper is to explore the factors that affect the mobile banking services in India with reference to Jalgaon city.

Keywords: Digitalization, Digital Payments, Net Banking, Mobile Banking, Phone Banking.

INTRODUCTION

The Demonetization process in India has great impact on cashless transaction. It encourages usages of credit card, debit cards, online payment and mobile wallets for financial transaction among public. The demonetization has influenced the digital payment platforms in India. The Digital transaction e-wallets have significant impact on increasing usage of cashless transaction. The Usage of the mobile wallet and its application is trend among young population ranging the age group of 18-25 years. The mobile wallet provides services through companies and individuals can pay and receive payments via mobile applications. India has the largest market in the global arena in terms of Smartphone and mobile phone apps for payment transactions. Payment gateways and banks are approaching toward cashless transaction. Meanwhile, mobile apps play a big part of the Government’s initiative of “Cashless India”. This will have an enormous impact on making India a digitalized cashless economy. This study focuses on the impact of mobile wallets on cashless transaction.

The banking sector which is called as the sector of development of all other sectors, because of the financial assistance it provides for other sectors and thereby encouraging capital formation. Even though India is one of the fastest developing countries in the world, it is lagging behind in the implementation of digitalization to banking sector. It is true that digitalization of banking will bring revolution in the economy; there is a need to take some important steps in digitalizing rural banking. Still 19% population remains unbanked even after the implementation of Jan Dhan Yojna by the central government according to the study conducted jointly by The Associated Chambers of Commerce & Industry of India and Ernst and young India (ASSOCHAM-EY) report 24th July 2017. Digitalization plays a major role in providing better services to those areas which are not there in financial inclusion. This conceptual paper highlights the various issues and challenges in implementing digitalization of rural banking.

IMPORTANCE OF DIGITALIZATION

Digitalization of rural banking is very helpful in financial inclusion and helps the economy to grow faster with the development of all other sectors. Some of the significances of digitalizing rural banking are-

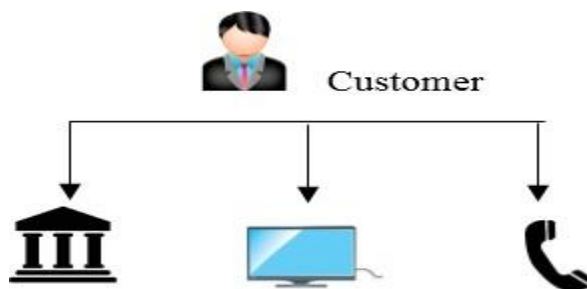
- i. Increases efficiency: digitalization of banking increases the efficiency in banking sector and enables smoother transactions.
- ii. Fast and furious: digitalization will reduces the time of transaction and thereby encourages easy flow of funds compared to traditional banking.
- iii. Vast coverage: digitalization of banking covers large number of people and has wide coverage.
- iv. Improves the quality: Digitalization will improve the quality of service of the banking sector compared to traditional banking.
- v. Less human error: Digitalization of banking maintains proper records of transactions and thereby reduces the human error.
- vi. Environment friendly: As digitalization of banking saves paper and trees it is more of environment friendly
- vii. Increases Investment: Digitalization of banking leads to quick and easy access to various banking services and thereby increases the investment activities in the country.
- viii. Less cost: Digitalization of banking reduces the cost of printing currency notes as there is no usage of hard cash and less cost in maintaining records as its available online.

EVOLUTION OF CHANNEL IN BANKING

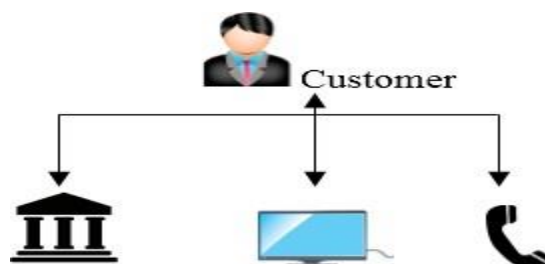
Single Channel (Pre 1970): Customer and bank have single touch point



Multi-Channel (1990): Customer see brand through multiple touch point with bank communication



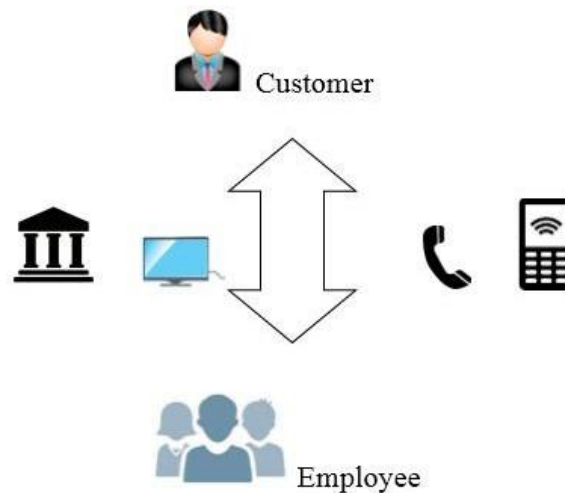
Cross Channel (2010): Customer see unified brand through many touch points. Bank has single customer view



Omni Channel (2012): Customer has holistic brand experience. Bank leverages unifies view of customer



Bi Directional Channel (2015+): Bi-direction channel banking brings customers and the employees together on single user experience (UX) platform. Banking is complex and is driven by multiple banking applications. There is the core data processing system, payment systems, general ledgers, cash management, credit origination systems, credit servicing systems, online and mobile banking systems, account opening.



Use of technology in banking sector enables bank to serve their customer easier, faster and convenient way. Emerging technologies have changed the banking industry from paper and branch based banks to “digitized and networked banking services. It’s changing the channel to delivering services to their customer.

OBJECTIVES OF THE STUDY

- a) To understand the features of Mobile banking services offered by the banks
- b) To study about the factors affecting the Mobile Banking services offered by the Banks.
- c) To give suggestions based on the study.

METHODOLOGY

In this study both primary and secondary data is used. The Mobile Banking services provided by all sector of banks were collected from all banking sector using the Questionnaire format for data collection in the city of Jalgaon only. For this purpose, a format of questionnaire was framed into 3 segments namely 1 – Personal (F1, F2, F3, and F12), 2 – Services (F4 to F7), and 3 – Security (F8 to F11). Each variable was scaled from 1 to 5 where 1 is strongly agree, 2 – agree, 3 - neutral, 4 – disagree, and 5 – strongly disagree. Out of the 300 questionnaires which were distributed among various banking customers 290 were returned back out of which only 289 were having data which was usable. The secondary data were collected from various articles that were sourced from different and journals dealing with the current issues of mobile banking. Another major secondary source for the expert’s opinion extraction is done by Internet & Text books related to Mobile Banking & Research Methodology.

DATA ANALYSIS

The various statistical tools usage was done through a questionnaire format and the data was gathered. The bank customers were asked to answer the questions regarding their knowledge about Mobile banking products, its services and the common problems faced in this sector.

LIMITATIONS OF THE STUDY

- The study is restricted to Jalgaon city only.
- This study due to time constraint is not generalized.

ANALYSIS AND INTERPRETATION

The collected data was analyzed using the software SPSS version 18.0 and the following results were found in various test conducted is mentioned below:

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| a) Table No 1 – Respondents Profile | b) Table No 2 – KMO and Bartlett's Test |
| c) Table No 3 – Descriptive Statistics | d) Table No 4 – Communalities |
| e) Table No 5 – Total Variance Explained | f) Table No 6 – Rotated Component Matrix |

Table No-1: Respondents Profile

Category	No. of respondents	Total	Percentage	Total	
Gender	Male	181	181	62.63	62.63
	Female	108	289	37.37	100.00
Age	Below 20 Years	21	21	7.27	7.27
	20 - 30 Years	138	159	45.75	55.02
	30 - 40 Years	73	232	25.26	80.28
	40 - 50 Years	34	266	11.76	92.04
	50 - 60 Years	17	283	5.88	97.92
	Above 60 Years	06	289	2.08	100.00
Occupation	Business	41	41	14.19	14.19
	Government Sector	69	110	23.88	38.06
	Private Sector	134	244	46.37	84.43
	Students	19	263	6.57	91.00
	Others	26	289	9.00	100.00
Education	Under-Graduate	162	162	56.06	56.06
	Post-Graduate	87	249	30.10	86.16
	Professional level	40	289	13.84	100.00
Annual Income in Rs.	Less than 1,50,000	36	36	12.46	12.46
	1,50,001 – 2,50,000	76	112	26.30	38.75
	2,50,001 – 5,00,000	122	234	42.41	80.97
	5,00,001 – 10,00,000	37	271	12.80	93.77
	Above 10,00,000	18	289	6.23	100.00
Mobile Banking Transactions per Month	1 to 10	76	76	26.30	26.30
	11 to 25	151	227	52.25	78.55
	Above 25	62	289	21.45	100.00

The total no of respondents were 289, out of which the male respondents were 181 and 108 were female respondents. 7.27% of respondent are in the age group below 20 years followed by 45.75% of respondents in

the age group of 20-30 years. There were 25.26% of the respondents from the age group of 30-40 years, 11.76% of respondents from the age group of 40-50 years, 5.88% of the respondents from the age group of 50-60 years, 2.08% of the age group above 60 years.

The respondents who does own business consists of 14.19% followed by 23.88% in the Government sector. The largest percentage goes to private sector which comprises 46.37% and student respondents with a least percentage of 6.57%. In the present study 56.06% are graduates followed by 30.10% post graduates and 13.84% are professionals.

The next category for income and the results indicate that 12.46% earn an annual income below 1, 50,000 followed by 26.30% earn income between 1,51,000 -2,50,000 and 42.41% are between Rs.2,51,000-5,00,000 and 12.80% for those between Rs.5,00,001 -10,00,000 and 6.23% in the range above Rs.10,00,000. 21.45 % of the respondents do up to 10 transactions through mobile phone in a month, whereas 52.25% do between 11-25 transactions per month whereas 21.45% of respondents do more than 25 transactions in one month

Table No-2: Descriptive Statistics

Code	Particulars	Mean	Std. Deviation	Analysis N
F1	Mobile banking is safe to use	3.607	1.358	289
F2	Mobile banking is easy to use	2.544	1.365	289
F3	Mobile banking is very use-full for me as an individual	3.521	1.029	289
F4	Payments by Mobile banking is instant	3.918	0.986	289
F5	Service and Individual information is ready available	2.975	1.277	289
F6	Transfer of money by mobile banking is reliable	3.442	1.180	289
F7	Charges for mobile banking is less compared with other services	4.259	1.065	289
F8	Maximum security for each transaction	3.566	1.198	289
F9	No Personal information is compromised	3.563	1.119	289
F10	Provides a system that completes all transaction	3.520	1.016	289
F11	Provides a good network support without problems	3.766	1.077	289
F12	I am satisfied with my Mobile Banking Services	3.412	1.344	289

KMO (Measure of Data Adequacy): In this study for examining the appropriateness of collected data, the most popular diagnostic measure called as KMO (Kaiser-Meyer-Olkin) measure of sampling adequacy is used to measure the extent of homogeneity of variables used and thereby indicates to which construct they belong. According to Sharma (1996), the measured acceptable value of KMO must be higher than 0.6 and in this study KMO test result is 0.678 and hence it can be inferred that all the variables in each of the sector belongs together, and therefore it also explains that the data can be used to run the factor analysis.

Factor analysis

Table No-3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.678
Bartlett's Test of Sphericity	Approx. Chi-Square	859.105
	df	67
	Sig.	.000

Principle Component Analysis: The collected data was further tested with the Principle Component Analysis with a primary aim of analysing the conducting factor to determine whether all the variables are in the same construct

Table No-4: Communalities

Code	Particulars	Initial	Extraction
F1	Mobile banking is safe to use	1.00	.725
F2	Mobile banking is easy to use	1.00	.583
F3	Mobile banking is very use-full for me as an individual	1.00	.619
F4	Payments by Mobile banking is instant	1.00	.562

F5	Service and Individual information is ready available	1.00	.610
F6	Transfer of money by mobile banking is reliable	1.00	.607
F7	Charges for mobile banking is less compared with other services	1.00	.658
F8	Maximum security for each transaction	1.00	.681
F9	No Personal information is compromised	1.00	.814
F10	Provides a system that completes all transaction	1.00	.766
F11	Provides a good network support without problems	1.00	.947
F12	I am satisfied with my Mobile Banking Services	1.00	.588

Extraction Method: Principal Component Analysis.

Table No-5: Total Variance Explained

Component	Initial values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.94	24.46	24.46	2.94	24.46	24.46	2.27	18.96	18.96
2	1.85	15.45	39.91	1.85	15.45	39.91	1.94	16.13	35.09
3	1.27	10.58	50.49	1.27	10.58	50.49	1.20	10.01	45.10
4	1.14	9.50	60.00	1.14	9.50	60.00	1.71	14.27	59.37
5	.91	7.61	67.61	.91	7.61	67.61	.99	8.23	67.61
6	.78	6.52	74.12						
7	.68	5.65	79.77						
8	.57	4.74	84.52						
9	.54	4.52	89.03						
10	.48	4.01	93.05						
11	.45	3.78	96.82						
12	.38	3.18	100.00						

Extraction Method: Principal Component Analysis.

Table No-6: Rotated Component Matrix^a

Code		Component				
		1	2	3	4	5
F1	Mobile banking is safe to use	-.015	.591	-.351	.500	.000
F2	Mobile banking is easy to use	.673	-.280	.123	-.219	.059
F3	Mobile banking is very use-full for me as an individual	-.218	.519	.425	.322	-.153
F4	Payments by Mobile banking is instant	-.058	.728	.109	-.015	.187
F5	Service and Individual information is ready available	-.741	.042	.207	.114	.113
F6	Transfer of money by mobile banking is reliable	-.220	-.106	.113	.726	.097
F7	Charges for mobile banking is less compared with other services	-.018	.801	.078	-.068	.038
F8	Maximum security for each transaction	.829	-.089	.000	.051	-.059
F9	No Personal information is compromised	.105	.107	.891	.092	.000
F10	Provides a system that completes all transaction	-.037	.102	.072	.865	.055
F11	Provides a good network support without problems	-.073	.155	-.034	.127	.957
F12	I am satisfied with my Mobile Banking Services	.725	.168	.176	-.119	.032

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 8 iterations.

According to the resulted tabulation after performing the rotation method of Varimax with Kaiser normalization in the above table 6 the 1st component is having positive effect with highest on F8 followed by F12, F2, F9 and negative effect on F5, F6, F3. The 2nd component is having positive highest effect on F7,

followed by F4, F1, F3, and negative effect on F2, F6 and F8. The 3rd component is having positive effects on F9 followed by F3, F5 and F12, and negative effect on F1 & F11. The 4th component is also having positive effects on F10 followed F6, F1, and F3 and negative effects on F2, F12, F7 and F4. The 5th component is also having positive effects on F11, F4, F5, F6 and negative effects on F3 and F8.

FINDINGS

The result of Kaiser-Meyer-Olk test, Measure of Sampling Adequacy shows .678 as a positive result, the individual factor test reveals that there are few factors affecting the Mobile banking services. The findings shows that

- ✓ The annual charges levied by the banks towards such services are very high
- ✓ They feel that the banks have to take an extra effort to solve the safety and security issues
- ✓ Customers who are not technically sound face difficulties while using mobile banking the services also lack in providing the ready information required by the customers.
- ✓ The respondents also feel that the Security regarding information provided for verification during transactions is also doubtful.

SUGGESTIONS

- The banks must give a break – up of the charges levied on various services, but the banks have to reduce its annual charges
- The customer's safety in-terms of availing the services should be strengthened as there is a possibility of hacking and cracking of personal details.
- Customers must be given individual training regarding the usage of the Mobile Banking services who want to avail such services as they may not be technically sound and also it takes some time for understanding the technology
- Time is precious therefore the banks must come up with a system that tries to solve the issues on such factors affecting the Mobile banking services.

CONCLUSION

Therefore, the study concludes with an analysis and suggestion on various factors affecting Mobile banking namely giving importance and taking immediate measures on security issues so that the customer shall not face the factor such as in-complete transaction and problem of network, awareness and training to customers regarding the technical aspects, and make them feel confident in adapting the mobile banking in their daily life. Since there are number of other studies that have suggested that this particular delivery channel is yet to grow towards its potential, the financial sector particularly the banks has to make the system much faster, mobility access and convenience to customers so that it reaches to all the citizens of the country.

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