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IMPACT OF DIGITAL BANKING ON CUSTOMER BANKING BEHAVIOUR

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Abstract

Digital banking has transformed the traditional banking system by providing customers with convenient, faster, and easily accessible financial services. The rapid growth of mobile banking, Internet banking, Unified Payments Interface (UPI), digital wallets, and online payment platforms has significantly changed the way customers interact with banks. Customers increasingly prefer digital channels for fund transfers, bill payments, balance enquiries, shopping, and other financial activities. This paper examines the impact of digital banking on customer banking behaviour, with particular emphasis on convenience, transaction frequency, customer satisfaction, trust, security awareness, and preference for digital channels. The study also discusses the challenges associated with digital banking, including cybersecurity risks, privacy concerns, digital literacy, technical problems, and lack of personal interaction. The paper concludes that digital banking has resulted in a significant shift from branch-oriented banking towards technology-driven and customer-centric banking.

Introduction

The banking industry has undergone significant transformation with the advancement of digital technologies. Traditional banking required customers to visit bank branches for most financial transactions. Today, digital banking enables customers to access banking services anytime and anywhere through smartphones, computers, ATMs, and other digital platforms.

Digital banking includes Internet banking, mobile banking, UPI payments, digital wallets, electronic fund transfers, online bill payments, and other technology-enabled services. These services have changed customers' expectations regarding speed, convenience, accessibility, and service quality.

The increasing adoption of digital banking has also influenced customer banking behaviour. Customers are becoming more comfortable with cashless transactions and increasingly depend on mobile applications and online platforms for their everyday financial needs.

Objectives of the Study

- ✓ To examine the growth and adoption of digital banking services.
- ✓ To study the changes in customer banking behaviour due to digital banking.
- ✓ To identify the factors influencing customers' adoption of digital banking.
- ✓ To analyse the benefits of digital banking from the customer's perspective.
- ✓ To identify the major challenges and concerns associated with digital banking.

- ✓ To suggest measures for improving digital banking adoption and customer experience.

Evolution of Digital Banking

Banking has evolved from branch-based services to technology-driven financial services. The major stages include:

- Traditional branch banking
- ATM-based banking
- Internet banking
- Mobile banking
- Digital wallets
- UPI and QR-code payments
- AI-enabled and personalized banking services

This evolution has reduced customers' dependence on physical bank branches and increased the importance of digital channels.

Impact of Digital Banking on Customer Banking Behaviour

1.Increased Convenience

Digital banking allows customers to perform transactions without visiting a bank branch. Customers can transfer money, check account balances, pay bills, and access banking services at their convenience

2.Change in Transaction Habits

Customers are gradually shifting from cash-based transactions towards digital payments. UPI, mobile banking, cards, and online payment systems have become important parts of everyday financial activities.

3.Increased Frequency of Transactions

The ease and speed of digital transactions encourage customers to make payments and transfers more frequently. Small-value transactions that were previously made using cash can now be completed digitally.

4. Reduced Dependence on Bank Branches

Digital banking has reduced the need for customers to visit branches for routine services. Branch visits are increasingly associated with complex services such as loans, investment advice, and other specialized financial requirements.

5. Greater Customer Expectations

Digital banking has increased customers' expectations regarding quick responses, 24-hour availability, simple interfaces, personalized services, and instant transaction confirmation.

6. Improved Financial Awareness

Mobile banking applications provide customers with transaction histories, account statements, spending information, alerts, and other financial information. This can encourage customers to monitor their financial activities more regularly.

7. Increased Preference for Mobile Banking

Smartphones have made banking services more accessible. Customers increasingly use mobile banking applications for everyday financial activities because of their portability and convenience.

8. Influence on Customer Loyalty

A smooth digital experience can improve customer satisfaction and strengthen customer loyalty. Conversely, frequent technical problems, failed transactions, or poor customer support may negatively influence customers' perceptions of a bank.

Factors Influencing Digital Banking Adoption

The adoption of digital banking depends on several factors:

- **Perceived usefulness:** Customers are more likely to use digital banking when they believe it saves time and effort.
- **Ease of use:** Simple and user-friendly applications encourage adoption.
- **Security:** Customers need confidence that their financial information and transactions are protected.
- **Trust:** Trust in banks and digital platforms influences continued usage.
- **Accessibility:** Availability of smartphones, internet connectivity, and digital infrastructure affects adoption.

Benefits of Digital Banking to Customer

Digital banking provides several advantages:

- 24×7 access to banking services.
- Faster financial transactions.
- Reduced time and travel costs.
- Convenient bill and utility payments.
- Easy access to transaction records.
- Reduced dependence on cash.
- Greater accessibility to financial services.
- Instant notifications and transaction alerts.

Challenges Affecting Customer Behaviour

Despite its advantages, digital banking also creates certain concerns.

Security and Cybercrime

Customers may be concerned about phishing, fraudulent transactions, identity theft, and other cyber threats.

Privacy Concerns

The increasing use of digital financial services raises concerns about the collection, storage, and protection of customers' personal and financial information.

Technical Problems

Server failures, network interruptions, application errors, and failed transactions can negatively affect customer satisfaction.

Digital Literacy

Some customers may find digital banking difficult because of limited technological knowledge or lack of familiarity with digital platforms.

Lack of Personal Interaction

Digital banking reduces face-to-face interaction between customers and bank employees. Some customers may still prefer personal assistance for complex financial decisions.

Changing Customer Behaviour: Traditional vs Digital Banking

Traditional Banking Behaviour	**Digital Banking Behaviour**
Frequent branch visits	Online/mobile access
Cash-oriented transactions	Digital payments
Limited banking hours	24×7 accessibility
Paper-based records	Digital statements
Face-to-face communication	Online/chat support
Longer transaction time	Faster transactions
Physical forms	Digital forms

The comparison indicates a clear movement from physical and branch-oriented banking towards digital and self-service banking.

Suggested Measures

Banks can improve customer adoption and satisfaction through:

1. Strengthening cybersecurity mechanisms.
2. Providing simple and user-friendly applications.
3. Conducting digital literacy programmes.
4. Improving customer support for failed transactions.
5. Creating awareness about safe digital banking practices.
6. Providing multilingual digital interfaces.
7. Ensuring reliable and uninterrupted digital services.
8. Increasing customer awareness about privacy and fraud prevention.

Conclusion

Digital banking has significantly changed customer banking behaviour by making financial services faster, easier, and more accessible. Customers are increasingly adopting mobile banking, internet banking, UPI, and other digital payment methods for their routine financial activities. The major behavioural changes include reduced branch visits, increased digital transactions, greater dependence on smartphones, and higher expectations regarding service quality.

However, security threats, privacy concerns, technical failures, and digital literacy remain important challenges. Therefore, banks need to combine technological innovation with strong security, customer education, and effective support services. The future of banking is likely to be increasingly digital, personalised, secure, and customer-centric.

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