Digital channels – Bank’s strategy Vs Customer challenges

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ABSTRACT: Indian Banking industry is fast growing with the use of digital technology in the form of ATMs, on-line banking, Telephone banking, Mobile banking etc. The technology brought paradigm shift in banking operation. Though bank system is facing the challenges with stiff competition and advancement of technology, the services provided by banks have become more easy and convenient. The technology brought change in the banking sector from paper-based banking to on line banking. Technology is playing major role in information transfer which include access, process, storage and broadcasting of information electronically. The new technologies are creating value and helping in managing customer relationship in better manner. On the other hand the bank customers are trying to catch pace with the digital channels implemented by the bank and facing challenges around security and quality of service.

The purpose of the paper is to highlight the bank’s view to promote the digital strategy and challenges faced by the customer to adapt to this strategy.

Key Words: Banking Sector, Digital channel, Customer challenges

Introduction:
The Indian banking system consists of 27 public sector banks, 26 private sector banks, 46 foreign banks, 56 regional rural banks, 1,574 urban cooperative banks and 93,913 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control more than 70 per cent of the banking system assets, thereby leaving a comparatively smaller share for its private peers. Banks are also encouraging their customers to manage their finances using mobile phones.

The Ministry of Finance has lowered the threshold for making electronic payments to suppliers, contractors or institutions from Rs 10,000 (US$ 150) to Rs 5,000 (US$ 75), in order to attain the goal of complete digitisation of government payments. Total banking assets in India is expected to cross US$ 28.5 trillion in FY25. Computerization and developments in information technology brought in new trends in banking business. The move towards a cashless economy will incentivize increased digital mode of transactions. One of the benchmark of this development is digital banking & strategy adopted by bank to leverage digital channel. This facility enables customers to access their accounts and perform a variety of bank transactions from anywhere. This saves time, cost and paper work for the banks as well as the clients. However, digital banking has inherent risks such as security risk, technology risk and financial frauds. Banks also face legal risk since the jurisdiction in which the bank is operating could be different from its registered place of operation.

It is evident that, consumer behaviour is changing day by day on the basis of change in technology. It is indispensable for banks to build robust digital platform for the customers. It is to be noted that banks can do many things, such as widening customer’s digital experience, strategic use of data to expand customer base and rethinking of branch with digital mission.

Bank Customers preferring digital technology approach for availing financial services and products however there are equal number of challenges faced by the customers. Technology also innovating with a speed thereby declining mobile device cost, reduction in the cost pf internet and rapid development of multifaceted software. This has open up new avenues for banking and unique challenges for the customers.

Research Objectives:
1. To understand the digital strategy adopted by various private banks to promote digital channel usage
2. To know challenges faced by customers while adopting information technology promoted by Banks

All the Banks in the Public, Private and Co-operative sector are very aggressive in implementing their digital strategy.

Recently, ICICI Bank launched a project 'digital village' where in; a village in Gujarat was adopted with a view to impart cash less banking through digital channels. Though one of the key priorities are to
ensure that cash less banking service is provided, it is also thought that commercial life of an individual’s goes ahead without cash.

In today’s environment, all the banking offerings are automated / digitised i.e. Account opening, Customer on boarding, verification & authentication, sale of goods & services, service requests, grievance handling, payments of bills & utilities etc. however key question remains if the customers are in comfortable position to use these channels effectively.

The purpose of this paper is to review the steps as taken by the Bank(s) to drive their digital agenda and the challenges that customer are facing in adapting to the digital challenges.

**HDFC Bank in the news for Digital channel usage**

![Morphing into a Digital Bank](image)

Internet and mobile banking now account for more than half of HDFC Bank's transaction volumes. But clearly, digital banking is not about doing routine transactions. A digital bank should be able to offer products online such as opening a bank account or offering loans.

**AXIS Bank in the news**

"India's third largest private sector lender Axis Bank witnessed Rs 2,400 crore worth transactions through mobile banking during June 2015. Mobile transactions have galloped nearly 113 percent year-on-year. This should hardly come as a surprise, considering the fact that Axis Bank is stepping on the accelerator to hit the digital highway in a big way."

It is very evident that the Banks have clear focus on their digital strategy and the transaction volumes are supportive or indicating growth in the Digital channel usage. However the customers continue to face challenges to cope with the adoption pace.

Challenges faced by the customer

1. **Customer behaviour** –
   In most of the banks, larger percentage of users are not computer savvy and struggle to have access to internet. While it is very clear that the young customer base is comfortable with computers / mobile phones, the bank continue to face challenge with other customer group with limited computer & mobile phone literacy. Banks are therefore, undertaking channel migration initiatives to increase enrolment of new customers and increase usage across customers who have already enrolled for the internet banking service.

2. **Partner Ecosystem** –
   To ensure wider usage of the digital channels, Banks need to cater to the holistic financial needs of their customers. The tie ups with the Insurance companies, mutual fund providers, retailers, air lines etc. will improve usage of the integrated channels and thus the entire Ecosystem will allow better channel usage.

3. **Safety & Security**–
   ICICI Bank customers have been the biggest victims of Cyber Frauds. Past data from 2009 to 2012, indicates that ICICI Bank alone reported 34,918 cases amounting to 74.25 crore rupees as fraud value. RBI has improved it’s governance framework and security is given highest priority.
4. Trained staff & ability to resolve customer queries -
   Many banks do not have trained staff who understand the power and benefits of the internet channel. Efforts to both educate, and optimize front office, customer-facing staff is key to be able to drive adoption at grass root level.

Though the challenges for the customer can be diverse in nature however Banks continue in investing in their digital strategy. The significant efficiency and productivity gains are visible due to digital strategy adoption.

The focus is on building and creating sustainable channels using internet & smartphone so that customers can perform wider range of activities and improve the overall eco system.

To summarise, the success of adoption of digital channel hinges upon changes in the customer behaviour, drastically changing the eco system and making conscious investments to improve the education level of customer and staff.

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