

A Study of Challenges in Digital Banking Marketing and Level of Customer's Satisfaction

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Abstract – Digitalization is radically transforming the banking industry, enabling new products, services and business models. This transformation will take time to complete, forcing banks to act now and embrace new technologies for a sustainable business strategy. As more and more people engage with the new technologies, it is changing nearly every business model. Customer on boarding and engagement, underwriting and risk management, billing and claims - all these areas are being changed by the digital innovations. The new wave comes with the power of innovation; the digital transformation of the banking is one of the key challenges ahead - and certainly a big opportunity for the industries to renew themselves. Customer satisfaction is a critical issue in the success of any business system, traditional or online. In a turbulent commercial environment, in order to sustain the growth and market share, companies need to understand how to satisfy customers, since customer satisfaction is critical for establishing long term client relationships. It is evidenced by the fact that over the last five years, customer satisfaction surveys have become common in many financial institutions. Thus a fundamental understanding of factors impacting customer satisfaction is of great importance to business. This paper focus on challenges being faced by the bank in increasing customer satisfaction in the marketing of digital banking products.

Keywords: Digital Marketing, Customer Satisfaction, Risk Management, on line Banking, Internet Marketing

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1. INTRODUCTION

The journey of Indian banking payment and settlement systems has undergone revolutionary change from manual banking systems to digital banking technology era of today. Customer's changing need of banking products also keep on changing with introduction of new technology based products introduced by the banks and services rendered. Public Sector Banks were slow to respond to the change of customer need and demand of the banking facilities.

With the introduction of new generation private sector banks in 1994 with the core banking system, change the game of marketing and sales strategy of the banking industry. Instead of customers going to the bank, they started the concept of banks going to customer to provide more convenient, safe, secure and efficient services. Door step banking was the first move to contact the customers at their residence and work place to understand their needs in details and according to their needs, they started introducing digital banking products like Internet banking, mobile banking, RTGS, IMPS, UPI, Credit card, debit card, ATM etc.

Reserve Bank of India, being the Central Bank of the Country have always focused on cash less and check less banking and payment services. RBI played an important role in the paradigm shift of banking customers as well as bankers to move on to technology based payment systems. At the same time RBI also ensured transparent, compliance and ethical practices to be followed by the bank in ensuring delightful and convenient customer services.

2. OBJECTIVE OF THE RESEARCH

The main objective of this research article is:

1. To study the various challenges being faced by the banks and financial Institutions in marketing of their products in the digital environment.
2. The secondary aim is to understand the level of customer satisfaction and various reasons

for increase in number of bank customer complaints.

3. LITERATURE REVIEW:

C. Padmavathy, M.S. Balaji, V.J. Sivakumar, "Measuring effectiveness of customer relationship management in Indian retail banks", *International Journal of Bank Marketing*, Vol. 30 Iss: 4, pp.246 – 266 . This paper focus on measuring the customer relationship management effectiveness (CRME) by develop a multi-item scale in Indian retail banks .After developing and validating the scale , then examine its relationship with key customer response variable. In this study 197 , Indian retail banking customers responded to questions to identify key dimensions of CRME. Nomological validity for the CRME scale was examined by taken a survey sample of 261 active bank customers who do transactions regularly. Data collected was analysed to find the relationship between CRME dimensions and customer behavioral outcomes such as customer satisfaction, loyalty and cross-buying were examined. The identification of the dimension will help bank managers to implement an effective customer relationship management (CRM) that enhances customer satisfaction, loyalty and provides opportunities for banks to crosssell other related and unrelated products to its customers.

Gurjeet Kaur, R.D. Sharma, Neha Mahajan, "Exploring customer switching intentions through relationship marketing paradigm", *International Journal of Bank Marketing*, Vol. 30 Iss: 4, pp.280 – 302. This paper focus on the extent of customer switching and understand the various reasons that lead to customer switching intentions. Various factors or instances which leads customer to take a decision to shift to another bank or not. Strongest factor which influences customer decision to move to another bank, satisfaction emerged as one of the most important factor to select new bank in expectation of fulfillment of his needs.

Ankit Kesharwani, Shailendra Singh Bisht, "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 authors have incorporated various inhibitors of internet banking which restrict the use of internet banking adoption under "perceived risk", and also consider the role of the bank web site as a key tool of determinant of perceived risk. Bank`s website should be transparent with respect to features of products, eligibility, rate of interest and schedule of charges.

Live Mint – 28th October, 2016 – The Cost of Mis Selling Financial Products - The results clearly establish that bankers are driven by their internal incentive structure and are not really concerned about what the customer needs. The report and study observe that private's sector bank's strategy in

marketing their product to the customer based on higher incentive or commission especially in case of third party products. Since Private Sector Bankers annual performance and promotion are linked with their variable pay. Where as in Public Sector Banks promotions are partly dependent on deposit mobilization of CASA AND Fixed Deposit. The study also noted that 99% of bankers fail to report correct returns for insurance products. Incentive Based misaligned activities was an important reason for Global financial crisis of 2008. Marketing of wrong financial product not according to customer can adversely impact the trust of the individual in the financial market and lead to real or opportunity losses as well as reputation lost for the bank.

The Economic Times dated 29th August , 2016 – RBI to ensure banks do not mis sell insurance products - Reserve Bank of India plans to enhance its vigil on customer service this year with a specific focus on mis-selling of insurance products.

"We now will examine how banks are faring, and whether further regulations are needed to strengthen consumer protection." RBI governor Raghuram Rajan said in a forward in the latest annual report for FY'16. "In particular, we will focus this year on the issue of mis-selling, especially of insurance products. We will also focus on enhancing our our communication with the broader public, with a view to informing them on what they need to do to take best advantage of financial opportunities, as well as protecting themselves."

Monika Halan, Dr. Renuka Sane, - Milsead and Misold : Finnacial Misbehaviour in retail banks: An audit methodology was used where auditors ask for tax saving instruments brochures and documents from banks used while making disclosures of the scheme to the customers . In private sector banks with high sales incentives, the high commission product is recommended. Public sector banks recommends fixed deposit to the customers when there are deposit mobilization Campaigns. Banks rarely make voluntary disclosures on product features. It was observed that, information provided to customers is incomplete and not full disclosure of the features of the scheme. Our results demonstrate the challenges of mandating disclosures when buyers have little understanding of the relevance of product characteristics, and distributors are themselves ignorant or influenced by incentives.

Paradigm Shift in Banking Scenario – Customer, Banker and Regulator View

Customer`s View: The changing trends in the retail banking services offered by the financial institutions and banks to the customers is appreciated by all the customer. Different modes of direct channels like ATMs, Debit Card, Credit Card, Net banking, mobile banking and various electronic payment systems

ranging from NEFT, RTGS and IMPS has given the choice to the customers for doing their banking transactions. Convenience, time savings, cost savings, security, highly personalized services, priority banking, phone banking and speed are the few important parameters which customers prefer while adoption of digital banking. Cyber frauds and mis-representation of facts by banks while marketing of CASA and third party products are two important barriers for growth of digital banking. Consumer Survey on Retail banking by Capgemini in 2012 observed that there will be continuous increase worldwide users of mobile banking more than 60% and on line user will more than 90% in 2015.

Banker's View: With the changing needs of the customers, banks are also looking new avenues of digital technology like mobile remote data capture (RDC) and marketing of on line banking services. Social media like Face book, Instagram, Twitter and Youtube have also become preferred mode of marketing of bank products to the customers. Banks are now transforming their brick and mortar branch network to more on marketing, sales and financial services advisory with centralization of operational activities. Various technology initiatives in payment system introduced by the banks have objectives of providing efficient customer services and satisfaction.

Regulator's View : On 26TH April ,2016 , The Reserve Bank of India has decided to set up a Financial Stability and Development Council Sub Committee , working group to study the granular aspects and implications of financial technology . The main objective of this group is to review and reorient the regulatory framework and respond to the dynamics of rapidly evolving Fin Tech digital banking scenario.

4. RESEARCH METHODOLOGY / DESIGN:

Sample Size of 100 customers having bank accounts residing in Delhi NCR was randomly selected based on the demographic variables like gender, age, educational qualifications, occupation. TABLE 1.1 reflects the frequency analysis of demographic variables.

Table 1.1 - Frequency Analysis of Demographic Variables

S.NO	Variables	Category	Frequency	Percentage frequency
1	Gender	Male	75	75
		Female	25	25
		Total	100	100
2	Age (Years)	18-25	30	30
		26 -35	25	25
		36- 45	15	15
		45 -60	20	20
		60 and above	10	10
3	Educational Qualification	Senior Secondary (12th Class)	10	10
		Graduate	55	55
		Post Graduate	25	25
		Phd	5	5
		other	5	5
4	Occupation	Business	30	30
		Employee	35	35
		Professional	10	15
		Student	20	20
		Other	5	5

Source : Primary Data Collected in Delhi NCR Region with 200 Customers having Bank Accounts during 2015- 2016

Table 1.2 shows that 10 banks selected for survey questionnaire from the three categories of banks reflect that different banks are in different level of technology. New Generation private sector banks have advanced level of on line banking platforms since 2012 -13 whereas now PSB and old generation private sector banks are also now catching up.

Public Sector Banks	Old Generation P Private Sector banks	New Generation Private Sector Banks
State Bank of India		ICICI Bank Limited
Punjab National Bank	Khatri Cooperative Bank	HDFC Bank Limited
Oriental Bank of Commerce		Axis Bank Limited
Bank of Baroda		Kotak Mahindra Bank
		Indusind

Source : Primary Data

Table 1.3: Various Parameters on which the research questionnaire was designed are as below:

Table 1.3 Various Parameters - Survey Questionnaire

S. No.	Customer Point of View	Bankers Point of View
1	Trust	Provision of Digital Technology Products
2	Reliability	Process of marketing of bank products
3	Accessibility	Factors that impact customer Decision of adaptation of Digital banking Products
4	Accuracy	Acceptance percentage level of Digital Banking Products
5	Responsiveness	Preferred mode of E Banking by customers
6	faster Resolution of query	Level of customer satisfaction
7	Website Design	Usage of E Banking Products
8	Awareness of Bank Products	Misseling - Negative perception
9	Relationship Manager Support	Measures to control misselling
10	Uninterrupted Services	Conflict between marketing and Operations compliance

2. Data Analysis and interpretation:

Customer Survey Response		Yes	No	Partial	Cannot Say	Remarks
1	Digital Banking Replacing Traditional Method of Banking	90%	7%	0	3	
2	Bank Provides all Digital Banking Products	96%	4%			
3	Customers feel disturb when Bank Rep called	76	20	2	2	
4	Do Miss selling impact customers perception negatively for adaptation of acceptance of digital banking products	100	--	-	-	
5	Have you registered your mobile number for Do not Call	56	44			
6	Conflict between banks marketing target and compliance	65	30	3	2	

Table 5.1 reflects that 90% of the customer responded that they agree that the digital banking products like ATM, Credit / Debit Cards, Net banking, mobile banking and telebanking are replacing the traditional methods of branch visits and decentralized transaction banking systems. Whereas 7% customer's mainly senior citizen said that they do not prefer using net banking, however they use ATM debit cards.

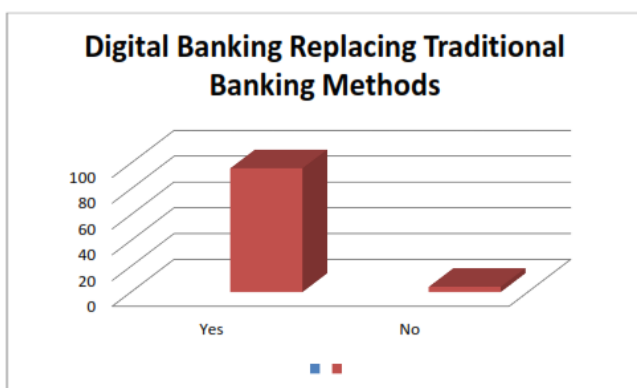


Table 5.2 represents 96% banks providing digital banking products and 4% bank who have tie up with other banks for RTGS and ATM sharing network.

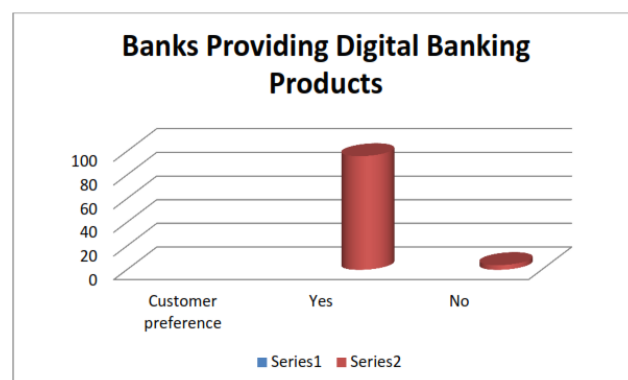


Table 5.3 reflects that 76% customer's feel disturbed when the bank representative calls customers for marketing of products at odd timings where as 20% responded that they do not mind and at times they get a good information which they are no aware. 2% Customers are partial and said that when they get call and telecaller generally ask whether it's a good time to talk or shall he or she call later. 2% customer responded as cannot say.

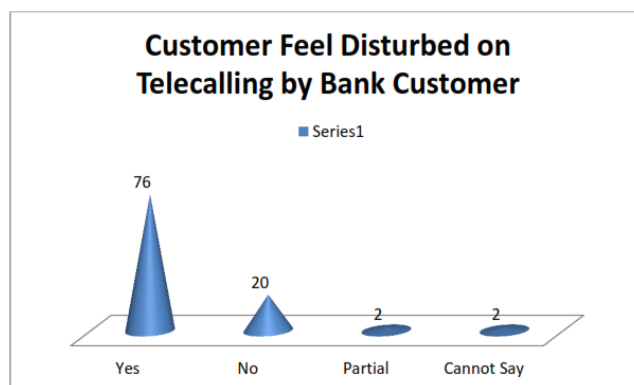


Table 5.4 reflects that 56% customers have registered for do not call and 44% have not registered with do not call.

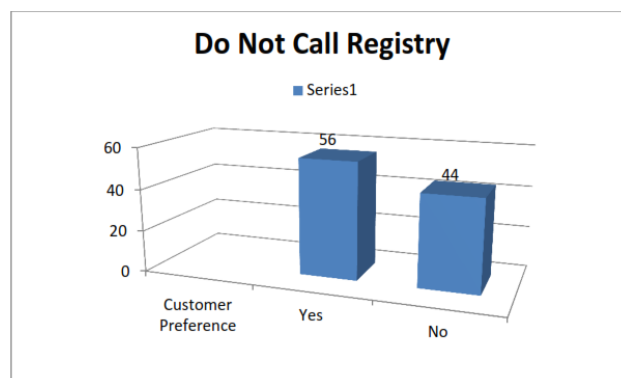
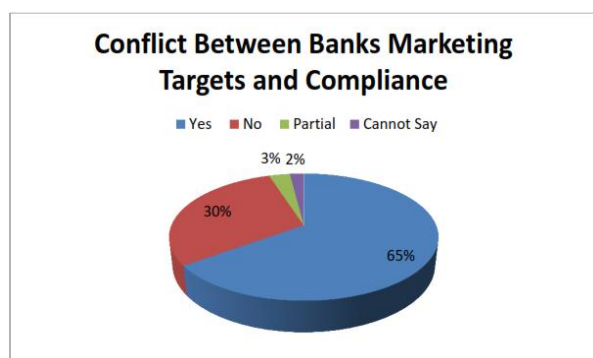


Table 5.5 reflects that the 65% respondent customer feels that there is a conflict between the achievement of marketing of bank's product targets and regulatory

compliance. As a result instance of mis –selling increase by bank’s relationship maanger.



Growth & Increasing Trends of Retail Electronic Payments

Retail Electronic Payment Systems have shown increasing trends both in term of value and volume Since 2012-13. Comparative Analysis was studied for the increasing volumes of E payments adaptation and usage by the customers. (See Annexure 1 and 2 – Payment System Indicators for 2012-2013 and 2015 - 2016) For example, RTGS and NEFT volumes increased almost threefold between 2013 and 2016 reflecting greater adoption of the digital bnaking system by all segments of users. (See Figure 1 and 2) . RTGS value has increased from Rs.1,026,350.05 million In 2012 -13 to Rs. 1,035,551.64 billion.

RTGS VOLUME (In Millions)	2012-13	2015-16
RTGS	68.52	98.34
Customer Transactions	63.99	93.95
Interbank Transactions	4.52	4.37
Interbank Clearing	0.009	0.016

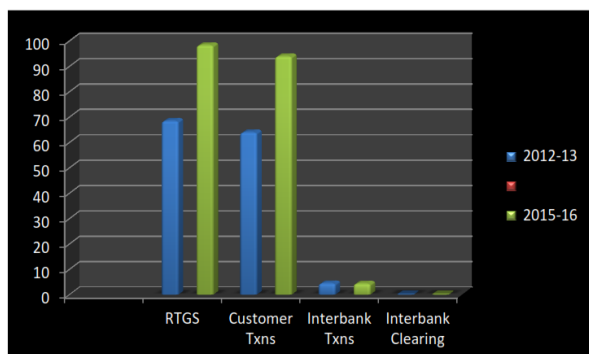


Figure 1: RTGS Increasing Volumes 2012 -13 TO 2015 -2016

NEFT volumes have increased tremendously 217% from Rs. 394.13 million to 1252.88 million whereas value has increased from Rs. 29022.13 in 2012 -13 to Rs. 83273.11 billion.

NEFT VOLUME	MILLIONS
YEAR	
2012-13	394.13
2015-16	1252.88

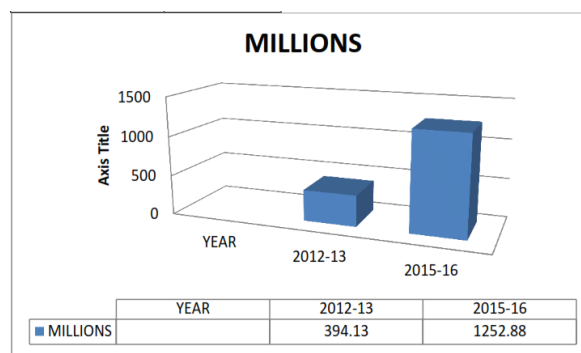


Figure 2: NEFT Increasing Volumes

(See figure 3). Mobile Banking value has increased tremendously from Rs., 59.90 billion to Rs. 4040.91 billion in 2015 -2016 reflecting 6635 % increase.

Mobile Banking VOLUME	MILLIONS
YEAR	
2012-13	53.3
2015-16	389.49

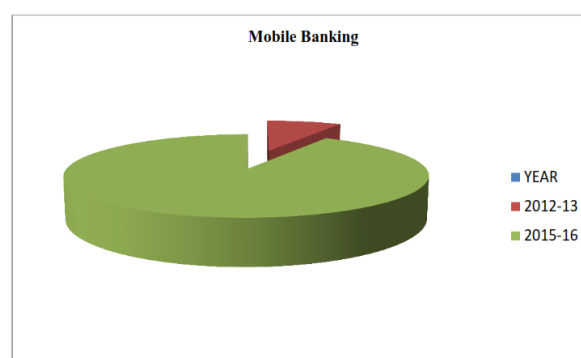


Figure 3: Mobile Banking Increasing Volumes

Number of ATMSs has shown 86% increase in four years from 114014 to 212061 whereas point of sales has increase percent growth of 62% from 854290 to 1385668 (See figure 4 & 5)

No of ATMS	MILLIONS
YEAR	
2012-13	114014
2015-16	212061

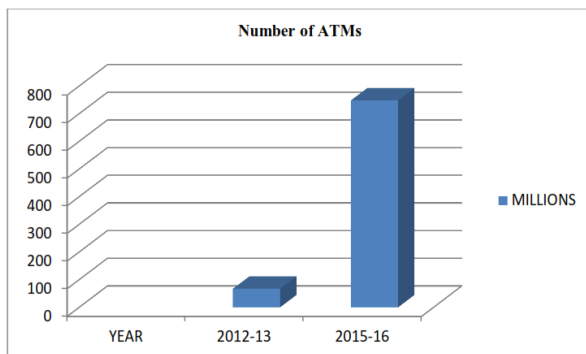


Figure 4: Number of ATMS

No of Point of Sales	MILLIONS
YEAR	
2012-13	854290
2015-16	1385668

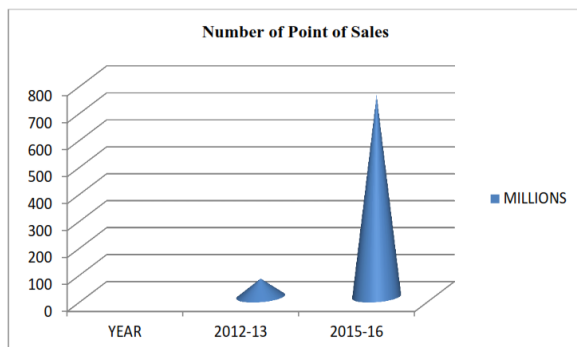


Figure 5: Number of point of sales increasing

(See figure 6 & 7). Debit cards transactions has almost double whereas Credit Card transactions reflects slow increase.

Credit Card	MILLIONS
YEAR	
2012-13	19.55
2015-16	24.51

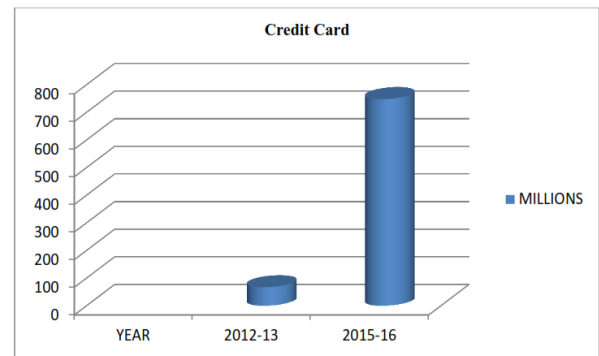


Figure 6: Credit Card

Debit Card	MILLIONS
YEAR	
2012-13	331.2
2015-16	661.82

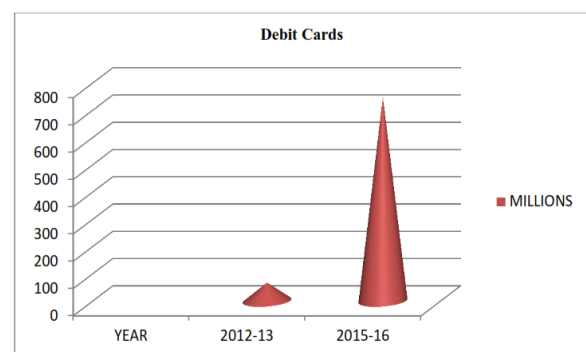


Figure 7: Debit Cards Volume

There has been a significant growth in prepaid payment transactions both in volume and value of transactions in banks and authorized non-bank entities . (See Figure 8)

Prepaid Instruments	MILLIONS
YEAR	
2012-13	66.94
2015-16	748.02

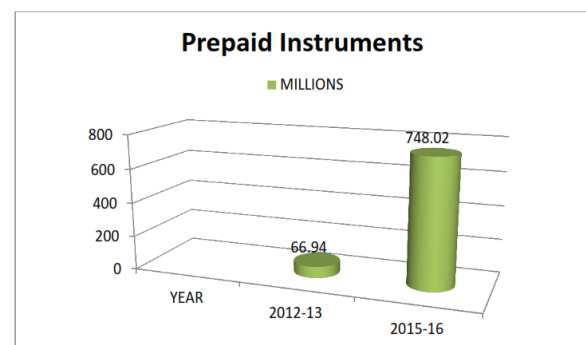


Figure 8: Prepaid Instruments

The volume and value in Immediate Payment Service (IMPS) has also grown significantly with the development of the IMPS as a multi-channel system

providing various options to customers to originate transactions. (See figure 9).

IMPS Transaction Volume	MILLIONS
YEAR	
2012-13	1.23
2015-16	220.81

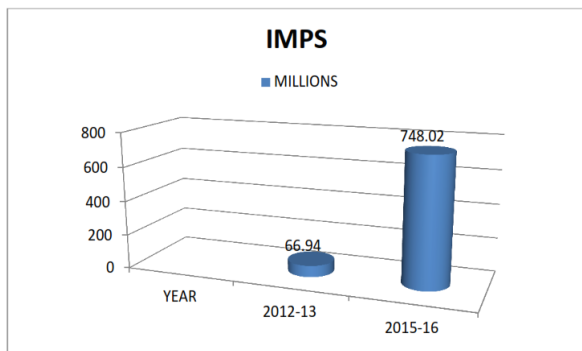


Figure 9: IMPS Transactions

The above analysis shows declining trends between 2013 and 2016 in Cheque payments in terms of volume as well as value as MICR Clearing have been replaced by Cheque Truncation Clearing. (See Fig 10)

MICR CLEARING	MILLIONS
YEAR	
2012-13	823.31
2015-16	No Figures Available as MICR Clearing has been replaced by CTS

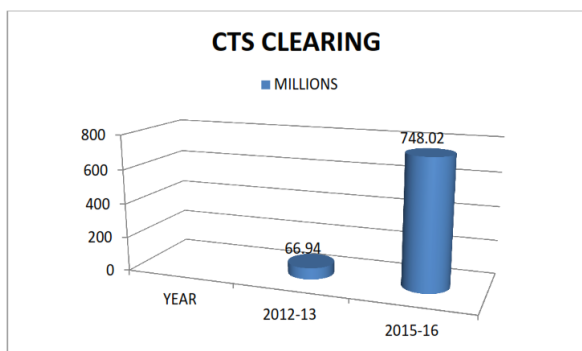


Figure 10: Paper based Clearing Cheque Transactions decreasing trends

CTS Clearing	MILLIONS
YEAR	
2012-13	275.04
2015-16	958.39

The above key parameters E Payments trends completely show the paradigm shift in the Indian Bank customers from manual payment systems to E payment systems. Investment Bank MAPE Advisory Group is expecting 15000 Crore market of online financial services in India by 2020.

Findings: The main findings of the research with the interview with banks are as below:

Major challenges faced by the banks:

- High Branding Costs despite the increase in number of channels and Not making enough money.** Despite all the results of banks showing profitability, percentage of return on investment by the banks have shown decreasing trends. Banks need to access low cost funds and have to focus more on retail assets. Banks are facing pressure to throat cut competition.
- Increasing Consumer awareness and expectations. With the new digital banking products like RTGS, NEFT, Net banking, UPI and mobile banking,** customer experience, and needs are changing fast. Banks are not able to meet their customer requirements so fast and it take some time to shift to new technology because of cost. Value added service, loyalty and reward point bonus features for doing transactions through card and other services enables customers to change their preferences.
- Continuous deregulation and increasing competition from financial technology companies.** : RBI has recently issue guidelines to form the working group committee to study the process of Fintech companies as customers are now more shifting to digital banking. These Fintech companies are new IT payment vendor which provide the software to banks. So the security and safety of payment systems should not be compromised.
- Regulatory pressure.** On the other hands RBI has issued guidelines for strict action to be taken against the banks and penalty to be laid for wrong selling of products. Banks also need to incurred huge costs for being

compliant and have secured information technology systems.

5. **Modified New Rules of Market :** Technology innovations in banking systems has transformed from traditional banking system to universal banking system .In Universal banking system customer get all the products and services under one roof . To stay ahead of the competition all the public sector banks as well as private sector banks have moved ot Universal banking system to meet the customer`s requirements.
6. **Competency gap:** This is the major challenge to have well trained staff having good knowledge of bank`s products and marketing skills. Communication and personality development are the two major factors which are looked into at the time of recruitment of staff .Cross Selling of Products has twin objectives to sell and market new products to their existing customers to retail them as well as get references for new acquisition. Cross selling is important to increase the number of accounts, number of products as well as achieve the profitability.

Level of Customer Satisfaction: Survey results with the customer shows that 65% respondent customers are satisfied with the digital banking products marketed by the banks.The research study reveals that there are few major areas for enhancing business opportunities, need based customer friendly relationship, product awareness, exploring new opportunities in compliance with regulatory requirements. Recently there has been more focus on reducing the risks in safe and secured digital banking payments conduct and reliable cyber security. Re-KYC and mandatory linking of Aadhar card by RBI are few recent initiatives taken. Digital banking has two main advantages - outside and inside. Outside means that when the customer access banking transactions through internet and mobile and enjoy new a new delightful customer experience as per his convenience 24*7*365 and effective customer services when he visits the branch – both enabled by digitization and personal relationship banking services. A bank`s website site is also one of the important factor which help customer for awareness on banking products , easy use and also transparency in schedule of charges.

Various other factors like trust, reliability, accessibility, accuracy, responsiveness, faster resolution of customer issues in facing initial internet banking problems impact customer buying decision. There is a positive relationship between increasing financial technology/digital banking with increasing customer satisfaction in universal banking system for marketing of financial services. It was also observed that due to high pressure of achievement of budgets / targets

bank are using unethical practices in selling of bank products. Regulators like RBI, IRDA and SEBI has warned banks will be levied heavy penalty for customer complaints for forceful way of marketing without disclosing the true facts of the product,

5. CONCLUSION

The above research shows that banking technology has been instrumental in transforming the traditional banking system into universal banking system. Increasing trends in usage of electronic payment systems with major focus on mobile banking, net banking and digital banking has also motivated banks to start the marketing with the new rules of game. Customers satisfaction level has increased upto 65% level and the banks are also catching up to meet the customer's requirements. The main reason of increasing customer complaint was misselling of bank products and the main reason for the same is conflict between the targets and regulatory compliance. This research shows that both these functions of marketing and operations compliance should be kept separate and trained bank staff with special skills require for understanding customer's need and advising right product to ensure right selling.

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