

Financial Literacy & Digital Banking: An Empirical Study on Customer Satisfaction with Special Reference to Tumkur District

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Abstract

E-commerce is a growing trend in the world of buying and selling that connects sellers and buyers over long distances, enabling safe, quick, and convenient transactions, facilitated by internet banking. Financial literacy plays a crucial role in empowering consumers to effectively utilize internet banking for e-commerce transactions. The purpose of this study is to analyze how internet banking, coupled with financial literacy, can significantly influence the development of e-commerce. Financial literacy equips individuals with the knowledge and skills to navigate digital platforms, fostering confidence and trust in internet banking as a tool to enhance e-commerce experiences.

As online banking has become more sophisticated, banks have emerged that operate exclusively as electronic entities, without physical storefronts. Without the expenses associated with maintaining traditional "brick-and-mortar" structures, these online banks offer higher interest rates on savings accounts and deliver more cost-effective services. Electronic banking, combined with financial literacy, has laid the groundwork for speed, convenience, and informed decision-making in individual and commercial (business) banking.

Presently, the financial services sector in the banking industry is undergoing various innovations. The integration of financial literacy into the e-banking framework not only boosts customer awareness but also promotes better financial management and security in online transactions. The present paper primarily focuses on the need for innovation in India in the field of e-banking, the role of financial literacy in empowering customers, and sheds light on the available benefits, opportunities, and challenges faced by both the banking sector and customers in achieving satisfaction with e-banking services.

Keywords: Financial Literacy, E-banking, customer satisfaction, security and privacy, responsiveness, reliability, ease of use.

Introduction

In India, innovation in the banking sector began in 1991 with the introduction of liberalization and globalization processes. As a result, its E- Banking came into progress. This Information Technology revamps the entire banking sector. E- banking drastically and rapidly altered the way of client banking.

Banks started providing different services related to cash deposits, cash withdrawals, through electronic means. Due to this information technology revolution, the number of electronic transactions is increasing day by day and the world has emerged as a cyber-world where each and every one is connected through the internet. E-Banking made the mobility of foreign funds and investment possible, which turned the world into a global market and this market is growing so fast that it has almost abolished the effect of national boundaries.

The competition in the banking sector has augmented over the last few years and to stay competitive, banks are espousing novel tools and techniques to attain customer retention and satisfaction and E-banking is one tool towards it. As the name implies, electronic banking or e-banking involves the combination of electronic technology with the banking sector. It relates to provision of banking products and services through electronic delivery channels. E-banking involves providing banking and related services through extensive use of information technology without direct recourse to the bank by the customer. In light of the recent financial crisis and global economic recession, leaders of financial institutions are under additional pressure not only to maintain customer satisfaction while sustaining lower costs, but also to maintain market leadership. All banks, especially the large banks and mutual banks, have gradually increased their number of Internet banking services available to customers over the past decades. Through electronic banking, banks have the capacity to draw in versatile clients which give, to a great degree, huge profit by giving portable money related services. The increase in use of credit cards is attributable to electronic banking. Customers are now able to shop worldwide without the need to carry paper money.

The purpose of the study is to identify the vital elements of E-banking that have a significant impact on customer satisfaction. The elements considered are security and privacy, responsiveness, reliability and ease of use of E-banking services.

Research Methodology

Statement of the Problem

In the internet era, E-banking is a growing concept and many banks have offered E-banking service. In this situation, it is essential to make a study about the effective functions of E-banking services and to know the satisfaction level of the customers. Thus, the researchers take this topic under study. As Tumkur is a vulnerable area study was conducted there and convenient sampling method adopted.

Objectives of the Study

- To understand the concept of financial literacy and E-Banking
- To assess the challenges of Financial Literacy and E-Banking
- To analyze the performance and the satisfaction level of the customers in E-banking services
- To determine the E-banking factors on Customer Satisfaction

Scope of the Study:

Ever since the era of globalization and liberalization of the economy started, there has been a phenomenal change in the technological development country, the advent of foreign banks into the country and the licensing of private sector banks have created a shift of competition within the business. Technology is more important for a healthy growth of business and to compete with rivals more on marketing and selling banks have to adopt alternative channels like phone banking, E-banking, internet

banking, mobile banking, ATM etc. In order to study the impact of modern technology on banking functions, the researchers have taken this topic under study.

Review of Literature

Pooya (2020) defined perceived ease of use as the consumer's opinion that online banking requires minimal effort in usage. Pooya (2020) also described that perceived ease of use is the driving force of electronic banking because it provides convenience, security, standardized, and easy access to banking business through the use of information and communication technologies. Ease of use or user-friendliness is an essential concept in e-banking since they have a substantial impact on client satisfaction.

(Toor et al., 2016) Intends to investigate the impact of e-banking variables on customer satisfaction with the help of the five service quality dimensions. The outcome of the study is that E-banking leads to satisfying the customers and thus banks can gain competitive advantage by offering better-quality to the customers in today's emulous world.

Marimon et al., 2012) The purpose of this study is to propose and apply scales to measure service quality and service recovery in the setting of electronic banking (e-banking) services. This research examines the impact of electronic service quality (e-quality) and service recovery (e-recovery) on loyalty (e-loyalty) in the setting of e-banking service.

Singh P (2013) analyzed the problems faced by customers while using e-banking facilities in India. It observed that most of the customers know about the e-banking services offered by their bank. The study found that there is a significant difference between different problems identified while using e-banking services. It also found that some problems affect more and some problems affect less in use of banking services. It concluded that all the reasons are not equally responsible for not using e-banking services.

(Ahmad, n.d.) (Aad et al., 2011) (Ahmad, n.d.) The purpose of this paper is for exploring the adoption of E-banking functionality and the outcomes of customer satisfaction. The outcome of this study is that there is a positive impact on Jordanian commercial bank customer satisfaction, loyalty and positive WOM. (Hammoud et al., 2018) The purpose of this study is to examine the relationship between the dimensions of E Banking service quality and customer satisfaction. The study reveals that E-banking has become one of the essential banking services that increases the banking industry's focus on the customers and the quality dimensions.

Financial Literacy and E-Banking:

“Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It is the foundation for making informed and effective financial decisions (OECD, 2014)”

“Digital banking is the digitization of all traditional banking activities and programs that were historically available only to customers when physically present at a bank branch. These services include online money transfers, bill payments, and access to accounts and financial products through internet and mobile platforms (Chaffey, 2020)”

Challenges In Digital-Banking:

- **Security Risk:** The problem related to the security has become one of the major concerns for banks.

A large group of customers refuses to opt for e-banking facilities due to uncertainty and security concerns. According to the IMAI Report (2006), 43% of internet users are not using internet banking in India because of security concerns. So it's a big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase the online banking use.

- **The Trust Factor:** Trust is the biggest hurdle to online banking for most of the customers. Conventional banking is preferred by the customers because of lack of trust in online security. They have a perception that online transactions are risky due to which fraud can take place. While using e-banking facilities, lot of questions arise in the mind of customers, such as: Did transaction go through? Did I push the transfer button once or twice? Trust is among the significant factors which influence the customers' willingness to engage in a transaction with web merchants.
- **Customer Awareness:** Awareness among consumers about the e-banking facilities and procedures is still at the lower side in the Indian scenario. Less awareness of new technologies and their benefits is among one of the most ranked barriers in the development of e-banking.
- **Privacy risk:** The risk of disclosing private information & fear of identity theft is one of the major factors that inhibit consumers from opting for internet banking services. Most consumers believe that using online banking services makes them vulnerable to identity theft. According to the study, consumers worry about their privacy and feel that banks may invade their privacy by utilizing their information for marketing and other secondary purposes without the consent of consumers.
- **Strengthening public support:** In developing countries, in the past, most e-finance initiatives have been the result of joint efforts between the private and public sectors. If the public sector does not have the necessary resources to implement the projects, it is important that joint efforts between public and private sectors along with multilateral agencies like the World Bank, be developed to enable public support for e-finance related initiatives.
- **Availability of Personnel services:** In present times, banks are to provide several services like social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc.
- **Implementation of global technology:** There is a need to have an adequate level of infrastructure and human capacity building before the developing countries can adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not have access to the necessary infrastructure to be able to process e-payments.
- **Handling Technology:** Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Early adopters of technology acquire significant competitive advances. Managing technology is therefore a key challenge for the Indian banking sector.

Challenges in Financial Literacy

1. Lack of Accessibility and Awareness: Many people, especially those living in rural regions, are not aware of the resources available to improve their financial literacy or the significance of financial literacy. This problem is made worse by limited access to digital technologies, educational opportunities, and financial institutions.

2. Digital Divide: People without access to technology or the know-how to use it efficiently are frequently left behind by the quick transition to digital banking and financial services. One major obstacle to raising financial literacy in the contemporary economy is the digital divide.

3. Low Educational Levels: General literacy levels and financial literacy are closely related. Understanding complicated financial concepts becomes much more challenging in populations with poor educational attainment, resulting in a chronic knowledge gap.

4. Language and Cultural Barriers: Financial literacy programs may be hampered by linguistic and cultural conventions in a multicultural nation like India. It's possible that resources for financial education aren't always available in local languages or customized for certain cultural settings.

5. Absence of Tailored Programs: The majority of financial literacy initiatives take a one-size-fits-all approach, which might not take into account the unique requirements of various demographic groups, including women, young people, the elderly, and small business owners.

6. Trust Deficit in Financial Institutions: People are deterred from pursuing financial education or interacting with formal financial systems when they lack trust in banks and financial institutions, frequently as a result of prior fraud or poor management experiences.

Measures for Improving Customer Satisfaction Level

There are different techniques available that help to enhance the client's gratification level. Therefore, the staff of the banking sector need to develop the capability to listen to all the customers of their organization carefully (Budur & Poturak, 2021). Only after listening to the customers carefully, the organization can be able to understand the requirements and the issues faced by the customers after utilizing any service provided by the bank. Therefore, this condition has resulted in the development of a reduction in the yearly revenue rate of the banking sector.

Apart from this, the banking sectors need to collect feedback from the customers (Islam et al. 2021). This helps the banking organizations to recognize the perceptions of the client after receiving services from the employee of the banking sector. The banking sector is experiencing different issues such as prioritizing the several kinds of requirements of different consumers simultaneously (Dam & Dam, 2021). Due to a poor level of focus on fulfilling the demands of the customers, the company is experiencing a decreasing range of consumer expectations.

Methodology:

This study used both primary and secondary data . Primary data has been collected from the customers through a questionnaire. The secondary data has been collected from various books, journals, magazines and information sorted from the net.

Descriptive research design is used in this study. Primary data is collected from a questionnaire which is derived from the work of Shahid, A. (2016).The questionnaires were collected from the 100 respondents of Tumakuru District by using convenience sampling from the users of E-banking.The questionnaire is divided into various sections such as demographic variables, independent variables including factors of E-banking and dependent variables , including customer satisfaction.

Data Analysis & Interpretation

Figure 1: Gender of the Customers

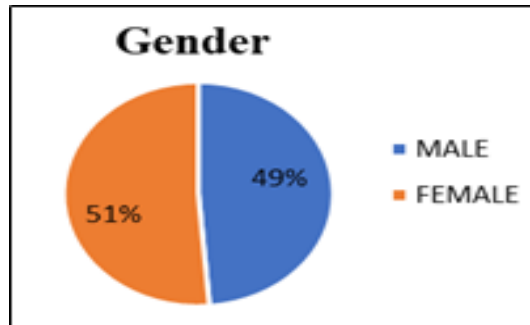


Figure 2: Age of the Customers

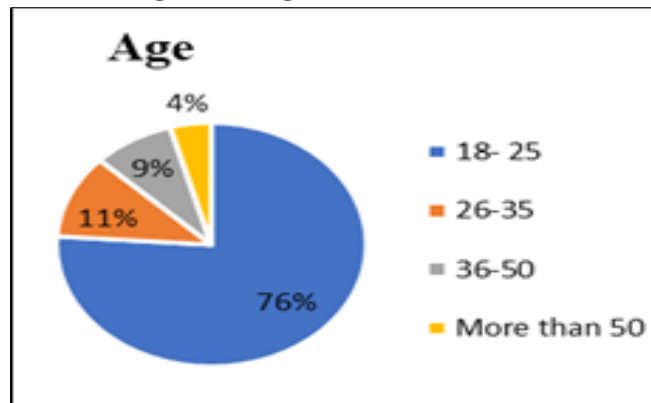


Figure 3: Marital Status of the Customers.

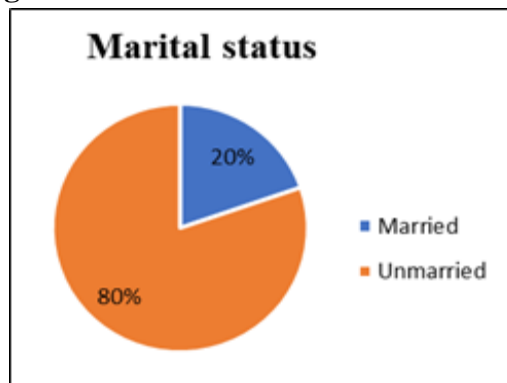


Figure 4: Education Qualification of the Customers

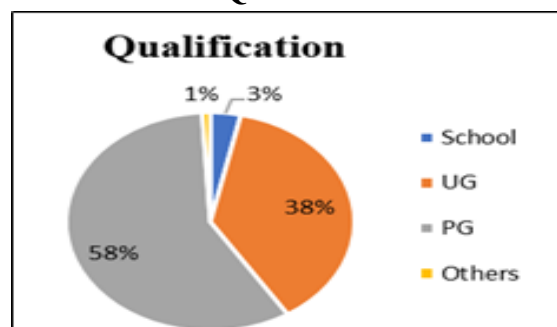


Figure 5: Area of the Customers

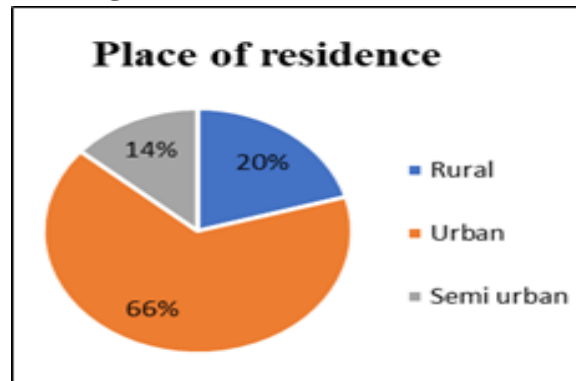


Figure 6: Occupation of the Customers

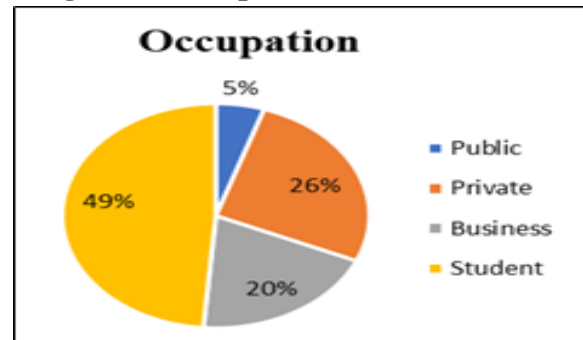


Figure 7: Reasons for Digital Banking

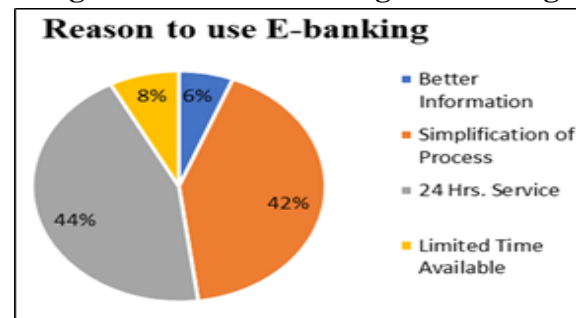


Figure 8: Status of E-Transactions

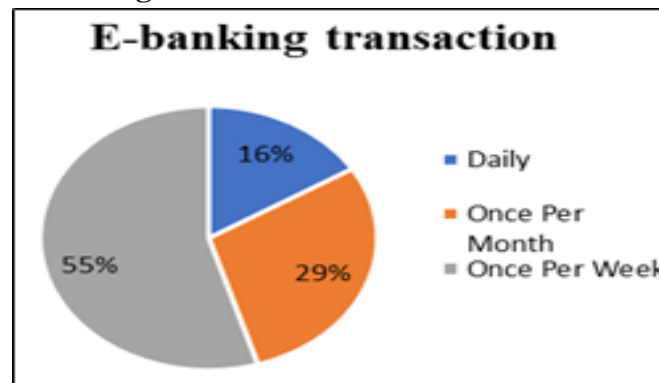


Figure 9: Stimulus for E-Banking

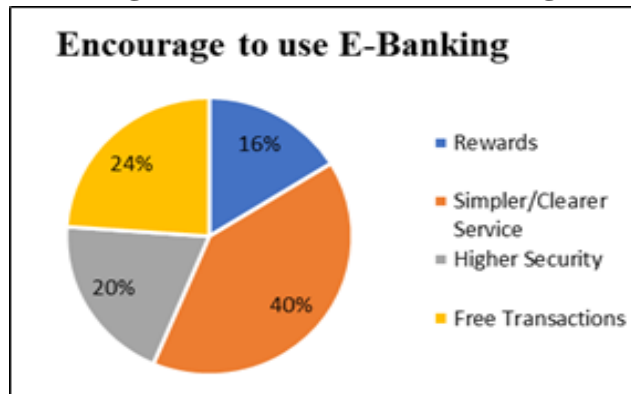
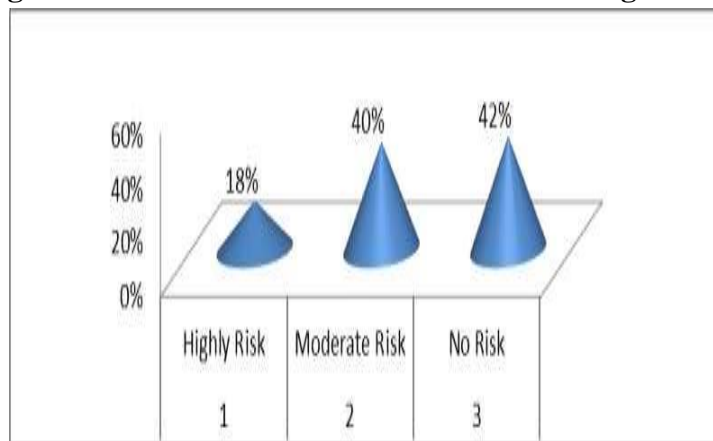


Figure 10: Reasons for Selecting E-Banking Services

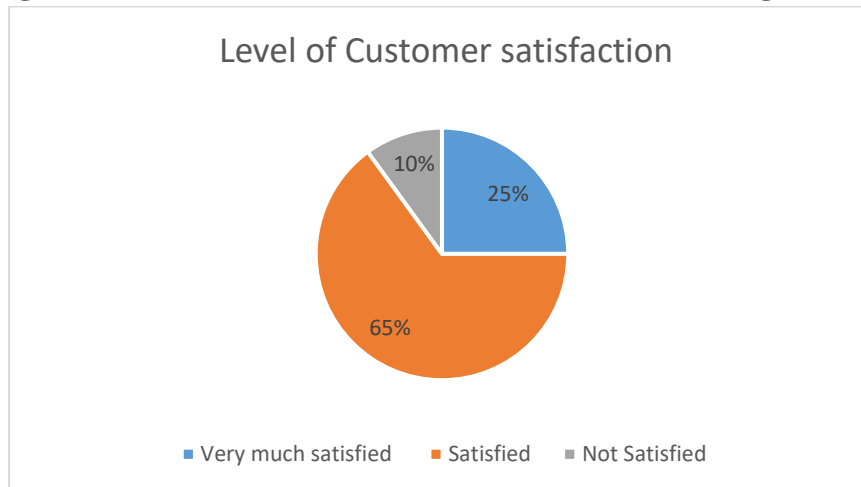


Figure 11: Risk Factor Associated In E-Banking Services



18 % of customers said E- banking services are highly risk and 40 % of customers were come under the category of moderate risk. Only 42 % of customers said that there is no risk when they are made transaction with e-banking services.

Figure 12: Satisfaction Level Of Cutomers On E-Banking Services



25% of the respondents are very much satisfied, 65% of the respondents are satisfied about the e-banking services only 10% of the respondents are not satisfied. So, most of the respondents satisfied with the services rendered by banking through internet.

Summary of Findings

It is crucial for the service providers to identify the relevant dimension affecting the service quality. The banks or service providers can identify the flaws in the offered services. They can plan and devise the strategy for improvising the service quality to satisfy their customers. With the dawn of technological innovations, the banking industry has taken up various smart moves to conduct banking practices. In addition, the usage of E-Banking services is increasing day by day. It becomes relevant to identify most excellent service quality dimensions offered by any bank or E-Banking service providers. In addition, the focus is to identify the weak areas of business operation where the service providers can work upon to make the service better and improvised. The regression model is applied to find the degree of effect of dimensions i.e. service quality variables on the dependent variable i.e. customer satisfaction. Majority 98% of respondents says that they were not suffered any loss due to the insecurity for made transactions through electronic banking. So, it is clear the e-banking transactions are very safe. Majority 65% of the respondents are quite satisfied about the E-banking service rendered by banks.

Suggestions

- The banks must be reduced the service charges. Especially the private Sector banks are levied huge amount of services charges that will Dissatisfied the customer to do transactions through e-banking.
- The technical problems like networking problems should be eliminated totally
- ATM facilities should be checked frequently in order to avoid the unexpected losses due to the problems in ATM machin

- The wide spectrums of channels are to be provided to all branches when it is released.
- Whenever the new services introduced by the banks must be informed to the customer properly

Conclusion

E-banking is spreading all over the world with speed, sometimes at the cost of throwing caution to the winds. This has not only transformed the banking and financial institutions in their modern form, but has also brought a paradigm shift in their attitude of banking operations. It has enabled banks to provide variety of services at reduced transactional costs and shrunk geographical boundaries. There is no conclusive study on the impact of E-banking on economies and scale in banking.

It is, however, imperative that the large banks, particularly private sector banks and foreign banks are more likely to pioneer aggressively a variety of internet services in a country with the objectives of improving productivity and profitability and increasing their market share in a highly competitive environment.

Future Areas of Research:

- Comprehensive study is required to know the customers' satisfaction level as compared to that of traditional banking and E-Banking.
- Comparative study to examine the perspective of customers using e-banks in rural areas as comparative to that of urban areas, especially the problems they generally face.

Conflict of Interest

The authors affirm that this study does not involve any conflicts of interest. The investigation was carried out completely objectively, and neither financial assistance nor outside influence has skewed the conclusions or interpretations offered in this work.

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