

## IMPACT OF SERVICE QUALITY ON DIGITAL BANKING SERVICES AFTER DEMONETISATION WITH REFERENCE TO COMMERCIAL BANKS IN CHENGALPATTU TOWN

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Received: 21 Aug 2018

Accepted: 27 Aug 2018

Published: 30 Sep 2018

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### ABSTRACT

The position of demonetization turns to digital payments, which have achieved a huge number of transactions, the bank services also gained a modern service through innovation of information technology. Hence, the banks expand their customer services through digital banking, such as ATMs, electronic fund transfer mobile banking etc, through their services the customers availed digital banking technology services. The study aims to make an attempt on the service quality on digital banking users in Chengalpattu Town. To present this paper, the researcher used descriptive design. The required data for the study is collected from commercial banks through a well-structured questionnaire with 155 sample respondents. Service quality factors Accuracy, Communication, Devices, Willingness to help and Physical facility act as significant predictors of Customer satisfaction on Digital Banking.

**KEYWORDS:** Demonetisation, Digital Banking, ATMs, Electronic Fund Transfer and Mobile Banking

### INTRODUCTION

The international is changing at a remarkable velocity and technology is measured to be the key driver for these adjustments around us. A scrutiny of the era and its makes use of display that it has permeated in almost every part of our life. A lot of activities are handled electronically because of the popularity of information technology at the house in addition to a place of job. Slowly, however, step by step, the Indian purchaser is transferring towards new banking services like digital banking. Digital banking approach any consumer via a non-public pc and browsers understand the way to reap linked to his bank's internet site to make one of the virtual banking functions. In digital banking gadget, the financial institution has a centralized database this is net-enabled.

The whole services to facilitate the financial institution has allowable at the internet are displayed in a menu. Once the department offices of banks are interconnected through international or satellite tv for pc hyperlinks, there might be no bodily identity for any department. It could be a without boundary lines entity allowing each time, everywhere and every person banking. Digital banking is a regularly occurring time period for the shipping of banking offerings thru cell telephones, non-public virtual assistant. Demonetization is the take action of the strip a forex unit of its popularity as felony smooth. Demonetization is essential wherein an exchange of national currency is required. The old unit of currency must be retired and update with a new currency unit. There are masses of reasons why international locations demonetize their neighborhood gadgets of forex. Various motives encompass combating inflation, to preventing corruption, to

combating parallel financial system and to deter a coins device.

The direction of demonetization involves both introducing new notes and coins of the same foreign money or absolutely replacing the old currency with the new currency. On 8th November 2016, the Indian authorities announced the demonetization of the Rs. 500 and Rs. 1000 notes, the 2 largest denomination notes. These notes accounted for 86% of India's cash delivery. The government's target changed into to eradicate counterfeit currency, fight tax evasion, eliminate black cash gotten from money laundering and terrorist financing activities, and promote a cashless financial system. Through make the bigger denomination notes valueless, people and entities with huge sums of black money gotten from comparable cash structures have been compulsory to change the money at a financial institution that is by means of act compulsory to acquire tax data from the entity. If the entity could not provide evidence of making any tax payments on the coins, a tax penalty of two hundred% of the tax payable was obligatory.

Digital banking is defined because of the computerized shipping of recent and traditional banking services and products without delay to customers through digital interactive conversation channels. Digital banking includes the systems that permit financial institution clients, people or agencies, to get right of entry to money owed, execute commercial enterprise, or gain information on monetary services and products via a public or personal network, together with the Internet.

Consumers get right of entry to digital banking services the usage of a clever electronic device, consisting of a Personal Computer (PC), Personal Digital Assistant (PDA), and Automated Teller Machine (ATM), kiosk, or Touch Tone cellphone. Digital banking is one of the genuinely massive avatars of E-trade the world over. In easy phrases, digital banking implies rider of banking products and services thru digital delivery channels.

Digital banking offerings banks imparting portable get admission to are more often than not assisting some or all of the following services like, Account stability enquiry, Account announcement enquiries, Cheque fame enquiry, Cheque book requests, Fund transfer between bills, Credit and Debit card signals, Minimum balance signals, Bill price alerts, Bill charge, Recent transaction history, Information requests like hobby charges and change prices.

## **DIGITAL BANKING PRODUCTS AND SERVICES**

The digital banking products are Internet banking, Mobile banking, Core Banking System (CBS), National Electronic Fund Transfer NEFT, Real Time Gross Settlement RTGS, Indian Financial System Code IFSC, Bharat Bill Payment System BBPS, Adhaar Enabled Payment System, Adhaar to Adhaar Fund Transfer, Unified Payment Interface, National Payments Corporation of India, Bharat Interface for Money, digital wallet or mobile wallet or e-wallet, It involves Paytm, Mobiwik, Free charge, State bank buddy, HDFC pay Zapp, ICICI pockets, Lime, Phone pe, Airtel money, Ola money

## **REVIEW OF LITERATURE**

M. S. Harsimran Kaur (2017) focused on the high impact jolt, the Banking sector faced during the Demonetization drive initiated by our honorable PM Narendra Modi on the 8<sup>th</sup> of November 2016. The banking sector is one of the most leading sectors in India-Urban, Rural or Punjab. To control a parallel economy, the drive was initiated as a result there was a ban on notes of Rs 500 and Rs 1000 denomination as a legal tender. The Indian Economy faces a massive cash crisis. Leaving cashless, the people do not contain cash to buy their every day need goods. The supplies had

blocked accommodating the banned currency and the new currency was scarcely in movement. There were massive queues in front of banks with the waiting period for each customer was somewhere around 1-2 hours. This paper shows the high-level dependency of the population on Mobile Banking, E-Banking during this phase.

Manpreet Kaur(2017) examined the current form or forms of money are pulled from circulation and retired, often to be replaced with new notes or coins. From time to time, a country totally replaces the older currency with a new currency. In this research paper, the main focus on the study is demonetization and its impact on the Indian banking sector. It finds out the alternatives of physical cash payments such as online bank transfer, e-clearing, and E-KYC.

Dr. G. UppiliSrinivasan, et al; (2017) revealed that the banks won't be impressively wedged inside the long run, considering that the cash streams of the beneficiary segment square measure ordinarily inside the littler division. We tend to trust the aggregate measures taken to reign in dark money can enhance keeping money propensities, deliver cash and value-based history the basic structure of the bank is gradually more in conflict with the changing product, delivery, and service needs of the customers the future belongs to the financial service provider's not traditional banks. The huge bulk of large banks force creates value networks. Doing so present a fabulous challenge. Banks will contain to primary extend a complete delivery system that will facilitate customers to switch them at multiple points. Banks must also create performance measurement systems to assure the mix of products and services they offer are beneficial to both the customer and the bank, with other service providers.

Dr. M. Prabhu, et al;(2017) disclosed that the demonetization in India is a great effort taken by the Indian government to combat with black money and corruption. It is a brave decision taken by the government. The major purpose of demonetization is eradicating the black money and reduces the corruption. A government of India has turned out to be the achievement to several extents. The majority of black money has been compressed. Amount of cash liquidity increased in the bank day by day. And anyone knows if the bank has more deposits then bank develop into stronger. The country in which bank is strong then that county is more financially powerful. In upcoming banks will competent more and more loans to the individual and to the industrial sectors so that production will develop in our country, employment will be created, also our country can grow at the incredibly rapid rate.

Manpreet Kaur(2017) focused on the current form or forms of money are pulled from circulation and retired, often to be replaced with new notes or coins. From time to time, countries totally replace the old currency with a new currency. In this research paper, the main focus is to study the advantages and disadvantages of demonetization and its impact on the Indian banking sector. It finds out the alternatives of physical cash payments such as online bank transfer, e-clearing, and E-KYC.

## **OBJECTIVES OF THE STUDY**

The present study is related with the following objectives:

- To identify the factors determining service quality in terms of digital banking services
- To find out the impact of service quality on Customer satisfaction on Digital banking

## **NEED FOR THE STUDY**

The economic conditions of Chengalpattu Town in the earlier stages were not very sound in the absence of the

major industries. But later on some industrial areas like Mahindra city, Chengalpattu have been set up. Besides, there has been the marked growth of small-scale industries in the town. Utilizing this situation it has become mandatory for the banks to the expand operation through a network and to reduce their operating cost. The revenue potential through higher customer service is also very bright for banks particularly commercial banks in Chengalpattu Town. Demonetization is an act by which the government of a country scrapping a currency unit of its status as a legal tender. The process of demonetization requires either totally withdrawing currency units or introducing new currency units, which are being demonetized or completely restore the old currency with a new currency. Hence the study relating “impact of service quality on digital banking services after demonetization with reference to commercial banks in Chengalpattu town”, in the study area is considered as a vital issue.

## **PROFILE OF THE STUDY AREA**

Chengalpattu, previously known the same as Chingleput, be sited on the GST road and southwest of Kanchipuram in Kanchipuram district, Tamil Nadu, India. The British administration called this entire district Chingleput, at the current, it is named Kanchipuram District. Chengalpattu is the second major town in the district, later than Kanchipuram. Chengalpattu Railway Station commonly recognized the same as CGL, be one of the main railway junctions of the Southern Railway and is a nationwide main halt. It is the headquarters of the Chengalpattu Taluk of the district and is 55 kilometers (34 mi) southwest of the state capital, Chennai and 22km Away from Chennai City entry access Vandalur on the National Highway 45. Chengalpattu Government Hospital is a familiar sight and the most important government hospital in this district. The Hospital has a medical college. The town has the main court of the district and Dr. Ambedhkar Law College. Chengalpattu town has 19 public sectors nationalized banks and 8 private sector banks. Out of these 26 banks, five important commercial banks namely, SBI Bank, Indian Bank, Canara Bank, ICICI Bank, and AXIS Bank were selected for the purpose of this study.

## **SCOPE OF THE STUDY**

This study is a demographical study based on usage of Digital Banking services by various classes of people irrespective of occupation, age, and sex and literacy level of the study area.

## **METHODOLOGY**

A sample of 155 respondents was selected for the study in simple random sampling. 58.2% of the respondents are males and 41.8% are females. 51.8% of the respondents are in the middle-aged group, 54.8% were married, 37.2% of them are working in the private sector and 42.5% of the respondents are earning income per month. The questionnaire consists of 39 items out of which five of them are demographic variables, twenty-four of them are service quality variables and ten customer satisfaction questions. Demographic variables are categorical variables and remaining thirty four variables are 5-point Likert scaling variables.

## **ANALYSIS AND DISCUSSIONS**

### **Factors for Service Quality in Digital banking**

The data reduction process is indispensable to establish a concise research consistently comprising all the characteristic features of variables involved in this study. Exploratory factors analysis by Principal component method reduces the numerous variables into major factors; each factor comprises likely variables with nearest co-variance and correlation value. In these study service quality factors of Digital banking was identified. Service quality in Digital banking is measured by twenty-four variables. The KMO measure of sampling adequacy was 0.901 and it was significant ( $p < .001$ ).

**Table 1: Initial Eigen Values of Motivational Factors for Adoption of Self Services Technologies**

Factors	Initial Eigen values		
	Eigen Value	Percentage of Variance	Cumulative Percentage
1	4.812	28.29	28.29
2	2.315	12.63	40.92
3	1.854	9.24	50.16
4	1.425	6.25	56.41
5	1.178	3.88	60.29
6	1.125	3.52	63.81
7	1.052	3.28	67.09

Twenty four variables are reduced into seven factors which explore the original data. From the cumulative percentage column, all the factors extracted together account for 67.09% of the total variance. Factors extracted with their components are represented in the Table-1.

**Table 2: Factor Scores for Service Quality Factors in Digital Banking**

Factor	Components	Factor Scores
<b>Factor1: Accuracy</b>	Digital banking services is more competent than other banks	0.785
	Option on change of password	0.722
	Banks' websites keep all promises and commitments	0.681
	Lesser risk and greater security	0.641
	Interaction with digital banking site is clear and understandable	0.575
<b>Factor2: Communication</b>	Opinion on higher denomination currency notes tender exchange	0.742
	Pradhanmantrijandhanyojana zero balance account	0.711
	Opinion on higher denomination currency note of Rs 2,000	0.668
	One bank many touch points	0.635
<b>Factor 3: Attribute</b>	Up to date technology in digital banking	0.712
	Problem-solving approach in delivering service to customers	0.651
	Bank help customers to fulfill their digital banking requirements	0.602
<b>Factor 4: Devices</b>	Finding ATMs and branches through apps	0.802
	ATM's have been placed in secured locations	0.774
	Multi kind security control	0.616
	Bank charges a reasonable price for digital banking service	0.516
<b>Factor 5: Willingness to help</b>	Relevant and detailed information in seconds	0.754
	Brochures to educate new users	0.698
	There is no misuse of personal information	0.682

	Customer feedback service available	0.611
<b>Factor 6: Change</b>	Service provided by grievance redressal	0.798
	Opinion on banking ombudsman scheme	0.739
<b>Factor 7: Physical facility</b>	Easy to use from office, house or while traveling	0.712
	At the time of demonetization, government announced to use the old currency notes at petrol pumps, hospitals, airports, bus stands and railway stations, utility bills etc.,	0.689

From the Table 2 it is inferred that factor 1 is a combination of five variables and named as Accuracy, factor 2 is a combination of four variables and named as Communication, factor 3 is a combination of three variables and it is named as Attribute, factor 4 is named as Devices and it constitutes four variables, factor 5 is a combination of four variables and it is named as Willingness to help, factor 6 is a combination of two and factor 7 is a combination of another two variables and they are named as Change and Physical facility.

Digital banking services are more competent, higher denomination currency notes tender exchange, updated technology in digital banking, locating ATMs and branches through apps, relevant and detailed information in seconds, service provided by grievance redressal and easy to use from office, house or while traveling are the important aspects of Service quality in Digital Banking.

#### Impact of Service Quality Factors on Customer Satisfaction on Digital Banking

To ascertain the impact of Service quality factors is not having a significant impact on customer satisfaction in Digital banking, multiple regression analysis is performed. Service quality factors and customer satisfaction in Digital banking are taken as independent and dependents variables respectively.

#### Null Hypothesis $H_0$ : Service Quality Factors are not having a Significant Impact on Customer Satisfaction in Digital Banking

**Table 3: Regression Analysis for the Impact of Service Quality Factors on Customer Satisfaction on Digital Banking**

Independent Variables	R <sup>2</sup>	Beta	F-Statistics	T- Value
(Constant)		0.542		9.368**
Accuracy		0.354		6.012**
Communication	0.584	0.152	48.625**	3.214**
Attribute		0.054		0.946
Devices	<b>Adjusted R<sup>2</sup></b>	0.229		3.136**
Willingness to help	0.580	0.339		5.106**
Change		0.029		0.479
Physical facility		0.182		3.516**

Significant at 1% level

F-value of 48.625 is significant at 1% level. R<sup>2</sup> value of 0.584 shows good variability. In this case, the null hypothesis "Service quality factors are not having a significant impact on customer satisfaction in Digital banking" is rejected. Accuracy, Communication, Devices, Willingness to help and Physical facility are significant predictors and having a positive impact on Customer satisfaction on Digital Banking. One unit increase in Accuracy, Communication, Devices, Willingness to help and Physical facility improves customer satisfaction by 0.354, 0.152, 0.229, 0.339 and 0.182 units respectively. However, Attribute and Change are not having a significant impact over customer satisfaction.

## CONCLUSIONS

The banks have before demonetization put in place of cost-effective electronic access channel for traditional banking products. On November 8, 2016 Government of India announced currency demonetization, through the demonetization of higher denomination currency notes of Rs 500 and Rs 1000 and the Government is moving digital banking services. The digital banking services had given relief and forced to learn digital transaction after demonetization. People adopted technology gradually but don't wanted to pay more for the digital transaction. However, people of India faces money problems for the period of demonetization they suffer with no cash. In addition, for this medium like digital banking services helps them. It consists of Paytm, Mobiwik, Free charge, State bank buddy, HDFC pay app, ICICI pockets, Lime, Phone pe, Airtel money, and Ola money based mobile banking. In addition, a number of banks are planning to suggest new products designed particularly for e-commerce. If the initiatives are widely adopted within the industry,

Digital banking services are more competent, higher denomination currency notes tender exchange, updated technology in digital banking, locating ATMs and branches through apps, relevant and detailed information in seconds, service provided by grievance redressal and easy to use from office, house or while traveling are the important aspects of Service quality in Digital Banking. Accuracy, Communication, Devices, Willingness to help and Physical facility are significant predictors and having a positive impact on Customer satisfaction on Digital Banking. The composition of banks business activities will change and surely India will become "Digital India" in 2020. It also enhances digital technology services in the banking sector.

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