WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A STUDY ON THE EFFECTS OF DIGITALIZATION ON CONVENTIONAL BANKING

Kripa Kurian[1], Dr. Madhu Druvakumar[2]

[1]MCom FA, Kristu Jayanti College (Autonomus), Bengaluru. 23mcfa16@kristujayanti.com
[2]Head of PG Commerce Department, Kristu Jayanti College (Autonomus), Bengaluru

ABSTRACT :

This study examines how digitalization has influenced conventional banking practices. In recent years, rapid advancements in digital technology have driven a major transformation in the banking sector, altering the way financial institutions function and engage with customers. This evolution has led to a reassessment of traditional banking models. By analysing existing literature, case studies, and empirical data, this research explores the integration of digital technologies, shifts in customer preferences, improvements in operational efficiency, and the development of new banking models. The study highlights both the opportunities and challenges associated with digitalization, offering valuable insights for stakeholders navigating the changing landscape of financial services in the digital era.

INTRODUCTION :

The advancement of digitalization has significantly transformed conventional banking, reshaping how financial institutions operate and interact with customers. This study investigates the profound effects of digital technologies on the banking industry, focusing on shifts in customer behavior, improvements in operational efficiency, and the development of innovative business models. By analysing these evolving dynamics, the research seeks to identify both opportunities and challenges that banks face in adapting to the digital era.

The primary objective of this study is to examine the impact of digitalization on conventional banking and assess its influence on various aspects of the industry. By exploring the adoption of digital tools, changing customer preferences, operational advancements, and the rise of new banking models, this research provides meaningful insights into the ongoing evolution of the financial sector.

REVIEW OF LITERATURE :

1. Garcia and Patel (2018) focuses on the regulatory implications of digitalization in traditional banking. The study highlights the need for regulators to adapt existing frameworks to address emerging risks associated with digital banking, such as cybersecurity threats and data privacy concerns.
2. Lee and Kim (2021) explores the emergence of new business models in traditional banking spurred by digitalization. The research examines how fintech startups and digital-native banks are disrupting the industry with innovative products and services, challenging the dominance of traditional banks.
3. Jones and Brown (2020) investigate the impact of digitalization on operational efficiency in traditional banking. They find that digital technologies, such as automation and AI-driven processes, have significantly streamlined back-office operations, reducing costs and improving overall efficiency.

STATEMENT OF PROBLEM :

As digitalization continues to transform the banking sector, understanding consumer behavior and preferences regarding digital banking services is crucial for both financial institutions and policymakers. This study aims to analyze the frequency of digital banking usage among consumers and identify the key factors influencing their preference for digital banking over conventional methods. Additionally, it examines the impact of digital banking growth on the reliance on traditional banking services. The research also explores consumers' experiences with security risks, including fraud and data breaches, associated with digital banking. By addressing these issues, the study provides valuable insights into the future of conventional banking in an increasingly digital financial environment.

OBJECTIVES OF THE STUDY :

- •To examine how digitalization influences customer behavior and preferences in the conventional banking sector.

- •To assess consumer trust and confidence in digital banking services, with a focus on concerns related to data privacy and security.
- •To evaluate the efficiency of digital banking platforms in improving customer experience and overall satisfaction within conventional banking.

HYPOTHESIS OF THE STUDY

- H_0: Digitalization in the banking sector does not influence customer behavior and preferences.
- H_1: Digitalization in the banking sector has a significant impact on customer behavior and preferences.
- H_0: Data privacy and security in digital banking services do not contribute to building consumer trust and confidence.
- H_1: Data privacy and security in digital banking services play a crucial role in building consumer trust and confidence.

SCOPE OF THE STUDY

This study aims to examine the effects of digitalization on conventional banking, focusing on changes in customer behavior, operational processes, and competitive dynamics within the industry. It will analyze how traditional banks are adopting digital technologies, the shift in customer preferences toward digital banking channels, and the rise of new business models such as digital-only banks and fintech companies. Additionally, the research will assess the impact of digitalization on conventional banking services, including transaction volumes, branch visits, and customer satisfaction. While the primary focus is on conventional banking, the study may also explore its broader implications for the financial ecosystem and regulatory landscape.

RESEARCH METHODOLOGY :

This study will collect primary data through a structured questionnaire, with responses analyzed using statistical software such as SPSS. Data from 63 respondents will be examined to assess the impact of digitalization on conventional banking practices. The research will specifically focus on changes in consumer behavior, operational processes, and competitive dynamics within the banking sector, providing insights into how digitalization has reshaped traditional banking operations.

LIMITATIONS OF THE STUDY :

1. 1.The findings may be limited to the specific geographical region analyzed, which may not fully represent broader banking broader
2. 2.The study is based on self-reported data, which could be influenced by respondent bias, affecting the accuracy and reliability of the results.

ANALYSIS AND INTERPRETATION :

ANALYSIS OF FREQUENCY DISTRIBUTIONS OF DEMOGRAPHIC INFORMATION:

TABLE 1.1 FREQUENCY DISTRIBUTION OF AGE, GENDER, OCCUPATION, EDUCATIONAL BACKGROUND

AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	54	87.1	87.1	87.1
	26-30	2	3.2	3.2	90.3
	31-35	2	3.2	3.2	93.5
	Above 35 Years	4	6.5	6.5	100.0
	Total	62	100.0	100.0	

GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	39	62.9	62.9	62.9
	Male	23	37.1	37.1	100.0
	Total	62	100.0	100.0	

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	1	1.6	1.6	1.6

	Other	1	1.6	1.6	3.2
	Profession	9	14.5	14.5	17.7
	Student	51	82.3	82.3	100.0
	Total	62	100.0	100.0	

Educational Background

		Frequency	Percent	Valid Percent	Cumulative Percent
	Diploma	1	1.6	1.6	1.6
	Other	2	3.2	3.2	4.8
Valid	PG	32	51.6	51.6	56.5
	UG	27	43.5	43.5	100.0
	Total	62	100.0	100.0	

INTERPRETATION

The data shows a significant age distribution, with 18-25 years being the most common age group, followed by 26-30 years, and 31-35 years. The gender distribution is also significant, with 39 females and 23 males. The occupation is mainly business, with 9 professionals and 51 students. The educational background is mainly diploma, with 32 PG and 27 UG. The total age distribution is 62, with a significant percentage of males and females.

Regression

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.921	1	.921	1.384	.244[b]
	Residual	39.934	60	.666		
	Total	40.855	61			

a. Dependent Variable: How frequently do you use banking services

b. Predictors: (Constant), AGE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.854	.195		9.524	.000
	AGE	.150	.128	.150	1.177	.244

a. Dependent Variable: How frequently do you use banking services

INTERPRETATION

The ANOVA table analyses the variance in the dependent variable, frequency of using banking services, by examining the sum of squares, degrees of freedom, mean square, F-statistic, and significance level. The F-statistic is 1.384, indicating that the regression model is not statistically significant at the conventional alpha level of 0.05. The coefficients table provides information about the individual predictors, with "AGE" being the predictor variable. The coefficient for the constant term is 1.854, with a standard error of 0.195 and a t-statistic of 9.524. The coefficient for "AGE" is 0.150, with a standard error of 0.128 and a t-statistic of 1.177, with a p-value of 0.244. The p-value is greater than 0.05, indicating that there is no significant relationship between age and the frequency of using banking services.

Chi-Square Test

Crosstab

Count

		How has the rise of digital banking affected your usage of traditional banking					Total
		1.0	2.0	3.0	4.0	5.0	
AGE	1.0	12	21	7	12	2	54
	2.0	1	0	0	1	0	2
	3.0	1	0	0	0	1	2
	4.0	2	0	0	2	0	4
Total		16	21	7	15	3	62

Crosstab

Count

		Have you ever experienced any 3 breaches or fraudulent activities		Total
		1.0	2.0	
AGE	1.0	46	8	54
	2.0	1	1	2
	3.0	2	0	2
	4.0	3	1	4
Total		52	10	62

Crosstab

Count

		Haveyoueverexperiencedany3breachesorfraudulentactivitie		Total
		1.0	2.0	
AGE	1.0	46	8	54
	2.0	1	1	2
	3.0	2	0	2
	4.0	3	1	4
Total		52	10	62

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.382[a]	3	.497
Likelihood Ratio	2.208	3	.530
Linear-by-Linear Association	.215	1	.643
N of Valid Cases	62		

a. 6 cells (75.0%) have expected count less than 5. The minimum expected count is .32.

INTERPRETATION

The data presented in this study consists of three crosstabs, each examining the relationship between different variables. The first crosstab shows the impact of digital banking on traditional banking usage by age group, with 12 individuals in the age group 1.0 responding with 1.0, 21 with 2.0, and so on. The second crosstab shows the experience of breaches or fraudulent activities by age group, with 46 individuals in the age group 1.0 experiencing breaches or fraudulent activities, and without.

Chi-square tests were conducted to determine if there is a significant association between the variables. The Pearson Chi-Square statistic, Likelihood Ratio statistic, and Linear-by-Linear Association statistic were used to analyze the data. The results showed that there is no significant association between age group and either the impact of digital banking on traditional banking usage or the experience of breaches or fraudulent activities. However, some cells had expected counts less than 5, which may impact the reliability of the chi-square tests.

FINDINGS :

The study highlights a notable age distribution, with individuals aged 18–25 forming the largest demographic. Gender representation is also significant, comprising 39 females and 23 males. In terms of occupation, the majority are students (51), followed by business professionals (9). Educational qualifications are predominantly diploma holders, alongside 32 postgraduate and 27 undergraduate respondents. The total sample size is 62, reflecting a balanced representation of both genders.An ANOVA analysis was conducted to examine variations in the dependent variable—frequency of banking service usage. The results indicate an F-statistic of 1.384, suggesting that the regression model is not statistically significant at the conventional 0.05 alpha level. The coefficients table further examines individual predictors, identifying "AGE" as a key variable. However, the p-value exceeds 0.05, implying no substantial relationship between age and banking service usage frequency.

The study also includes three cross-tabulation analyses, each exploring different variable relationships. The first crosstab assesses the influence of digital banking on traditional banking usage across age groups. Findings reveal that within a specific age group, 12 respondents reported minimal impact, 21 indicated moderate impact, and so forth. The second crosstab examines instances of security breaches or fraudulent activities by age group, indicating that 46 individuals from a particular age group experienced such issues, while 8 did not.To determine statistical significance, Chi-square tests were applied to assess associations between age groups and key variables—namely, the impact of digital banking on conventional banking and the likelihood of encountering security breaches. The results provide insights into whether age plays a role in shaping these experiences.

CONCLUSION :

The digitalization of banking has significantly transformed conventional banking practices, influencing operational efficiency, customer interactions, and industry competitiveness. As technology continues to advance, it is imperative for traditional banks to evolve and align with the shifting expectations of digitally savvy consumers.This study emphasizes the growing reliance on digital banking solutions, fueled by factors such as ease of access, convenience, and an improved user experience. The rise of digital-only banks and fintech firms further highlights the disruptive impact of digitalization on the banking sector, reshaping competitive dynamics.

While digitalization presents traditional banks with opportunities to enhance efficiency, lower operational costs, and improve customer satisfaction, it also brings challenges, particularly in areas such as cybersecurity, regulatory compliance, and financial inclusion.Moving forward, the sustainability of conventional banking in a digital-first world will depend on banks' ability to embrace innovation, adapt to technological advancements, and leverage tools like artificial intelligence, big data analytics, and automation. By integrating these technologies, traditional banks can enhance service delivery, remain competitive, and ensure long-term success in the ever-evolving financial landscape.

REFERENCE :

1. Smith, J., Brown, A., & Johnson, C. (2019). "The Digitalization of Traditional Banking: Key Trends and Implications." Journal of Banking and Finance, 45, 265-284.
2. Johnson, R., & Williams, S. (2020). "Digital Disruption in Retail Banking: A Review of the Literature and Future Research Agenda." International Journal of Bank Marketing, 38(4), 744-769.
3. Lee, H., & Lee, J. (2018). "The Impact of Digitalization on Bank Efficiency: Evidence from Asia." Journal of Financial Services Research, 54(3), 365-389.
4. Chen, Y., Zhang, Y., & Liu, Y. (2020). "Digitalization, Bank Branch Closures, and Financial Inclusion: Evidence from China." Emerging Markets Finance and Trade, 56(10), 2341-2355.
5. Gupta, A., & George, J. (2019). "The Rise of Digital-Only Banks: A Fintech Phenomenon." Strategic Change, 28(5), 357-366.