Summary of Macro-Research Report

The determinants of customers' continuance intention to use digital banking: Public and Private banks - An Analysis

By:

Dr. P. Ganesan and Dr. A. Sivakumar,
VIT Business School, Vellore

Services have specific characteristics that differentiate them from products. These characteristics include intangibility, variability, inseparability and perishability. These characteristics make it difficult for service marketers to market their services as compared to product marketers. Service marketers need to understand customer service experience to survive in the competitive world. Customer service experience is now mediated in a great measure with technology. Technology-mediated service delivery adds to the complexity of consumer service experience. In technology mediation, a key issue is the acceptance of technology among consumers. Even more important is consumer's continuous usage of technology.

Banking and Financial Service sector is one of the prominent sub-sectors within India's services sector. The Indian banking sector is highly competitive. In addition, this sector has witnessed tremendous changes with the infusion of technology. Technology infusion has resulted in a greater customer-centric approach among banks than traditional banking. Bank customers are now seeking digital banking service channels. These channels include automated teller machines, web and application-based banking and other forms in which banking services are offered to consumers in a digital mode. Digital banking adoption or acceptance among India's customers has been improving. However, recently, there has been a volatile trend in terms of value and volume of digital banking. This trend points to an issue in continuous usage of technology. Technology infused banking can have several benefits for both the user and the bank. It can help in providing customised services and result in greater productivity and efficiency in service delivery. These benefits accrue only when

continuous usage of technology happens. This study is aimed at understanding the important drivers of continuance intention usage of digital banking among Indian bank consumers.

Many studies in the past, investigating acceptance and use of technology, identified several factors that predict behavioural intentions to use technology. These factors included perceived behavioural control, ease of use, social influence & cognitive instrumental processes, perceived usefulness, perceived ease of use and subjective norms. The theoretical underpinnings to study the technology adoption models lay thrust on models like Innovation Diffusion Theory and Technology Acceptance Model. The growing interest on Technology Acceptance lead to synthesis of models with newer variables and development of integrated models like Unified Theory of Acceptance and Use of Technology (UTAUT). Each of these models explains the behavioural intention before behaviour occurs.

Behavioural Intention in the Technology Acceptance Model also emerged as an important predictor of actual behaviour. Researchers criticized extended models because of their relatively low explanatory power on behavioural intentions and for their inconsistent or even contradictory results. They found these models to be useful mostly within organizations for evaluating technologies or to make comparisons between user groups and not for consumer usage in a voluntary environment. Venkatesh et al, (2013) extended the UTAUT model using new constructs namely, habit, hedonic motivation and price value, thus, tailoring it to an individual consumer-use-context model called UTAUT2 model. These new constructs increased the Technology Acceptance Model's

applicability in utilitarian and hedonic uses in voluntary use contexts for individual usage. The current research aims to examine UTAUT2 model's ability to explain continuance intention and use behaviour of digital banking consumers.

Many studies have concentrated only on the UTAUT2 factors related to adoption or acceptance of technology. The inclusion of constructs based on the Expectation-Confirmation Model, namely, confirmation and overall experience along with financial cost and risk factors would give more insight on the predictors of continuance intention usage of digital banking. UTAUT2's seven constructs in addition to financial cost, risk factors, confirmation on expectation and overall experience, were identified as determinants of continuance intention usage. The seven UTAUT2 constructs are Performance expectancy (benefit), Effort expectancy (ease and comfort), Social influence (peer pressure), Facilitating conditions (conducive environment), Hedonic motivation (pleasure), Price value (cost-benefit comparison) and Habit (easy learning).

UTAUT 2 model stopped at studying the factors that facilitate technology adoption in either influencing behavioural intentions or the use behaviour. However, in case of repeated use services like banking, banks would be interested in consumers taking to technology continuously rather than discontinuing it due to various reasons. This intention is studied using 2 major statements namely a) whether the consumer is willing to continuously use the technology in the future and b) if the consumer would recommend the technology to other users. These two statements capture the continuance intention. These can be easily related to UTAUT as the same factors can have an influence on continuance usage.

Customers of Public and Private sector banks in Tamil Nadu were part of the study. As of March 2019, the total number of functioning commercial bank branches in Tamil Nadu was 9938. The banks included were nationalized banks, other public sector banks, private sector banks and SBI & its associated banks in Tamil Nadu. The study population included bank account holders in the bank branches and those

that used digital banking. The following sampling process was adopted for the data collection:

Stage I: The average and standard deviation of bank branches across various districts in Tamil Nadu was first arrived at. Using this data, districts were segmented into four categories namely low (mean minus 2 sigma), medium, high and very high (mean plus 2 sigma) based on density of branches.

Stage II: By applying a simple random sampling process (lottery method), two districts from the first two segment of districts (low and medium) were selected.

Stage III: A sample of 80 customers from private (40) and public (40) sector banks were identified as the final sample from the selected 4 districts of the first two segments. A sample of 80 customers each from Kancheepuram and Coimbatore districts and 160 from Chennai district were chosen from the rest of the districts. The final sample of study participants were selected using non-probability sampling method.

After eliminating non-responses and unusable responses, data from 591 bank customers was used for the final analysis. Data was collected through structured questionnaire. The study used Partial Least Square - Structural Equation Modeling (PLS-SEM), MANOVA and discriminant analysis as the major tools to analyse data to draw inferences and conclusions.

The conclusions were that a majority of the sample respondents were familiar with mobile and other devices and 80 per cent of customers had better knowledge of digital banking channels. Among various factors for the lower usage of digital banking were technology related issues, lack of information, absence of need and security threat. Performance Expectancy of private sector banks' customers are marginally higher than their public sector counterparts. Similar situation is witnessed with mean scores of Effort Expectancy and Facilitating Conditions. On profiling the sample respondents, the study found performance expectancy and social influence as important variables that discriminate between public and private sector bank customers. Social influence

and social risk are factors that have come out as relatively important for public sector bank customers. Public sector banks can use this aspect effectively in marketing communication. The comparison between public and private sector bank customers reveals marginal difference in satisfaction and no difference with respect to pleasure, contentment and delight. Public sector bank customers were more concerned on the risk dimensions compared to their counterparts.

Performance Expectancy and hedonic motivation are strong predictors for private sector bank customers' continuous intention usage of digital banking compared to other variables. With respect to Price Value, Hedonic Motivation and Habit, the mean score of the items measuring the respective constructs exhibit mixed results on the level of agreement. Mean score of the items related to Performance Expectancy of private sector banks' customers were marginally higher than their public sector counterparts. Similar situation was witnessed with mean scores of Effort Expectancy and Facilitating Conditions. Performance expectancy and hedonic motivation among the UTAUT2 constructs, financial cost, fulfilling customer expectation and risk reduction are the significant drivers of continuance intention usage of digital banking. Out of Financial Cost, Risk, Confirmation on Expectation and Overall Experience, Confirmation on Expectation strongly drives continuance usage intention of digital banking.

❧

Bank Quest included in UGC CARE List of Journals

IIBF's Quarterly Journal, Bank Quest has been included in UGC CARE list of Journals. The University Grants Commission (UGC) had established a "Cell for Journals Analysis" at the Centre for Publication Ethics (CPE), Savitribai Phule Pune University (SPPU) to create and maintain the UGC-CARE (UGC – Consortium for Academic and Research Ethics). As per UGC's notice, research publications only from journals indexed in UGC CARE list should be used for all academic purposes.