

Challenges faced by Customers in Using Fintech Banking: An Empirical study from the Banks of Udaipur District

MOHAMMED ZUBER KHAN

Research Scholar,
FMS, JRNRVU, Udaipur, Rajasthan

Dr. USHA CHOUHAN

Assistant Professor,
FMS, JRNRVU, Udaipur, Rajasthan

Abstract

Financial Technology popularly known as FinTech is a new concept in banking industry which has improved the service quality of banking industry. But every new technology comes with lots of challenges and banking industry is not an exception to it, so keeping this in view this research has been conducted to study the challenges faced by customers in using the FinTech banking services. The data has been collected from 317 customers with the help of semi structured questionnaire and it has been concluded that data security, privacy and lack of knowledge are the major challenges faced by customers.

Keywords: FinTech Banking, Challenges, Bank

Introduction:

Technology is moving at a very fast pace and adoption cycles are short. Therefore, it is becoming difficult to keep pace with the rate of advancement. Quick adoption of developments in the field of IT is a challenge and a key component is the role which human capital will play in this regard.

The Reserve Bank has successfully navigated the financial sector to safe shores based on information availability and judgment. Technology infrastructure played a key role in enabling timely availability and access to vital information in the fast evolving macro space. The Reserve Bank has also guided the banking system (mostly PSU banks) in adoption of technology. In the first phase, banks computerized their labor intensive back office operations to reduce costs and improve housekeeping. In the second phase, banks focused on enhancing customer convenience to gain competitive advantage. In the third phase, which is presently in progress, banks have implemented Core Banking Solutions (CBS) combining both front office and back office. This phase marked a paradigm shift in more senses than one and branch customers are now bank customers as they can access their accounts from any branch for defined purposes. CBS offered new opportunities for information management, for better customer service and improved risk management.

However, one of the shortcomings that have been observed is disconnect between the Transformation (I) and Technology (T). Owing to this, banks have not been able to reap the benefits of the technology revolution in terms of cost reduction of small value transactions, improved customer services and effective flow of information within the banks and to the regulator. Although banks have deployed technology for transaction processing, the same has not been explored extensively for analytical processing.

Extensive use of technology has brought about upgrades in general banking environment for all stakeholders. The Reserve Bank has played a role of a catalyst in this path and has been providing guidelines with due focus on security, safety, assurance and business continuity. In this background, the role of Fintech in banking sector needs to be revisited with focus on the following:

1. Introducing technologies that balance 3 Cs – Cost, Control and Customer Service
2. Implementing data warehouse and business intelligence that meets all internal MIS requirements as well as the information needs of the regulator
3. Adoption of technology-based strategies for financial inclusion
4. Usage of analytics for improvement of Customer Relationship Management (CRM), risk management and fraud detection / prevention IT based solutions entail operational risks, for which banks have to put in place appropriate control mechanisms and mitigation techniques. As solutions become more technology dependent, business continuity plans and DR drills assume greater importance. With financial stability as an important target, the Reserve Bank assigns importance to mitigate IT related risks in the banking sector.

Literature Review:

Wambuaa & Datcheb (2021) analysed the impact of innovations on financial inclusion with the help of the independent variables like perceived risk, perceived trust, ease of use and Anti Money Laundering. Innovative channels were used as an intervening variable in the study. E-banking, M banking and Agency banking was the innovative channels under consideration and customers of any of the five branches of equity bank ltd in Mombassa country, using any of these innovative channels were selected as the sample respondents. Stratified sampling was used for selecting the required sample of 200 customers. The findings of the study reveal that even though there are many innovative delivery channels, queues in the banks remain the same especially in the enquiry and customer service counters and if stringent measures like improving reliability will be introduced in the banks it will lead to increase in customer confidence and satisfaction.

Rahman, Ferdousi, Chowdhury, & Haque (2020) aims to measure the impact of factors like core services, security and trust on the internet and the awareness about the services on the usage of Fintech banking. The survey was done among 180 customers living in the urban areas of Dhaka, the capital city of Bangladesh. Purposive sampling was employed for the sample selection and the criteria used for this was that only the customers having six months of online banking experience and with a bachelor degree was selected as samples for the study. The findings of the study after employing Structural Equation Modelling reveals that the effect of security and trust and the awareness of customers is significant and the factor core services are insignificant.

Nath, Schrick, & Parzinger (2019) focuses on the effect of Fintech on the banking industry. Both strategic and operational dimensions were measured in the study. It also assesses the effect of internet banking on banks' customer, bank-customer relationships and technology considerations. Data were collected from 75 bricks and mortar banks in a large state in the Midwestern United States and the result shows that full benefits of internet banking are not realised by many banks and suggests that banks that do not offer internet banking should quickly move towards it. And from the operational perspective, it is found that internet banking has many benefits and this lead to the increase in the number of customers.

Kumar & Raju (2018) carried out a study to examine the products and services of new generation banks. Technological developments and other emerging trends in the banking sector were also analysed. Internet, Society for Worldwide Interbank Financial Telecommunications (SWIFT), Automated Teller Machine (ATM), Cash Dispensers, Electronic Clearing Service, Banknet, Chip Card, Phone Banking, telebanking, Internet banking, Mobile Banking Anywhere banking, Voicemail and Kiosks were identified as the new developments in new generation banks. The study concluded that the Indian banking sector is developing with the huge customer base and innovative products and services. By revaluing the existing strategies with the government support they can become bigger and stronger with the global customer base.

Ilo, Ani, & Chioke (2017) conducted a study to analyse the relationship between technological innovations and the performance of banks in Nigeria. The research was also focused on the relationship between ICT adoption and customer satisfaction. Automated Teller Machines, Electronic Fund Transfer, smart cards, telephone banking, computerized credit rating, point of sales system, electronic home and office banking and electronic data exchange were the ICT products identified in the study. ICT applications identified were treasury operations, human resources, bank master, reconciliation, loan and deposit, money market, asset management, fund transfer and general ledger. The study used random sampling method and the data was collected from the employees and customers of fifteen major Nigerian banks with their headquarters in Lagos. The findings of the study demonstrate that technological innovations have a positive relationship with the performance of banks and ICT adoption have improved the customer satisfaction and retention.

Kaur (2016) aims to impart knowledge about the innovative banking activities in the national and international level banks. The research was based on secondary data and highlighted some of the innovative banking activities of foreign banks and how far it is adopted by the Indian banks. The use of biometric technology, In-car apps, facial recognition technology, smart watches, google glass technology, robotics, Augmented Reality (AR) apps, beacon technology, oculus rift, cryptocurrencies, Artificial Intelligence(AI) and cheque truncation was explained in the study. The researcher comes to the conclusion that Indian banks have to understand the importance of adopting latest technology in the banking activities to ensure their survival. Most of the foreign banks adopt new technologies much earlier than Indian banks but some private banks in India like ICICI, HDFC and Axis banks are taking initiatives in the field of innovative banking.

Martovoy & Mention (2016) tried to find out whether the New Service Development (NSD) process have any impact on the financial services and also to analyse the patterns in the development of service innovations. Data were collected from executives and innovation managers of banks located in Luxembourg. The study explains NSD process in seven stages, i.e. definition of problems, idea generation, idea screening, testing, business analysis and introduction to a market and four patterns of NSD process namely problem driven pattern, proactively driven pattern, market-driven pattern and strategy-driven pattern were identified.

Kesavan (2015) in his conceptual paper made an attempt to identify various innovations initiated by the selected bank. The study also analysed how these innovations are benefited to the society especially to the backward classes and how profitable it is for the banks. It also deals with the strategies adopted by the banks to retain its existing customers and for social inclusion. IndusInd Bank was selected for the study and innovative initiatives of the bank like video branch, super saver pack, my account my number, check on cheque, denomination selection, cash on mobile, quick redeem, direct connect, green champions program, share2care program, financial literacy and promoting art, culture and sports was analysed in detail by the researcher. The study was concluded by stating that even though the rate of innovation adopted by the bank is very high it has to concentrate more on grievance redressal mechanism.

Malik (2014) focused on how the financial innovations have contributed to the development of banking sector. The researcher also looks into the benefits and challenges of the recent trends in banking. The study gives a conceptual clarity about the innovations like ATM, debit card, credit card, NEFT and RTGS. With the help of reports on the increased number of ATMs, debit cards, credit cards, and the volume of transaction using electronic banking the researcher concluded that the innovations in banking sector have contributed to the development of banking sector.

Objective:

The purpose of this research paper is to study the challenges faced by customers in using the financial technology tools offered by banks.

Hypothesis:

H₀: There is no significant difference in the challenges faced by customers in adoption of FinTech banking with respect to their demographic variables.

H_a: There is a significant difference in the challenges faced by customers in adoption of FinTech banking with respect to their demographic variables.

Research Methodology

(a) Research Design: - To have a better understanding about the issue descriptive research design was used. To get the primary data close ended questionnaire was administrated.

(b) Sample Design: - 317 banking customers were selected through stratified purposive sampling.

(c) Analysis: - The data collected was analyzed with the help of Arithmetic mean, t-test and ANOVA.

Analysis & Interpretations

Demographic Profile of Customers:

The table 1 is presenting the demographic profile of customers, it can be observed that 63.41% respondents (N=201) were male and 38.17% customers were aged between 20 to 40 years. Majority of respondents (N=215, Percentage=67.82) were residing in urban area and maximum number of customers (N=192, Percentage=60.57) were married. 32.18% customers (N=102) were postgraduate and 36.28% respondents (N=115) were working in private companies. In the sample 56.15% respondents (N=178) were the customers of public bank and rest of the respondents (N=139, Percentage=43.85) were from private banks.

Table 1: Demographic Profile of Customers

Gender	N	Percentage	Marital Status	N	Percentage
Male	201	63.41	Unmarried	89	28.08
Female	116	36.59	Married	192	60.57
Total	317	100	Divorced	15	4.73
Age	N	Percentage	Widow	21	6.62
Below 20 Years	43	13.56	Total	317	100
20-40 Years	121	38.17	Qualification	N	Percentage
40-60 Years	94	29.65	Undergraduate	84	26.50
Above 60 Years	59	18.61	Graduate	96	30.28
Total	317	100	Postgraduate	102	32.18
Area	N	Percentage	Other	35	11.04
Urban	215	67.82	Total	317	100
Rural	102	32.18	Occupation	N	Percentage
Total	317	100	Govt. Employee	84	26.50
Type of Bank	N	Percentage	Pvt. Employee	115	36.28
Public	178	56.15	Businessman	58	18.30
Private	139	43.85	Homemaker	41	12.93
Total	317	100	Other	19	5.99
			Total	317	100

Challenges faced by customers in using FinTech Banking

The table 2 is presenting the challenges faced by customers in adoption of FinTech Banking. According to results the major challenge faced by customers in using FinTech Banking was data security (Mean=3.69) followed by privacy (Mean=3.52), lack of knowledge (Mean=3.20) and unavailability of safety measures (Mean=3.15). The challenges which were sometimes faced by Customers were Complexities involved in FinTech Banking (Mean=3.14), High fees of FinTech banking services (Mean=3.12), Technical Issues (Mean=3.10) and Non Cooperation of Bank Staff (Mean=3.01). The rest of the challenges were not faced by much of the Customers.

Table 2: Challenges faced by Customers in adoption of FinTech Banking

Challenges faced in FinTech Banking	Mean	S.D.	C.V.	Rank
Data Security	3.69	1.315	0.36	1
Privacy	3.52	0.853	0.24	2
Technical Issues	3.10	1.159	0.37	7
Non Cooperation of Bank Staff	3.01	1.095	0.36	8
Lack of Knowledge	3.20	1.221	0.38	3
No Scope of Personal Advice	2.97	1.223	0.41	9

High fees of FinTech banking services	3.12	1.183	0.38	6
Trust issues	2.80	1.172	0.42	11
Complexities involved in FinTech Banking	3.14	1.183	0.38	5
Unavailability of safety measures	3.15	1.172	0.37	4
Inconvenient	2.91	1.172	0.40	10

The table 3 is presenting the overall challenges faced by customers in using FinTech Banking. According to results 37.22% Customers (N=118) have not faced much challenges in adoption of FinTech Banking, whereas 62.78% Customers (N=199) indicated that they have faced challenges in using FinTech Banking. The mean score (35.61) indicates that overall customers have faced challenges in adoption of FinTech Banking.

Table 3: Overall Challenges faced by Customers in adoption of FinTech Banking

Overall Challenges Faced	N	Percentage
No	118	37.22
Yes	199	62.78
Total	317	100
Mean Score	34.61	
Result	Yes	

According to results customers have faced challenges in adoption of FinTech Banking. To test whether the Customers' opinion about challenges faced in adoption of FinTech Banking differs with respect to the type of bank; the independent two sample t-test was applied as presented in table 4. According to results the value of t-statistic is significant at 5% level of significance, which indicated that there is a significant difference in the opinion of bank Customers with respect to the type of bank. As per the mean score analysis the public bank Customers (Mean=38.54) have faced much more challenges in adoption of FinTech Banking as compared to private bank Customers (Mean=30.19).

Table 4: t-Test results to measure difference in Customers' Opinion about Challenges faced in adoption of FinTech Banking with respect to their type of bank

Type of Bank	Overall Challenges Faced			t-value	p-value	Result
	N	Mean	S.D.			
Public	178	38.54	7.258	9.001	0.000	Significant
Private	139	30.19	9.259			

Level of Significance=5%

Further to measure difference in Customers' opinion about challenges faced in adoption of FinTech Banking with respect to their demographic variables, t-test and ANOVA test was applied and results received are presented in table 5 and 6. According to t-test results of table 5 there is a significant difference in the opinion of customers with respect to gender and area

of residence. It was observed that females (Mean=36.91) have faced more challenges as compared to males (Mean=33.25) and rural customers (Mean=38.95) have faced more challenges as compared to the urban customers (Mean=32.18).

The table 6 is presenting the ANOVA results to measure significant difference in Customers' opinion with respect to the age, marital status, qualification and occupation. It can be observed that the F-statistic is significant only for occupation so it can be concluded that there is a significant difference challenges faced by customers with respect to their occupation.

Table 5: t-Test results to measure difference in Customers' Opinion about Challenges faced in adoption of FinTech Banking with respect to their demographics

Demographic Variable		Overall Challenges Faced			t-value	p-value	Result
		N	Mean	S.D.			
Gender	Male	201	33.25	8.915	3.468	0.000	Significant
	Female	116	36.91	9.277			
Area of Residence	Urban	215	32.18	9.658	5.933	0.000	Significant
	Rural	102	38.95	9.124			

Level of Significance=5%

Table 6: ANOVA results to measure difference in Customers' Opinion about Challenges faced in adoption of FinTech Banking with respect to their demographics

Demographic Variable	Source of Variation	Sum of Squares	Degree of Freedom	Mean Sum of Squares	F-Ratio	p-value	Result
Age	Between Samples	289.103	3	96.368	1.515	0.153	Not Significant
	Within Samples	19915.1	313	63.627			
	Total	20204.2	316				
Marital Status	Between Samples	144.711	3	48.237	0.753	0.453	Not Significant
	Within Samples	20059.5	313	64.088			
	Total	20204.2	316				
Qualification	Between Samples	180.57	3	60.190	0.941	0.350	Not Significant
	Within Samples	20023.9	313	63.974			
	Total	20204.4	316				
Occupation	Between Samples	1609.64	4	402.410	6.752	0.000	Significant
	Within Samples	18594.6	312	59.598			
	Total	20204.2	316				

Level of Significance=5%

Conclusion:

From this research following conclusions have been drawn:-

1. The major challenges faced by customers in using FinTech banking were data security, privacy and lack of knowledge.
2. Public bank Customers have faced much more challenges in adoption of FinTech Banking as compared to private bank Customers.
3. The challenges faced by customers in using FinTech banking were significantly different with respect to their gender, area of residence and occupation

References:

- Ilo, J. V., Ani, W. U., & Chioke, N. S. (2017). Impact of Technological Innovations on Delivery of Banking Services in Nigeria. *International Conference on Economics, Education and Humanities (ICEEH'14)*, (pp. 162-168). Bali, Indonesia.
- Kaur, S. (2016). A Study on New Innovations in Banking Sector. *International Journal of Science and Research (IJSR)*, 5(11), 1780-1782.
- Kesavan, V. (2015). Innovations in Banking Industry with Special Reference to IndusInd Bank. *Abhinav International Monthly Refereed Journal of Research in Management & Technology*, 4 (3), 17-21.
- Kumar, A. S., & Raju, D. V. (2018). A Study on Banking Services of New Generation Banking. *International Journal of Science and Research*, 4 (10), 459-462.
- Malik, S. (2014). Technological Innovations in Indian Banking Sector: Changed face of Banking. *International Journal of Advance Research in Computer Science and Management Studies*, 122-128.
- Martovoy, A., & Mention, A. L. (2016). Patterns of New Service Development Processes in Banking. *International Journal of Bank Marketing*, 34 (1), 62-77.
- Nath, R., Schrick, P., & Parzinger, M. (2019). Bankers' Perspectives on Fintech in Banking. *e-Service Journal*, 1(1), 21-36.
- Rahman, M., Ferdousi, N., Chowdhury, N., & Haque, M. (2020). An Empirical Investigation into the Factors Affecting the Usage of Fintech Banking- A Structural Equation Modelling Approach. *International Journal of Economics, Commerce and Management*, 3 (6), 479-498.
- Wambuaa, S. M., & Datcheb, E. (2021). Innovative Factors that Affect Financial Inclusion in Banking Industry. (A Case Study of Equity Bank Mombasa County, Kenya). *International Journal of Sciences: Basic and Applied Research (IJSBAR)*, 12 (1), 37-56.