



## CUSTOMER ACCEPTANCE OF MILLENNIAL GENERATION BANKING SERVICES: CHALLENGES AND PROSPECTS

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**Abstract:** *Millennial generation bank (digital banking) is different from traditional brick and mortar banking service. Digital banking focus on promoting environmental friendly, ethical and transparent banking. This research paper attempts to evaluate the acceptance of new generation banking products among customer its relationship with that Age, Occupation and Educational Qualification. Statistical Tests are applied for analysing and evaluating the objectives. The results of the study implied that majority of the customers are millennial generation and middle age groups are more motivated towards digital banking products. Senior citizens and women are not actively using the service of digital banking and there is also a relationship between digital banking and demographic characteristics. Therefore, the educational qualification has nothing to do with usage of digital banking products, whereas, more awareness is need to be created among the senior age groups individuals.*

**Keywords:** *Millennial, Generation, Banks, Digitalisation, Brick and Mortar, Ethical & Transparent*

### INTRODUCTION

The 21st century has witnessed the emergence of a number of advanced technologies in banking industry. India being one of the most fast emerging economies of the world has a vital role in ensuring that development and growth through digitalisation. Indian banking sector has been play a pivotal role to enhance digitalisation and bringing different echelons of digital banking facilities to customers to utilise the services. The banking industry's efforts to shift to digital channels have been ham-fisted, at best a business unit here, an upstart department there. But given the industry's financial pressures and global economic uncertainties, there is increased urgency and opportunity to adopt a holistic approach to going digital and integrating that strategy across the banking ecosystem. Embracing a fully



digital strategy requires end-to-end modernization of a bank's often outdated infrastructure. Equally important, it requires a transition from an account-based view of banking customers to one that knows them as individuals and enhances the customer experience with relevant, convenient and personalized products and services.

The raising revolutionary expectations of millennial generation in terms of their progress and welfare forces to change our financial institutions that suits the needs of modern society. In the present day context customer has also ample protagonist to paperless transaction through electronic gadgets namely Personal Computer, Laptops, Mobile phone and electronic lobby or buddy or corner facilities and others.

### **MILLENNIAL GENERATION BANKING IN INDIA**

Indian banks are strongly entering a new generation banking system and enhance digitalisation with proper tools and techniques after demonetisation. Bharat Interface for Money (BHIM) application launched by Government of India. Transaction through mobile phones in easiest way like transfer the funds with registered mobile number or Aadhar number or Account number with IFSC. These are the wonderful initiatives for adopting the digital banking system. Nowadays banks like public & private sectors and foreign banks are much concentrated on paperless transactions with faster and highly transparency. Regional rural banks and Cooperative banks need to adopt the challenges of digital banking. Indian banks adopting new wedge of digital banking system through laptops, personal computers and mobile phones namely: NEFT, RTGS, IMPS, M Payments, E-Wallets and other investment banking facilities.

With technology changing constantly, it's important that banks not just track but actually become first movers or at least fast followers in harnessing these technologies to engage digitally savvy customers. In the upcoming year, banks need to keep their focus on technologies, some new and some evolutionary. Customer need to expect the five technologies that bank will have to watch out for in 2017 will be Blockchain, Internet of Everything, Cloud Services, Open Banking, Mobility and Wearables. The below tables clearly showing the eminence of electronic payment slips from the year 2010 -2016.



**Table 1: Showing Customers' Usage of National Electronic Fund Transfer (NEFT) & Real Time Gross Settlement (RTGS) in India**

Year	NEFT		RTGS	
	Volume (Million)	Value (Billion)	Volume (Million)	Value (Billion)
2010-11	132.3	4000	49.3	394500
2011-12	226.2	17900	55	484900
2012-13	394.1	29022.4	68.5	676841
2013-14	661	43785.5	81.1	734252.4
2014-15	927.6	59803.8	92.8	754032.4

**Source:** RBI Reports

The above table has been clearly mentioned the details of NEFT & RTGS transaction details from 2010-2015 in India. NEFT & RTGS is most prominent electronic fund transfer systems in India. Transaction through NEFT in India from 2010 – 2015, growth rate 120% in volume and 270.02 % growth in value. Transaction through RTGS in India from 2010– 2015, growth rate is 17.64% in volume and 18.30% growth in value.

**Table 2: Showing Card Based Clearing System Details 2010-2015**

Year	CREDIT CARDS		DEBIT CARDS	
	Volume (Million)	Value (Billion)	Volume (Million)	Value (Billion)
2010-11	265.1	800	237.1	400
2011-12	320	1000	327.5	500
2012-13	396.6	1229.5	469.1	743.4
2013-14	509.1	1539.9	619.1	954.5
2014-15	615.1	1899.2	808.1	1213.4

**Source:** RBI Reports

Table 2 indicates the growth of credit and debit cards in India. 26.40% growth rate in credit cards transactions and 48.17 % growth rate of debit cards transactions from 2010 – 2015. The table explicit usage and adoption of debit cards is more significant than credit cards.

**Table 3: Showing Electronic Clearing System in India**

Year	ECS Dr		ECS Cr	
	Volume (Million)	Value (Billion)	Volume (Million)	Value (Billion)
2010-11	156.7	700	117.3	1800
2011-12	164.7	800	121.5	1800
2012-13	176.5	1083.1	122.2	1771.3
2013-14	192.9	1268.3	152.5	2492.2
2014-15	226	1739.8	115.3	2019.1

**Source:** RBI Reports



Table 3 bring out the customers' acceptance of ECS facilities from 2010-2015 in India. The above table indicates customers' are highly motivated towards ECS facilities and growth rate is significantly augmented.

**Table 4: Showing Electronic Payment Slip Details for Demonetisation Transition Period  
(Jan 2016 – Nov 2016)**

Month	RTGS		NEFT		IMPS		CTS	
	Vol (Mn)	Val (Bn)	Vol (Mn)	Val (Bn)	Vol (Mn)	Val (Bn)	Vol (Mn)	Val (Bn)
Jan	8.22	82.66	118.97	7.09	22.48	0.17	77.58	5.55
Feb	8.23	86.73	110.17	7.28	23.86	0.17	78.01	5.60
March	9.87	122.78	129.24	10.23	25.98	0.2	88.24	6.93
April	8.33	86.46	118.4	8.32	26.78	0.21	78.95	6.26
May	8.71	95.53	117.5	7.73	27.06	0.22	77.24	5.78
June	8.83	106.10	118.91	8.82	26.98	0.24	78.64	5.73
July	8.26	96.02	113.48	8.15	32.18	0.25	79.24	5.72
Aug	8.56	98.59	118.55	8.76	33.89	0.27	81.62	5.92
Sept	8.47	110.56	120.15	9.88	35.93	0.29	78.94	5.74
Oct	9.01	97.55	133.21	9.5	42.09	0.34	82.04	5.97
Nov	7.87	78.48	123.04	8.81	36.17	0.32	87.08	5.42

**Source:** RBI Reports

Table 4 indicates the customer usages of different categories of electronic payment slips namely RTGS, NEFT, IMPS and CTS from Jan 2016 to Nov 2016. The table specifies customers are highly enthused to adopt the digital banking facilities offered by banks in India.

## STATEMENT OF THE PROBLEM

Technology is a boon for progress in banking sector country like India for copious reasons and also a bane for adoptability. A whole lot of changes in the technology i.e., digitalisation, mobility, connectivity, dropping costs, the universe of inclusive banking customers along with education of rural customers hold the opportunity. So it becomes the responsibility of the banker to provide the technology which treats every customer as equal. Even Urban banking consumers have huge expectations from every bank, no matter how small it is. Therefore technology has enabled banks to transform customer experience, expand channels, innovate non-cash payment mechanisms and become more operationally efficient. Banking is essential but Banks are not whether we like it or not, this paradigm shift is inevitable. So leveraging with the power of digital banking is a must to be profitable and stay successful.



## **REVIEW OF LITERATURE**

**Dr. A L Malliga & K Revathy (2016)** describe the details of customer awareness of green banking. Green banking practices would act as a catalyst to banks and financial institutions to further identify their efforts at reducing energy usage and thereby contribute their best to the ongoing global efforts on ensuring sustainable development and available opportunities, options and technology, banks need to set their short term and long term green goals, develop their green strategies and execute their greening activities in a phased manner.

**Hock-Han Tee and Hway-Boon Ong (2016)** in this research article researchers exhibit the study of the adoption of cashless payment to card payment, cheques, telegraphic transfer, and electronic money on five EU countries. The transformation of the current payment method to a total cashless one may not be possible in the near future, but continuous innovation in technologically aided payment system will certainly expand the society's accessibility to cashless payment. Although the adoption of one type of cashless payment will affect another type of cashless payment in the short run, the consequences of adopting cashless payment on economic growth can only be significantly observed in the long run. Hence, any policy that promotes cashless payment will not affect the economy immediately.

**Ragupathi M & Sujatha S (2015)** this research paper has been taken studied the earlier bank was not aware about the concept of green banking. In the present day context banks have taken the initiatives of adoption of environment sustainability program. By the green banking practices by customer is getting more aware about the global warming and each business man contributing in environment sustainability to make this earth a better place to live in. Green banking is not only greening the industries but it will also facilitate in improving the industries about it will also facilitate in improving the asset quality of the bank in future.

**Dr. Yogesh Jain (2013)** this research article opines the study on mobile banking adoption and challenges. Indian banking scenario shows that there is need of m-banking for financial inclusion of poor and urban people. Since last five years mobile telephone service extended tremendously in India and it provides golden opportunities to extend m-banking service in India. However, because of various problems in m-banking system this is not widely accepted by South Rajasthan bank customers. Hence, there is need to improve m-banking service including network coverage and security in m-banking.



**Sumani Yahiya (2011)** this thesis expressed the prospects and challenges of electronic banking system. Customers prefer ATM among the E-banking products because of its effectiveness and user friendliness. The average operating time of E-banking products is less than 5 minutes. Furthermore, E-banking products have security features such as username and passwords which are used to protect the products from easy theft. Adoption of E-banking products has influencing factors. E-banking, it is associated with some challenges. The study shows that network failure from internet connection is the major challenge facing customers using E-banking products.

### **SCOPE OF THE STUDY**

The study is to evaluate the customer acceptance of digital banking services based on cost and utility factor through detailed through empirical research with the sample size of 159 in the city of Mysore.

### **OBJECTIVES OF THE STUDY**

1. To identify the various digital banking products and services.
2. To study the challenges of digital banking system.
3. To analyse the customer awareness and acceptance of digital banking transaction in Mysore city.
4. To suggest the customer espousal of millennial generation banking.

### **HYPOTHESIS OF THE STUDY**

H<sub>0</sub>: There is no significant deference between mean rank among various digital banking services

H<sub>1</sub>: There is a significant deference between mean rank among various digital banking services

### **RESEARCH METHODOLOGY**

This study used the descriptive and exploratory research design. Analysis of Secondary data combined with shared thoughts of researcher's academic peers and experts in financial services has given solid based for descriptive analysis, the customer acceptance of millennial generation banks: challenges and prospects in Mysore city. 159 respondents selected in simple random sampling. Pilot tested structured questionnaire was administered 200. 170 responses were collected of which 159 were used. The response percentage is 80.



## STATISTICAL TOOLS

The data collected from various sources were analysed by applying appropriate mathematical and statistical techniques along with percentage analysis. Analysis of test by descriptive test and chi-square test are used with the help of SPSS 24.

## DATA COLLECTION

For this study primary and secondary data were used. For collecting primary data a well-structured questionnaire is important factor. The questions that ask the respondent to select an answer from a list of options are called closed-ended questions. They provide a uniformity of response and are relatively easy to analyse. Secondary data is obtained from the published sources.

## LIMITATIONS OF THE STUDY

- This study is limited to the customers of Mysore City only. Therefore the inferences cannot be generalized.
- The study relies on primary data, which could be biased and this study sample size only 159 respondents

**Table 5: Demographic Profile of the Respondents**

Variables	Parameters	Frequency	Percentage
Age	< 25 Years	39	24.53
	26 – 35 Years	44	27.67
	36 – 45 Years	34	21.38
	46 – 55 Years	20	12.58
	> 56 Years	22	13.84
	<b>Total</b>	<b>159</b>	<b>100.00</b>
Gender	Male	119	74.84
	Female	40	25.16
	<b>Total</b>	<b>159</b>	<b>100.00</b>
Marital Status	Married	94	59.12
	Unmarried	65	40.88
	<b>Total</b>	<b>159</b>	<b>100.00</b>
Educational Qualification	Below SSLC Level	20	12.58
	PUC	15	9.43
	Diploma / Degree	64	40.25
	Post-Graduation & above	35	22.01
	Professional	25	15.72
	<b>Total</b>	<b>159</b>	<b>100.00</b>
Occupation	Public Sector	30	18.87
	Private Sector	41	25.79



	Professional	29	18.24
	Business	29	18.24
	Others	30	18.87
	<b>Total</b>	<b>159</b>	<b>100.00</b>
<b>Income per Month</b>	<Rs. 20,000	30	18.87
	Rs. 20,001 – Rs. 30,000	40	25.16
	Rs. 30,001 – Rs. 50,000	40	25.16
	>Rs. 50,001	49	30.81
	<b>Total</b>	<b>159</b>	<b>100.00</b>

**Source:** Primary Data - Survey

The above has been clearly mentioned the socio-economic profile of the respondents. This research has taken with the study of digital banking practices in India and empirical study in the city of Mysore. 159 respondents selected and study the variables of Age, Gender, Marital status, educational qualification, occupation and Income status.

## MAJOR FINDINGS OF THE STUDY

**Table 6: Friedman Test for significant difference between rank among various digital banking services**

Sl. No.	Digital Banking Services	Mean	S D	Mean Rank	Chi-Square value
1	Digital banking is more convenient, reliable, safe and faster than traditional banking	4.21	0.794	4.10	0.001
2	Digital banking services have no time limit subsequently I be able to use them at any time of the day	4.51	0.760	4.45	
3	High degree of suitability in accessing digital banking services	1.75	0.795	1.26	
4	Well aware with digital banking and I found it a user-friendly system	4.45	0.85	4.37	
5	I have a strong confidence that digital enabled services cannot make any mistake	1.75	0.795	1.26	
6	Using of digital banking is more transparent	4.51	0.718	4.58	

**Source:** Statistical analysed data at 1% level of significance

The above table has been clearly indicate that using of digital banking services have no time limit subsequently I be able to use them at any time of the day and using of digital banking is more transparent with mean rank of 4.58 is the best factor behind digital banking. Chi-Square value is 0.001, the null hypothesis is accepted at 1% level of significance, here there is no significant difference between mean rank among various digital banking services.



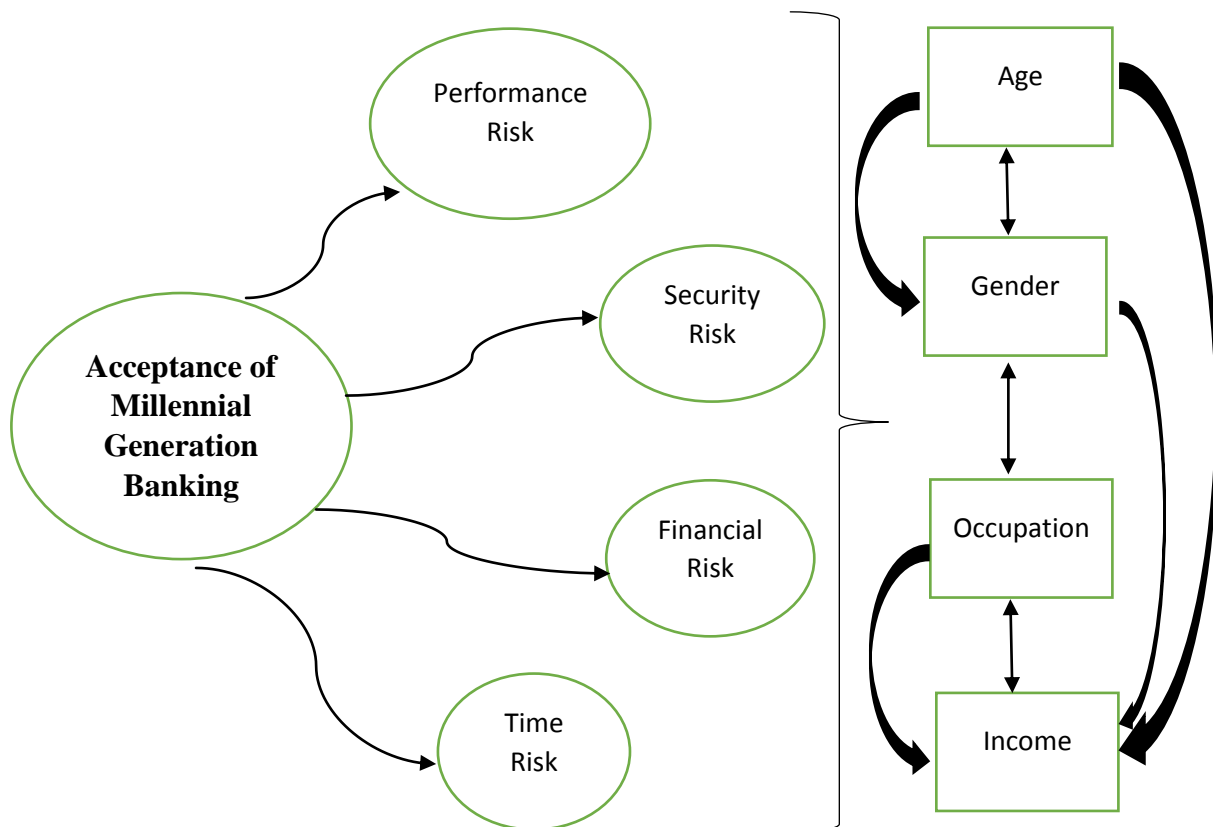


**Table 7: Analysing the Respondents acceptance of digital banking services**

Sl. No.	Digital Banking Services	Regular Use		Fund Transfers to Inter or Intra bank or third party beneficiary		Various Online Bill Payment		Various Offline Bill Payment	
		Yes	No	Yes	No	Yes	No	Yes	No
1	NEFT	53	106	75	84	-	-	-	-
2	RTGS	12	147	22	137	-	-	-	-
3	IMPS	45	114	66	93	-	-	-	-
4	ECS	41	118	-	-	-	-	-	-
5	CTS	78	81	-	-	-	-	13	146
6	Debit Card	98	61	24	135	75	84	90	69
7	Credit Card	55	104	-	-	45	114	50	109
8	Mobile Banking & Services	39	120	51	108	41	118	15	144
9	E – Wallet	30	129	15	144	25	135	10	149
10	Investment banking services	35	124	20	139	40	119	24	135

Source: Authors Compilation

**Fig 1: Analysing the factors affecting the acceptance of millennial generation banking services**



Source: Authors Compilation



The above table and model bring out the types of millennial generation banking services accepted by customers in Mysore city. Model showing the acceptance risk of millennial generation banking risks namely performance risk, security risk, financial risk and time risk. This model opines the customers are vacillate to use the new services. Banks has to resolve this problems and banks has to give training and awareness program to customers. Table and model clearly exhibits majority of the respondents are likely to use Cheque truncation system, debit and credit card services. Transactions of NEFT, IMPS and ECS services also accepted because of bulky amounts transactions made easy and minimizes the cash carrying risk. Newly added digital banking services namely mobile banking and services, e-wallet and investment banking users are new generation customers they motivated and ready accept the innovative digital services. Older generation and women customers need to adopt and practise the millennial generation banking services offered by public, private sectors bank, foreign banks, regional rural banks and cooperative banks.

The study carried out show major findings regarding customer acceptance of digital banking services through empirical survey in Mysore city.

1. The study chosen 159 respondents in Mysore city of which age group between less than 25 and more than 56 years. This research reveals that majority of age group like less than 25, 26 -35 and 36 – 45 age group respondents are adopted millennial generation banks.
2. Majority of 74 percent male respondents are taken this study and reveals male respondents and female respondents like younger generation are using more digital banking services.
3. Study discloses majority of the respondents like students, businessmen and professionals are vigorously using the digital banking services.
4. This study exhibits older generation and households are not using the digital banking services because of performance risk, financial risk, time risk and security risk.
5. This study evaluates educational qualification is not a parameter of acceptance of digital banking products and services.

## **SUGGESTIONS OF THE STUDY**

1. Digital banking transaction needs some interface to communicate with banking customer. All the electronic transaction performs through some interfaces.



2. Smart management of information is vital to digital banking. Banks need to organise online data — the unique virtual identity for each individual that to offer their customers personalized attention.
3. Banks need to act strategically. Providing the cohesive, cross-channel experience that customers expect requires an enterprise-wide approach that can be implemented in localized ways, such as for specific lines of business and functional areas.
4. Embracing the holistic shift to digital and its streamlined, cross-channel approach requires banks to evaluate their options carefully and select the ones that best fit their strategy.
5. An enterprise roadmap is a key prerequisite for implementing a digital banking program. The roadmap balances key customer values (loyalty, convenience, relevance, interaction and mobility) against the bank's values (profitability, loyalty, operating efficiency, market expansion and risk mitigation).

## **CONCLUSION**

This research paper concludes that, whilst desire to enter the synchronized digital arena certainly exists amongst nearly all retail banks, considerable changes will be required in order to make this a reality. Whilst true omni-channel seems a long way off, banks are clear on the fruitful rewards now. A truly digital offering will enable banks to build information and value driven relationships with their customers that connect to their lifestyles – thus, shifting from the ageing 'Product Out' approach, and towards 'Customer In'. Only by truly committing to digital customer engagement will banks not only survive, but thrive in the future.

In the city of Mysore, Digital banking is in a burgeoning stage. No doubt banks are making earnest efforts for the adoption of advanced technology and installation of e-delivery channels but still masses are wary of the concept. Government of India, RBI and Banks are making genuine efforts to disseminate the digital banking services and products. Millennial generation is take-off to perceive the expediency and benefits if digital banking. In years to come, millennial generation banking will not only be acceptable mode of banking but will be preferred mode of banking.



## **ACRONYMS**

**CTS:** Cheque Truncation System

**ECS:** Electronic Clearing System

**E - Wallet:** Electronic Wallet

**IMPS:** Immediate Payment Service

**NEFT:** National Electronic Fund Transfer

**RBI:** Reserve Bank of India

**RTGS:** Real Time Gross Settlement

**SPSS:** Statistical Package for Social Sciences

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