Impact of covid-19 on customer behaviour in retail banking in Dakshina Kannada and Chickmagalore District

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Abstract
Banking system are plays vital role in all fields including customers life styles, in addition to this, the COVID pandemic changed the behaviour of customers toward the banking sectors. In this light, it is necessary to understand impact of pandemic towards customers. The study aims at analysing the impact of covid-19 on customer in retail banking. The work tries to explain the opinion and perceptions of customers as regard the impact of online banking and other banking transaction during pandemic days. The analysis was carried out using the data collected through structured questionnaire for customers in Dakshina Kannada and Chickmagalore District in Karnataka. Data were recorded in SPSS. This study reveals that customers are shifting from physical transaction to online transactions after covid-19, some of the respondents faced financial problems during Covid pandemic &they intended to have loans during pandemic and Covid didn't affected much for those having high level of income

Keywords: COVID-19, Banking system, customers

I. Introduction

The COVID-19 pandemic has severely affected the world economy and daily life of customers of banking sectors as well as the banking sector that has to meet the expectations and challenges of market changes due to the covid-19 pandemic, The COVID-19 effects on the banking sector mainly on the use of digital channels and digital payments, the change of customer behaviour and perceptions towards banking systems. Restrictions and lockdowns to control the spread of the covid-19 have made a significant effect on economic activities. The pandemic is having a wide range of effects on the financial services industries, from market sustainability to operational concerns to the overall financial outlooks, financial services firms undoubtedly faced short-term and long -terms consequences on profitability.

After pandemic, financial institutions are starting to react to some of the pressing needs for business continuity. However, for long term profitable growth, a focused strategy involving mix of tactical measures to resolve immediate challenges and strategies interventions to re-calibrate business models and drive growth is needed. Since the pandemic's spread and its aftermath will drastically delay activities, financial companies must take special precautions to maintain

Business continuity in order to stay trustworthy to their customers, Banks and financial institutions must also be prepared for situations that can arise after the lockdown has ended. This would be critical in the creations of flexible contingency plans. Despite the fact that the coronavirus has increased the need for digital banking services, customer tastes are shifting. For digitalisations is not recent. Transactions and payments through various banking modes suffered a significant decline as a result of the lockdown imposed in the aftermath of the covid-19. During pandemic banking services like cheque payments, ATM transactions, NEFT/RTGS, were declined by 26-71%, payments transactions declined by 46% in value in April, (financial express, 2020). Meanwhile most of the contractions in online transactions were visible in cheque payments which saw a decline of 71% in April to 1.63 lakh crore as compared to Rs 5.65 lakh core in March. RTGS, which is the most important mode for online high value transactions, has also dropped by 46.5%. global payments, whether B2B or C2B, decreased significantly due to closures and due travel restrictions Global

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transactions is affected and declined. But there are some areas where electronic payments got more popularity than before like online payments for shopping, utility payments, transfer of money, making banking transactions and for consumer loans.

II.   Objective of study

The main objective of this study is to analyse the impact of covid-19 on customer behaviour and compare the respondents buying behaviour before lockdown and during pandemic. This study attempts to illustrate the challenges that consumer faced during pandemic.

III.   Literature review

Customer behaviour trends in retail banking and their implications for bank strategies a direct result of covid-19 is a rise in the usage of online resources against the backdrop of the shutdown and social distancing enforced to reduce the virus spread. Financial sector funding according to World Bank study of the covid-19 steps have been taken for encourage the usage of digital platform in the payments system in low-income countries. Waiving fees and simplifying virtual recognition procedures are examples of initiatives in field. (g m. a., 2020). they used interventions to restrict physical interactions and cash use during the pandemic (pop, 2020).during the pandemic crisis hoe(2020) notes several trends in consumer behaviour that were dictated by steps to restrict physical contact and cash use and there was a rise the registrations of banking accounts with governments in southeast Asia, digital banks are emerging , as is the opening   banking accounts for small and medium sized business in Malaysia and in the united kingdom the contactless payments restrictions was raised (Melamedov,2020). emphasises the important of the implementations of digital technologies would have a long-term effect following the covid-19 pandemic and conventional system banks are encouraged to benefit from the experiences of neo banks or digital financial institutions.

Since the conventional cash processing mechanism can't be entirely replaced by a card or e- payments system, people can accept and use their mobile wallets for payments transactions, money transfer, grocery purchase and bill payments, among other things and faith is the most important factor impacting users' engagements and it has an effect on many people's willingness to use mobile wallets (v. sornaganesh, Sathish, Ganesh, & a v, 2020). digital wallets are projected to become more popular in the future, while physical payments cards may become less popular. Businesses who do not accept payments from digital wallets may have a difficult time growing in the post pandemic world (Jain, sarupria, & Kothari, 2020). Mergers and acquisitions, both within and outside the financial services sectors are expected to be among the post crisis trends at the same time banks must incorporate social changes arising from covid-19 crisis (pwc, 2020).

Hypothesis of the study
H1- Level of education has significant impact on usage of internet banking services
H3- Level of trust has significant influence on Number of Visits to Banks.
H4- There is a significant impact of simple tools on usage of e-banking services.

Limitation of study
The information given by the respondents could be biased because some of them won't have an interested in providing accurate information.

IV.   Research methodology:

This study investigated the impact of covid-19 on customer behaviour in Dakshina Kannada and Udupi districts of Karnataka. The respondent's opinions were gathered using a descriptive quantitative design in this report. The participants in this study analysis were at random basis. The population also differed based on demographic characteristics like age, gender and income. Sample size is defined based on yate's formula. The samples were chosen using a method called random sampling technique.

With the sample size of 235 participants, the survey was administered. Both primary and secondary data were used in this research. The core contents are derived from primary sources. Necessary secondary data also have been collected from various sources, including journals, newspaper and blogs. Questionnaires were distributed to participants by using Google form, and respondents were informed that all opinions provided by them were kept confidential. Statistical package for social science (spss.20) was used to analysis of data, which was gathered in a systematic and comprehensive manner.

1.   Demographic profile of the respondents
The demographic details were collected to know their background like gender, education, income. The details of demographical profile of the respondents can be seen in the table 1.

Table No 1. The sample structures

Item	Characteristic	Frequency	Total	Percentages
Gender	Male	108	235	46%
	Female	127		54.0%
Age	18-25	43	235	18.3%
	26-35	57		24.3%
	36 - 45	63		26.8%
	46-55	26		11.1%
	56-65	31		13.2%
	66 -70	15		6.4%
Education	Secondary school	23	235	9.8%
	Higher education	112		47.7%
	Postgraduate	100		42.6%
Income	Below 10000	27	235	11.5%
	Below 20000	29		12.3%
	Below 30000	36		15.3%
	Below 40000	75		31.9%
	Above 50000	68		28.9%

Table No. 1 indicates the demographical profile of the respondents, which shows that females are major in respondents i.e., 127(54.0%) and male 108(46%). majority of the respondents are between 36-45 years old;6.4% respondents are between 66-70 years old, most of the participants have higher education; 11.5% of the respondents have a monthly income below 10000rs, 12.3% respondents have monthly income below 20000rs 1.9%of the respondents have a monthly income below 40,000 and 28.9% of the respondents have a monthly income above 50,000.

1.1. Customer perception towards retail baking

To properly comprehend the effects of the covid-19 pandemic, the following details would be useful. These are informative figures relating to the univariate type study of the research findings, which have stressed some features about pandemic effects on the customers. These data include perception about effectiveness of internet services, intends to customer loans and other banking services during pandemics

Table No.2 Customer Perception towards Retail Baking

Item		Frequency	Total	Percentage
Internet banking used respondents before pandemic	YES	194	235	82.6
	NO	41		17.4
Technology used for banking services are reliable	Strongly disagree	14	235	6.0
	Disagree	25		10.6
	Neutral	24		10.2
	Agree	101		43.0
	Strongly agree	71		30.2
Internet Banking useful	Yes	194	235	82.6
	No	41		17.4
Covid pandemic effects on lifestyle	To a very low extent	21	235	8.9
	To a low extent	49		20.9
	No effects	17		7.2
	To a large extent	98		41.7
	To a very large extent	50		21.3
Use of internet banking easy	Yes	212	235	90.2
	no	23		9.8
Visits to the banks after state emergency	Yes	151	235	64.3
	no	84		35.7
Usage of ATM	Never	33	235	14

	Once in a week	30		12.8
	Twice in a month	40		17
	Once in a month	100		42.6
	Once in week	32		13.6
Intend to invest in stocks/FD	Yes	93	235	39.6
	no	142		60.4

In this study researcher asked to mention whether they used internet banking before pandemic and results shows as 82.6% (194) respondents already had internet banking services and17.4% (41) were not using e-banking services before pandemic. This study finds that 101 respondents agreed on internet banking reliability, 71 respondents strongly agreed on reliability of e-banking and 6.0% respondents strongly disagree with reliability of internet banking. 194 respondents are claims that internet banking services are useful during pandemic on the other hand 41 respondents believe e- banking services are not useful. Majority of respondents have never visited banks during the pandemic, 84 respondents have visited the banks during pandemic. Researcher asked to mention the usage of ATM during pandemic, Majority of respondents used ATM only once a month during pandemic, 33 respondents never used ATM during pandemic. 39.6% respondents were intended to invest in FD/stocks, 142 respondents were never intended to invest in stocks during pandemic.

1.1.1. Internet banking usage before and after covid-19 pandemic
Online banking are one of the services that customers are dependent on for all transactions and banks are offering highly secured and sophisticated e-banking services. These e-banking services are improving customer satisfactions and morale towards banks. During pandemic most of the customer attracted towards internet services because of lockdown. These critical situations made e-banking services more popular in Dakshina Kannada and Chickmagalore District.

Table No. 3: Internet banking users before pandemic

	Frequency	Percentage
Yes	194	82.6
No	41	17.4
total	235	100.0

According to study 194 respondents were using e-banking services (17.4%) of respondents never used e-banking services (table 3)

Table No. 4: Internet banking users after pandemic

	Frequency	Percentage
yes	217	92.34
no	18	7.66
total	235	100.0

Table No. 4 shows after pandemic there is an increase in the e-banking users i.e. 92.34% (217) respondents and 7.66% respondents are not using internet banking after pandemic.

1.1.2. Applications used for internet banking
Internet banking is tools which helps a customer for quick transactions. There are enormous numbers of online payment tools available in the market like Paytm, google pay, phone pay, candi, kbl etc and these tools offers almost every service which are available in branches. To know which one is popular in society researcher asked to mention application that a respondent used for transactions.
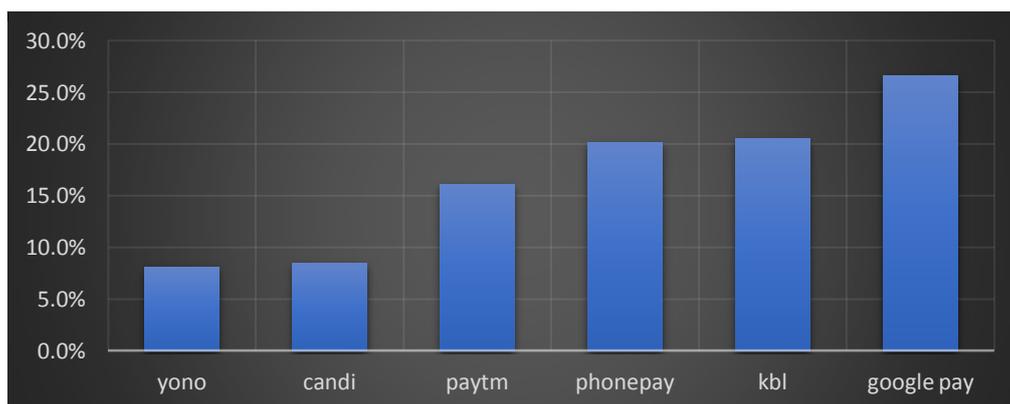
Diagram 1: applications used for banking services

Form the above diagram we can quickly identify that among the many popular application available in market Google pay is most used application in Dakshina Kannada and Chickmanaglore Districts i.e. 69% of respondents. Kbl is considered as second most used application in two districts (53%) even though phone pay is considered as popular application and yono is least used application compare to other. This analysis explains that offers or extra benefits   that available in application are the reasons for having large customer base for any applications.

1.1.3. Banking services used by customer during pandemic

Covid-19 has generated significant instability and high volatility in global capital market and customer transaction with banking sectors. Number of customers who switched to digital banking has grown due to covid-19. The share of digital transactions in the total volume of non-cash retail payment increased to 97% during 2019-2020 up from 95.4 percentages in the previous year (RBI, 2020)

Table No.5: Most used banking services

	frequency	percentage
Checking balance	151	19.3
Transaction history	186	23.8
Utility payments	114	14.6
Obtaining loans online	99	12,7
Shopping	135	17.3
Fixed deposits	70	9
Payments of instalments due on the loans	26	3.3

Diagram 5 indicates during pandemic customers went for many transactions and took many services from the banks. The customers were using banking services mainly for tracking transaction history (186 respondents), and 151 respondence stated that they were using banking services for checking balance (19.3%) and only 26 respondents stated that with intend of loans they were using banking services.

1.1.4. Usage of ATM during pandemic

Automatic teller machines are allowing financial institutions' customers to directly use a secure method of order or make cash withdrawals, deposits, checking balance etc. During pandemic customer preferred to use ATM rather than physical transactions
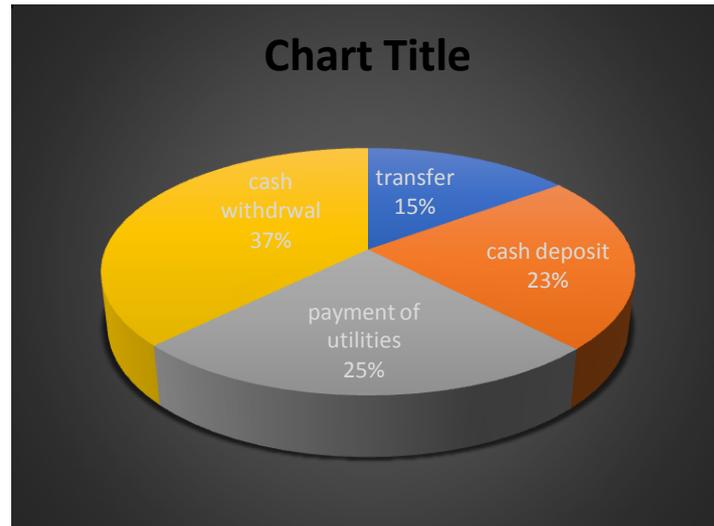
Diagram 2 -ATM services

During covid pandemic majority of customers used ATM facility and 37% respondents used for cash withdrawal, 23% respondents used this service for the cash deposits, 25% respondents for payment of utilities and least number of respondents used ATM for transfer of money.

1.1.5. Perception toward online banking

In the coming years, India will achieve the most meaningful economic transaction and the digital payments infrastructure will be significant milestone in the cashless economy, because of safe, stable, simple process and customer believe that digital payments are superior than traditional payments forms. (gokilavani, kumar , durgarani, & mahalakshmi, 2018)

Internet and mobile banking are easy to use for the vast majority of customers. Confidence in technology is quite high as well; 52.3% of the respondent's trust technology to a great extent, and 23.4% of them to a very great extent.

Table No. 6: Banking Services Useful During Pandemic

	Frequency	Percentage
Yes	212	90.2
No	23	9.8
Total	235	100.0

The technology is very useful and customers believe that technology helps increase the efficiency of banking services (to a greater extent than the quality of services) and 90.2% respondents felt that internet banking easy to use, 9.8% respondents felt difficult while using applications. (Table No. 7)

Table No. 7: Opinion About Easy Banking Services

	Frequency	Percentage
Strongly disagree	17	7.2
Disagree	32	13.6
Neutral	20	8.5
Agree	107	45.5
Strongly agree	59	25.1
Total	235	100.0

1.1.6. Visits to banks during the pandemic period

The survey's finding supports our hypothesis that consumer visit to bank's reduced during pandemic, almost 24.3% of the respondents have never visited their bank during the pandemic while 30.6% of the respondents have visited their bank only once a month. Nevertheless, majority of the participants has used the automatic teller machines (ATMs) in this period: 42.2% of them once a month, 13.6% of respondents used ATM twice in a week,12,8% of respondents used once in a week (diagram 3)
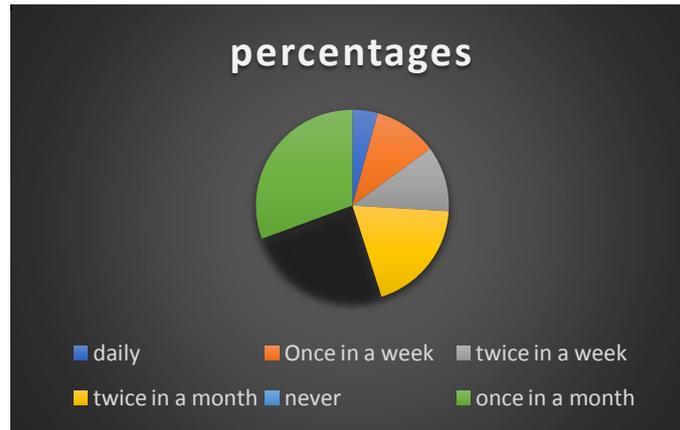
Diagram 3: visits to the banks

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1.1.7. Credit facility

The ongoing pandemic has affected the economy and people of every strata of the society in some way or the other. With layoff and pay cuts across industries, the lower middle -income group has been affected severely, during covid, there has been an increase in the number of people who have borrowed money to meet their financial needs. (economics times, 2020)

Table No. 8: Customers intended to take loans

		Frequency	**Percentage**
Valid	yes	136	57.9
	no	99	42.1
	Total	235	100.0

Though the number of borrowings has increased Majority of the participants – over 57.9% - mention that they intended to get a bank loans and 47.7% participants intended to refinance existing loans that held due (table 8).

1.1.8 Mode of transactions:

clients shifted from traditional banking transactions to online transactions, the core reason of this transfer is perceived simple methods, one-tap feature, usefulness, choices in applications which available for free in markets, security and privacy provided by online banking. In addition to that some customers like senior citizen have been reluctant in their choice of doing online transaction and worried their unfamiliarity about the smartphones placing them in a disadvantageous position.
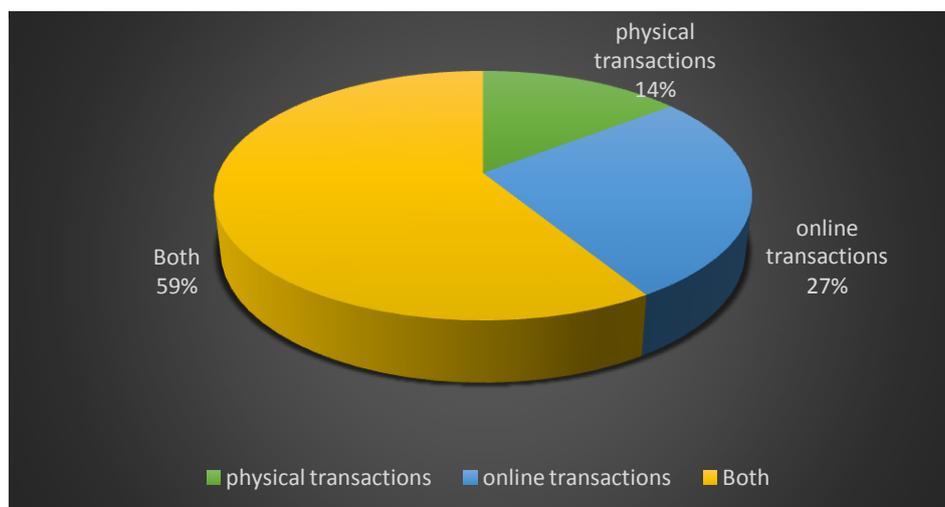

Diagram 4: mode of banking transactions

As diagram indicates majority respondents. (58%) wants both online and physical banking transactions. 26% respondents prefer to have only online transactions and 14% respondents preferred to have physical transactions.

1.1.9. Values of Multinomial Logistic Regression

Hypothesis	Variables	Pseudo R square	df	P value	Remarks
H₁	Education and Use of Internet Banking	.049	4	.026	Accepted
H₂	Level of Trust and Number of Visit to Banks	0.127	5	.000	Accepted
H₃	Easy Tools and Number of Usage	.077	6	.000	Accepted

The Table No.7.1.9 explains multinomial logistic regression result , which showed that level of education (R^2=.049) has significant impact on use of Internet Banking (P=.026), Level of Trust (R^2=0.127) has significant influence on Number of Visit to Banks (P=.000) and Easy tools (R^2=0.077) has significant influence on Number of Usage (P=.000).

V.   Conclusion

The results of the survey indicate the necessity to supply financial education courses to all categories of customers   Moreover, within the context of the pandemic, the banks' efforts during this direction acquire new dimensions, as they ought to be predominantly performed online, which also implies the rise of user's digital skills. Against this background, offering online tutorials to familiarize customers with the utilization of digital channels may be a necessary, especially for patrons with few skills within the field or for those that are reluctant to use such alternatives. Because the survey indicates, the retail banking customers in 2 districts still attach importance to cash extracted from ATMs. Therefore, banks should design marketing programs to market the utilization of online channels and transparency should improve in future days, which will build the morale and trust in customers and it will lead a great improvement and profitability level in financial industries.

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