

## **THE IMPACT OF DIGITAL TRANSFORMATION ON CONSUMER BEHAVIOR IN E-BANKING SERVICES**

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### **Abstract**

In this research paper, I have thoroughly described about the topic “The Impact of Digital Transformation on Consumer Behavior in E-Banking Services.” The impact of digital transformation on consumer behavior in e-banking services is a significant area of focus in the evolving financial sector. As banks embrace digital technologies to meet changing customer expectations, research indicates a substantial shift in consumer preferences and behaviors. A notable percentage of banking institutions—89%—are prioritizing improvements in data protection and security, while 85% aim to implement digital transformation initiatives. Despite these advancements, many consumers remain hesitant to adopt digital banking services due to concerns about trust, interest, and knowledge gaps. For instance, in Peru, only 25% of the population engages with digital banking, compounded by a high financial illiteracy rate of approximately 80%. To overcome these challenges, banks must implement effective communication strategies, enhance transparency, and build trust with consumers. The study underscores the necessity for financial institutions to invest in digital transformation to optimize user experience and address the evolving needs of their clientele. Key factors such as personalization, technology advancements, demographic shifts, and competitive market dynamics significantly influence consumer behavior in e-banking. As younger generations increasingly favor mobile and online banking, traditional banks are compelled to adapt their offerings. By focusing on innovation and customer-centric services, banks can foster a positive consumer response and remain competitive in a rapidly changing digital landscape. Ultimately, digital transformation is essential not only for enhancing operational efficiency but also for aligning financial services with the expectations of a digitally-savvy consumer base.

**Keywords:** Digital Transformation, Financial Sector, Consumers, E-banking, Interest, Personalization and Digitally-Savvy etc.

## **INTRODUCTION**

An important part of the financial sector's development is how digital transformation has changed the way people use e-banking services. Since digital technologies came along, banks have had to change and come up with new ideas to meet their customers' evolving wants and demands. A study found that digital transformation has had a big effect on how people behave in the financial sector. For example, 89% of banking institutions want to improve data protection and security, 85% want to start a digital transformation program, and 82% want to become more efficient by using new technologies. Even so, a lot of people still don't use digital services because they don't trust them, aren't interested, or don't know how to use them. In Peru, for example, only 25% of people have bank accounts and use digital methods to make deals. This means that about 80% of people in the country don't know how to handle money. For financial institutions to deal with these problems, they need to come up with good ways to communicate, build trust, and offer clear and new services that get people's attention. The study shows that banks need to put money into going digital in order to meet the needs of their customers and improve the service experience. They should think about things like trust, openness, communication, and new ideas. In this way, banks can change customers' behavior for the better and stay competitive in a financial world that is changing quickly.

## **DEFINITION OF DIGITAL TRANSFORMATION**

When companies use digital tools in every part of their business, it changes how they work and what they can do for customers in a big way. This is called "digital transformation." Using cutting edge technologies like AI, big data analytics, cloud computing, and the Internet of Things (IoT) to make things better, make them more efficient, and come up with new ways to do business. Digitization is just turning traditional information into digital forms. Digital transformation, on the other hand, changes how businesses interact with their customers and react to changes in the market. This change isn't just about new technologies; it's also about changing the way companies work, supporting a way of thinking that values creativity, flexibility, and putting the user first. Companies can improve customer experiences, grow and become more competitive by using digital solutions to simplify their processes and learn more about how customers behave. Digital change also makes it easier for people inside and outside of organizations to work together and connect, which lets them respond more quickly to changing market needs. Businesses

that don't change with the times risk becoming obsolete in today's fast-paced digital world, where customers expect smooth, personalized experiences across all platforms. So, digital transformation isn't just a technological task; it's also a strategy necessity that makes sure a company's goals are in line with what its tech-savvy customers expect. Businesses can set themselves up for long-term success in a digital market that is always changing by taking this all-around approach.

## CONCEPT OF E-BANKING

You may access your bank account and do online banking seven days a week with e-banking, a fast, easy, safe, and efficient electronic service. You might save time by using this service to doing financial activities from your home or place of business at any time and from any location as long as you have internet connection. These are made possible via e-banking:

- A correct list of all the money that is in your bank account
- A record of your present account balance, credits, overdrafts, and savings.
- Making payments between countries and currencies on a national and foreign level
- — Making payments on all kinds of service bills, like water, gas, phone, and more
- Getting customs fees done
- E-banking transactions are confirmed electronically for all of them.
- Taking care of your credit cards

## IMPACT OF DIGITAL TRANSFORMATION ON CONSUMER BEHAVIOR

Digital transformation has profoundly influenced consumer behavior across various sectors, particularly in banking and retail. This change includes putting digital technology into every part of a business, which completely changes how companies work and what they offer customers. Businesses need to change to meet customers' changing needs as more people use digital media. The information below shows how the shift to digital has changed the way people behave.

### Key Impacts of Digital Transformation

1. **Increased Online Engagement:** Consumers are spending more time online, leading to higher engagement rates on digital platforms. According to a report by Statista, as of 2023, the average

daily time spent on the internet worldwide was approximately **6.8 hours**, up from **5.6 hours** in 2019.

2. **E-commerce Growth:** Online buying has become more popular, particularly after the COVID-19 epidemic. Global e-commerce sales are expected to hit \$5.7 trillion in 2022, making up 19.6% of all retail sales, according to eMarketer. As compared to 13.6% in 2019, this is a significant gain.
3. **Mobile Banking Adoption:** The use of mobile banking apps has surged as consumers prefer the convenience of managing finances on their smartphones. According to a survey by Accenture, **62%** of consumers in India stated they prefer using mobile banking apps for transactions, compared to **32%** who preferred visiting physical branches.
4. **Personalization Demand:** Consumers expect personalized experiences driven by data analytics. 80% of customers are more likely to make a purchase when companies provide personalized experiences, according to an Epsilon survey. This shows how important it is for businesses to use customer data to create customized marketing tactics.

Aspect	2019 Data	2023 Data	Change (%)
Average Daily Internet Use	5.6 hours	6.8 hours	+21.4%
Global E-commerce Sales	\$3.5 trillion	\$5.7 trillion	+62.9%
Mobile Banking Preference	38% (physical branch)	62% (mobile banking apps)	+63.2%
Consumer Demand for Personalization	70%	80%	+14.3%

**Table 1: Impact of Digital Transformation on Consumer Behavior (2019-2023)**

### Factors Influencing Consumer Behavior in E-Banking Services

The digital transformation of e-banking services has led to significant changes in consumer behavior. Several factors have contributed to these changes, including technology advancements, demographic changes, and competition and market dynamics.

**1. Technology Advancements:** Advances in technology have played a crucial role in shaping consumer behavior in e-banking services. The widespread adoption of mobile devices and the internet has enabled consumers to access banking services anytime, anywhere. Artificial intelligence (AI) and machine learning (ML) have enabled banks to offer personalized services, such as tailored product recommendations and real-time fraud detection. Additionally, the use of blockchain technology and biometric authentication has enhanced security and convenience. These technological advancements have raised consumer expectations, with many demanding seamless, intuitive, and secure digital experiences.

**2. Demographic Changes:** Demographic changes have also influenced consumer behavior in e-banking services. Age and generational differences have led to varying levels of comfort with digital technology. For instance, younger generations, such as Millennials and Gen Z, are more likely to adopt digital banking services, while older generations may prefer traditional banking methods. Urbanization and lifestyle changes have also contributed to the shift towards digital banking, as consumers seek convenience and flexibility in their busy lives.

### **Competition and Market Dynamics**

Traditional banks have had to change and adapt because fintech companies are becoming more and more of a threat. Fintech companies have changed the banking business by providing new, digital-only services and goods that meet unique customer wants. This competition has led to a shift in business models and revenue streams, with banks focusing on digital channels and customer experience to remain competitive. As a result, consumers have more choices and are more likely to switch banks if their needs are not met.

### **Conclusion**

In conclusion, the impact of digital transformation on consumer behavior in e-banking services is profound and multifaceted. As banks adopt innovative technologies to enhance service delivery, they must also address the growing expectations of consumers for security, personalization, and convenience. While the shift towards digital channels has led to increased engagement and the rise of mobile banking, challenges remain, particularly regarding consumer trust and financial literacy, as evidenced by the low adoption rates in regions like Peru. To successfully navigate this landscape, financial institutions must invest in robust communication strategies, foster trust, and ensure that their offerings are transparent and user-friendly. By prioritizing these elements, banks can create positive consumer experiences, drive greater

adoption of digital services, and maintain competitiveness in an increasingly digital economy. Ultimately, embracing digital transformation is not just about technology; it's about aligning with the evolving needs and behaviors of a digitally-savvy consumer base.

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