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Effect of Digital Transformation in Customers' Experience in Banking

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ABSTRACT

This research examines how the banking industry's digital revolution has affected consumers' experiences, with a particular emphasis on important elements including ease of use, speed, flexibility, and convenience. The research provides a thorough analysis by combining quantitative data from 172 respondents with quantitative insights from survey using both descriptive and causal-comparative research techniques. The results show that although customers prefer features like 24/7 access and customization, digital banking services are generally well-received, however opinions on their efficacy differ. The results of the regression analysis demonstrate that the independent variables (convenience, simplicity, flexibility, and time management) and customer experience are significantly correlated, with flexibility exhibiting the largest positive connection. Nonetheless, it seems that customer experience and simplicity are inversely correlated, indicating that excessively simplified procedures may lower satisfaction. These findings notwithstanding, several factors, such "Time Manner" and "Convenience," did not substantially affect the customer experience, suggesting areas in need of more study. Overall, the study emphasizes how important digital transformation is to improving the banking customer experience, but it also emphasizes how constant development is required to keep up with changing customer expectations.

Keywords: Customer Experience, simplicity, flexibility, time manner, and convenience

Introduction

The financial services industry has seen tremendous change in recent decades, in part due to the combination of digital technology's widespread effect and FinTech innovation. The conventional banking sector has been severely damaged by this ongoing development, which has made it necessary for it to adapt swiftly in order to stay competitive in a fast-paced market. The years after the 2008 Global Financial Crisis, which brought about a number of legislative reforms and shifts in consumer preferences, were a significant turning point. The banking sector's transition has accelerated due to these changes and technical advancements (Icardi, 2022).

Due to the unparalleled ease and accessibility that digital transformation has brought to clients, the financial services industry has been greatly influenced. Customers may now conduct a range of financial activities from the comfort of their homes or while they're on the go thanks to the widespread availability of online and mobile banking platforms, which has decreased the necessity for in-person encounters. Financial institutions now understand and anticipate their clients' needs in a whole new way thanks to the convergence of artificial intelligence and sophisticated analytics. This has made it possible for banks to better serve their clients individually and enhance their entire experience.

It is obvious that the banking industry's customer experience will be significantly and broadly impacted by the digital revolution. Digital technology have brought about a shift in the way banks engage with their clientele. This covers both the individualised insights made possible by data analytics and the ease of internet banking. Nevertheless, financial institutions must be extremely vigilant in addressing cyber security issues and closing the digital gap in order to ensure that everyone benefits from the digital revolution. (Jo and Mo, 2018).

The increasing demand for banking services outpaced the capacity of traditional means. It is challenging for banks to provide their clients with a positive experience because of the increasing volume of transactions, the branch locations' restricted hours, and the challenges associated with travelling to the branches on a regular basis.

These days, contemporary technology are essential to solving these problems. The purpose of this study is to describe the ways in which the digital revolution has changed the way financial services are delivered significantly and helped to resolve these problems. This has been achieved via enhancing the services offered by the banking industry, guaranteeing that all of their clients can easily access these services, and making sure that they engage with them in a way that will result in a more positive experience. The following questions were addressed by the study findings that were conducted:

i. What are the relationship between simplicity, flexibility, time manner (Speed), convenience and customer experience in banking sector?

ii. What is the impact of simplicity, flexibility, time manner (Speed), convenience and customer experience in banking sector?

Literature Review

Researchers Ling et al. (2016) found a favourable relationship between customers' happiness with a service and the degree of convenience it offers. This is due to the fact that clients are more likely to trust companies that regularly fulfil their commitments and adopt ethical business methods. Businesses that prioritise convenience are able to build closer bonds with their clients, which promotes higher customer loyalty and advocacy. According to Al-Hawary et al. (2017), financial institutions must assess the calibre of their offerings in order to understand how they are doing and identify areas where they can improve.

According to Sahu, Deng, and Mollah (2018), enhancing the customer experience in the banking industry requires digital transformation. User-centric design, omni-channel integration, data security, personalisation, and continuous innovation are crucial components in addition to a strong technology foundation. According to Indriasari, Gaol, and Matsuo (2019), financial institutions may use big data analytics and artificial intelligence to acquire a competitive edge by boosting consumer engagement and generating new income streams.

Gupta and Aggarwal (2020) founded that it gives an overview of how important digital transformation is in the banking sector and what it means for customers, banks, and regulators. The purpose of this review is to provide a comprehensive synthesis of the research that has been conducted on digital transformation in the banking sector. The review will cover a variety of topics, including the drivers and motivations for digital transformation, the adoption of digital technologies by banks, the impact of digitalization on customer experience, as well as the challenges and opportunities associated with digital transformation initiatives.

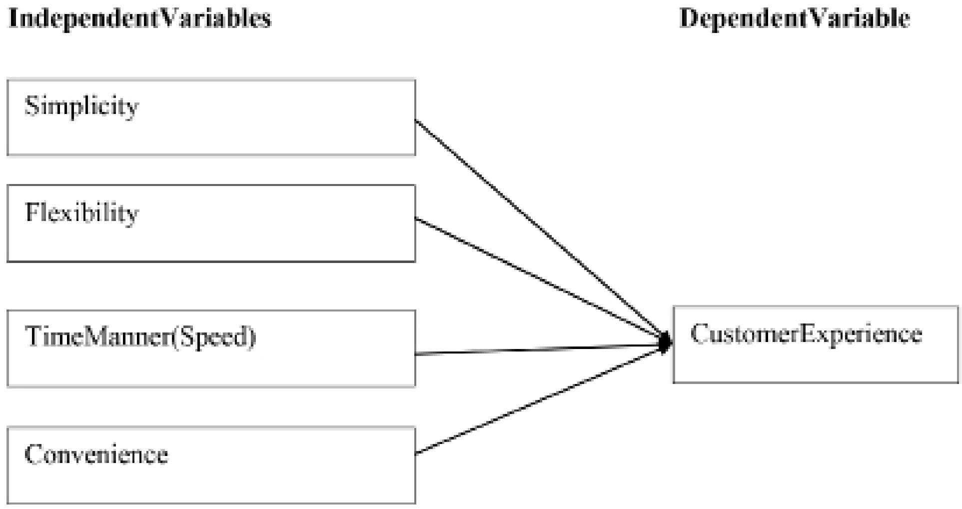
Convenience, personalisation, speed, efficiency, trust, and security. Digital transformation is a vital enabler for improving these elements, thereby upgrading the customer experience (Larivière et al., 2021). Customers search for information and account management using a range of channels, including websites, call centres, email, mobile apps, social media, and chat services. Notably, the widespread usage of mobile technology has given customers access to previously unattainable financial services and transactions, revealing new levels of ease and adaptability (Smirnov, 2022). The bank gradually introduces these customers to digital services to demonstrate the advantages of digital banking in a way that corresponds with their comfort levels since it recognises the need for comfort during the transition. The bank's commitment to customer engagement and personalisation extends to providing proactive digital notifications and opportunities for beta-testing new products to highly innovative customers, while those with technological concerns value assurance and step-by-step digital guidance (Lloyds Bank, 2023).

Because prior research has mostly focused on established economies and ignored the unique challenges and possibilities given by emerging markets like Nepal, there is a sizable study vacuum in the banking industry of Nepal. Studies that are now accessible tend to focus more on the broad benefits that digital transformation may offer to the customer experience than they do on the particular complexities and difficulties that exist within the banking environment in Nepal. Furthermore, most research uses quantitative approaches, ignoring the abundance of qualitative insights that might offer a deeper understanding of the experiences and perspectives of consumers.

In the context of Nepalese banking, the studies typically fail to undertake a full examination of the effect that important criteria like simplicity, flexibility, time manner, and convenience have on customer experience. This is due to the fact that the research usually overlook how these important factors are interrelated. Furthermore, a weakness exists in that systematic research on the efficacy of digital transformation activities in meeting the dynamic needs and preferences of Nepali banking clients is lacking. When these gaps are filled, insightful information will be produced that may help guide strategic choices and speed up the creation of customised digital transformation plans that cater to the unique requirements of banking clients in Nepal.

Research Methods

This study investigates how the digital revolution of the banking industry is affecting customer experience through the use of causal-comparative research techniques. Questionnaires were used to collect quantitative data. Comprehensive findings are guaranteed by the study's broad sample, and statistical analysis was used to look at the correlations. The goal of this study design is to offer insightful information about the dynamics of digital transformation and how it affects banking customers' experiences. The primary data used in the study were gathered from 172 respondents via a questionnaire. Selection of the participants was done using purposive sampling. Key elements including simplicity, flexibility, time manner, convenience, and overall customer experience are argued by the respondents. The respondents' degrees of agreement with the study's goals were evaluated using the Likert Scale Method. The study investigates the connections between customer experience, simplicity, flexibility, time manner and convenience using a conceptual framework.



(Source:Moreb&Abuhasan,2021)

Results and Discussion

The purpose of the study is to ascertain how the customer experience is impacted by digital transformation. Positive relationships have been seen between these parameters and the population's overall satisfaction levels. Elevated client satisfaction levels can also be attributed to digital banking's versatility and simplicity. Higher levels of consumer satisfaction are influenced by a number of factors, including convenience and time efficiency. This demonstrates how important digital transformation is to how the banking sector defines the consumer experience. This highlights the significance of innovation in particular. The practical importance of streamlining digital banking interfaces, boosting adaptability, enhancing transaction speed, and enhancing client convenience is emphasized and covered throughout the talk.

Correlation Analysis

Table 1

		Customer Experience	Simplicity	Flexibility	Time	Convenience
Customer Experience	Pearson Correlati on	1	-.219**	.713**	0.063	0.103
	Sig. (2- tailed)		0.004	0.000	0.411	0.180
Simplicity	Pearson Correlation		1	-0.089	.543**	0.079
	Sig. (2-tailed)			0.245	0.000	0.305
Flexibility	Pearson Correlation			1	- .035	.423**
	Sig. (2-tailed)				0.652	0.000
Time	Pearson Correlation				1	-0.110
	Sig. (2-tailed)					0.152
Convenience	Pearson Correlation					1
	Sig. (2-tailed)					

**. Correlation is significant at the 0.01 level (2-tailed).

(Source: SPSS)

Table 1 presents a correlation analysis examining the relationships between customer experience and various independent variables, including simplicity, flexibility, time, and convenience. Here's a breakdown of the relationships:

Simplicity: There is a negative correlation between customer experience and simplicity (Pearson correlation = -0.219, p = 0.004). This suggests that as the perception of simplicity decreases, the customer experience tends to worsen, though the correlation is relatively weak. This relationship is statistically significant at the 0.01 level.

Flexibility: The correlation between customer experience and flexibility is positive (Pearson correlation = 0.713, p = 0.000). This strong positive correlation indicates that higher perceived flexibility in digital banking services is strongly associated with a

better customer experience. This relationship is statistically significant at the 0.01 level.

Time: The correlation between customer experience and time is very weak and not statistically significant (Pearson correlation = 0.063, p = 0.411). This suggests that the perception of time efficiency has a negligible impact on customer experience.

Convenience: There is a weak positive correlation between customer experience and convenience (Pearson correlation = 0.103, p = 0.180), which is not statistically significant. This indicates that while convenience may have some positive association with customer experience, it is not a major influencing factor in this context.

Regression Analysis

Multiple regression analysis is a statistical method that examines the relationship between a dependent variable and multiple independent variables. It generates a regression equation with coefficients for each independent variable, identifying significant effects while controlling for other variables. This method provides valuable insights into complex relationships, such as the impact of digital transformation on customer experience in banking.

Table 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.775[a]	0.601	0.591	0.49830
a. Predictors: (Constant), Convenience, Simplicity, Flexibility, Time Manner				

(Source: SPSS)

The regression model, which includes the constant "Convenience," "Simplicity," "Flexibility," and "Time Manner," has a strong explanatory power for predicting the dependent variable, likely "Customer Experience." The R-squared value of 0.601 indicates that approximately 60.1% of the variance in the dependent variable can be explained by the model, indicating a reasonably good fit. The adjusted R-squared value of 0.591 is slightly lower, but still indicates a robust model fit. The standard error of the estimate is 0.49830, indicating better overall model accuracy. Overall, the model provides a reliable framework for understanding and predicting customer experience based on the included predictors, indicating a strong fit for the dependent variable.

Table 3

ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.356	4	15.589	62.781	.000[b]
	Residual	41.467	167	0.248		
	Total	103.823	171			
a. Dependent Variable: Customer Experience						
b. Predictors: (Constant), Convenience, Simplicity, Flexibility, Time Manner						

(Source: SPSS)

The ANOVA table reveals the significance of the regression model and the individual predictors in explaining the variance in the dependent variable, “Customer Experience.” The regression sum of squares (62.356) represents the portion of variance in customer experience explained by the predictors, while the residual sum of squares (41.467) represents unexplained variance. The F-statistic (62.781) assesses the overall significance of the regression model, indicating that at least one predictor has a significant effect on customer experience. The high F-value and low p-value suggest that the predictors collectively have a substantial impact on customer experience, providing a meaningful framework for understanding and predicting customer perceptions.

Table 4

Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficientsz	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.488	0.511		0.956	0.341
	Simplicity	-0.449	0.110	-0.245	-4.094	0.000
	Flexibility	1.151	0.081	0.776	14.158	0.000
	Time Manner	0.315	0.092	0.203	3.409	0.001
	Convenience	-0.269	0.082	-0.183	-3.296	0.001

a. Dependent Variable: Customer Experience

(Source: SPSS)

$$CE = 0.488 - 0.449 * SI + 1.151 * FX + 0.315 * TM - 0.269 * CV$$

The regression coefficient table reveals the predictors of customer experience, including the constant term and variables “Simplicity,” “Flexibility,” “Time Manner,” and “Convenience.” The dependent variable is “Customer Experience.” The constant term is not statistically significant, with a coefficient of 0.488. The predictors, “Simplicity,” “Flexibility,” “Time Manner,” and “Convenience,” show significant coefficients. “Simplicity” has a coefficient of -0.449, indicating a decrease in customer experience for each one-unit increase. “Flexibility” has a coefficient of 1.151, indicating an increase in customer experience for each one-unit increase. “Time Manner” and “Convenience” also show significant coefficients, indicating changes in customer experience for each one-unit increase in the predictor variables. The regression coefficient table demonstrates the individual contributions of each predictor variable in explaining customer experience variation, with “Flexibility” showing the strongest positive association and “Simplicity” showing the strongest negative association.

Conclusion

Correlation analysis was employed in the study to examine the relationships between key components of the banking business, including speed, convenience, flexibility, and simplicity of use. The results showed significant relationships between these characteristics, highlighting the importance of simplicity, adaptability, and ease in enhancing the customer experience. Easy-to-use interfaces, seamless transaction procedures, and a wide range of banking alternatives are likely to result in better customer experiences at banks.

The study employed regression analysis to investigate the impacts of customer experience, speed, convenience, flexibility, and simplicity of use in the banking sector. The results demonstrated the significant influence these components had on the customer experience, with convenience, adaptability, and simplicity of use appearing as the primary determinants of total satisfaction. Financial institutions may more effectively address the evolving requirements and anticipations of their clientele by offering digital banking services that are easy to use, flexible, and convenient. Increased client pleasure and loyalty result from this.

All things considered, this survey shows how crucial digital transformation is to how consumers engage with banks. Banks can enhance customer happiness, retention rates, and foster sustainable development in a highly competitive market by prioritizing simplicity, flexibility, and convenience in their digital services. The study’s findings provide banks with enlightening guidance on how to leverage digital technology to improve client experiences and prosper for the long term in the digital era.

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