



IMPACT OF COVID-19 ON DIGITAL BANKING PRACTICES

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Abstract:

It is known fact that Environment protection has become a slogan of the day across globe but without any concrete efforts to protect the same. The banking sector can play a vital role in Environment protection through digital banking practices. The Covid-19 has forced the Indian banks to integrate digital banking practices as a part of their business model. Indian Banks are now focusing more on offering digital products, services and adopting digital practices in their operations and thereby helping in prevention of spread of Covid-19 pandemic. Further, the banking sector is also playing a critical role in filling an enormous credit gap and offering customers loan facilities during Covid-19 pandemic. The banking sector has also played a crucial role in distributing various governments' fiscal and relief packages. In the light of this development a study has been conducted to know the impact of Covid-19 on Digital Banking Practices of small business owner-managers.

Keywords:

Covid-19, Customer Awareness, Digital Banking Practices, Govt. Relief Package, Indian Banking Sector, Small Business Owner-Managers

I. INTRODUCTION

In India, digital banking started taking shape in the late 1990s with ICICI Bank being the first one to bring the service to their retail clients. Digital banking had become part of mainstream in 1999 on account of reduction in internet charges and increase in awareness and trust about the internet. It was only after the internet further developed and the costs came down, banks started serving a broader basket of products online. Since 2010, Indian commercial banks were trying hard to promote digital banking and drive digital adoption, due to its benefits for both accountholders and banks. However, the closure of bank branches and businesses in the wake of Covid-19 has forced a shift to digital services, from account opening to loan applications. Banks which were earlier demanding physical signatures are now allowing digital signing. Customer also adjusted to digital mode of banking. Indian banks are also playing a critical role in filling an enormous credit gap and offering customers loan facilities during Covid-19 pandemic. The Indian banks have also played a crucial role in distributing various governments' fiscal and relief packages. In the light of these developments a study has been conducted to know the impact of Covid-19 on Digital Banking Practices.

Meaning of Digital Banking

The Digital Banking refers to doing banking transactions and operations through the digital platform, doing away with all the paperwork like cheques, pay-in slips, Demand Drafts, and so on. Digital Banking can be done either through a laptop, tablet or your mobile phone.

II. REVIEW OF LITERATURE

According to Itai Agur, Soledad Martinez Peria, and Celine Rochon, the Covid-19 pandemic and the need for social distancing have put an attention on digital financial services. Digital financial services have resulted into social distancing. Digital financial services have helped government to disburse funds to those in needs quickly and effectively. Digital financial services helped many households and firms to rapidly access online payments and financing. They opined that digital financial services are exposed to risks of stability and integrity and risks may worsen if the use of digital financial services is scaled up quickly in times

of crisis without appropriate regulations and safeguards. Shafique Ahmed and Samiran Sur had conducted a study on factors affecting the adoption of digital banking services by rural micro small and medium enterprises (MSMEs). According to them convenience, perceived self-efficacy, demonetization, performance expectancy and pandemic effect have significant effect on the attitude of MSMEs to adopt Digital Banking Services. According to Sowmya Praveen and C.K. Hebbar after the effect of Covid-19, the economy is started using more on digital payment system compared to pre Covid-19 era. This occurred mainly because, people afraid of going outside. They fear about the pandemic which spread drastically throughout the economy. Most of the women respondents were using different digital payment modes to do their financial transactions. It is evident from the literature review that no study has been conducted in Belagavi focusing on Impact of Covid-19 on Digital Banking Practices of Small Scale Enterprises. This has motivated the researcher to take up the present study.

III. NEED OF THE STUDY

Covid-19 has resulted into a pragmatic shift in the way banking transactions are done by customers. Now, Customers prefer digital mode of transactions for their banking needs starting from account opening to payments. The Indian banks are also playing pivotal role in distributing various governments' fiscal and relief packages. In the light of these developments a study has been conducted to know the impact of Covid-19 on Digital Banking Practices among Small Business Owner-Managers.

IV. STATEMENT OF THE PROBLEM

An online survey conducted by National Small Industries Corporation Ltd found that about 9 percent of micro, small and medium enterprises (MSMEs) have closed down as a result of the Covid-19 pandemic. Many more small enterprises are struggling hard for their survival. The cost-cutting strategies can play a vital role in survival of enterprises. One of the cost-cutting areas which was rarely explored and used by small enterprises is digital mode of banking transactions. There are several reasons for non-usage of digital mode for carrying out banking transactions by small enterprises. One of the key reasons is wrong perception and lack of awareness about digital banking. The study is intended to find out perception and awareness about digital banking after the hit of Covid-19 pandemic.

V. OBJECTIVES

The study was undertaken with the following objectives:

- 1) To measure awareness level about Digital Banking Products and Services among Small Business Owner-Managers.
- 2) To investigate the reasons for usage of Digital Banking Products and Services by Small Business Owner-Managers.
- 3) To study impact of Covid-19 on usage of Digital Banking Products and Services among Small Business Owner-Managers.
- 4) To know the Perception of Small Business Owner-Managers towards Digital Banking

VI. RESEARCH METHODOLOGY

The research was carried out in the industrial estates namely Machhe, *Udyambag* and Kakati Industrial Estates of Belagavi, Karnataka, India. For the purpose of the study, Small Scale Enterprises which are operating for more than 5 years were selected. The questionnaires were administered to the owner-mangers of the Small Scale Enterprises (managed by owners who are also looking after overall operations of the firm). 100 Small Scale Enterprises were selected for the purpose of the study. The questionnaire was administered at the location of Enterprises. It was also possible for the researchers to collect additional data by means of personal interaction with respondents and observations. The selection of the Enterprises for the purpose of data collection was random. The information for the study has also been collected from secondary sources. The study is descriptive in nature. The period of study has been confined to January 2021 September 2021.

VII. RESULT AND DISCUSSION

Profile of Small Scale Enterprises:

Table-1
Nature of Ownership

Nature Of Ownership	Number of Firms
Proprietorship	84
Partnership	16

Source: Field Work

It is evident from the Table-1 that 84% of the Small Scale Enterprises are proprietary in terms of its ownership whereas 16% of them are partnership firms' i.e. they are owned by two or more people.

Table-2
Type of Industry Category

Industry Category	Number of Firms
Engineering	16
Valves and Pumps	11
Agro Equipments	09
Chemicals	03
Food Processing	06
Electrical	03
Machine Tools	03
Foundry	37
Others	12

Table-2 reveals that majority of the firms do fall in the industry category of foundry, followed by Engineering and Industrial valves and Pumps. Around 9% are Agricultural equipment manufacturers and others include Machine Tools, Electrical, Food Processing and Chemicals units.

Table-3
Qualification of Owner-Managers

Qualification	No. of Owner-Managers
Primary (up to 8 th Standard)	11
Secondary (from 9 th Standard up to PUC)	16
Graduation	41
Post Graduation (Excluding MBA & Professional Course)	03
Professional / Technical Qualification	
A) Bachelor of Engineering	12
B) Chartered Accountant / cost Accountant	02
C) Master of Business Administration	04
D) Diploma (Technical)	08
E) Industrial Training (ITI)	03

Source: Field Work

It can be seen from Table-3 that majority of the small business owner-managers are well qualified. More than 80 percent of the owner-managers are either graduates or possessing professional /Technical qualification which include Engineering, MBA, and Industrial Training etc. This trend is different from what other studies revealed in which majority of Indian entrepreneurs are less qualified.

Research Objective 1: To measure awareness level about Digital Banking Products and Services among Small Business Owner-Managers.

Table-4
Awareness Level about Digital Banking Products among Small Business Owner-Managers

Digital Banking Products	Mean Score of Awareness
Banking Cards –Debit and Credit Cards	3
Aadhaar Enabled Payment System (AEPS)	2.29
Unified Payments Interface (UPI)- Google Pay, BHIM, PhonePe	2.88
Mobile Wallets – Paytm, MobiKwik, JioMoney, Oxigen, etc	2.15
BANK PRE-PAID CARDS -PAY DIRECT CARD, ETC	1.22
Internet Banking	2.67
Mobile Banking	2.77

Source: Field work

It is evident from the table-4 that the mean score of awareness about Debit and Credit Cards is 3 indicating that all the Small Business Owner-Managers are having awareness about Debit and Credit Cards. The mean score of awareness about Unified Payments Interface (UPI) such as Google Pay, BHIM and PhonePe is 2.88 signifying that majority of Small Business Owner-Managers knows about UPI products. Mean score of awareness about Bank Pre-Paid Cards such as Pay Direct Card is 1.22 indicating that majority of the Small Business Owner-Managers are unaware about the said product.

Table-5
Awareness Level about Digital Banking Services among Small Business Owner-Managers

Digital Banking Products	Mean Score of Awareness
Online Current Account Opening Form	1.98
Money Transfer through Google Pay	1.54
Money Transfer through BHIM App	1.77
Money Transfer through PhonePe	2.74
Money Transfer through NEFT/RTGS	2.41
Online Mudra Loan Application	1.31
Online MSME Loan Application	1.1
Utility Bill Payment Facility (Electricity, Mobile, Water, etc)	2.46
E-Passbook Statement	2.77
Online Application for Demand Draft	1.07
ATM Cash Withdrawal	3.0
Contactless Cash Deposit (ATM)	2.35

Electronic Clearing System (ECS) for Salary, Pension, Loan EMI	2.02
GST Payment through NEFT/RTGS	1.66
Income Tax Payment through NEFT/RTGS	1.29
Online Complaint about Frauds	1.09
24*7 Customer Online/Phone Service	1.26
Transaction Alert Message	2.71

Source: Field work

The table-5 portrays the awareness level about digital banking services among Small Business Owner-Managers. It is evident from the table-4 that the mean score of awareness about ATM Cash Withdrawal is 3 indicating that all the Small Business Owner-Managers are having awareness about ATM Cash Withdrawal facility. The mean score of awareness about Money Transfer through PhonePe is 2.77 which indicate that majority of Small Business Owner-Managers are using PhonePe for their business transactions. The awareness about Money Transfer through NEFT/RTGS, Utility Bill Payment Facility, Contactless Cash Deposit and E-Passbook Statement is high among Small Business Owner-Managers. The table also reveals that the awareness about : i) Online Current Account Opening Form, ii) Money Transfer through Google Pay & BHIM App, iii) Online Mudra Loan Application, iv) Online MSME Loan Application, v) Online Application for Demand Draft, vi) GST & Income Tax Payment through NEFT/RTGS, vii) Online Complaint about Frauds is low among Small Business Owner-Managers.

Research Objective 2: To investigate the reasons for usage of Digital Banking Products and Services by Small Business Owner-Managers.

Table-6
Reasons for Usage of Digital Banking Products and Services by Small Business Owner-Managers

Reasons for use of Digital Banking Products And Services	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean Score
Faster, Easier, More Convenient mode of Cash Payment/Receipt	73	12	7	8	0	4.5
Economical and Less Transaction Fee	45	12	11	12	20	3.5
Waivers, Discounts and Cash Back Offer	16	11	35	17	21	2.84
Digital Record of Transactions	56	17	16	11	0	4.18
Avoiding risk associated with carrying Physical Cash	92	8	0	0	0	4.92
Time Saving	69	18	11	2	0	4.54
No Physical Contact & thereby reduced chance of spread of Covid-19	89	7	4	0	0	4.85

Source: Field work

The reasons for usage of Digital Banking Products and Services by Small Business Owner-Managers are portrayed in table-6. Majority of Small Business Owner-Managers are using Digital Banking Products and Services in order to avoid risk associated with carrying Physical Cash (mean score of 4.92) and to prevent spread of Covid-19 (mean score of 4.85). Majority of Small Business Owner-Managers are using Digital Banking Products and Services as it will help them to save time which can be used for productive purposes. They also feel that digital record is more convenient to keep than physical records. The Waivers, Discounts and Cash Back Offer do not have much impact or influence on usage of Digital Banking Products and Services.

Research Objective 3: To study impact of Covid-19 on usage of Digital Banking Products and Services among Small Business Owner-Managers.

Table-7
Usage of Digital Banking Services by Small Business Owner-Managers

Digital Banking Services	No. of Respondents		Ratio
	Pre-Covid 19 Period	Post-Covid 19 Period	
Online Current Account Opening Form	0	0	-
Money Transfer through Google Pay	7	18	2.6
Money Transfer through BHIM App	11	20	1.8
Money Transfer through PhonePe	23	58	2.5
Money Transfer through NEFT/RTGS	32	59	1.8
Online Mudra Loan Application	0	10	-
Online MSME Loan Application	0	2	-
Utility Bill Payment Facility (Electricity, Mobile, etc)	19	53	2.8
E-Passbook Statement	47	77	1.6
Online Application for Demand Draft	0	2	-
ATM Cash Withdrawal	12	15	1.3
Contactless Cash Deposit (ATM)	25	41	1.6
ECS for Salary, Pension, Loan EMI	9	27	3
GST Payment through NEFT/RTGS	8	19	2.4
Income Tax Payment through NEFT/RTGS	2	7	3.5

Online Complaint about Frauds	0	2	-
24*7 Customer Online/Phone Service	3	8	2.7
Transaction Alert Message	47	77	1.6

Source: Field work

The table-7 demonstrates that there was 3.5 fold increases in usage of NEFT/RTGS for payment of income tax during Post-Covid 19 Period compared to Pre-Covid 19 period. The increase in usage of Utility Bill Payment Facility was 2.8 fold during post-Covid 19 periods followed 2.5 fold increases in usage of PhonePe. In nutshell, dependency on digital banking services has increased during post-Covid 19 periods.

Research Objective 4: To know the Perception of Small Business Owner-Managers towards Digital Banking.

Table-8
Perception of Small Business Owner-Managers
towards Digital Banking

Parameter	Mean Score
Availability of 24*7 Banking Service	4.68
Easy to Use	4.33
Strong Security Measures	3.82
Server Busy/Problem	3.92
Internet Problem	4.16
High Rate of failure transactions	2.88
High Service Charges	2.84
No Customized Services	4.37
Fear of Cyber Attack	4.63

Source: Field work

It is evident from table-8 that majority of Small Business Owner-Managers believe that digital banking made it possible for them to have access banking service 24 *7 basis from anywhere, at any time (mean score of 4.68). Majority of Small Business Owner-Managers also feel that digital banking truncations are exposed to cyber attack (mean score of 4.63). Small Business Owner-Managers opined that the banks are not offering customized services through digital mode. Many of the Small Business Owner-Managers expressed their anguishes towards internet problem due to which they could not complete their digital banking transactions. They are of the view that the government of India promise towards providing internet access 24*7 is just promise and not reality. Few of the respondents have reported that rate of failure of digital transactions is high. They also opined that Service Charges on digital transactions are high.

Credit Guarantee Scheme

The government of India has announced Credit Guarantee Scheme for revival of MSMEs which were experienced economic slowdown due to COVID-19 crisis. The Credit Guarantee Scheme offers unsecured loan facilities to MSME businesses in the form of relief package. MSME businesses can avail term loans or working capital loans under the scheme. These loans would be collateral free and would not require MSMEs to pledge any security or arrange for third party guarantee for availing credit. If the MSME, which has availed a loan under the Credit Guarantee Scheme, becomes sick due to reasons beyond the control of the organisation, the lender also provides rehabilitation facility to such MSMEs. This assistance is provided under the Credit Guarantee Scheme. The government of India kept aside an additional amount of Rs.3,00,000 crore for this purpose. The Salient Features are – i) 100% credit guarantee cover on principal and interest (earlier it was 75% credit guarantee), ii) With a new 12 months' moratorium on payment of principal, iii) Tenor - 4 years and iv) Last date to avail scheme - 31 October 2020. Majority of Small Business Owner-Managers reported that they have not availed loan facility under Credit Guarantee Scheme as their units were passing through economic slowdown.

VIII. FINDINGS

- 1) The study reveals that Small Business Owner-Managers are having awareness about Debit and Credit Cards, Unified Payments Interface (UPI) such as Google Pay, BHIM, PhonePe,
- 2) Majority of the Small Business Owner-Managers are unaware about Bank Pre-Paid Cards such as Pay Direct Card
- 3) The study reveals that majority of Small Business Owner-Managers are aware about PhonePe.
- 4) Small Business Owner-Managers are also using NEFT/RTGS for Money Transfer.
- 5) Small Business Owner-Managers are having awareness about NEFT/RTGS
- 6) Awareness about Utility Bill Payment Facility through digital banking mode is also high among Small Business Owner-Managers.
- 7) Awareness about i) Online Mudra Loan Application, ii) Online MSME Loan Application, iii) GST & Income Tax Payment through NEFT/RTGS, iv) Online Complaint about Frauds is low among Small Business Owner-Managers.
- 8) The study reveals that majority of Small Business Owner-Managers are using Digital Banking Products and Services in order to avoid risk associated with carrying Physical Cash
- 9) The study also reveals that majority of Small Business Owner-Managers are using Digital Banking Products and Services in order to prevent spread of Covid-19.
- 10) Majority of Small Business Owner-Managers are using Digital Banking Products and Services as it will help them to save time which can be used for productive purposes.
- 11) The Waivers, Discounts and Cash Back Offer do not have much impact or influence on usage of Digital Banking Products and Services.

12) The study reveals that there was 3.5 fold increases in usage of NEFT/RTGS for payment of income tax during Post-Covid 19 Period compared to Pre-Covid 19 period.

13) The increase in usage of Utility Bill Payment Facility was 2.8 fold during post-Covid 19 periods followed 2.5 fold increases in usage of PhonePe.

14) Majority of Small Business Owner-Managers feel that digital banking truncations are exposed to cyber attack.

15) Small Business Owner-Managers opined that the banks are not offering customized services through digital mode.

16) Many of the Small Business Owner-Managers expressed their anguishes towards internet problem due to which they could not complete their digital banking transactions.

17) Majority of Small Business Owner-Managers reported that they have not availed loan facility under Credit Guarantee Scheme as their units were passing through economic slowdown.

IX. SUGGESTIONS

1) The digital banking needs of small-business owner managers differ from unit to unit and which depends upon nature of business, size of business, ownership type, etc. Therefore, it is suggested that banks should offer customized digital banking products and services to small-business owner managers. Simply opening exclusive branches for SMEs does not solve the problem. More so SME branches will defeat the purpose of digital banking.

2) Majority of Small Business Owner-Managers opined that the RTGS facility was not available 24*7. In this connection, it is recommended that the banks should offer RTGS facility 24*7.

3) Presently, Indian banks are not offering any product/service catering to the needs of Small Business Owner-Managers for payment of industrial Utility Bills (industrial Gas, Industrial Water, Electricity, Stationery, etc). In this regard, it is recommended that customized product for payment of Industrial Utility Bills should be launched by banks.

4) Indian banks should take measures to create awareness about digital banking services such as i) Online Loan Application, ii) GST & Income Tax Payment through NEFT/RTGS, iii) Online Complaint portal, etc.

5) It is also suggested that Indian banks should launch attractive Waivers, Discounts and Cash Back Offer scheme to promote digital banking

6) Strong security measures should be initiated to remove fear psycho among Small Business Owner-Managers towards usage of digital banking. Collaborative efforts between Banks, IT Companies, Cyber Crime Department is expected to yield a reasonable result in this regard.

7) Government of India should speed up its efforts to ensure 24*7 accesses and continuous availability of internet to all citizen of India by atleast 2022, otherwise, the theme of digital India will remain as paper tiger and will not become reality.

8) Server busy/down problem is considered as route cause for incompleteness of digital transactions. In this regard it is suggested that bank should install Network Monitoring Software to resolve the issue.

9) One side government of India is stressing on digital banking and on the other side imposing service charges on digital transactions. These measures seem to be inconsistent with the policy of digital India. Therefore, it is suggested that digital banking product/services should be offered free of cost upto certain truncation limit and a minimum service cost should be charged in the form account maintenance charges to all current account holders.

10) Interest free working capital loan under Credit Guarantee Scheme should be offered to SMEs facing economic slowdown due to Covid-19.

11) In order to promote the digital banking culture among Small Business Owner-Managers, Bank should institute digital banking award for those entrepreneurs who carry all their financial truncations through digital mode.

12) Belagavi Chamber of Commerce and Industry can also play a vital role in promotion of digital banking culture among its members. Banks should organise awareness programme in join collaboration with Belagavi Chamber of Commerce and Industry and Local Business Schools. This can be considered as contribution of stakeholders towards environmental friendly and just society.

X. CONCLUSIONS

Covid-19 has changed the perception of Small Business Owner-Managers about digital banking but also they are showing interest in using digital banking for their business requirements. If implemented the recommendations with true spirit than it will not only benefit the small enterprises but also helps in controlling the spread of Covid-19.

XI. LIMITATIONS

The study is restricted to industrial estate located in Belagavi city of Karnataka state of India. The medium enterprises and retail business units were excluded from the purview of study.

XII. SCOPE FOR FURTHER RESEARCH

Retail business and road-side vendors are badly affected by Covid-19 pandemic and the awareness about usage of digital banking among them is very negligible. So, there is scope for research to find out reasons for non-usage of digital banking, perception about digital banking among retailers and road-side vendors.

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