

## Impact of Digitalization on Personal Banking Services

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**ABSTRACT:** Technological advancement has made dramatic changes in all sectors of the economy, including the financial sector. Banking services have faced huge improvements, especially in the context of personal banking services, which were earlier based on traditional banking approaches. This study mainly focuses on the impact of digitalization on personal banking, the perception of customers towards the adoption of digitalization, how the customers have adopted digitalization in banking services, and what measures personal banking services can take to improve the difficulties faced by most of the customers. The study used exploratory and descriptive research designs to assess consumer perceptions of digitalization and its influence on personal banking services. This study concludes that the digitalization in banking services has altered customers' perceptions of comfort, security, insurance purchasing, bill payment, and numerous other aspects. However, banks should take appropriate measures to address any issues customers may encounter and make it a better place to provide service.

**KEYWORDS:** Digitalization, Personal banking, Online banking, Perception, Payment.

### 1. INTRODUCTION

Digital banking has become increasingly popular due to advancements in automation and artificial intelligence technology. Customers can now access banking services through digital platforms such as mobile phones, tablets, and the internet. This includes paperless, branchless, and signature-free services, as well as 24-hour access to financial services. Both commercial and public sector banks believe that digitalization is the future of banking. Digitalization involves the adoption of cloud, social, mobile, and big data technologies. It allows people to access banking services anytime and anywhere. The use of smartphones has greatly increased the number of contact points between banks and customers. In India, the banking sector has undergone significant changes and advancements, with a focus on non-branch banking channels and the introduction of new financial products and channels such as mobile banking. Digital banking includes various services such as cash deposits, withdrawals, transfers, bill payments, account management, obtaining financial products, managing loans and portfolios, and investing in financial services. Banks use mobile banking as an innovation strategy to compete in the industry and improve performance. They are expected to continue improving their banking products and mobile banking processes to gain a competitive edge.

### 2. REVIEW OF LITERATURE

Digitalization in the banking industry is a complex and disruptive process that requires understanding of technological,

organizational culture, and institutional change within regulatory frameworks (Krasnikolakis et al., 2020). This transformation offers opportunities for organizations that successfully adopt digital technologies, create new services, and adapt to customer needs (Krstić & Tešić, 2016). It is essential for commercial banks to undergo digital transformation in order to maintain competitiveness and increase business efficiency (Zhu & Jin, 2023). (Ахромеева, 2020) Digital transformation faces limitations and risks, requiring active participation from the scientific and expert communities to manage these risks and limitations.

The threat of BigTechs entering the market is driving digital transformation in the financial services sector, with banks facing higher social and bargaining power impacts compared to insurance firms (Werth et al., 2020). Banks' IT investments significantly increase customer adoption of financial digitalization and the likelihood of transactions being conducted through digital channels, transforming the relationship banking channel (Carbó-Valverde et al., 2020). Industry 4.0 has transformed the banking sector by requiring quick and efficient responses to client demands while maintaining security and trust as key determinants (Mekinić, 2019).

However, the adoption of digital technology in global banking also creates new systemic risks to financial stability and integrity (Akimova et al., 2020). Corporate sustainability and digitalization strategies mutually reinforce each other, enhancing international banks' market performance and

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efficiency (Forcadell et al., 2020). The learning function in banking organizations can be enhanced by integrating social media platforms and fostering a learning organization (Schuchmann & Seufert, 2015).

Modern banking practices, particularly fractional reserves, are problematic from economic, legal, and ethical perspectives (Bagus & Howden, 2013). (Krstić & Tešić, 2016). Digital disruption in the banking industry offers opportunities for those organizations that successfully adopt digital technologies, create new services, and adapt to customer needs. Digital transformation leads to malleable organizational designs enabling continuous adaptation, driven by digital business ecosystems, and is partially covered by conventional organizational change frameworks (Hanelt et al., 2021).

The adoption of digital banking services is influenced by factors such as perceived ease of use, compatibility, observability, convenience, and privacy (Sthapit & Bajracharya, 2019; Swinnen, 2016; Tater et al., 2011; Wen Ni, 2020). Indian customers adopt banking technology due to convenience, privacy, security, ease of use, real-time accessibility, and demographic factors (Tater et al., 2011). Santander Bank's digitalization poses minimal operational risks, with fraud in online payments being the main external risk (Aguayo & Ślusarczyk, 2020) (Drechsler et al., 2018).

### 2.1 Objectives of the study

The objectives of the research are as follows:

1. To study the perception of customers towards digitalization of personal banking services.
2. To study the impact of digitalization on personal banking services

## 3. RESEARCH METHODOLOGY

This study used exploratory and descriptive research designs to evaluate consumer perception of digitalization and its impact on personal services, specifically personal banking services. Data was collected using a structured questionnaire from students and non-teaching staff. The questionnaire was circulated in all 42 departments of Assam University, Silchar Campus, and 342 responses were received.

## 4. DATA ANALYSIS AND FINDINGS

### 4.1. Demographic profile

The following table depicts the Gender of the respondents

| No. | Gender       | Respondents | Percentage |
|-----|--------------|-------------|------------|
| 1.  | Male         | 216         | 63.2       |
| 2.  | Female       | 126         | 36.8       |
|     | <b>Total</b> | <b>342</b>  | <b>100</b> |

**Table 4.1: Gender of the respondents**

The following table depicts the Age of the respondents

| No. | Age          | Respondents | Percentage |
|-----|--------------|-------------|------------|
| 3.  | 20- 30       | 269         | 78.7       |
| 4.  | 30- 40       | 42          | 12.3       |
| 5.  | 40-50        | 21          | 6.1        |
| 6.  | Others       | 10          | 2.9        |
|     | <b>Total</b> | <b>342</b>  | <b>100</b> |

**Table 4.2: Age group of the respondents**

### Interpretation:

The study involved 342 participants, with 36.8% female and 64.2% male. Most were 20-30 years old, with 269 in the 20-30 age group, 42 in the 30-40 age group, and 21 in the 40-50 age group. Ten participants were from other age ranges.

### 4.2. Objective 1: To study the perception of customers towards digitalization of personal banking services.

The factors influencing the perception of customers are discussed as follows. There are 3 factors-

1. Comfort level in use of digital payment
2. Hurdles faced while using banking applications
3. Sense of security with digital payment in banking services

#### 4.2.1 Comfort in Use of digital payment

The following table depicts the comfort level in use digital payment

| No. | I feel comfort while making digital payment | Respondents | Percentage |
|-----|---------------------------------------------|-------------|------------|
| 1.  | Strongly Agree                              | 175         | 51.2       |
| 2.  | Agree                                       | 134         | 39.2       |
| 3.  | Neutral                                     | 19          | 5.6        |
| 4.  | Disagree                                    | 3           | 0.9        |
| 5.  | Strongly Disagree                           | 9           | 2.6        |
|     | <b>Total</b>                                | <b>342</b>  | <b>100</b> |

**Table 4.2.1: Comfort while making digital payment**

#### 4.2.2 Frequency of hurdles faced while using banking applications

The following table depicts the frequency of hurdles faced while using banking applications

| No. | I face hurdles while using banking applications | Respondents | Percentage |
|-----|-------------------------------------------------|-------------|------------|
| 1.  | Most of the times                               | 31          | 9.1        |
| 2.  | Sometimes                                       | 209         | 61.2       |
| 3.  | Rarely                                          | 59          | 17.3       |
| 4.  | Never                                           | 38          | 11.1       |
| 5.  | Others                                          | 4           | 1.3        |
|     | <b>Total</b>                                    | <b>342</b>  | <b>100</b> |

**Table 4.2.2: Frequency of hurdles faced while using banking applications**

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**Interpretation:**

The majority of respondents (51.2%) strongly agree with the adoption of digitalization in banking services due to comfort in usage. However, some respondents have faced issues with banking applications, with sometimes being the most common response. This highlights the need for improved digital payment comfort.

**4.2.3 Sense of security with digital payment in banking services**

The following table depicts the respondent’s sense of security with digital payment in banking services

| No. | I feel secure with digital payment in banking services | Respondents | Percentage |
|-----|--------------------------------------------------------|-------------|------------|
| 1.  | Strongly Agree                                         | 72          | 21.0       |
| 2.  | Agree                                                  | 213         | 62.2       |
| 3.  | Neutral                                                | 48          | 14.1       |
| 4.  | Disagree                                               | 9           | 2.7        |
| 5.  | Strongly Disagree                                      | 0           | 0.0        |
|     | <b>Total</b>                                           | <b>342</b>  | <b>100</b> |

**Table 4.2.3: Respondent’s sense of security with digital payment in banking services**

The data indicates that 62.2% of respondents support the security of banking services due to their comfort and efficient terms and conditions.

**4.2.4 Hypothesis for objective 1**

Objective 1: To study the perception of customers towards digitalization of personal banking services.

**H<sub>0</sub>:** There is no significant difference in terms of perception of customers regarding comfort in using digital banking services.

**H<sub>1</sub>:** There is a significant difference in terms of perception of customers regarding comfort in using digital banking services.

|                                          | N   | Mean   | Standard Deviation |
|------------------------------------------|-----|--------|--------------------|
| Comfort while using banking applications | 342 | 4.4035 | 0.6749             |

**Table no. 4.2.4.1: Descriptive statistics of objective 1**

|                     |      | <i>I feel Comfort while making digital payment</i> |
|---------------------|------|----------------------------------------------------|
| Mean                |      | 4.403508772                                        |
| Known Variance      |      | 0.455208819                                        |
| Observations        |      | 342                                                |
| Hypothesized        | Mean | 0                                                  |
| z                   |      | 23.12171566                                        |
| P(Z<=z) one-tail    |      | 0                                                  |
| z Critical one-tail |      | 1.644853627                                        |
| P(Z<=z) two-tail    |      | 0                                                  |
| z Critical two-tail |      | 1.979963985                                        |

**Table no. 4.2.4.2: Calculation of z test for objective 1**

**Interpretation:**

The Z value is more than 1.96 (at 95% confidence level), Therefore the null hypothesis is rejected. Hence, there is a significant difference in terms of perception of customers regarding digital banking services.

**H<sub>0</sub>:** There is no significant difference in terms of perception of customers regarding security in digital banking services.

**H<sub>2</sub>:** There is a significant difference in terms of perception of customers regarding security in digital banking services.

|                                  | N   | Mean   | Standard Deviation |
|----------------------------------|-----|--------|--------------------|
| Security in banking applications | 342 | 4.0438 | 0.60074            |

**Table no. 4.2.4.3: Descriptive statistics of objective 1**

|                              |  | <i>I feel secure with digital payment in banking</i> |
|------------------------------|--|------------------------------------------------------|
| Mean                         |  | 4.04386                                              |
| Known Variance               |  | 0.360891                                             |
| Observations                 |  | 342                                                  |
| Hypothesized Mean Difference |  | 0                                                    |

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|                     |             |
|---------------------|-------------|
| z                   | 4.250693062 |
| P(Z<=z) one-tail    | 1.06555     |
| z Critical one-tail | 1.644853627 |
| P(Z<=z) two-tail    | 2.1311      |
| z Critical two-tail | 1.959963985 |

**Table no. 4.2.4.4: Calculation of z test for objective 1**

Z value is more than 1.96 (at 95% confidence level), the null hypothesis is rejected. Therefore, the null hypothesis is rejected. Hence, there is a significant difference in terms of perception of customers regarding security in digital banking services.

### 4.3. Objective 2: To study the impact of digitalization on personal banking services.

The factors that can show the impact of digitalization on personal banking services are as follows. There are 14 factors-

1. Online fund transfer activity during the last 3 years
2. Frequency of using online fund transfer facility
3. Difficulties faced while fund transfer
4. Convenience of loan application in digital banking services
5. Frequency of the respondent's difficulty while applying for a loan
6. Usefulness of the banking applications
7. Duration of using mobile banking services
8. Comfort with digital payments for paying electricity bills and other charges
9. Frequency of using digital payment for online shopping
10. Most preferred e wallets applications
11. Buying insurance with digital banking services
12. Investment with digital banking services in mutual funds and other stocks
13. Satisfactory Online customer care services
14. User- friendly and secure banking apps

#### 4.3.1 Banks that provide better banking services

The following table depicts the banks which provide better banking services

| No. | Which of the following banks provide better banking services? | Respondents | Percentage |
|-----|---------------------------------------------------------------|-------------|------------|
| 1.  | SBI                                                           | 133         | 39%        |
| 2.  | Axis Bank                                                     | 62          | 18%        |
| 3.  | HDFC Bank                                                     | 62          | 18%        |

|    |            |    |     |
|----|------------|----|-----|
| 4. | Others     | 44 | 13% |
| 5. | ICICI Bank | 41 | 12% |

**Table 4.3.1: Banks that provide better banking services**

#### 4.3.2: Respondent's online fund transfer activity during the last 3 years

The following table depicts the respondent's online fund transfer activity during the last 3 years

| No. | Have you used an online fund transfer facility during the last 3 years? | Respondents | Percentage |
|-----|-------------------------------------------------------------------------|-------------|------------|
| 1.  | Yes                                                                     | 306         | 89.6%      |
| 2.  | No                                                                      | 36          | 10.4%      |
|     | <b>Total</b>                                                            | 342         | 100%       |

**Table 4.3.2: Respondent's online fund transfer activity during the last 3 years**

#### 4.3.3 Frequency of using online fund transfer facility

The following table depicts the frequency of respondent's online fund transfer activity during the last 3 years

| No. | If yes, how frequently have you used it? | Respondents | Percentage |
|-----|------------------------------------------|-------------|------------|
| 1.  | As per requirement                       | 144         | 47%        |
| 2.  | Daily                                    | 98          | 32%        |
| 3.  | Weekly                                   | 55          | 18%        |
| 4.  | Monthly                                  | 9           | 3%         |
|     | <b>Total</b>                             | 306         | 100%       |

**Table 4.3.3: Frequency of using online fund transfer facility**

#### 4.3.4 Difficulties faced while fund transfer

The following table depicts the difficulties faced while fund transfer by the respondents.

| No. | What difficulty have you faced while fund transfer? | Respondents | Percentage |
|-----|-----------------------------------------------------|-------------|------------|
| 1.  | Technical Glitches                                  | 111         | 36.3%      |
| 2.  | Error in payment                                    | 95          | 31%        |
| 3.  | Network issues                                      | 68          | 22.3%      |
| 4.  | Bank server issue and                               | 18          | 5.8%       |
| 5.  | Bank server down                                    | 10          | 3.2%       |
| 6.  | Not used                                            | 4           | 1.4%       |

**Table 4.3.4: Difficulties faced while fund transfer by the respondents**

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**4.3.5 Convenience of loan application in digital banking services**

The following table depicts the convenience of loan application in digital banking services according to the respondents.

| No. | Is loan application convenient in digital banking services? | Respondents | Percentage  |
|-----|-------------------------------------------------------------|-------------|-------------|
| 1.  | Maybe                                                       | 200         | 58.5%       |
| 2.  | Yes                                                         | 110         | 32.2%       |
| 3.  | No                                                          | 32          | 9.3%        |
|     | <b>Total</b>                                                | <b>342</b>  | <b>100%</b> |

**Table 4.3.5: convenience of loan application in digital banking services**

**4.3.6: Frequency of the respondent’s difficulty while applying for a loan**

The following table depicts the frequency of the respondent’s difficulty while applying for a loan.

| No. | If not, then how often have you faced difficulty while applying for a loan? | Respondents | Percentage  |
|-----|-----------------------------------------------------------------------------|-------------|-------------|
| 1.  | Most of the times                                                           | 4           | 12.5%       |
| 2.  | Sometimes                                                                   | 15          | 46.9%       |
| 3.  | Rarely                                                                      | 6           | 18.8%       |
| 4.  | Others                                                                      | 7           | 21.9%       |
|     | <b>Total</b>                                                                | <b>32</b>   | <b>100%</b> |

**Table 4.3.6: Frequency of the respondent’s difficulty while applying for a loan**

**4.3.7 Usefulness of the banking applications**

The following table depicts the usefulness of the banking applications.

| No. | To what extent banking applications are useful nowadays? | Respondents | Percentage    |
|-----|----------------------------------------------------------|-------------|---------------|
| 1.  | Very much useful                                         | 4           | 12.5%         |
| 2.  | Good in use                                              | 15          | 46.9%         |
| 3.  | Average                                                  | 6           | 18.8%         |
| 4.  | Very much useful                                         | 7           | 21.9%         |
|     | <b>Total</b>                                             | <b>32</b>   | <b>100.0%</b> |

**Table 4.3.7: Usefulness of the banking applications**

**4.3.8 Respondent’s duration of using mobile banking services**

The following table depicts the respondent’s duration of using mobile banking services.

| No. | How long have you been using mobile banking services? | Respondents | Percentage  |
|-----|-------------------------------------------------------|-------------|-------------|
| 1.  | 1-3 years                                             | 172         | 50.2%       |
| 2.  | 4-6 years                                             | 141         | 41.1%       |
| 3.  | 7-9 years                                             | 19          | 5.5%        |
| 4.  | 10-12 years                                           | 11          | 3.2%        |
| 5.  | 13 and more years                                     | 0           | 0           |
|     | <b>Total</b>                                          | <b>342</b>  | <b>100%</b> |

**Table 4.3.8: Respondent’s duration of using mobile banking services**

**4.3.9 Respondent’s comfort with digital payments for paying electricity bills and other charges**

The following table depicts the respondent’s comfort with digital payments for paying electricity bills and other charges.

| No. | I feel comfortable with digital payments for paying electricity bills and other charges | Respondents | Percentage  |
|-----|-----------------------------------------------------------------------------------------|-------------|-------------|
| 1.  | Strongly Agree                                                                          | 185         | 54.2%       |
| 2.  | Agree                                                                                   | 137         | 40.1%       |
| 3.  | Neutral                                                                                 | 12          | 3.5%        |
| 4.  | Disagree                                                                                | 8           | 2.2%        |
| 5.  | Strongly Disagree                                                                       | 0           | 0           |
|     | <b>Total</b>                                                                            | <b>342</b>  | <b>100%</b> |

**Table 4.3.9: Respondent’s comfort with digital payments for paying electricity bills and other charges**

**4.3.10 Frequency of using digital payment for online shopping**

The following table depicts the respondent’s frequency of using digital payment for online shopping.

| No. | I frequently use digital payment for online shopping? | Respondents | Percentage  |
|-----|-------------------------------------------------------|-------------|-------------|
| 1.  | Weekly                                                | 185         | 54.2%       |
| 2.  | Once in a month                                       | 137         | 40.1%       |
| 3.  | Twice a month                                         | 12          | 3.5%        |
| 4.  | As per requirement                                    | 8           | 2.2%        |
| 5.  | Never                                                 | 0           | 0.0         |
|     | <b>Total</b>                                          | <b>342</b>  | <b>100%</b> |

**Table 4.3.10: Frequency of using digital payment for online shopping**



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**4.3.11 Most preferred e wallets applications**

The following table depicts the respondent’s most preferred e wallets applications.

| No. | Which e wallets applications are most commonly used and user-friendly? | Respondents | Percentage  |
|-----|------------------------------------------------------------------------|-------------|-------------|
| 1.  | Google Pay                                                             | 189         | 55.3%       |
| 2.  | PhonePe                                                                | 93          | 27.3%       |
| 3.  | Paytm                                                                  | 42          | 12.4%       |
| 4.  | BHIM                                                                   | 7           | 2.0%        |
| 5.  | Others                                                                 | 10          | 3.0%        |
|     | <b>Total</b>                                                           | <b>342</b>  | <b>100%</b> |

**Table 4.3.11: Most preferred e wallets applications**

**4.3.12 Respondent’s feeling towards buying insurance with digital banking services**

The following table depicts the respondent’s feeling towards buying insurance with digital banking services.

| No. | I feel buying insurance with digital banking services is useful | Respondents | Percentage  |
|-----|-----------------------------------------------------------------|-------------|-------------|
| 1.  | Strongly Agree                                                  | 35          | 10.2%       |
| 2.  | Agree                                                           | 119         | 34.7%       |
| 3.  | Neutral                                                         | 171         | 50.1%       |
| 4.  | Disagree                                                        | 13          | 3.7%        |
| 5.  | Strongly Disagree                                               | 4           | 1.3%        |
|     | <b>Total</b>                                                    | <b>342</b>  | <b>100%</b> |

**Table 4.3.12: Respondent’s feeling towards buying insurance with digital banking services**

**4.3.13 Respondent’s feeling towards investment with digital banking services in mutual funds and other stocks**

The following table depicts the respondent’s feeling towards investment with digital banking services in mutual funds and other stocks.

| No. | I feel investment with digital banking services in mutual funds and other stocks are useful | Respondents | Percentage |
|-----|---------------------------------------------------------------------------------------------|-------------|------------|
| 1.  | Strongly Agree                                                                              | 73          | 21.3%      |
| 2.  | Agree                                                                                       | 146         | 42.6%      |
| 3.  | Neutral                                                                                     | 116         | 34.0%      |
| 4.  | Disagree                                                                                    | 3           | 1.0%       |

|    |                   |            |             |
|----|-------------------|------------|-------------|
| 5. | Strongly Disagree | 4          | 1.1%        |
|    | <b>Total</b>      | <b>342</b> | <b>100%</b> |

**Table 4.3.13: Respondent’s feeling towards investment with digital banking services in mutual funds and other stocks**

**4.3.14 Respondent’s feeling towards online customer care services is satisfactory in digital banking**

The following table depicts the respondent’s feeling towards online customer care services are satisfactory in digital banking.

| No. | I feel online customer care services are satisfactory in digital banking | Respondents | Percentage  |
|-----|--------------------------------------------------------------------------|-------------|-------------|
| 1.  | Strongly Agree                                                           | 31          | 9.03%       |
| 2.  | Agree                                                                    | 162         | 47.4%       |
| 3.  | Neutral                                                                  | 113         | 33.1%       |
| 4.  | Disagree                                                                 | 27          | 8.0%        |
| 5.  | Strongly Disagree                                                        | 9           | 2.5%        |
|     | <b>Total</b>                                                             | <b>342</b>  | <b>100%</b> |

**Table 4.3.14: Respondent’s feeling towards online customer care services is satisfactory in digital banking**

**4.3.15 Most user- friendly and secure banking apps**

The following table depicts the most user- friendly and secure banking apps according to the respondents.

| No. | Which of the following banking apps are user-friendly and secure? | Respondents | Percentage  |
|-----|-------------------------------------------------------------------|-------------|-------------|
| 1.  | YONO Lite SBI                                                     | 199         | 58.2%       |
| 2.  | HDFC Bank Mobile                                                  | 62          | 18.0%       |
| 3.  | Others                                                            | 49          | 14.4%       |
| 4.  | Kotak-811                                                         | 22          | 6.3%        |
| 5.  | IDBI Bank Go                                                      | 11          | 3.1%        |
|     | <b>Total</b>                                                      | <b>342</b>  | <b>100%</b> |

**Table 4.3.15: Most user- friendly and secure banking apps**

The study reveals that SBI offers better banking services due to its cheap CASA deposits and the provision of loans like personal finance and insurance facilities. YONO has successfully reached a large customer base, while HDFC and Axis Bank also provide banking services. Most respondents have used online fund transfers, with 47% using them regularly. However, many customers face technical glitches while using banking applications, leading to difficulties in loan application.

The adoption of digital banking services began in 2005, most respondents feel comfortable paying bills digitally, as they don't need to visit offices or pay bills at home. Most respondents find Google Pay and PhonePe user-friendly, with Paytm being the most popular.

Investment in mutual funds and stocks is also considered useful due to the availability of financial market information in investment applications. YONO Lite SBI is considered more secure and user-friendly due to its cheap CASA deposits and the provision of loans like personal finance and insurance. Other banking applications, such as HDFC Bank Mobile Banking, also show a degree of user-friendliness towards customers.

## 5. CONCLUSION

The financial services sector is experiencing a growing trend toward digitalization. However, the banking industry suffers difficulties with payments and technical malfunctions. Users perceive digital payments for personal banking services as safe and easy, despite occasional issues. The results of the hypothesis test indicate that barriers to banking applications decrease and the security associated with such applications rises along with comfort. Furthermore, the majority of respondents believe that the YONO Lite SBI application is safe and easy to use, and it provides reasonable CASA deposits, personal finance loans, and insurance options. Overall, the results suggest that digitalization in the banking industry can improve client satisfaction and provide safe, easy banking options.

The need for improvements in technical glitches and payment errors in banking applications. Strict action to resolve these issues. Some suggest improved networks and payment portals, checking server response times for transaction validity, and improving online customer care facilities. E-wallet apps should also incorporate e-passbook features.

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