

Banking and Financial Relationships Vs the Need for Contactless Interactions – Beyond the Pandemic

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ABSTRACT:

This research explores the need for 'go' contactless vis a vis relationship banking face to face during and beyond the pandemic. Which would be preferred as the 'new normal'? Will age and experience matter in this decision? Will the availability of services digitally affect the relationship banking? What may happen in the long run beyond the pandemic? These are some of the relevant questions explored during this research. This research uses a subjective approach and puts across various exploratory questions in the form of an interview to respondents. The question areas are pre-determined, but the respondents are allowed some latitude to answer in their own way and the interviewer may probe for more information in promising areas. The idea is also to take their suggestions along with their behaviour and observations regarding the topic. By the end of the research one thing is very clear that the banking and financial sector would need to innovate new customer engagement strategies more than ever now.

Keywords: *Customer Engagement, Contactless Relationships, Financial Services, Banking*

INTRODUCTION

There can be no comparison between the world before and after the coronavirus. The time before the epidemic and the time after the pandemic can now be separated into two categories. Since the Second World War, the pandemic has posed the greatest threat to humanity. Confidence in international collaboration and institutions was at an all-time low at the time, as it is now. While many people were caught off guard when World War II broke out, the coronavirus pandemic in December 2019 was a foreshadowed disaster. For decades, infectious disease experts have been warning about the rapidity with which outbreaks are occurring.

The Coronavirus epidemic has wreaked havoc on the global economy. We're seeing a behavioural shift across all consumer categories as physical separation becomes the new normal. Concerns about the COVID-19 virus spreading through touch have prompted a universal adoption of digital. This disruptive transformation

is also affecting the banking and financial sectors, and it appears to be more persistent here than in other industries. Consumer tastes have shifted more aggressively toward purchases that are effectively contactless.

The new concept of "Contactless Relationships" was largely inspired and created with the customer's engagement points with banks in mind, which include opening an account, conducting transactions, making payments, and submitting a question. While consumers had begun to use digital payment choices before the pandemic, the adoption rate has surged as people prefer safer, more convenient, and contact-free banking alternatives.

The world after COVID-19 is unlikely to be the same as it was before. The worldwide impact of the epidemic is hastening several processes already underway in the global economy.

With the rise of digital activity such as remote working and learning, telemedicine, and delivery services, this is especially true in the digital economy.

Other structural changes, such as regionalization of supply chains and an increase in cross-border data flows, may also accelerate.

The future has arrived sooner than expected, bringing with it new problems. Many of them, such as income polarisation, worker fragility, more gig labour, and the need for workers to adjust to occupational travel, have the potential to multiply. This acceleration is the product of not only technical advancements but also new health and safety considerations, and economies and labour markets will take time to recover and will almost certainly emerge transformed.

In *The Pandemic Is a Portal*, Indian author Arundhati Roy writes, "Historically, pandemics have forced humans to break with the past and imagine their world anew. This one is no different. It is a portal, a gateway between one world and the next." Choices made during crises, as history has proven, can alter the globe for decades. The need for concerted action

to establish economies that bring inclusive economic growth, wealth, and safety for all will remain vital. Covid-19 will make an indelible mark on the global economy, bringing about long-term changes and imparting crucial lessons.

Literature Review

Matavalam, N., Lyu, S., & Anong, S. (2021) studied consumer transition to contactless payment services during the COVID-19 pandemic through their research among 387 Indian users of contactless payment services during the pandemic. Threat appraisal (perceived vulnerability and susceptibility) and coping appraisal (self-efficacy and response efficacy) both had a favourable effect on the desire to use contactless payments, according to their findings. Both trust and effort expectations had a substantial impact on the intention to use contactless payment systems Matavalam, N., Lyu, S., & Anong, S. (2021). Baicu, C. G., Gărdan, I. P., Gărdan, D. A., & Epuran, G. (2020) looked at the influence of the COVID-19 crisis on retail banking consumer behaviour, with a particular focus on Romanian banks through their research. Pal, R., & Bhadada, S. K. (2020) summarised the possibilities of transmission of COVID-19 via currency and the feasible alternatives amid the prevailing circumstances back during the pandemic.

Puriwat, W., & Tripopsakul, S. (2021) developed a methodology to develop an Integrated Expectation-Confirmation and Health Belief Model (ECHBM) to explain an adoption and continuance intention to use contactless technologies during the pandemic. Dubey, V., Sonar, R., & Mohanty, A. (2020) advocated through their study that people must embrace technology to keep up with contemporary technological breakthroughs and worldwide pandemics.

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They proved with a sample study that cashless transactions and contactless banking have become increasingly popular because of the recent worldwide banking epidemic and that it played a significant role in facilitating cashless transactions and contactless banking globally. Virus detection is expected to become ingrained in our daily lives, much way security measures were after 9/11. It's critical to put money into the infrastructure required to detect future virus epidemics. This investment safeguards economies if Covid-19 immunity is just transitory (Mansour H 2021). Another significant research work by Bukvic I. B. (2021) was in the field of adoption of online payments during the pandemic. Pre Covid banking and financial sector worked mostly on relationship banking face-to-face. The consumer banking conundrum is driving banks to be more strategic in how they communicate to and assist these clients, especially now that business transactions have gone completely digital in response to the epidemic Miller W (2020).

Mansour H. (2021) confirmed that the pandemic of 2019 (COVID-19) has prompted governments to take steps to promote digital payments and financial transactions to boost economic activity and achieve greater financial inclusion. During the COVID-19 pandemic in India, how the supply-side actors framed cash and digital payments was studied recently by Sam J, S Ray R & Chakraborty A. (2022). Contactless card payment systems have been widely regarded as the zenith of contemporary retail banking technology since their launch in the United States in 2002 as highlighted during a study by Polasik M et al. (2012). El Madhoun N et al (2015) advocated the importance of a new NFC

technology being deployed in contactless payment applications, with payment cards, smartphones, and payment terminals generally supporting the technology. Such a payment transaction was observed to be quick, straightforward, and convenient. Both contact and contactless payment systems are able to use the EMV security protocol.

Puriwat, W., & Tripopsakul, S. (2021) in their research created an Integrated Expectation Confirmation and Health Belief Model (ECHBM) to understand why most people in Thailand adopted and continued to employ contactless technologies during the COVID-19 pandemic. The suggested conceptual model was empirically validated using structural equation modelling based on an empirical study survey of 142 samples (SEM). Perceived usefulness, susceptibility, seriousness, and satisfaction were found to have a substantial impact on contactless payment technology usage intention, whereas perceived usefulness and confirmation were found to be major factors of consumer satisfaction. The effect of perceived susceptibility was shown to be higher than that of satisfaction, and confirmation had an indirect effect on continued usage intention through perceived usefulness and satisfaction.

In a bank, manual and administrative duties are often performed by relationship managers (RM) using outdated technologies and relationship management approaches. To bring value to customers, they must now take a digital-first approach. (Richard J. E Thirkell, P. C & Huff S. L 2007). This entails providing them with cutting-edge knowledge, tools, and training—including digital servicing, intelligent automation, and more—so that they can intelligently focus on client

needs and solutions. This is what we term the empowered RM: a strategic and intelligent advisor who can improve the customer experience while also enhancing the bank's brand... whenever, whenever, and wherever. Empowering RMs to drive value, differentiation, and growth by banks and financial institutions thus becomes critical.

These three activities provide banks with an opportunity to accelerate their digitalization efforts and empower RMs to serve as strategic consultants to their clients. RMs can gain up to 20% more time to spend on high-value activities and a 40% faster time to competency by doing so, among other advantages. Leading commercial banks will create and refine three essential activities to help transform the archaic RM function and construct the banking relationships that today's corporate customers want and need. (Al-Dmour A, Al-Dmour R & Rababeh N. 2020).

1. Develop adaptability: To grow and redeploy RM capacity to higher-value customer engagements, streamline, digitise, and automate core workflows and supporting operations.
2. Demonstrate expertise: Give RMs data-driven insights so they can better prioritise leads, find cross- and up-sell opportunities, and personalise customer engagements.
3. Change the service delivery model: To better create solutions that fit client needs, use sophisticated segmentation to modify the RM coverage model, account loading, and interaction strategy.

Research Methodology

Banking has always been about operating as a trusted mediator between savers and borrowers, providing care

and attention to their every need, and some well-known institutions have built this confidence over a century or more. About 670 respondents of various age and experience were subjected to a questionnaire survey regarding their banking experiences and the need for banks to go contactless post pandemic. All those subjected to the study were bank account holders for at least five years to ensure that they were able to identify the change in needs before and post pandemic. This study takes a subjective approach, inviting participants to respond to a series of exploratory questions in the manner of an interview. The question topics were pre-determined, but respondents were given some leeway to react in their own style, and the interviewer was given the opportunity to probe for more information in promising areas. It was also important to consider their suggestions, as well as their behaviour and views on the subject.

Analysis

The respondents indicated three major areas where AI will provide the quickest and most significant return on investment. The first is decision support, which can be roughly characterised as intelligent technologies that help organisations make better decisions in areas like fraud detection, risk assessment, and consumer creditworthiness. The second is client personalization, which allows banks to create a more personalised experience for each individual customer based on their preferences and financial situations using AI techniques

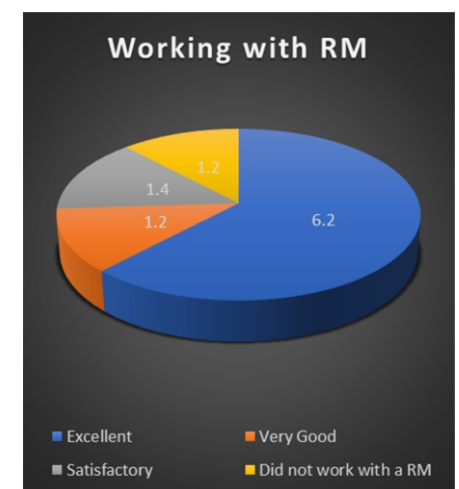
Third, respondents firmly believe that banks may now serve as personal financial wellness counsellors since they have access to more data than ever before.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.930
Bartlett's Test of Sphericity	
Chi Square	4343.520
df	406
Sig	.000

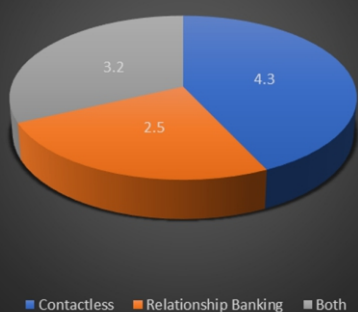
As per KMO test, the sample adequacy value is 0.930 which is greater than the desired value 0.60. This suggests that the portion of variables data is adequate for factor analysis.

As per Bartlett's Test of Sphericity, the p value is 0.00 which is less than 0.05. This implies that the factor analysis can be carried out. Cronbach Alpha is 0.952 shows a high level of internal consistency.

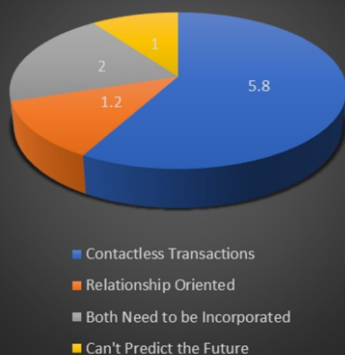
We now exhibit the data from the respondents in the form of pie charts:



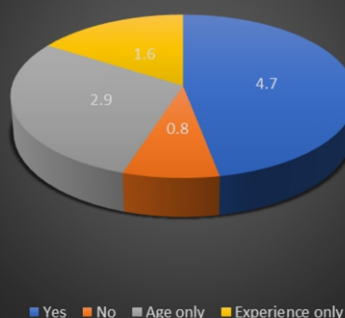
Contactless or Relationship Banking



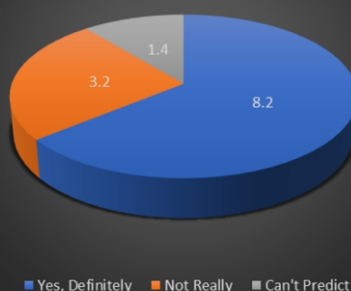
The 'New Normal' Beyond Pandemic



Do 'Age' or 'Experience' Matter?



Need for New Customer Engagement Strategies



Observations

The research clearly could conclude that the banking and financial sector would need to innovate new customer engagement strategies more than ever now. The respondents were of the view that a combination of both relationship banking as well as contactless financial services will be the 'new normal' beyond the pandemic. Popular observation was that consumer preferences have shifted more aggressively towards financial transactions that are virtually contactless. Digitally, banks and financial institutions will have to therefore replan, reorient and become resilient in the face of a crisis. Their strategies will have to include contactless relationships instead of relying on face-to-face transactions. For this, relationship managers will have to be more consistent, and close to their accountholders in order to understand better their new needs, preferences and necessities.

Conclusion

Customers can register a savings account using their Aadhaar and PAN cards, and the KYC process is completed via video, allowing them to open an account and transact in a matter of minutes. The new concept of "Contactless Interactions" was largely inspired and created with the customer's interaction points with banks in mind, which include opening an account, conducting transactions, making payments, and submitting a query. While consumers had begun to use digital payment choices before the pandemic, the adoption rate has surged as people prefer safer, more convenient, and contact-free banking alternatives. Self-service platforms such as mobile banking apps and internet banking websites have evolved tremendously in terms of servicing and transactions over time. In addition to payments, they now allow a variety of additional transactions that were previously assumed to

necessitate the usage of a branch. In addition, the net banking and mobile banking channels offer a number of other services, such as mutual fund and gold sovereign bond investments, credit score checks, and IPO applications through online ASBA. Controlling debit or credit card limits, as well as limiting online payments, can all be accomplished using these approaches.

Moreover, certain banks and financial institutions have lately implemented new innovations such as service-bots and WhatsApp, as well as booking fixed deposits and SIPs through self-services channels. Customers' transaction activity and other non-traditional data are being used to underwrite loans, which are then made available to customers via digital channels. Payment systems like 'tap & pay' at point-of-sale terminals, 'scan & pay' using QR codes, and cardless cash withdrawal at ATMs are also growing increasingly popular. Respondents have generally witnessed a four-fold increase in savings accounts being opened digitally by most banks especially the ones predominantly in the private space.

The RBI instructions on debit card management – such as switching on/off, setting limits, controlling local and international transactions, and so on – are available through self-service channels and have contributed to the growth of trust in digital payments.

The momentum in digital adoption is likely to continue and grow more permanent as society gets beyond survival mode. The phenomena of contactless interactions along with relationship banking will continue to grow and evolve. Fintech-powered digital financial services have the potential to reduce costs by leveraging economies of scale, improve transaction speed, security, and transparency, and

enable more personalised financial services for the poor. After Covid-19, the financial sector is preparing to take on the globe, and banks and financial institutions are determined to develop and revamp their solutions to make financial transactions more convenient and secure for its clients. A very interesting observation in this study was that all respondents are more open than ever to embracing new experiences and forming new habits.

All this is accelerating digital innovations and it took a pandemic to make people realize the alternative ways of banking and financial relationships in the form of contactless relationships.

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