

Digitalized Banking: A preferred way of Branch Banking in Pakistan

Najab Nisar^{*1}

ABSTRACT

This research explores the reasons with regards to the preferences of digital banking over conventional banking in Pakistan, and what COVID-19 pandemic meant for digital banking and its baseline marketing strategy. A qualitative study is conducted including in-depth interviews of clients of the banks. A criterion sampling strategy is used to draw a sample of four participants for the purpose of this study. The interviews were conducted and deciphered in the English language by the researcher. The data analysis followed the process of horizontal integration along with textural and structural descriptions of the live experiences in a composite manner. The researcher's analysis revolves around understanding the reasons why customers prefer digital banking over branch banking. The conclusion suggests the essence of the study constituting descriptions of the invariable factors of digital banking.

Keywords: Digital Banking, Branch Banking, Baseline Marketing Strategy

1. INTRODUCTION

Digital banking in Pakistan has gained substantial momentum owing to introduction of various digital products and services. However, this momentum is more credited to the adoption of digital banking channels by the customers, than to introduction of new products/services. The customers who adopted (and continue to embrace) digital banking are segregated into two groups: New-to-Bank (NTB) and Existing-to-Bank (ETB). NTBs are customers who started their banking

¹Najab Nisar, Corresponding Author, Mohammad Ali Jinnah University, Karachi: fa21msef0007@maju.edu.pk

relationship by selecting digital banking as their preferred channel for conducting transactions from the very beginning. Majority of those customers are the millennials and the young generation. The second group comprises of ETBs who have previously been associated with conventional banking channels i.e., branch banking. However, after the launch of digital products, they have switched from branch banking to digital banking channels. Currently, digital banking menu card in Pakistan includes transferring of funds, digital account opening, personal loan, bank assurance plan, fee payments, saving products, mutual funds, cheque book issuance, Banker's cheque issuance, credit card facilities, account related certificates, and updating of credentials in customer account. The State Bank of Pakistan (SBP, 2020) released its quarterly payment system review (QPSR) where strong growth in digital financial transactions in Pakistan were noticed. During Oct-Dec 2020 growth of 24% has been witnessed in e-banking transactions. 22 million internet banking transactions, installation of point of sale (POS) grew 18%, and 23 million POS transactions were recorded. Overall, the value of transactions, conducted through digital channels, recorded in the recent review stood at an impressive number.

The agenda of the digital teams is to convert the conventional banking model into a digital banking model which continues to be achieved through exploration and innovation of Information Technology (IT) systems. This conversion is also encouraged by the State Bank of Pakistan (SBP, 2020) through its various regulations, and circulars/ notifications, which in turn is influenced by the National Financial Inclusion Strategy (NFIS) of the Government of Pakistan. The digital banking is being promoted on the premise that it offers several benefits. However,

an overarching downside of digital banking is the cannibalization which is taking place in branch banking. With digital collections and bills gaining pace in the banking industry, it is also chargeable for lowering the scope and frequency of offerings, being provided to the clients at branches. Customers have commenced the use of digital channels to transact, along with the ones who formerly desired to apply branch banking as a provider transport channel.

This research aims at exploring the reasons which motivate individual customers to switch from branch banking to digital banking channels. This research would provide insights into the behavioral aspects of above-mentioned customers. Such insights would have the potential to be taken into consideration while planning new digital products altogether and new variants of existing digital products. The insights might also have implications in planning and deciding the overall marketing strategy of the bank for digital products. Further, the research would also take into consideration the NTB segment of digital banking.

Historically, the advertising content of banks in Pakistan was limited to customer services at branch premises only. Typically, branches have exclusively been advertised as a contact point for all banking products and services. Since the products and services are homogenous in nature, the only possible difference is superior customer services. Hence, branches have always been the focus of advertisers as a location which provides excellent customer services. If we look at the historical landscape of learning & development initiatives undertaken by different banks, we would quickly be evident that their training courses revolve around providing superior customer services trainings to branch staff. Some banks

have gone to the extent of building a simulation facility in their learning & development Center so that new recruits are provided a real branch like experience.

Keeping in view the fact that digital banking is gradually taking over the conventional branch banking channel, it is logical that the baseline marketing strategy particularly the advertising content be amended accordingly for this new category. However, it is believed that this would be a major change, and a difficult decision for any bank to take; for three big reasons: first, the conventional branch banking model is still alive and used as a banking channel by a large number of customers. Second, the shift from branch to digital banking might only be a reality in urban areas; and third, changing the baseline marketing strategy means changing the face of the bank. These are by all means big decisions, because these will have far reaching implications for the banks. Hence, the research aims at finding out the specific reasons why customers use digital channels to transact; the specific reasons why customers switch from branch banking channel to digital banking channels; and segregating the reasons which are individual, and those which could be generalized. Further, the research also explores how COVID-19 has affected the attitudes of customers in using digital banking channels. Through the above research questions, the value addition may be made to the existing literature of digital banking by highlighting the reasons of cannibalization between digital banking and branch banking, which may also have important policy implications for the banks.

The main objective of this study is to determine the reasons as to why ETB customers switch from branch to digital channels; and to determine the reasons as

to who NTB customers adopt digital channels. This study would be limited to answering the research questions detailed in preceding paragraphs. There can be numerous other possibilities which have the potential to become part of this research work. However, keeping in view the constraints of availability of data and time, the objectives have been limited to the above. The following are the research questions of this study:

Q1. Why customers use digital channels for their transactions?

Q2. Why customers switch from branch banking channels to digital banking channels?

Q3. How has COVID-19 affected the attitudes of customers in using digital banking channels?

Q4: How does digital banking influence the baseline marketing strategy of the banks?

2. LITERATURE REVIEW

Digital banking is the conversion of traditional banking model into a digital model which remains carried out through the innovation. “Digital banking is a channel which allow customer to transact banking transactions or to avail banking product and services through the internet services, whereas branch-based or traditional banking is a model where customers physically visit the bank branches to avail banking products and services. In developing nations like Pakistan, financial technology enhancement is important to obtain more operational performance. However, in the past few years, Pakistani banks have shown a remarkable interest in shifting their recognition from traditional banking to digital banking. Credit goes

to the regulatory framework of the State Bank of Pakistan (SBP, 2020) which forced commercial banks to work on digitalization. Currently, the digital banking menu card includes Automated Teller Machines (ATMs), Call Centers, Debit Cards, Credit Cards, Point-of-Sale, Cash & Cheque Deposit Machines/Kiosks (CDMs), Internet Banking, and Mobile Banking. Abbasov, Mamedov, and Aliev (2019) highlighted “electronic commerce (e-commerce) keeps on affecting the worldwide business environment massively, however, new electronic initiatives are emphasizing on latest channels of transactions. Subsequently, mobile banking (m-banking) is recognized as an important digital channel for financial services. The utilization of mobile banking channel is significant for both organizations and the parties investing in it to acquire benefit from this advancement. Nitsure (2003) emphasized that “around the world, banks are taking various initiatives, related to technology enhancement in order to provide banking services. Use of digital technology like mobile phones not only ensures its success, but also have an impact on bank’s performance. Banks need to understand their customer’s perceptions about features of mobile banking their impacts. Hway-Boon et al. (2003) while analyzing the digital banking channels in Malaysia, emphasized that most important deliverables of technology enhancement in banking sector is the provision of banking services through digital channels. Malar, Arvidsson, and Holmstrom (2019) explained various challenges associated with the digital banking channels. They stressed that the availability of digital channels creates value for the customers through online services. Bhardwaj and Aggarwal (2016) found out the factors for the success of digital banking in India including some environmental and cultural limitations. Julien, David, and Greta (2019) revealed that customers of different age groups like to operate banking channels in various ways. Their study

found that in 2019, approximately 60% of the respondents like to do the banking transactions by visiting the bank premises with a 5% decline of 2018 figures. The survey of 2021 revealed that number of branch dependent customers have been reduced to 35% from the pre-pandemic value of 42% due to COVID-19 restrictions.

The digital banking carries a great potential for banks in transforming the overall conventional banking experience for the customers. Since limited research is available which is mostly is mostly international, and speaks about its effects on outreach capabilities, customer satisfaction, and organizational profitability. However, qualitative research exploring the specific reasons why customers prefer digital banking over branch banking is a rarity indeed, and an untapped area specifically in the Pakistani context. In that context, this research is a timely study on the subject in hand.

3. METHODOLOGY

The research problem and research questions detailed above have been inquired using the qualitative research design. The interviewee follow assumption that the participants of this research would provide an account of their live experiences regarding digital banking. The methodology utilized in this subjective examination is phenomenology. These live experiences of the same phenomena might be different for different participants. Another assumption that the researcher has endeavored to collect subjective evidence is based on individual's beliefs and interpretations of the participants. Through the subjective experiences of the participants, the researcher draws common knowledge. The researcher discriminates between her biases and biases of the participants towards the same

phenomena. Under the methodological assumption, the researcher employs an inductive approach in analyzing the live experiences of the participants. It may also be noted that these philosophical assumptions stem from the researcher's constructivist interpretive framework. Participants in this research have selected through criterion sampling strategy. Criterion sampling is logical in phenomenological research because all participants selected share the same characteristics. By same characteristics, means that they have experience of digital banking in their own unique ways. The researcher has selected four locations of Karachi for the participants i.e., three participants were the customers of the above branches, and a single participant was an employee of the bank who is selected to get the aspect of the changes which would be affected in the baseline marketing strategy of the bank. The sample size has been fixed to four participants because studying four individuals would provide sufficient experiences to extract themes. The data collection approach employed in this study is primarily an in-depth interview. However, the conclusion section of this paper also includes observations gathered by the researcher as an independent observer. The interview questions were open-ended and focused on understanding the unique experiences of the participants about digital banking. The interviews were initially structured but got semi-structured during the interviews owing to cross questioning. The interview questions are divided into two parts. The first part of the interview questions comprised of questions which explore the unique live experiences of the customers. And second part of the questions is aimed at findings out the effects which digital banking might have on the baseline marketing strategy of the bank. All interviews were bilingual i.e., in English and Urdu languages. The average duration of interview was twenty minutes.

The interviews were transcribed by the researcher in English language by employing ‘just the gist’ approach. The transcriptions included all structured and unstructured interview questions and their answers. After the researcher completed writing transcriptions, these were shared with the interviewees for the purpose of validation. Upon receipt of their confirmation, the transcriptions were used for data analysis.

4. DATA ANALYSIS AND DISCUSSION

The customers have been using different banking products and availing banking services since 2006 including branch banking. However, a few years back, switched their preferred mode of transaction from traditional to digital banking. This was the common perception among banks and their customers. However, the service standards offered by the branches were disrupted with the latest level of efficiency, and ease for the customers through the launch of digital banking products and services. Financial technology was used to provide easier and flexible financial solutions to banking customers.

There seemed to be a sharp bifurcation between customers who quickly adopted digital banking by recognizing and embracing its benefits and the customers who showed skepticism towards digital banking and preferred to continue with conventional ways of banking i.e., through the branches. Such customers inherently tended to resist trying new things; and out of firsthand experience of the researcher, they were customers aged forty years and above.

The digital products offer exceptional facilities to the customers when we speak about efficiency, greater liberty, and precision. Firstly, customers are able to operate their respective accounts round the clock (24/7) and from any physical location. This facility is adequately backed by the banks' claims regarding online security of digital transactions. The notion of banking hours stands null and void in the face of this facility. It doesn't require the travelling time and money to conduct transactions. Secondly, customers operating their respective accounts on their own gives them a sense of strong control and liberty on their funds. They can view their transactions history up to a period of one year. The transactions activity of an account is called a 'statement of account' in banking terminology. The customer is able to electronically generate and view his/her statement of account as many times as required by the customer. This could easily be done through the Internet Banking, Mobile Banking, and ATMs. This very facility provides independence to the customers in operating their account and keeping track of the transactions conducted. Third, since customers conduct transactions by their own there is no issue of posting errors on the part of branch banking staff. In branch banking, the transaction details are input by the staff, while, in digital banking, it is done by the customers. Fourth, customers can open and edit their accounts digitally without visiting branch premises that save customers precious time and energy.

The above paragraphs elaborate the personal experiences of the researcher (unbiased and without any prejudice) regarding the digital banking. The following paragraphs show the elaboration and analysis of the experiences of the respondents of this study.

The following significant statements are extracted based on horizontal integration of the data with the help of interview transcripts. These statements contained unique live experiences of the respondents with respect to the use of digital banking products and services, which then converted into eight distinct themes; containing clusters grouped together based on related experiences. The themes extracted include convenience, technical functionality of digital banking, unique risks associated with branch banking, unique benefits associated with branch banking, unique risks associated with digital banking, unique benefits associated with digital banking, customer adoption, and baseline marketing strategy. The themes are now being discussed in terms of textural and structural descriptions, combined for the ease of understanding.

4.1 Convenience

In terms of digital banking products and services, customers explain that the experience of convenience is derived from four distinct factors. First, the interfaces of internet banking, mobile banking, ATM, and CDMs are user-friendly with self-help instructions. Second, convenience is also derived from the peace of mind customers experience because their online transactions are backed by the safe and secure IT network provided by the bank; along with educational/awareness messages regarding online safety and security from time to time. Since transactions conducted over the internet are secure, customers feel peace of mind which gives them confidence; and confidence in turn gives convenience. Third, digital banking products and services are available for use round the clock. Customers are not required to follow banking hours which would also require them to compromise their daily schedule. So, customers can do transaction at their suitable time. Lastly,

convenience is derived from the liberty to do transactions from any place. Digital banking has made geographical barriers irrelevant. All of the above convenience factors are experienced by the customers at their homes, offices, shopping areas, and while travelling.

4.2 Technical Functionality of Digital Banking

All digital banking products and services extend unprecedented benefits to banking customers. The delivery of such services to customers is made possible with the adoption of advanced financial technology by the bank. Advanced financial technology provides greater functionality to the customers by providing advanced service options to the customers. This vast functionality is experienced by the customers in their own unique ways. Participants of this research study explain their live experiences which are associated with the technical functionalities offered to them by the use of digital banking products and services. These live experiences include firstly, that a debit card provides them the freedom to withdraw cash from ATMs as well as make purchase transactions through ‘point of sale terminals’ at retail outlets. This particular functionality eliminates the need to carry cash; hence mitigating the risk of financial loss. Secondly, transactions conducted through digital channels are private and confidential. Nobody else comes to know about it; unlike at branches where the branch staff is exposed to such information. Customers share that in many instances of frauds, branch staff has been found to be involved with providing transactional information to unauthorized persons. Since no other individual is involved in digital transactions, no one else is exposed to such transactional information; hence making it completely private and confidential. Thirdly, customers report that due to the vast functionality of digital banking

products and services, they are able to conduct a wide variety of transactions including funds transfer, inter-bank funds transfer, paying utility bills, paying school/college/university fees through cash management arrangements, and paying for their convenience products and services on e-commerce websites. Fourth, any clearing instrument i.e., cheque, banker's cheque, dividend warrant, wheat purchase bills, etc. which is required to be forwarded to clearing operations for realization of funds can easily be done through CDMs. Further, if a customer requires to deposit cash, the same can also be done through the CDM. Deposit of physical currency and instruments through CDMs makes digital banking menu vast in terms of functionality. Fifth, transactions conducted through digital channels are speedy and executed on real time basis, unlike the hassle of inputting manual entries in the branch. Sixth, accountholders on internet banking, ATMs, and mobile banking are verified electronically. This is possible through the use of Beneficiary Management option available in all digital banking products and services. All funds transfer and inter-bank funds transfer transactions can only be executed for accountholders who are verified and added in the list of beneficiaries. This particular option makes digital banking reliable for the customers, as the possibility of funds transfer to a wrong beneficiary is eliminated altogether. However, in branch banking there has been numerous instances where beneficiary account details were erroneously entered in the system by branch staff owing to human error. This is a unique functionality providing greater security to the customers.

4.3 Unique Risks Associated with Branch Banking

During the course of interviews, some of the participants emphasized the risks which are inherently present if transactions are conducted through branch banking

channels. According to the participants of this study, these risks are translated into issues when they turn chronic. These risks are important to consider because such risks are not present if customers do transactions through any digital banking channels. The live experiences of the participants in terms of these risks are: first, conducting transactions through a branch is time consuming and requiring the depositor to fall in queues which is not required in digital banking. The time consumed at the branches could be utilized in some other productive activity by the customers. There should be no opportunity cost for conducting any transaction. Second, sometimes branch staff shows a non-cooperative and impolite attitude towards customers, which the customer does not deserve. Why should customers bear the brunt of branch staff? Further, in few instances, some branch staff has also been found to be misguiding and misleading the customers by providing incorrect information. This is not the case in digital banking. Third, even if some branches provide good customer service to its customers, there is no guarantee that good customer service is going to live. In most cases, it deteriorates and hence is erratic: from good to bad, and from bad to good. Fourth, in most of the cases, good customer services are only provided by the branch to customers who are high net worth individuals, or to customers who visit the branch for conducting big ticket transactions. This treatment by the branches violates the framework for fair treatment of customers and discriminates among customers. However, this is not the case with digital banking.

4.4 Unique Benefits Associated with Branch Banking

Parallel to the risks posed at branches, there also exists a few benefits which can only be derived if transactions are routed through branches. Customers desiring to

conduct big ticket transactions are unable to do so through digital banking because it enforces transaction limits. The maximum transaction limits allowed in digital banking is Rs. 250,000/- per day. The digital banking group has its own reasons to set their limits. Presumably, transaction limits are enforced to mitigate transaction risk. So inherently, branches are instrumental in scenarios where certain customers intend to conduct big ticket transactions. Secondly, branches are also necessary for customers who are illiterate and maintain photo accounts. Similarly, they are required to provide service to customers who do not have access to computing technology, or who do not know how to use computing technology. Obviously, all such customers would not be able to do transactions through digital banking channels. The SBP encourages banks to provide banking services to non-bank citizens, it is logical to maintain a wide networks of branches.

4.5 Unique Benefits Associated with Digital Banking

The use of digital banking products and services was previously charged with two types of fees namely annual fee and transaction fee (for inter-bank funds transfer transactions). The annual fee fixed for such products and services ranges from Pakistani rupees three hundred to Pakistani rupees one thousand five hundred. This is a nominal amount if compared with the vast variety of benefits it offers. Another leg of the charges is transaction fee which ranges from Pakistani rupees fifteen to three hundred charged to the account in case an inter-bank funds transfer is made. However, due to the situation created by the COVID-19 pandemic, the transaction fee was eliminated altogether by SBP. This particular decision provided a substantial boost in the volume and value of inter-bank transactions. Elimination of transaction fee has blurred the line which separated banks from each other in terms

of transfer of money, especially for customers in individual category. SBP however now revived the IBFT charges pf up to 0.1% of the transaction amount or Rs. 200, whichever is less for transactions exceeding the limit of Rs. 25,000/- per account per month as an aggregate.

The second benefit which is rather unique to the experiences of the participants is the aspect of a sense of control on the funds; and largely a sense of independence. Through digital banking products and services, banking is on the fingertips of the customers; unlike branch banking where the customers are dependent on the branch staff to conduct transactions and also to answers the inquiries regarding history of transactions. This facility to initiate and conduct transactions has given birth to a sense of independence and control in customers not only on the funds but also over the transactions.

The third benefit is that digital banking products and services substantially minimize the need to carry cash. It helps customers to go almost cashless. The benefit which makes this particular factor unique to the experiences of the participants is that digital banking products and services are also being viewed as a means to avoid transfer of counterfeit currency, which is in circulation in the economy. Counterfeit currency, if acquired by the customers mistakenly, results in booking a loss on part of the customers. However, digital channels do not require cash and hence the possibility of acquiring counterfeit notes is eliminated.

The fourth unique benefit is somewhat related to the second benefit mentioned above. When customers have the facility to conduct transactions on their own, this

also eliminates the possibility of human error in posting details/narration. Unlike branch banking where branch staff manually inputs the transaction details, conducting transactions through digital channels is system based and hence is not vulnerable to such errors in posting. This is a unique benefit because mostly customers are interested in the transaction amount. However, equally important is the narration/details which appear against the transaction amount; because the narration helps customers to tag transactions to particular individuals and activities. This is important for the customers because this information is used by the customers when they prepare their financial reports.

The fifth benefit lies in the fact that transactions conducted through digital banking products and services are posted in the core banking system on real time basis. Another benefit which is linked to the ability of digital banking of being real time is that it eliminates the possibility that funds might be used elsewhere by the branch in between the times it takes for posting the transaction. In this case, the funds may be misused for a fraudulent activity. This also exposes the bank to financial risk; and might also jeopardize the reputation of the bank. When dealing with corporate customers, a time lag of even 2 hours seems a lot; because the customer would release goods to the dealers based on the bank's deposit slip. However, funds have not yet been realized. Digital banking products and services beautifully caters to this hidden problem. Under digital transfers, funds are realized in real time, and could also be verified instantly. Digital banking eliminates the possibility of giving a credit to a wrong beneficiary.

This is the sixth benefit which digital banking offers. This is unlike the scenario in branch banking where transactions are posted directly in the core banking system, without any prior mapping. However, digital banking products and services requires a list of beneficiaries which is duly verified by the system at the time of creation of beneficiaries. Since beneficiaries are pre-created and pre-verified, the possibility of wrong credit is eliminated altogether.

The last and the most important and unique benefits which customers derive from digital banking products and services is that transactions conducted do not require screening of the depositors. In case of branch deposits and withdrawals, depositors who are not customers of the bank but have come to transact in the account of the customer are subject to screening against sanctioned lists under AML/CFT regulations. As a matter of convention, mostly small businesses have the bank deposits and withdrawals managed by their non-clerical staff, who are mostly peons and drivers. When such depositors come in the branch to deposit or withdraw funds, they are treated as walk-in/occasional customers, and are hence subject to screening. Small businesses in Pakistan have no mechanism to screen the candidates against list of sanctioned individuals/organizations/countries. Small businesses when conducting transactions have reservations with using branches because that would require screening. And if the depositor turns out to be a sanctioned individual, the depositor as well as the accountholders would be referred to the Law Enforcement Agencies (LEAs) and the funds available in the accounts would be freeze till such time a decision is reached by the LEAs. Hence, small business customers prefer to use digital channels because these do not require

screening and hence do not require branch visit by any third person. In case a big-ticket transaction is required, the customer visit the branch himself/herself.

4.6 Unique Risks Associated with Digital Banking

The risks associated with digital banking are a few but significant. First, in case of mobile banking, the account of the customers can be misused in case the mobile device gets robbed/snatched. Second, there have been instances where digital transaction alerts are received by the customers through SMS and email with a time lag. There is an inherent risk because digital transaction alerts should reach the customers instantly, otherwise customer will not be informed about his/her account activity in a timely manner. Third, digital banking has transaction limits which provides a corridor to customers to switch to branch banking for big ticket transactions.

4.7 Customer Adoption

The lifecycle of digital banking in Pakistan is in the infancy stage for more than a decade, owing to a slower penetration of financial technology among the masses. The process of market penetration has been slow due to the skeptical views of customers on the use of digital banking products and services. However, recent few years have witnessed substantial increase in the number of customers who use digital banking products and services. This increase has pushed digital banking from the infancy stage to the growth stage. The growth of digital banking is being largely credited to the innovators of financial technology and marketers alike who have slowly and steadily paved the way to change the perceptions of urban customers towards digital banking products and services. In the wake of the

COVID-19 pandemic and the vast functionalities being offered by digital banking, participants strongly recommend that paper currency notes should be discontinued and withdrawn from circulation. However, the researcher analysis and experience point out that this is only attainable when digital payments reach a penetration stage where even the smallest purchases could be paid for through digital channels. Nevertheless, we can recommend discontinuation of printing of new notes, and issuance of proper guidelines for currency notes sanitization. The customer adoption process of digital banking could also be expedited through further simplification of the digital interfaces with the objective of making it user-friendly even for dummies. Further, the focus of ATM teams should shift towards creation of ATM vestibules at offsite locations which are more secure from robberies as compared to ATMs installed outside the branch premises.

4.8 Baseline Marketing Strategy

In addition to the growth of digital banking, the COVID-19 pandemic has also necessitated the bank to shift its marketing focus from conventional banking to digital banking. In compliance this, banks are in the process of hiring a digital marketing agency, specializing in digital marketing techniques. Due to the growing acceptability of digital channels in Tier-1 and Tier-2 cities, the bank would shift its marketing strategy focusing on digital marketing. However, conventional advertising efforts would be retained in Tier-3 and Tier-4 cities. Another impact would be seen due to digital banking is a reduction in the annual marketing budget. Most of the marketing budgets are allocated to above-the-line advertising activities. However, due to the change in the baseline marketing strategy, focusing on digital

marketing, funds allocated for above-the-line advertising would be saved particularly in Tier-1 and Tier-2 cities.

5. CONCLUSION

The significant statements and the themes developed as part of the analysis provides a clear account and analysis of the live experiences of the participants. Such live experiences are the main determinants of the preferences of the commercial banks' customers. Some of these reasons are rather universal and roughly applicable to all types of customers using digital banking products and services. However, there are quite a few reasons which are completely unique to individual experiences of the customers. The researcher uses the phrase 'unique' to describe such reasons because these reasons are individualized and are derived from other reasons. [Dahlberg \(2019\)](#) emphasized that the heart of any phenomenological research is the construction of the essence i.e., the meaning we draw from all the reasons analyzed above. The researcher's construction of the essence is based on her imaginative process that sifts the defining factors which differentiate digital banking from branch banking.

Among all the thirty-five significant statements and the eight themes derived thereof, there are quite a few factors which in any case cannot be replicated by branch banking. Since these factors cannot be duplicated by branch banking, they are fundamentally the invariable strengths of digital banking, responsible for keeping digital banking attractive and keeping customers loyal. Hence, the essence of this phenomenological research constitutes in a couple of parts. The first and

foremost has the meaning for the customers, while the other has the meaning for the banks.

The first part of the essence provides straight-through answers to the first three research questions stated in above the introduction. Therefore, the straight-through answers to the questions on why customer prefer to do digital transaction, why customers switch from branch banking to digital banking; and how the COVID-19 pandemic has affected digital banking are followed. The greatest benefit customers derive from digital banking is 24-hour accessibility, which in any case cannot be provided by branch banking. Timesaving is another benefit the respondents perceive which cannot be offered by the branch. Secondly, the quality and standard of services provided by digital banking products and services are consistent throughout the transactions. Again, this cannot be replicated by the branch. Last but not the least, the strong sense of independence and control over funds and transactions derived from the use of digital banking products and services is unmatched by the branch. This also gives birth to trust and strengthens the confidence of the customers on the banks.

The second part of the essence provides answer to the fourth research question which investigates that how digital banking is going to change the baseline marketing strategy of the banks. The baseline marketing strategy is going to shift its focus from branch banking to digital banking. The overarching reason for this shift is because customers are rapidly migrating to digital channels especially after the emergence of COVID-19 pandemic. However, the bank also has other reasons and benefits to do. First, the bank would be able to slash their annual marketing

budgets which means lower operating costs which in turn provides a strong impetus to sustainability of the banks.

REFERENCES

- Abbasov, A. M., Mamedov, Z. F., & Aliev, S. A. (2019). Digitalization of the banking sector: new challenges and prospects. *Economics and Management*, (6), 81-89.
- Bhardwaj, M., & Aggarwal, R. (2016). Understanding dynamics of mobile banking adoption by youth: Empirical evidence from India. *FIIB Business Review*, 5(2), 46-56.
- Dahlberg, K. (2006). The essence of essences—the search for meaning structures in phenomenological analysis of life world phenomena. *International Journal of Qualitative Studies on Health and Wellbeing* 1 (1), 11-19.
- Hway-Boon, O. &. (2003). Success factors in e-channels: the Malaysian banking scenario. *International Journal of Bank Marketing*.
- Julien, C. D. ((2019, June). 2019). Consumer Digital Banking Survey. Retrieved from www.pwc.com/us/en/industries/financial-services/library/pdf/pwc-consumer-digital-banking-survey-2019.pdf.
- Malar, D. A., Arvidsson, V., & Holmstrom, J. (2019). Digital transformation in banking: exploring value co-creation in online banking services in India. *Journal of Global Information Technology Management*, 22(1), 7-24.
- Nitsure, R. R. (2003). E-banking: Challenges and Opportunities. *Economic and Political weekly*, 5377-5381.
- State Bank of Pakistan. (2020, March). Implementation of SBP Regulatory Approvals System. Retrieved from <http://www.sbp.org.pk>
- State Bank of Pakistan. (2020, March). Measures for Availability and Continuity of Financial Services – COVID-19. Retrieved from <http://www.sbp.org.pk>
- State Bank of Pakistan. (2020, March). Measures to Enhance Cyber Resilience amid COVID-19 Threat. Retrieved from <http://www.sbp.org.pk>
- State Bank of Pakistan. (2020, March). Measures to limit the spread of Corona Virus (COVID-19) by Promoting the use of Digital Payment Services. Retrieved from <http://www.sbp.org.pk>
- State Bank of Pakistan. (2020). Payment Systems Review for Second Quarter of Fiscal Year 2019-20. Retrieved from <http://www.sbp.org.pk>