Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 4 | April 2025 -Peer-Reviewed Journal

A STUDY ON TRANSFORMATION OF BANKING THROUGH AI DRIVEN ONLINE SERVICES TO ELEVATE CUSTOMER SATISFACTION

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Article DOI: https://doi.org/10.36713/epra21253
DOI No: 10.36713/epra21253

ABSTRACT
A study of the core areas of AI-driven online services is offered in this present study in the banking sector, with a stronger focus on elevating customer satisfaction. The integration of advanced AI technologies across various banking services – such as smart ATMs, online banking, and net banking – has transformed the customer experience. Smart ATMs use AI to provide specialized services and enhanced security, giving rise to ease of transactions for customers. The real-time financial insights, personalized financial advice, and efficient transaction processing from AI-based online banking are shown to elevate customer satisfaction. Net banking employs machine learning algorithms to analyse spending patterns and financial behaviours for fraud detection and customer experience enhancement. This research also utilized Cronbach's Alpha, regression analysis, and descriptive statistics to evaluate the performance of AI-driven technologies in the banking industry. The results demonstrated increased efficiency across all parameters, ultimately leading to improved customer satisfaction. Through machine learning and data analytics, banks can improve their credit assessments across different variables involving financial history, spending habits, and social behaviour's. These parameters allow for quicker and highly accurate credit assessments compared to traditional methods, greatly shortening loan approval times and enabling customers to access funds almost instantly. AI is also aiding in personalized lending, whereby financial products are tailored to fit individual needs, consequently improving customer satisfaction levels. Another area where AI is protecting the industry is in fraud detection; it serves to identify simulations of incidents or suspicious trends or patterns, curating an environment for safe lending. In summation, the paper presents how AI in banking is supporting inclusivity, transparency, and better operational efficiency for the benefit of lenders, borrowers, and customer experience at large.

KEYWORDS: *AI in banking, Customer satisfaction, AI driven solutions, Banking innovation, Digital experience, Personalized banking*

INTRODUCTION
The banking industry is undergoing a significant transformation with the integration of Artificial Intelligence (AI)-driven online services. Over the past decade, advancements in AI technologies have revolutionized the way banks interact with their customers. AI-driven solutions, such as Smart ATMs, AI chatbots, banking apps, and online banking services, are now at the forefront of modern banking. These technologies not only enhance operational efficiency but also provide customers with seamless, secure, and personalized banking experiences.

This study delves into how AI-driven services are reshaping the banking sector to elevate customer satisfaction. By leveraging AI, banks can offer 24/7 customer support, predictive insights, secure transactions, and tailored financial advice, fostering greater customer loyalty and trust. Smart ATMs enable faster and more secure transactions, AI chatbots provide instant assistance, banking apps enhance financial management, and online banking services streamline digital transactions. This research aims to understand the impact of these AI technologies on customer satisfaction and identify best practices for their successful implementation in the banking industry.

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REVIEW OF LITARATURE

Author & Year	Name of the Article	Objectives	Findings
IBM, 2023	What Is AI In Banking?	To explore how AI improves customer service, fraud detection, and investment management in banking.	AI Highlights digital transformation importance.
Ishan Katyal, 2023	Role of Artificial Intelligence and Analytics in Banking	To analyse the role of AI and analytics in addressing fraud, cybersecurity, and regulatory compliance in banking.	Significance of AI in banking challenges.
McKinsey & Company, 2023	The Future of AI in Banking	To examine the impact of generative AI on customer-facing chatbots, fraud prevention, and operational efficiency.	Highlights efficiency in banking operations.
NeonTri, 2023	AI in Retail Banking: Opportunities, Challenges, and Use Cases	To identify opportunities and challenges in using AI for credit scoring, fraud detection, and personalization in retail banking.	Enhances banking services through AI.
Forbes, 2023	How AI is Transforming the Banking Industry	To investigate how AI enhances customer service, risk management, and operational processes in banking.	AI's transformative potential in banking.
Deloitte, 2023	AI in Banking: The Future of Financial Services	To explore AI's potential to revolutionize banking by improving efficiency, reducing costs, and enhancing customer experiences.	Benefits include efficiency and cost reduction.
PwC, 2023	The Impact of AI on Retail Banking	To study AI's role in enabling personalized services, fraud detection, and operational optimization in retail banking.	AI's role in fraud detection and operations.
KPMG, 2023	AI and the Future of Banking	To discuss how AI enhances customer interactions, risk management, and automates routine tasks in banking.	Impact on customer interactions and risks.
Accenture, 2023	Artificial Intelligence in Banking: Opportunities and Challenges	To highlight the opportunities and challenges associated with AI adoption in the banking sector.	Addresses AI adoption opportunities and challenges.
Capgemini, 2023	AI in Banking: A Game Changer	To examine how AI drives innovation, improves customer service, and enhances security in banking.	Highlights innovation driven by AI.
EY, 2023	The Role of AI in Modern Banking	To analyze AI's impact on customer experiences, operational efficiency, and innovation in banking.	Enhances customer and operational efficiency.
Finextra, 2023	AI in Retail Banking: Trends and Insights	To provide insights into emerging trends and developments in AI applications for retail banking.	Emerging AI trends in retail banking.
The Financial Brand, 2023	How AI is Shaping the Future of Banking	To explore AI's transformative role in customer service, security, and innovation in banking.	Transformative role in service and security.

The Economist, 2023	AI in Banking: The Next Frontier	To discuss AI's potential to revolutionize customer interactions, enhance security, and drive innovation in banking.	Revolutionizes security and interactions.
Neha Garg, 2023	A Systematic Literature Review on Artificial Intelligence Technology in Banking	To review diverse applications of AI in banking, including fraud detection, customer service, and credit risk management.	Highlights various AI applications.
B. Kishori & Mahalakshmi.A, 2023	A Literature Review on Usage of Artificial Intelligence in Banking Sector with Special Reference to Indian Banks	To evaluate the usage and challenges of AI in Indian banking operations.	Challenges in AI adoption in India.
Krutika Sawant, 2023	A Study of AI in Banking System	To study the current state and potential impact of AI on customer service, fraud detection, and risk management in banking.	Discusses AI's industry potential.

RESEARCH GAP

AI-driven banking solutions are revolutionizing customer interactions through chatbots, online banking services, and banking apps, yet limited research exists on customer trust, adoption rates, and perceived risks, which are crucial for understanding factors influencing acceptance and boosting adoption. Integrating AI with legacy banking systems remains challenging, demanding deeper exploration to establish best practices that ensure compatibility and satisfaction. In emerging markets, where infrastructure is limited, digital literacy is lower, and regulatory policies vary, tailoring AI solutions to specific needs could unlock untapped potential. Ethical and transparency concerns, including issues of data privacy, bias, and accountability in technologies like chatbots, Smart ATMs, and online banking, require further investigation to enhance trust. While AI-powered fraud detection systems are recognized for their effectiveness, gaps remain in understanding their accuracy, limitations, and false positive rates, making research on improving algorithms while safeguarding customer experience essential. Lastly, addressing customer education and awareness of AI services is critical to fostering trust, engagement, and satisfaction, yet remains an under-researched area with significant potential for growth.

NEED FOR THE STUDY

The banking sector faces increasing customer expectations, intense competition, and a growing demand for personalized and efficient services. Traditional banking methods are no longer sufficient to meet these evolving needs. AI-driven solutions, such as Smart ATMs, banking apps, AI chatbots, and online banking services, offer a promising approach to enhance customer satisfaction by improving accessibility, security, and service efficiency.

This study aims to explore how Smart ATMs enable seamless and secure transactions, AI chatbots provide 24/7 instant assistance, banking apps enhance financial management, and online banking services streamline digital transactions. By understanding the effectiveness of these AI-driven technologies in leveraging customer satisfaction, stakeholders can make informed decisions to enhance user experience, foster customer loyalty, and maintain a competitive edge in the rapidly evolving digital banking landscape.

SCOPE OF THE STUDY

The scope of this study encompasses various aspects of AI technologies in banking. It includes examining the role of Smart ATMs, AI chatbots, banking apps, and online banking services in enhancing banking operations. Furthermore, the study evaluates AI-driven services to determine their impact on customer satisfaction, specifically how these technologies improve efficiency, convenience, and overall user experience. It also investigates the challenges related to AI implementation, such as integration with legacy systems, security concerns, and the adoption of AI-driven banking services by customers. Additionally, this research focuses on understanding customer perceptions, exploring how individuals trust, adopt, and interact with Smart ATMs, chatbots, banking apps, and online banking platforms. Finally, the study aims to recommend strategies for optimizing AI implementation to enhance Smart ATMs, chatbots, banking apps, and online banking services, ensuring a better user experience.

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OBJECTIVES OF THE STUDY

The primary objective of this study is to assess the effectiveness of AI-driven online services in elevating customer satisfaction in the banking sector. It aims to:

1. Performance evaluation of AI-driven technologies in banking.
2. Analyze the impact of AI-driven services on customer satisfaction.
3. Identify best practices and challenges in implementing AI-driven services.
4. Provide recommendations for optimizing AI utilization to enhance customer satisfaction.

HYPOTHESIS

Null Hypothesis (H_0): AI-driven online services have no significant impact on customer satisfaction in banking.
Alternative Hypothesis (H_1): AI-driven online services significantly improve customer satisfaction in banking.

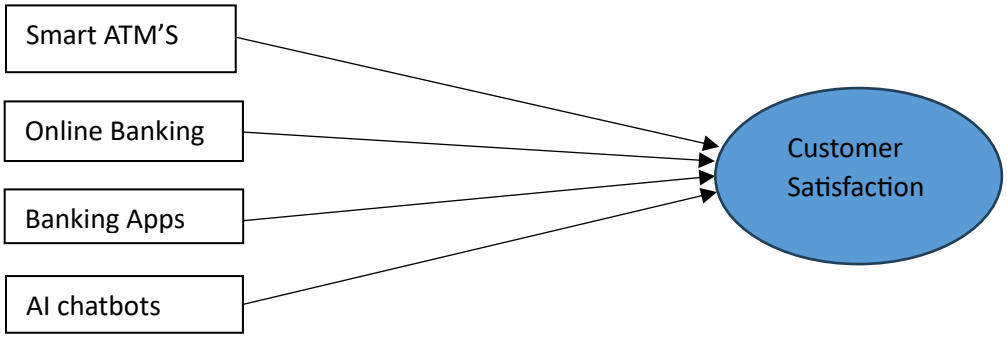
Research Methodology

Statement of the Problem

The rapid adoption of AI-driven technologies, such as Smart ATMs, AI chatbots, banking apps, and online banking services, is transforming the banking sector. However, there remain critical gaps in understanding customer trust, adoption rates, and perceived risks associated with these innovations. The integration of AI with legacy banking systems presents significant challenges, while the ethical concerns related to data privacy, bias, and transparency raise questions about accountability and trustworthiness. Furthermore, research into AI implementation in emerging markets is limited, leaving issues like digital literacy, infrastructure constraints, and regulatory challenges underexplored.

The banking industry faces growing pressure to meet evolving customer expectations, improve efficiency, and deliver personalized services, yet the effectiveness of AI-driven solutions in addressing these demands is not fully understood. This study seeks to analyse the performance of AI technologies in enhancing user satisfaction, evaluating their efficiency, addressing implementation challenges, and fostering customer trust. By bridging these research gaps, the findings aim to provide actionable insights for optimizing AI-driven banking solutions to ensure seamless integration, better user experiences, and broader acceptance in both developed and emerging markets.

Conceptual Model



DATA COLLECTION METHODS

Primary Data

- **Surveys:** Surveys will be administered to key informants such as senior executives, AI specialists, and IT managers to gather quantitative and qualitative data on the use of AI, challenges faced, and perceived benefits.

Secondary Data

- **Previous Articles:** Relevant articles such as academic papers, industry reports, white papers, and news articles will be analyzed to complement the data obtained from surveys.

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DATA COLLECTION INSTRUMENTS

Data Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	154	1	2	1.47	.923
Age	154	1	4	1.34	.826
SA 1	154	1	5	4.28	.925
SA 2	154	1	5	4.32	.935
SA 3	154	1	5	4.46	.833
SA 4	154	1	5	4.27	.825
BA 1	154	1	5	4.49	.810
BA 2	154	1	5	4.44	.784
BA3	154	1	5	4.32	.791
BA 4	153	1	5	4.31	.751
OB 1	154	1	5	4.44	.766
OB 2	154	1	5	4.31	.811
OB 3	154	1	5	4.29	.740
OB 4	154	1	5	4.33	.750
AICB 1	154	1	5	4.34	.794
AICB 2	154	1	5	4.33	.750
AICB 3	154	1	5	4.32	.814
AICB 4	154	1	5	4.38	.751
CS 1	154	1	5	4.34	.826
CS 2	154	1	5	4.33	.741
CS 3	154	1	5	4.38	.801
CS 4	154	1	5	4.25	.795
Valid N (listwise)	153				

Survey Questionnaire: A structured survey questionnaire will be developed, covering topics such as AI adoption, application areas, impact on business processes, and future plans.

The descriptive statistics indicate that the sample comprises 154 participants, with an almost balanced gender representation and a predominantly younger age group (mean = 1.34, SD = 0.670, on a scale of 1 to 4). Across the variables measured—SA (Smart ATM), BA (Banking App), OB (Online Banking), AICB (AI in Customer Banking), and CS (Customer Satisfaction)—the mean scores are consistently above4, reflecting strong positive responses. The standard deviations, ranging from 0.693 to 0.935, suggest moderate consistency in responses. This data underscores the participants' favourable perceptions and aligned views across the measured areas, providing a strong basis for further analysis.

Reliability Analysis

Variable Number	Variable	Cronbach's Alpha	Result
V1	Smart ATM's	0.861	Good
V2	Banking Apps	0.824	Good
V3	Online Banking	0.931	Excellent
V4	AI Chat Bots	0.856	Good
V5	Customer Satisfaction	0.873	Good

The Cronbach's Alpha values presented for the variables in this study indicate a high degree of internal consistency and reliability of the measurement scale. Specifically, variables such as Online Banking (0.931) demonstrate excellent reliability, exceeding the widely accepted threshold of 0.90. Similarly, Smart ATMs (0.861), AI Chatbots (0.856), and Customer Satisfaction (0.873) all display strong reliability, falling within the range of 0.80–0.90, which is considered very good. Banking Apps, with a Cronbach's Alpha of 0.824, also shows a high level of reliability. These results suggest that the items within each construct are consistently measuring the intended latent variables, affirming the

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reliability of the scale used in the study. Overall, the findings provide confidence in the robustness of the survey instrument, ensuring its suitability for further analyses such as factor analysis, regression, or structural modelling. The strong reliability of the variables supports the validity of the study's conclusions regarding AI-driven technologies and customer satisfaction in the banking sector.

Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.820a	.672	.668	0.690	.672	302.456	6	992	.000

The regression model summary presents a strong and statistically significant relationship between the independent variables and the dependent variable. The R value of 0.820 indicates a strong correlation between the predictors and the outcome variable. The R Square of 0.672 suggests that approximately 67.2% of the variance in the dependent variable is explained by the model, which is a substantial proportion, signifying a good model fit. The Adjusted R Square of 0.668 confirms this fit while accounting for the number of predictors in the model, indicating that the model does not suffer from overfitting.

The Standard Error of the Estimate (0.690) reflects the average deviation of the predicted values from the actual values, and a lower value here supports the model's predictive accuracy. The Change Statistics further affirm the model's strength, with an R Square Change of 0.672, indicating the proportion of variance explained by this specific model. The F Change value of 302.456, with degrees of freedom (df1 = 6, df2 = 992) and a significance level of 0.000, highlights that the model is statistically significant and that the predictors reliably improve the prediction of the dependent variable. Overall, the regression analysis supports that the chosen independent variables significantly contribute to explaining the variation in the dependent variable.

FINDINGS

- The findings of the study reveal that AI significantly enhances customer satisfaction in banking by improving the speed and efficiency of services such as fraud detection and credit scoring.
- The use of chatbots and virtual assistants has notably reduced wait times, offering greater convenience and quicker resolution of customer queries.
- Personalized AI-driven services have made banking experiences more relevant and engaging, fostering stronger customer relationships.
- However, the study also highlights that for more complex or emotionally sensitive issues, customers still prefer human interaction, indicating that AI alone cannot fully meet all customer needs.
- Transparency in AI decision-making processes plays a vital role in building trust and boosting customer confidence. Additionally, user-friendly AI tools and clear communication further enhance customer comfort and satisfaction.
- The optimal approach appears to be a hybrid model that combines the efficiency of AI with the empathy of human support. Finally, incorporating regular customer feedback is essential for refining AI systems and aligning them more closely with evolving customer expectations.

CONCLUSION

The study highlights the transformative role of AI-driven online services in redefining modern banking and elevating customer satisfaction. The findings reveal that AI technologies significantly improve operational efficiency, enhance service personalization, and streamline customer interactions. Key factors such as performance, customer experience, implementation challenges, and optimization strategies are pivotal in shaping users' trust and satisfaction with AI-based services. As customer expectations evolve alongside rapid technological advancements, AI is no longer a mere enhancement—it has become central to delivering seamless, intelligent banking experiences. Strong performance metrics and positive customer responses affirm the effectiveness of AI in improving satisfaction and loyalty. Financial institutions can leverage these insights to align their digital strategies with customer needs, ensuring long-term engagement and competitiveness. The study confirms that a strategic blend of innovation, transparency, and human-centric design is essential for sustainable AI integration in banking.

Further Research

Future research can expand the scope by including a wider and more diverse sample across different regions, age groups, income levels, and digital literacy profiles to improve generalizability. Longitudinal studies could track how customer satisfaction and usage behaviors change over time with continuous AI innovations. Researchers should also consider exploring the role of external influences such as government AI policies, collaborations with fintech companies, and technological disruptions. Incorporating qualitative methods like interviews or focus groups could provide deeper insights into customer perceptions, motivations, and concerns related to AI. Additionally, targeted studies on specific user groups, such as elderly individuals or underserved rural communities, may uncover unique barriers and opportunities for inclusive and equitable AI-driven banking

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