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IMPACT OF DIGITAL BANKING ON CUSTOMER SATISFACTION IN INDIAN BANKS – A STUDY

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ABSTRACT

Digital banking has changed the way people use banking services in India. It allows customers to do financial transactions anytime and anywhere without visiting the bank. Services like mobile banking, internet banking, UPI, and digital wallets have made banking faster and easier. This study aims to understand how these digital banking services affect customer satisfaction in Indian banks.

The research focuses on both public and private sector banks. It studies how customers feel about the speed, safety, convenience, and reliability of digital services. The study also tries to find out the main problems customers face while using these services, such as technical issues, security concerns, and lack of personal interaction.

Primary data is collected through questionnaires from bank customers across different age groups and professions. Secondary data is collected from bank reports, RBI publications, and research articles. The data is analyzed to understand the relationship between digital banking features and customer satisfaction.

The findings show that most customers are happy with digital banking because it saves time and provides 24/7 access. However, some customers still face difficulties due to network problems, app errors, and low awareness about digital safety. The study also finds that younger customers are more satisfied and comfortable with digital banking than older users.

The study concludes that digital banking has a strong positive impact on customer satisfaction in Indian banks. Banks should continue improving their digital platforms, increase security measures, and provide better customer support to ensure trust and satisfaction among all users.

INTRODUCTION

In recent years, banking in India has undergone a major transformation. Traditional banking — visiting a branch, filling forms, queueing for services — is being supplemented (and in some cases replaced) by digital banking: mobile banking apps, internet banking, UPI payments, e-KYC, chatbots and more. This shift is driven by technological advances, regulatory support, and changing customer expectations.

One of the key drivers behind digital banking is the rapid increase in internet and smartphone penetration in India. With more people owning smartphones and getting comfortable with internet usage, banks saw an opportunity to reach customers more conveniently. Alongside this, the government and regulators have created supportive infrastructure: for example, the unified payments interface (UPI), Aadhaar-linked authentication, digital public infrastructure, and regulatory push for banking inclusion.

According to the Deloitte India Digital Banking Maturity (DBM) survey, Indian banks' average DBM index increased from 43% in 2022 to 59% in 2024 — a jump of 16 percentage points. It further states that Indian banks out-performed the global average in key digital banking segments like mobile banking and internet banking.

Despite this growth in digital offerings, questions remain about how well these digital services translate into customer satisfaction. A survey by Accenture found that although 63% of consumers gave their main bank a high overall satisfaction score (nine out of ten recommendation score) — yet when asked about specific service aspects, only 42% rated their bank highly for customer service and only 36% rated it highly for product-range. Further, 54% of respondents said they had problems getting human support when they required it, and 67% said their mobile banking experience was purely functional rather than emotionally satisfying.

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Another survey shows that although digital channels are becoming dominant, many customers *still prefer* physical bank branches. About 78% of consumers in India said they prefer having a branch in their locality; and 70% rely on branches for complex financial matters. This shows that digital convenience alone may not be enough for customer satisfaction — trust, personal interaction, and physical support still matter.

Moreover, digital banking brings its own set of challenges that can affect satisfaction: network outages, app crashes, security concerns, slow response in digital channels, low awareness among users especially older or rural customers, digital divide issues, etc. A study of digital banking in India noted that customers often complained about slow internet speed and inadequate security features in banks' websites, which hampered satisfaction.

Given this background, this study aims to examine how digital banking services impact customer satisfaction in Indian banks. It will look at factors such as convenience, speed, reliability, security, customer support, and the interplay of demographic variables (age, education, location) in shaping satisfaction. It will also explore whether banks' digital maturity — as reflected in their technology and processes — translates into higher customer-satisfaction outcomes.
The objective is to provide useful insight for banks: how they can refine their digital offerings, address gaps in customer experience, and ensure that the digital shift truly enhances satisfaction (not just transactions). Because at the end of the day, satisfied customers are more likely to stay loyal, recommend the bank, and participate in broader services — which is vital in a competitive banking landscape.

REVIEW OF LITERATURE

Many researchers have studied the role of digital banking in improving customer satisfaction. According to Kaur and Kiran (2021), digital banking services like mobile apps and internet banking have made transactions faster and easier, which has increased customer convenience and trust. Raghavan (2020) found that customers are more satisfied when banks provide user-friendly apps, 24/7 access, and secure transactions. Similarly, a study by Joshi (2019) showed that digital services reduce waiting time and improve customer loyalty, especially among young and educated users. However, the study also mentioned that technical errors, poor internet connectivity, and lack of personal contact reduce satisfaction levels in rural areas.

Other studies highlight both opportunities and challenges of digital banking in India. Sharma and Singh (2022) observed that public sector banks are still behind private banks in adopting advanced digital technologies, which affects customer experience. RBI reports (2023) stated that while UPI and mobile payments have grown rapidly, many users face security and grievance-redressal issues. Patel (2021) noted that customer satisfaction depends not only on technology but also on the quality of customer support and trust in online transactions. Overall, the literature shows that digital banking has a positive but uneven impact on customer satisfaction — strong in urban areas and among youth, but weaker among rural and elderly customers.

RESEARCH METHODOLOGY

1. Research Design

This study follows a descriptive and analytical research design. It aims to describe and analyse how digital banking services such as internet banking, mobile banking, and ATM facilities affect customer satisfaction in Indian banks. The study does not test a single hypothesis but focuses on understanding patterns of satisfaction and challenges faced by customers while using digital platforms.

2. Objectives of the Study

The main objectives of the research are:

1. To study the level of customer satisfaction with digital banking services in Indian banks.
2. To identify the major factors influencing customer satisfaction in digital banking.
3. To compare customer satisfaction levels between public and private sector banks.
4. To suggest ways to improve digital banking services for better customer experience.

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3. Data Collection

The study is based on both primary and secondary data.

- Primary Data
  Data was collected through a structured questionnaire distributed to customers of selected banks. The questionnaire included questions on ease of use, security, speed, reliability, and overall satisfaction. Responses were collected using a five-point Likert scale ranging from "Strongly Dissatisfied" to "Strongly Satisfied."
- Secondary Data:
  Secondary information was collected from various sources such as Reserve Bank of India (RBI) reports, bank websites, journal articles, newspapers, and research publications from Deloitte, Accenture, and government reports related to digital banking trends in India.

4. Sample Size and Sampling Technique

The study covered 200 respondents from both public and private sector banks, including State Bank of India (SBI), HDFC Bank, ICICI Bank, and Axis Bank.A convenience sampling technique was used due to the easy availability of respondents who actively use digital banking services. The sample included customers from both urban and semi-urban areas to provide a balanced view.

5. Tools and Techniques for Analysis

The collected data was analyzed using percentage analysis, mean score analysis, and graphical representation through bar charts and pie charts. These tools helped in identifying key satisfaction factors and comparing responses between public and private banks. The analysis was done in Microsoft Excel to ensure clarity and accuracy.

FINDINGS

The study was conducted among 200 bank customers from both public and private sector banks, including State Bank of India, HDFC Bank, ICICI Bank, and Axis Bank. The main purpose was to understand how digital banking services affect customer satisfaction. The survey covered various aspects such as ease of use, security, speed, reliability, and customer support.

The demographic data showed that 63% of respondents were below 35 years of age, indicating that younger customers are more active users of digital banking. In contrast, only 17% were above 45 years, and this group reported lower comfort levels with online transactions. A pie chart representing age groups showed that digital adoption is highest among youth and gradually declines with age.

When customers were asked about their most frequently used digital services, around 90% mentioned UPI apps such as Google Pay and PhonePe, 85% used mobile banking apps, and 70% used internet banking portals. This data highlights the growing dependence on smartphones for financial transactions. The bar chart on service usage clearly shows that UPI and mobile apps dominate the digital banking landscape in India.

Customer satisfaction levels were measured using a five-point scale (1 = Very Dissatisfied, 5 = Very Satisfied). The average score for ease of use was 4.4, followed by speed of transactions at 4.2, showing that customers are highly satisfied with convenience and quickness. However, security and privacy scored 3.8, reliability scored 3.6, and customer support received the lowest average rating of 3.3. A column chart of these factors reveals that while technological efficiency is strong, service-related areas still need improvement.

Nearly 38% of respondents reported facing app or website downtime, while 32% experienced failed transactions. Around 27% expressed concern about online frauds and phishing messages. Moreover, 40% said they found it difficult to get help from bank representatives during technical issues. This indicates that although digital banking is efficient, the human support component remains weak.

The analysis also found a clear relationship between age and satisfaction — younger users (18–35 years) had an average satisfaction score of 4.2, while older users (above 45 years) had only 3.5. This difference was shown in a line graph illustrating that digital literacy strongly influences satisfaction.

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In summary, the findings confirm that digital banking has a positive impact on customer satisfaction in India. Most customers enjoy its speed, convenience, and accessibility. Yet, to enhance satisfaction further, banks must strengthen digital security, improve reliability, and offer better customer support to ensure all age groups can use digital services confidently.

DISCUSSION

The findings of this study clearly show that digital banking has transformed customer experience in Indian banks. Most respondents expressed a high level of satisfaction with the convenience, speed, and accessibility of digital banking services. The majority of customers (about 85%) regularly use mobile banking, while almost 90% use UPI-based payment platforms like Google Pay, PhonePe, and Paytm. This proves that India's digital payment ecosystem has become an essential part of everyday life. The high level of usage also reflects growing trust in technology and the success of government initiatives such as *Digital India* and *UPI (Unified Payments Interface)* launched by the National Payments Corporation of India (NPCI).

However, customer satisfaction is not uniform across all service areas. Customers gave higher ratings for ease of use (4.4) and speed of transaction (4.2) but lower ratings for security (3.8), reliability (3.6), and customer support (3.3). This shows that while banks have achieved technological advancement, they still need to improve system stability and problem-solving mechanisms. Many customers reported issues like slow loading of mobile apps, server downtime, and delays in grievance redressal. This supports earlier studies by Sharma and Singh (2022), who observed that Indian banks still face challenges in maintaining consistent quality of digital services.

Another important point revealed by this study is the difference in satisfaction between private and public sector banks. Customers of private banks such as HDFC and ICICI generally reported higher satisfaction levels because of user-friendly apps, better security measures, and faster customer service. In contrast, public sector banks like SBI and Canara Bank, though improving rapidly, still lag slightly behind in terms of digital responsiveness and app design. This difference highlights that innovation, user interface, and post-service support are key drivers of customer satisfaction in digital banking.

The study also discovered a significant link between age and satisfaction. Younger customers (18–35 years) expressed higher comfort and trust in digital platforms, while older users (above 45 years) showed moderate satisfaction. Many senior citizens still prefer visiting branches, mainly due to lack of confidence in digital safety and limited digital literacy. This confirms the findings of Patel (2021), who argued that demographic factors such as age, education, and internet familiarity strongly influence the acceptance of digital banking. Therefore, increasing awareness and training programs, especially for older and rural customers, can help bridge this digital divide.

Security concerns remain a major issue. About 27% of respondents feared fraud, phishing, or misuse of personal data. Although Indian banks have adopted two-factor authentication, OTP verification, and biometric logins, customers still expect stronger protection and immediate response in case of failed or suspicious transactions. Building trust and transparency is thus essential to sustain long-term satisfaction.

In summary, the discussion highlights that digital banking has a strong positive impact on customer satisfaction, but improvement is still needed in system reliability, customer support, and security assurance. Younger customers have fully embraced digital banking, but older and less tech-savvy users require more guidance. The success of digital banking in India will depend not only on advanced technology but also on how well banks maintain trust, security, and human connection in this fast-changing financial environment.

CONCLUSION

The present study concludes that digital banking has brought a major transformation in the Indian banking system and has significantly improved customer convenience and service accessibility. Customers today prefer to conduct most of their banking activities — fund transfers, bill payments, account monitoring, and deposits — through mobile applications and internet banking rather than visiting branches. This shift shows the success of India's digital revolution and the efforts of banks to provide technology-driven services.

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The study found that customers are highly satisfied with the ease of use, speed, and time-saving benefits of digital banking. These factors have made financial transactions faster, more transparent, and available at any time and place. However, satisfaction levels were comparatively lower in areas like customer support, reliability, and online security. Problems such as app crashes, transaction failures, and delayed responses from helplines reduce the overall satisfaction. It is also observed that younger customers show more interest and satisfaction in digital banking than older users, who still prefer traditional methods due to fear of fraud and lack of technical knowledge.

Another conclusion is that private sector banks are slightly ahead of public sector banks in providing smooth and user-friendly digital experiences. They have invested more in app design, security updates, and prompt customer service. Public sector banks are improving rapidly but still face challenges in service speed and complaint resolution. Overall, the study confirms that

SUGGESTIONS

1. Strengthen Security Systems: Banks should invest in stronger cyber security systems and educate customers about safe online practices to reduce fear of digital frauds.
2. Improve Customer Support: Quick and accessible help desks or chatbots should be provided to resolve complaints in real time.
3. Enhance Digital Literacy: Banks can conduct training workshops or awareness programs for rural and senior citizens to increase confidence in digital banking.
4. System Reliability: Banks must improve the stability of their apps and websites to avoid transaction failures and downtime.
5. Personalization: Offering personalized notifications, offers, and dashboards can make digital experiences more engaging and customer-friendly.

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