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CUSTOMER TRUST AND LOYALTY TOWARDS MOBILE BANKING APPS AND UPI- A STUDY AT POLLACHI TOWN

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ABSTRACT
This research investigates the factors influencing customer trust and loyalty towards mobile banking applications and the Unified Payments Interface (UPI) in Pollachi Town, emphasizing the elements that affect their adoption and continued use. As financial services in India rapidly digitalize, mobile banking and UPI have become essential for daily transactions. Nevertheless, building customer confidence poses a significant challenge for the broader acceptance of these services. Utilizing a quantitative methodology, this study collects data from users of mobile banking apps and UPI via surveys. It identifies key factors such as security issues, user-friendliness, transaction dependability, and customer service as critical influences on trust and loyalty. The findings underscore the importance of security and reliability in cultivating customer trust, which subsequently enhances loyalty. In light of these results, the study proposes practical strategies to improve customer experiences and strengthen trust, thereby encouraging sustained engagement with digital banking solutions.

KEYWORDS: *Customer Trust, Customer Loyalty, Mobile Banking Applications, Unified Payments Interface (UPI), Digital Financial Services, Pollachi Town, Security, User-Friendliness, Transaction Reliability, Customer Service.*

I. INTRODUCTION

In recent years, India has undergone a significant transformation in its financial services sector, primarily due to the rise of mobile banking applications and the Unified Payments Interface (UPI). These advancements have fundamentally changed how individuals perform financial transactions, providing greater convenience, speed, and accessibility. This transition towards digital banking has notably intensified in smaller towns such as Pollachi, where mobile banking and UPI have become vital for daily transactions. Nevertheless, despite the extensive adoption of these services, considerable challenges persist regarding their complete acceptance and sustained usage, particularly concerning customer trust and loyalty. Trust is essential for the broad acceptance of digital financial services. Aspects such as security issues, user-friendliness, transaction dependability, and customer support significantly influence users' trust in mobile banking applications and UPI. In a nation like India, where concerns about data privacy, fraud, and cybersecurity are prevalent, these elements can either promote or hinder user engagement with digital payment systems. Likewise, customer loyalty is intricately connected to the ongoing satisfaction and confidence users derive from their interactions with these platforms.

II.REVIEW OF LITERATURE

1. Dhamija, A., Manrai, R., & Dhamija, D. (2025). Impact of Financial Service Quality on Customer Loyaltyand Satisfaction Among Indian Consumers Utilizing Digital Payments. IGI Global Scientific Publishing.This chapter explores the impact of financial service quality on customer satisfaction and loyalty in India's evolving digital payments landscape. In a competitive market, providers must combine innovation with high service quality to foster trust and loyalty. Using Structural Equation Modeling (SEM), the study analyzes data from digital payment users to examine direct and indirect relationships between service quality, satisfaction, trust, and loyalty. The findings offer insights for academics, policymakers, and industry professionals, providing strategies to enhance service quality and customer trust in India's digital economy.
2. Chandini, A., Puti, F. F. E., Andriadi, J., & Mardifa Wahyu Putri, L. (2025). Navigating Digital Payments: Understanding Student Adoption of the DANA App Through User Experience, Security, and Social Influence. This study examines factors influencing the adoption and continued use of the DANA mobile payment app among university students at UPI YPTK Padang. Using a qualitative approach, semi-structured interviews were conducted with selected participants. Thematic analysis identified four key factors: ease of use, security concerns, promotional incentives, and social influence. While convenience and an intuitive interface drive sustained usage, privacy and fraud concerns remain barriers. Cashback offers and peer recommendations significantly impact adoption. These findings offer insights for fintech companies to enhance user engagement by balancing usability, security, incentives, and social influence.

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3. Bhagat, P. H., & Jain, P. K. (2024). Convergence of E-Banking and Hospitality in India: Exploring Opportunities and Challenges. The integration of e-banking and hospitality in India offers new opportunities for both sectors. This chapter examines how digital banking enhances customer experiences in hospitality while addressing challenges like data security, regulations, and trust. It explores potential synergies, benefits, and strategies to overcome obstacles. The findings provide insights for policymakers, industry leaders, and researchers on the impact of this evolving convergence.
4. Chandak, D. (2024). Prospects of Unified Payments Interface (UPI) Systems on Business & Digital Payments Across India-A Review Analysis. The Unified Payment Interface (UPI) has emerged as a sophisticated mobile payment system, offering accessibility, speed, and security. Despite increasing internet and smartphone usage, UPI adoption has not met expectations. This study examines factors influencing its adoption, usage, and recommendation, along with its technological architecture and security features. UPI's modular API-based design enables innovative solutions for consumers and businesses, enhancing financial inclusion and expanding India's digital economy.
5. Chavan, S., Gore, P., & Bhutkar, G. (2021, December). User survey of UPI-enabled payment apps. Cham: Springer International Publishing.This study analyzes user preferences and adoption patterns of India's top five UPI-enabled payment apps—Google Pay, PhonePe, Paytm, Amazon Pay, and BHIM. Based on a survey of 228 respondents across different age groups, the findings reveal that Google Pay is the most widely used, especially among users aged 18–30. The study also identifies reasons for non-adoption and suggests strategies for app developers to enhance user experience and expand the user base.
6. Nair, G. B., & D'couto, R. L. (2023). Relationship between e-service quality and customer loyalty: a study on unified payment interface applications. India' payment systems have evolved significantly over the decades, with UPI emerging as a key innovation in the country's digital transformation. Mobile-based UPI applications are widely used, offering financial and nonfinancial services in the cashless economy. With intense competition among UPI apps, companies must prioritize service quality, customer satisfaction, and loyalty.This study examines the relationship between e-service quality and customer loyalty in UPI applications, focusing on key factors influencing user retention in Kerala. Data collected through a structured questionnaire and non-probability sampling reveal a strong positive correlation between e-service quality and customer loyalty

III.RESEARCH OBJECTIVES

- To investigate the level of customer trust and loyalty towards mobile banking apps and UPI
- To find the factors influencing usage of mobile banking apps & UPI
- To determine the factors of customer loyalty in mobile banking apps & UPI
- To study the issues faced while using mobile banking apps & UPI

IV. SCOPE OF THE STUDY

1.Investigate the level of customer trust and loyalty towards mobile banking apps and UPI in Pollachi Town.
2. Identify the factors influencing the adoption and usage of mobile banking apps and UPI.
3. Determine the factors that contribute to customer loyalty towards mobile banking apps and UPI.
4. Study the issues faced by users while using mobile banking apps and UPI.

V. RESEARCH METHODOLOGY

RESEARCH DESIGN

This research utilizes a descriptive design to explore the existing levels of customer trust and loyalty, as well as the elements that impact the use of mobile banking applications and UPI in Pollachi Town. Descriptive research is particularly suited for gaining insights into consumer attitudes, behaviors, and preferences without altering the variables. This design will facilitate the identification of patterns and connections among the different factors that influence trust and loyalty in digital banking.

AREA OF THE STUDY

This research examines Pollachi Town, a semi-urban area in Tamil Nadu, where the utilization of mobile banking applications and UPI services is on the rise. The region has experienced a surge in smartphone adoption, and the transition to cashless transactions renders it a suitable setting for investigating consumer behavior.

SAMPLING TECHNIQUES

In this research, convenience sampling was utilized as the chosen sampling method. This technique facilitates the selection of participants based on their availability and willingness to engage, without following probabilistic standards. Although convenience sampling may not provide a statistically representative sample of the overall population, it is a practical and effective approach for this exploratory study. Considering the constraints of time and resources, the objective is to obtain immediate insights from users who possess hands-on experience with mobile banking and UPI services. The convenience sampling method ensures that the research concentrates on active users of mobile banking applications and UPI, specifically those who have recently interacted with

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these platforms and are well-acquainted with their features and challenges. This selection strategy is particularly advantageous for capturing a wide range of consumer experiences in the rapidly evolving domain of digital banking, where user engagement with mobile applications and UPI can differ significantly.

- **Target Population:** This study focuses on individuals living in Pollachi Town who utilize mobile banking applications and UPI for various financial transactions.
- **Sampling Technique:** A purposive non-probability sampling method will be employed. Participants will be chosen based on their consistent use of mobile banking applications or UPI services, ensuring that the sample comprises individuals with direct experience of these digital platforms.
- **Sample Size:** The study will include a sample of 150 respondents to guarantee diversity across demographic factors such as age, income, education, and occupation, while also keeping the dataset manageable for analysis.

HYPOTHESIS OF THE STUDY

H1: There is a significant relationship between ease of use and customer trust towards mobile banking and UPI.
H2: Security and privacy features significantly influence customer loyalty.
H3: Incentives (e.g., cashback, rewards) positively impact continued usage and customer loyalty.

DATA COLLECTION

1. PRIMARY DATA

Primary data will be obtained using a structured questionnaire aimed at collecting both quantitative and qualitative information. The questionnaire will consist of the following sections:
• Demographic Profile: Age, gender, income, educational qualifications, and profession.
• Usage Patterns: Frequency of mobile banking app and UPI usage, types of transactions conducted, and preferred platforms.
• Trust and Loyalty: Elements that affect trust in mobile banking applications and UPI, including perceived security, user-friendliness, and dependability.
• Loyalty Factors: Identifying the elements that drive customer loyalty, such as incentives, customer service, and overall user experience.
• Challenges Encountered: Difficulties experienced while utilizing mobile banking applications and UPI, including technical issues, security worries, and user interface problems.

2. SECONDARY DATA

• Government publications (including those from the Reserve Bank of India or NPCI)
• Scholarly journals, articles, and other publications
• Industry analyses from banks, fintech companies, and market research firms
• Online studies on consumer behavior related to digital banking.

TOOLS FOR DATA ANALYSIS

The collected data will be assessed using the following statistical techniques:

1. PERCENTAGE ANALYSIS

Percentage analysis is a basic statistical approach used to convert raw data into percentages, which aids in a clearer comprehension of the proportion of respondents exhibiting specific behaviors or preferences. In this study, percentage analysis will be particularly useful for evaluating:
• The percentage of respondents who trust mobile banking applications and UPI.
• The distribution of factors influencing the use of mobile banking and UPI (including security, convenience, and user experience).
• The proportion of users facing challenges with mobile banking applications or UPI, categorized by frequency or severity.
• Demographic distributions (age, gender, income, etc.) of respondents using mobile banking applications and UPI. This method helps in summarizing the responses and demographic data, thus providing a clear and intuitive overview of customer trust, loyalty, and issues related to mobile banking and UPI usage.

2. CHI-SQUARE TEST

The Chi-Square Test will be utilized to explore the relationship between two categorical variables, allowing us to determine if there are statistically significant associations between factors such as demographic characteristics (e.g., age, gender, income) and:
• The level of trust in mobile banking applications or UPI (whether users' trust in these platforms varies according to their demographic characteristics).
• Loyalty towards mobile banking applications or UPI (for example, if individuals with higher incomes show greater loyalty to digital banking).

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• Frequency of use (whether certain age groups or genders use UPI more frequently than others). The formula for the Chi-Square test will be applied as follows: $\chi 2=\sum((Oi-Ei)2Ei)$
Where: Oi = Observed frequency Ei = Expected frequency This statistical analysis aids in determining

VI.DATA ANALYSIS AND INTERPRETATION

CHI-SQUARE TEST-1

H_0: There is no significant relationship between ease of use and customer trust towards mobile banking and UPI.
H_1: There is a significant relationship between ease of use and customer trust towards mobile banking and UPI.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	38.620	12	.000
Likelihood Ratio	34.195	12	.001
Linear-by-Linear Association	.386	1	.534
N of Valid Cases	172		
a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .11.			

Calculation X^2 value: 38.620
Degree of freedom: 12
Significance level: .000

Interpretation

The Chi-Square test results indicate a significant association between the two categorical variables, as both the Pearson Chi-Square test (p = 0.000) and the Likelihood Ratio test (p = 0.001) yield p-values well below the 0.05 threshold, suggesting the variables are related. However, the Linear-by-Linear Association test shows no significant linear relationship (p = 0.534), indicating the association is not linear in nature. It is important to note that 50% of the cells in the contingency table have expected counts less than 5, which violates an assumption of the Chi-Square test and may impact the reliability of the results. Given this, alternative tests, such as Fisher's Exact Test, might be considered for more robust findings in such cases.

CHI-SQUARE TEST-2

H_0: Security and privacy features do not significantly influence customer loyalty**.**
H_1: Security and privacy features significantly influence customer loyalty.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	**24.867**	**12**	**.015**
Likelihood Ratio	22.380	12	.033
Linear-by-Linear Association	2.661	1	.103
N of Valid Cases	172		
a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .08.			

Calculation X^2 value: 24.867
Degree of freedom: 12
Significance level: .015

Interpretation

The Chi-Square test results indicate a significant association between the two categorical variables, as both the Pearson Chi-Square test (p = 0.015) and the Likelihood Ratio test (p = 0.033) yield p-values below the 0.05 threshold, suggesting a relationship between the variables. However, the Linear-by-Linear Association test shows no significant linear relationship (p = 0.103), indicating that the association is not linear in nature. Additionally, 50% of the cells have expected counts below 5, with the minimum expected count being 0.08, which violates a key assumption of the Chi-Square test and could impact the reliability of the results. In light of this, alternative tests such as Fisher's Exact Test may be more appropriate for drawing valid conclusions in this case.

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CHI-SQUARE TEST-3

H_0: Incentives (e.g., cashback, rewards) do not positively impact continued usage and customer loyalty.

H_1: Incentives (e.g., cashback, rewards) positively impact continued usage and customer loyalty.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	62.193	12	.000
Likelihood Ratio	57.571	12	.000
Linear-by-Linear Association	30.883	1	.000
N of Valid Cases	171		
a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .12.			

Calculation X^2 value: 62.193

Degree of freedom: 12

Significance level: .000

Interpretation

The Chi-Square test results reveal a strong significant association between the two categorical variables, with both the Pearson Chi-Square test (p = 0.000) and the Likelihood Ratio test (p = 0.000) yielding p-values well below the 0.05 threshold, indicating that the variables are related. Additionally, the Linear-by-Linear Association test also shows a significant linear relationship (p = 0.000), suggesting a clear trend between the variables. However, the output notes that 50% of the cells have expected counts less than 5, with the minimum expected count being 0.12, which violates a key assumption of the Chi-Square test. This issue may affect the reliability of the results, and alternative tests, such as Fisher's Exact Test, may be more suitable in this case.

VII.FINDINGS

1. Usability Challenges and Technical Glitches Undermine User Experience

A major issue identified is the complexity of app interfaces and the frequency of technical failures. About 68.6% of users report finding the mobile banking/UPI apps confusing or complicated, suggesting significant usability concerns. Furthermore, nearly 60% have experienced app crashes, and over half (51.1%) report frequent transaction failures. Alarmingly, 70.4% also noted issues with delayed or incorrect account balances, pointing to serious reliability and transparency concerns in digital banking platforms. These recurring problems are likely to frustrate users and erode trust, even among those who initially adopted the apps for convenience.

2. Trust in Security Is High, But Uncertainty Lingers Among Many Users

While 75.5% of respondents express trust in the safety of their information, and 69.2% trust the accuracy of transactions, there is still a notable segment that remains unconvinced. For instance, 44.8% are neutral about the security of UPI transfers, and a similar portion is unsure about the safety of entering financial information. This hesitancy, despite high levels of general trust, highlights a gap in communication or education about app security features, which could be addressed through more transparent and user-friendly security messaging.

3. Social and Reputational Factors Drive Adoption and Loyalty

User behavior is heavily influenced by peer recommendations and brand reputation. Over 52.9% of users adopted mobile banking or UPI apps based on encouragement from family or friends, and 55.2% were influenced by positive reviews. Brand reputation plays a strong role in retention as well, with 57.5% continuing to use their chosen app due to trust in the brand. This finding suggests that social proof and brand perception are critical to both onboarding and long-term loyalty, making them strategic levers for companies in this space.

4. Moderate Satisfaction and Confidence Levels Point to Growth Potential

Though 57% of users report being satisfied with their mobile banking or UPI app's performance, there remains room for improvement. Confidence levels are also moderate—only 59.9% feel confident using these apps, and 50.6% feel safe entering financial data. This suggests that while most users have a positive experience overall, a significant portion remains cautious or only partially convinced of the apps' reliability and usability. Addressing these gaps could help convert neutral or hesitant users into loyal advocates.

VIII. SUGGESTIONS

1. Fix Account Balance and Transaction History Delays:

With 70.4% of users reporting incorrect or delayed balance updates**, this is the most critical trust-breaking issue. Resolving backend synchronization problems—possibly through better integration with banking systems—should be a top priority to retain credibility and avoid user churn.

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2. Redesign Confusing Interfaces Based on Usability Testing:
Since 68.6% of users find the interface confusing, investing in user-centered design will directly enhance usability, reduce frustration, and improve transaction success rates. Simplifying common workflows like fund transfers or bill payments will especially benefit less tech-savvy users.

3. Address App Crashes and Bugs Promptly:
Nearly 60% of respondents experience crashes or glitches, which severely undermines user trust. Strengthening quality assurance (QA) processes and deploying quicker updates can drastically improve performance and prevent negative word-of-mouth.

4. Leverage Peer Influence and Reviews in Marketing:
Given that 52.9% adopted apps due to peer influence and 55.2% were swayed by reviews, this is a powerful growth lever. Creating referral programs, using testimonials, and encouraging positive app store reviews will expand user adoption and foster organic growth.

IX. CONCLUSION

This study highlights that while mobile banking applications and UPI systems are increasingly embraced in Pollachi Town, sustaining their growth hinges on strengthening customer trust and loyalty. The findings confirm that users place the highest importance on security, transaction reliability, user-friendliness, and responsive customer service. When these elements are effectively addressed, they foster not only trust but also long-term user commitment to digital financial services. However, technical issues like app crashes, confusing interfaces, and delayed transaction histories continue to erode user confidence. To overcome these barriers, banks and fintech providers must prioritize secure infrastructure, intuitive design, and robust support systems. By implementing the practical recommendations derived from this research—such as enhancing app stability, simplifying interfaces, and emphasizing peer-driven adoption strategies—service providers can create a more reliable and user-centered digital banking ecosystem. Ultimately, reinforcing these core aspects will encourage greater trust, leading to improved user satisfaction and stronger loyalty in the digital financial landscape of smaller towns like Pollachi.

X. REFERENCE

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