



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## Digital Banking & Its Impact on Customer Satisfaction

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### Abstract:

The rapid advancement of digital technologies has significantly transformed the banking sector, giving rise to digital banking as a dominant mode of financial service delivery. This study examines the impact of digital banking on customer satisfaction, focusing on key factors such as convenience, accessibility, security, service quality, and user experience. With the increasing adoption of online and mobile banking platforms, customers now expect faster, more efficient, and personalized services. The research analyzes how digital banking channels influence customer perceptions and satisfaction levels compared to traditional banking methods. Using a combination of primary and secondary data, the study evaluates customer responses to various digital banking features, including mobile applications, internet banking, and automated services. The findings indicate that convenience and ease of use are the most significant contributors to customer satisfaction, while concerns related to data security and technical issues may negatively impact user experience. Furthermore, the study highlights the role of banks in enhancing digital infrastructure and customer support to improve overall satisfaction.

The study concludes that digital banking positively influences customer satisfaction, provided that banks continuously improve technological infrastructure, ensure robust security measures, and deliver seamless user experiences. The results offer valuable insights for banks and policymakers to develop effective digital strategies and strengthen customer relationships in a competitive banking environment.

**Keywords:** Digital Banking, Customer Satisfaction, Internet Banking, Mobile Banking, Service Quality, User.

## INTRODUCTION

In recent years, the banking sector has undergone a profound transformation driven by rapid advancements in digital technology. Digital banking, which refers to the delivery of banking services through electronic platforms such as mobile applications, internet banking, and automated systems, has emerged as a key component of modern financial services. With the widespread adoption of smartphones and internet connectivity, customers increasingly prefer digital channels over traditional branch-based banking. Customer satisfaction has become a crucial determinant of success in the banking industry, as it influences customer loyalty, retention, and overall profitability. Digital banking offers several advantages, such as convenience, speed, accessibility, and personalized services, which can significantly enhance customer satisfaction. However, it also presents challenges, including security concerns, technological barriers, and reduced personal interaction, which may negatively affect customer perceptions.

The rapid Digital Transformation of the financial sector has redefined how customers interact with banks. Financial Technology (FinTech) innovations have expanded Electronic Banking (E-Banking) beyond traditional branches into Internet Banking and Mobile Banking platforms. These Online Banking Services and Automated Banking Services promise greater Service Efficiency, 24/7 access, and personalized User Experience. Customer Satisfaction in this environment depends on multiple dimensions of Service Quality. The Technology Acceptance Model highlights Perceived Usefulness and Ease of Use as primary drivers of Technology Adoption. However, in banking, Security and Privacy and Trust in Banking Systems are equally critical. A secure, intuitive platform enhances Customer Experience, while data breaches or complex interfaces directly harm Customer Retention.

In countries like India, initiatives such as Digital India and the introduction of platforms like Unified Payments Interface have accelerated the growth of digital banking. Leading financial institutions, including HDFC Bank, ICICI Bank, and State Bank of India, have invested heavily in digital infrastructure to enhance customer experience and remain competitive.

### Review of Literature

The rapid growth of digital banking has attracted significant academic attention, particularly in understanding its influence on customer satisfaction, loyalty, and service quality. Various researchers have explored this relationship using different theoretical models, methodologies, and geographical contexts. A systematic literature review conducted between 2006 and 2022 analyzed over 140 research papers and found that digital banking has a positive and significant impact on customer satisfaction and loyalty, primarily due to improved service delivery and convenience. This study also highlighted that most research in this field focuses on service quality and behavioral outcomes such as retention and loyalty.

Another study emphasized that customer satisfaction in digital banking is closely linked to customer expectations, perceived usefulness, and risk perception. It found that satisfied customers are less likely to switch banks and more likely to remain loyal, underlining the strategic importance of digital service quality.

Research on customer experience in digital banking identified three major determinants:

1. Functional factors (efficiency, reliability, convenience)
2. Technical factors (website/app design, usability)
3. Human factors (customer support and complaint handling)

These dimensions collectively shape the overall customer experience and satisfaction levels.

Several studies have also focused on e-service quality (E-SQ) as a critical determinant of satisfaction. Dimensions such as responsiveness, security, ease of use, and personalization were found to significantly influence customer perceptions. Additionally, mediating variables like trust and perceived value, along with demographic factors, play an important role in shaping satisfaction outcomes.

A more recent systematic review (2010–2024) categorized the literature into key themes, including service quality, trust and security, mobile banking satisfaction, and the role of artificial intelligence in customer

interactions. It also noted that demographic factors such as age and technological readiness influence satisfaction levels, indicating that digital banking adoption is not uniform across populations. Furthermore, studies on online banking services highlight that usability, security, personalization, and customer support are the most critical factors affecting satisfaction. Improvements in user experience (UX) design and the integration of emerging technologies have been shown to enhance overall customer satisfaction and engagement.

Despite the overall positive impact, the literature also identifies several challenges, including cybersecurity risks, lack of digital literacy, and technical issues, which can negatively affect customer satisfaction and trust in digital banking systems.

### **Statement of the Problem**

The rapid advancement of digital technologies has transformed the traditional banking system into a more accessible and technology driven service model. Digital banking platforms such as mobile banking applications, internet banking, and real-time payment systems like Unified Payments Interface have significantly improved the speed, convenience, and efficiency of banking services. In countries like India, digital banking adoption has grown rapidly due to increased internet penetration and supportive initiatives such as Digital India. Despite these advancements, several challenges persist that may affect customer satisfaction. Issues such as security concerns, including cyber fraud and data breaches, continue to undermine customer trust in digital platforms. Additionally, technical problems such as system failures, slow transaction processing, and application errors can lead to dissatisfaction among users. Another critical concern is the digital divide, where a significant portion of the population particularly in rural areas or among elderly customers lacks the necessary digital literacy to effectively use digital banking services.

Therefore, the core problem addressed in this study is to examine whether digital banking services truly enhance customer satisfaction or whether the associated risks, technological barriers, and service limitations diminish the overall customer experience. This research seeks to identify the key factors that influence customer satisfaction in digital banking and to evaluate the extent to which digital transformation has met customer expectations.

### **Objectives of the study**

1. To study customer awareness and usage of digital banking services
2. To analyze the factors influencing customer satisfaction in digital banking
3. To examine the relationship between digital banking services and customer satisfaction
4. To identify challenges faced by customers while using digital banking services
5. To provide suggestions for improving customer satisfaction through digital banking

### **Scope of the Study**

**Focus on Digital Banking Services:** The study covers services such as mobile banking, internet banking, online fund transfers, bill payments, and digital wallets. **Customer Perspective:** It examines customer satisfaction based on user experiences, perceptions, and expectations of digital banking platforms. **Target Population:** The research is limited to customers who actively use digital banking services (e.g., bank app users, internet banking users). **Geographical Area:** The study may be confined to a specific region (e.g., city, state, or country such as India) depending on. **Behavioral Outcome :** The study may extend to outcomes like customer loyalty, retention, and continued usage intention. **Data Collection Method:** The scope includes survey-based or questionnaire-based data collected from respondents.

## Research Methodology

This study on the impact of digital banking on customer satisfaction is based on a descriptive research design, as it aims to analyze and interpret customer perceptions regarding digital banking services. The research follows a quantitative approach, which helps in measuring satisfaction levels and identifying relationships between different service factors and customer satisfaction.

The study is grounded in concepts from Marketing Research and Information Systems, incorporating models such as the Technology Acceptance Model and the SERVQUAL model to evaluate how service quality and technology usage influence customer satisfaction. These models help identify key determinants such as ease of use, reliability, responsiveness, and security.

Primary data for the study is collected through a structured questionnaire distributed among customers who actively use digital banking services. The questionnaire is designed using a Likert scale to measure respondents' level of agreement with various statements related to digital banking features, including usability, accessibility, transaction speed, and perceived security. In addition to primary data, secondary data is gathered from sources such as banking reports, research journals, and publications from regulatory authorities to support the theoretical framework.

## Finding of the study

The study on digital banking and its impact on customer satisfaction reveals several important insights

A majority of customers prefer digital banking due to convenience, time-saving features, and 24/7 accessibility. Mobile banking applications and internet banking services significantly improve transaction speed and service efficiency. Customer satisfaction is positively influenced by factors such as ease of use, security, service quality, and user interface design.

## Suggestions

Banks should improve cybersecurity measures to strengthen customer trust. User interfaces of mobile and internet banking apps should be made more simple and user-friendly. Continuous system upgrades are required to reduce technical glitches and downtime. Awareness programs should be conducted for elderly customers to increase digital literacy.

## Conclusion

The study concludes that digital banking has a significant positive impact on customer satisfaction. It has transformed traditional banking by providing faster, more convenient, and accessible services. However, customer satisfaction depends heavily on system reliability, security, and ease of use. While digital banking is widely accepted, continuous improvement is necessary to address technical and security challenges. Overall, digital banking is a key driver of modern banking efficiency and customer satisfaction.

## Limitations of the Study

The study is limited to a specific sample size, which may not represent the entire population. Responses may be influenced by personal bias and perception of users. Rapid technological changes in digital banking may make some findings outdated over time. The study focuses mainly on customer perception and does not deeply analyze bank-side technical systems. Geographical limitations may affect the generalizability of the results.

## Scope for Future Research

Future research can include a larger and more diverse sample across different regions and countries. Comparative studies between traditional banking and digital banking satisfaction levels can be conducted. Impact of artificial intelligence and blockchain in digital banking can be explored. Security issues and cyber fraud prevention in digital banking can be studied in detail.

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