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## THE IMPACT OF DIGITAL BANKING ON CUSTOMER SATISFACTION

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### ABSTRACT

The advent of digital banking has transformed the traditional banking landscape, offering customers enhanced accessibility, convenience, and efficiency. This research examines the impact of digital banking on customer satisfaction, focusing on key variables such as user interface design, service quality, transaction speed, trust, and customer support. A mixed-method approach is utilized, combining a review of existing literature with empirical data collected through surveys and interviews. The findings reveal a strong correlation between the quality of digital banking services and customer satisfaction, underscoring the critical role of technological advancement in shaping customer experiences and loyalty.

**KEYWORDS:** Digital banking, Customer satisfaction, Technology adoption, Online banking, financial services, User experience

### 1. INTRODUCTION

#### 1.1 Background

The financial services industry has undergone significant transformations over the past two decades, largely driven by advancements in digital technology. Digital banking, which refers to the digitization of all traditional banking activities and programs, has emerged as a powerful tool for banks to deliver financial services through the internet, mobile applications, and other digital platforms. This paradigm shift has altered customer expectations, making convenience, accessibility, and personalization central to the banking experience.

#### 1.2 Problem Statement

Despite the rapid proliferation of digital banking platforms, there is a lack of consensus on how these innovations affect customer satisfaction. While some studies suggest that digital banking significantly enhances customer experience, others argue that technical glitches, cyber security concerns, and lack of personalized service may hinder satisfaction levels.

### **1.3 Research Objectives**

- To evaluate the impact of digital banking on overall customer satisfaction.
- To identify key digital banking features influencing customer perceptions.
- To assess challenges faced by customers in using digital banking services.
- To offer recommendations for improving customer satisfaction through digital banking platforms.

### **1.4 Scope of the Study**

This research focuses on both retail and corporate banking users across urban and semi-urban settings, exploring customer satisfaction in terms of usability, service reliability, transaction security, and digital literacy.

## **2. Literature Review**

### **2.1 Concept of Digital Banking**

Digital banking involves the automation of traditional banking services, enabling customers to access their accounts and conduct transactions through electronic devices. It includes services such as mobile banking, internet banking, digital wallets, and ATMs integrated with software solutions.

### **2.2 Customer Satisfaction in the Banking Sector**

Customer satisfaction is a measure of how well banking services meet or exceed customer expectations. It is crucial for customer retention, brand loyalty, and positive word-of-mouth. The SERVQUAL model is often used to measure service quality through five dimensions: reliability, assurance, tangibles, empathy, and responsiveness.

### **2.3 Theoretical Framework**

The Technology Acceptance Model (TAM) and the Expectation-Confirmation Theory (ECT) are key theories used to assess the acceptance of digital platforms and subsequent customer satisfaction. TAM focuses on perceived ease of use and usefulness, while ECT evaluates satisfaction based on expectations and actual experience.

### **2.4 Previous Studies**

- 3 A study by Singh and Srivastava (2021) found that mobile app usability and personalization positively affect user satisfaction.
- 4 Research by Alalwan et al. (2018) suggested that trust and security concerns are the main barriers to the widespread adoption of digital banking.

- 5 According to Deloitte (2020), banks that invest in customer-centric digital strategies report higher satisfaction scores.

### **3. Research Methodology**

#### **3.1 Research Design**

A quantitative research design was adopted, complemented by qualitative interviews to gather detailed insights. A structured questionnaire was used to collect data from a sample of 500 banking customers.

#### **3.2 Sampling Technique**

Stratified random sampling was employed to ensure representation across different demographics including age, income, location, and digital proficiency.

#### **3.3 Data Collection Tools**

- Online and paper-based surveys
- In-depth interviews with 20 banking customers and 5 digital banking managers

#### **3.4 Data Analysis**

Descriptive statistics, correlation analysis, and regression analysis were conducted using SPSS to determine the impact of digital banking variables on customer satisfaction

## **4. RESULTS AND DISCUSSION**

### **4.1 Demographic Profile**

- 60% of respondents were aged between 25–40 years.
- 70% used digital banking at least twice a week.
- 85% owned smartphones and had access to high-speed internet.

### **4.2 Key Findings**

#### **4.2.1 Ease of Use**

- 78% of respondents agreed that digital banking platforms are easy to use.
- Interface simplicity and intuitive navigation were major satisfaction drivers.

#### **4.2.2 Transaction Speed**

- 85% expressed satisfaction with the speed of transactions.

- Customers valued instant fund transfers, quick bill payments, and rapid account updates.

#### 4.2.3 Service Availability

- 90% highlighted 24/7 accessibility as a key advantage.
- Digital channels helped avoid long queues and branch visits.

#### 4.2.4 Security and Trust

- 65% felt secure using digital banking services.
- Concerns included phishing attacks, data breaches, and unauthorized transactions.

#### 4.2.5 Customer Support

- Only 55% were satisfied with digital customer support.
- Automated chatbots and delayed responses were seen as barriers to effective problem-solving.

#### 4.2.6 Personalization and Innovation

- Personalized recommendations and AI-based services were positively received.
- However, some users felt overwhelmed by excessive notifications or promotional content.

### 5. Analysis and Interpretation

Regression analysis revealed that:

- **Ease of use** ( $\beta = 0.32, p < 0.01$ ) had a significant positive impact on customer satisfaction.
- **Transaction speed** ( $\beta = 0.28, p < 0.05$ ) and **service availability** ( $\beta = 0.25, p < 0.05$ ) were also strongly correlated.
- **Security** ( $\beta = 0.20, p < 0.10$ ) had a moderate yet important influence.
- **Customer support** ( $\beta = 0.18, p < 0.05$ ) was the weakest link, suggesting room for improvement.

These findings confirm that digital convenience, coupled with efficient execution, enhances customer satisfaction. However, gaps in customer service and cybersecurity need strategic intervention.

## 6. Challenges in Digital Banking

- **Digital Illiteracy:** Older adults and rural customers face difficulties navigating apps and understanding digital processes.
- **Cybersecurity Threats:** Rising incidents of fraud and cybercrime affect customer trust.
- **Service Outages:** Technical glitches during peak usage periods lead to dissatisfaction.
- **Lack of Human Interaction:** Automated systems cannot fully replicate the empathy and understanding of human agents.

## 7. Recommendations

- **User-Centric Design:** Platforms should be redesigned based on customer feedback to improve UX/UI.
- **Enhanced Security Measures:** Multi-factor authentication, biometric verification, and real-time fraud alerts should be prioritized.
- **Hybrid Service Models:** Banks can offer a blend of automated and human-assisted services for better issue resolution.
- **Digital Education Programs:** Free training and awareness campaigns should be conducted, especially in semi-urban and rural areas.
- **Feedback Mechanisms:** Regular surveys and feedback loops can help identify areas needing improvement.

## 8. Case Studies: -

### Example 1: HDFC Bank's Mobile Banking App Upgrade in India

#### Context:

HDFC Bank, one of India's largest private banks, launched a major update to its mobile banking app in 2023, focusing on ease of use, transaction speed, and AI-powered services after receiving customer complaints about the old interface.

#### Alignment with Research Findings:

##### Ease of Use:

The updated app introduced a cleaner, intuitive UI, quick-access icons, and voice-enabled navigation — echoing your study's finding that 78% of users valued interface simplicity.

##### Transaction Speed:

Instant transfers (IMPS, UPI), auto-fill bill payment options, and real-time investment tracking directly support the 85% user satisfaction with speed mentioned in your paper.

**Personalization:**

AI-based tools suggest credit cards, investment options, and loan offers based on user behavior — similar to the AI-driven personalization highlighted in section 4.2.6 of your paper.

**Challenge - Customer Support:**

Despite tech upgrades, many users on Google Play Store (4.4-star rating) still criticize chatbot support — confirming your paper’s insight that only 55% of respondents were satisfied with customer service.

**Example 2: Revolut’s Expansion and User Experience in the UK/EU**

**Context:**

Revolut, a digital-only neobank in Europe, has gained over 40 million users by focusing on a mobile-first, highly customizable experience — ideal for tech-savvy customers.

**Alignment with Research Findings:**

**Service Availability:**

As a 24/7 platform with no physical branches, Revolut represents the 90% of customers who cited round-the-clock access as a key benefit in your study.

**Security and Trust:**

Offers biometric login, instant card freeze, real-time fraud alerts, and disposable virtual cards — matching your recommendation for multi-factor authentication and enhanced cybersecurity.

**Digital Literacy Challenge:**

While digital natives enjoy Revolut’s features, older or rural users often find the interface overwhelming, reinforcing your study’s note about digital illiteracy as a barrier.

**Hybrid Service Limitation:**

Like in your findings, the lack of human interaction (no physical branches or dedicated phone support) sometimes frustrates users during emergencies or fraud cases.

**9. CONCLUSION**

Digital banking has revolutionized how customers interact with financial institutions, making services more accessible, convenient, and efficient. This study highlights a clear link between digital banking features and customer satisfaction, with ease of use, speed, and service availability being the most influential factors. However, the challenges of cybersecurity and impersonal customer service require attention. By addressing these concerns and leveraging technological advancements, banks can enhance customer satisfaction and foster long-term loyalty.

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