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Customer satisfaction on digital banking services by public banks in Hyderabad

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Abstract

Digital banking has not only enhanced operational efficiency but has also significantly altered the way customers interact with their banks. However, the success of these services depends largely on customer satisfaction, which is influenced by multiple factors including usability, reliability, trust in security, customer support, and overall digital literacy. This study aims to assess the level of customer satisfaction toward digital banking services offered by public sector banks in Hyderabad city. By analyzing demographic characteristics, usage patterns, and challenges faced by users, the study provides valuable insights into the effectiveness of digital banking adoption. Furthermore, the regression analysis identifies the most critical factors that drive satisfaction, thereby helping banks to focus on areas that require strategic improvement. Bank digital services in India is generally positive, with many users satisfied with convenience, speed, and ease of use, but significant room for improvement exists in system reliability, security, and customer support to match or surpass private banks, as indicated by studies showing high satisfaction (75-80%) but also lingering concerns about glitches, advanced tech, and customer service responsiveness. The introduction of digital banking has revolutionized the banking sector and modified the whole procedure of simple bank transfers. It has facilitated the customers assisting them to check their account details, pay online bills and transfer money from one account to the other in a faster way. This has helped the end user to enjoy a methodological financial life.

Keyword: E-wallet, smart phone, UPI, technology

Introduction

According to a survey conducted by a factual information supplier, approximately 43% of Indian individuals will have digital banking accounts by 2025, allowing them to access and do all typical banking activities 24 hours a day, seven days a week without having to visit a bank office. The India Digital Banking Market has shown significant evolution, particularly in the Service Type segment, which includes Mobile Banking, Online Banking, Digital Wallets, and Payment Processing. The increasing smartphone penetration in India is a pivotal driver behind the sharp rise in mobile banking usage, as it offers convenience and accessibility to users, contributing to a more inclusive financial ecosystem. Mobile Banking has emerged as a preferred method for transactions, allowing users to manage accounts, transfer funds, and pay bills with ease, significantly enhancing user experience amid a rapidly digitalized economy. Online Banking continues to cater to a substantial user base, offering comprehensive banking services such as loan applications and investment options all at their fingertips.

Additionally, Digital Wallets have gained prominence due to the growing adoption of cashless transactions encouraged by government initiatives like Digital India, providing users with an efficient alternative to traditional banking methods. These platforms typically support a variety of payment solutions, bolstering the ecosystem by allowing seamless transactions between individuals and merchants, further supported by the rise of e-commerce in the region. Payment Processing systems have also transcended conventional methods, automating transactions, which helps decrease operational costs for businesses while delivering faster payment confirmations to consumers.

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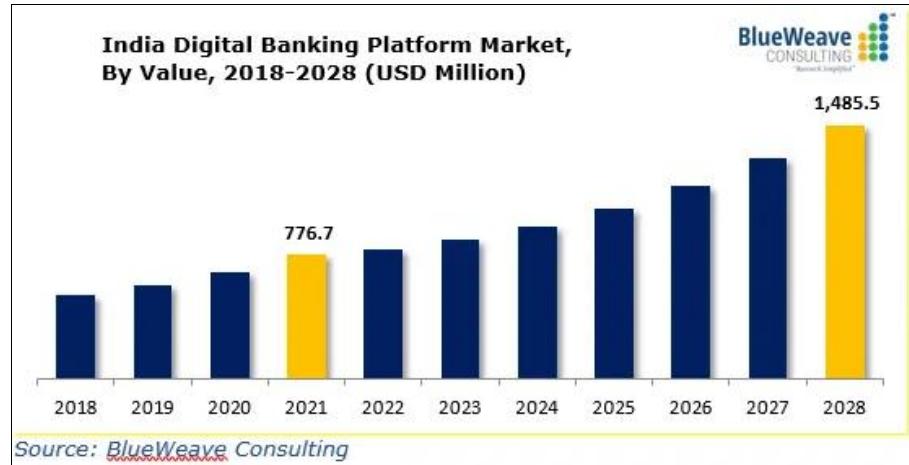


Fig 1: India Digital Banking Platform Market, By Value, 2018-2028 (USD Million)

Understanding regional demographics reveals that tier 2 and tier 3 cities are increasingly becoming important markets for these digital banking services due to urbanization trends and increased internet access.

Rise of Mobile Banking and Digital Wallets

In India, one of the major trends driving the digital banking market is the rapid growth of mobile banking and digital

wallets. An increasing number of Indians are adopting mobile banking solutions to carry out their finances owing to increasing smartphone penetration and access to high-speed internet. Digital wallets such as Paytm, PhonePe, and Google Pay have gained enormous popularity, allowing consumers to execute real-time transactions, pay bills, or transfer cash with extreme ease.

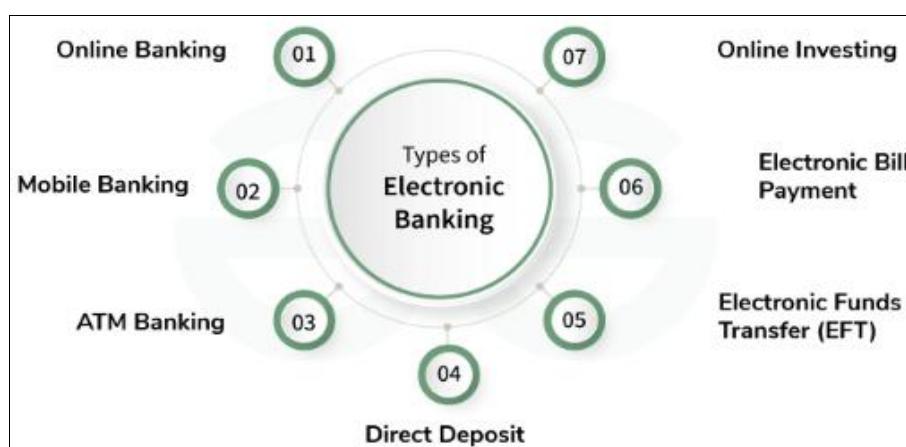


Fig 2: Types of Electronic Banking Services

The India Digital Banking Market is characterized by rapid advancements in technology and an increasing shift towards mobile and online banking solutions. As consumer preferences evolve, financial institutions are compelled to innovate and adapt their services to capture a broader audience. This competitive landscape is marked by the emergence of fintech firms alongside traditional banks, creating a dynamic environment where customer experience and the efficiency of digital services play pivotal roles. The market is driven by favorable regulatory support, a burgeoning internet user base, and a growing demand for seamless banking experiences.

Literature

Vo Duy Tuong & Nguyen Ha Thach (2025)^[1], this study enhances the understanding of customer satisfaction and loyalty in digital banking, particularly among Generation Z in Vietnam. It broadens the application of consumption values theory by examining functional, emotional,

epistemic, and monetary values in shaping satisfaction and loyalty. Unlike previous studies that focus on broader demographic groups, this research highlights the distinct preferences of Generation Z, emphasizing innovation, convenience, and financial benefits over social recognition. Tandel (2023)^[4], Devi (2023) Customer satisfaction is defined as the extent to which the actual performance of a service meets or exceeds customer expectations. In the digital banking sector, where switching providers is relatively easy, satisfaction is pivotal in fostering long-term loyalty. Numerous studies have consistently demonstrated that higher service quality - measured by reliability, responsiveness, and empathy - enhances satisfaction, which in turn strengthens loyalty. Empirical evidence from various markets supports this relationship. For example, research on South African e-banking services confirms that service quality significantly improves satisfaction. Nguyen, (2023)^[2], the rapid development of digital banking services has significantly transformed the banking

landscape, shifting customer interactions from traditional physical branches to digital platforms. Digital banking, defined as the delivery of banking services through digital platforms such as mobile applications or internet banking, has become a crucial element of modern financial institutions. This shift is largely driven by advancements in financial technology (fintech), which offer customers enhanced convenience, speed, and accessibility in banking transactions. Recent studies indicate that factors such as social influence, facilitating conditions, and hedonic motivations significantly impact Generation Z's adoption of digital banking services. In Vietnam, where digital adoption is on the rise.

Ameme, B., & Wireko, J. (2016)^[5] claimed in his research that in today's competitive world where technology plays a very important role and if we talk about banking sector or industry there is a positive relationship between technology and customer satisfaction. They also stated that satisfaction of customer is not merely introducing if the bank wants to become the market leader in the competitive environment it must use the innovation approach in all the aspects like products and services. Also there is a significant relationship between technological innovation and cost. As the innovation increase the cost is also increase

Pinki Insan & Sapna Kumari (2015)^[3] in their study titled "A study on customers perception towards internet banking: A study of Sirsa City" investigated about customer satisfaction towards internet banking in Sirsa City, Tamilnadu. The study is mainly about customers' perception and satisfaction levels of internet banking users about the internet banking services provided by the banks. The study is conducted with the sample size of 100 internet banking customers of Sirsa City. The study revealed that the customers are preferring internet banking for services such as opening savings account, applying for consumer loan, applying for credit cards. The study also revealed that more number of Customers preferred opening saving account in PNB. The study suggested that there should improvements in internet banking services for better customer satisfaction and customer retention.

Objectives

1. To Study Hyderabad Bankers perception towards Digital Banking
2. To Analyse the influence of customer perceived value attributes among the selected sample Unit of Public Sector Banks.
3. To know the impact of personal and demographic factors on customer perceived value over the digital banking services

Hypothesis

- **H₀₁:** There is no significant difference between personal and demographic factors significantly create impact on customer perceived value over digital banking services.
- **H_{01a}:** There is no significant impact of gender on customer perceived value over digital banking services.
- **H_{01b}:** There is no significant impact of marital status on customer perceived value over digital banking services.

Sampling Unit & Sample Size

The objectives of the research necessitated the study to be

carried out among the bank customers aged 18 years or above who have conducted transactions through an online mode. The age restriction of 18 years was used as this corresponds with the minimum age for obtaining online banking login credentials-the primary source of payment for online transactions. A sample of 100 such respondents opinion was captured by using a structured questionnaire.

Data analysis

Table 1: Bank Usage

	Response	Frequency	Percent
Having bank account in public sector banks	Yes	84	91.38
	No	16	8.62
Frequency of using digital banking services to check account balance	Daily	26	34.48
	Weekly	20	17.24
	Monthly	26	25.86
	Rarely	18	22.41

Out of 116 respondents, 106 (91.38%) have accounts in public sector banks, while only 10 respondents (8.62%) do not. This indicates a high penetration of public sector banks among the surveyed population, reflecting strong trust and reliance on these banks for financial transactions.

Among those who have accounts, respondents access their account balance digitally with varying frequencies: 40 respondents (34.48%) check their account balance daily, showing a significant portion of customers actively monitoring their finances, 20 respondents (17.24%) check weekly, suggesting moderate engagement with digital banking, 30 respondents (25.86%) use digital channels monthly, reflecting occasional use, possibly for bill payments or budget tracking, 26 respondents (22.41%) rarely check their balance digitally, indicating low engagement with digital platforms for financial monitoring. Overall, most users access digital banking frequently (daily or weekly), highlighting the increasing reliance on digital tools for basic banking activities. Banks can leverage this data to promote digital banking features, improve user experience, and educate customers who rarely use digital services, thereby enhancing overall engagement and reducing dependency on physical branches.

- **H₀₂:** There is no significant impact of personal and demographic factors significantly on customer perceived value over digital banking services.
- **H_{02a}:** There is no significant impact of gender on customer perceived value over digital banking services.

Table 2: Group Statistics

	Gender:	N	Mean	Std. Deviation	Std. Error Mean
OCV	Male	70	3.7361	.87661	.10477
OCV	Female	44	3.4360	.95610	.14414

The hypothesis H_{02a}, which states that there is no significant impact of gender on customer perceived value (OCV) over digital banking services, was tested using an independent samples t-test. The group statistics show that male respondents (N = 70) reported a slightly higher mean perceived value (Mean = 3.7361, SD = 0.8766) compared to female respondents (N = 44), whose mean score was 3.4360 (SD = 0.9561). This indicates that, on average, male users tend to perceive slightly greater value from digital banking

services than female users. However, the variation within both groups, as reflected by their standard deviations, suggests a moderate spread of opinions among both genders. Levene's test for equality of variances yielded an F-value of 1.026 with a significance level of 0.313, which is greater

than 0.05. This implies that the assumption of equal variances between the two gender groups is satisfied, allowing the interpretation of the results under the "equal variances assumed" condition.

Table 3: Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
OCV	Equal variances assumed	1.026	.313	1.718	112	.089	.30006	.17468	-.04605	.64616
	Equal variances not assumed			1.684	85.560	.096	.30006	.17820	-.05421	.65432

The t-test value ($t = 1.718$, $df = 112$) shows a significance level of 0.089, which is greater than the conventional alpha level of 0.05. This means the difference in mean perceived value scores between male and female respondents is not statistically significant.

Therefore, the null hypothesis H01a is accepted, indicating that gender does not have a significant impact on customer perceived value toward digital banking services. Although males report a slightly higher mean score than females, this difference could be attributed to random variation rather than a true gender-based difference in perceptions. These findings suggest that both male and female customers evaluate the value derived from digital banking services in a broadly similar manner, highlighting the gender-neutral nature of perceived benefits in digital banking adoption.

H02b: There is no significant impact of marital status on customer perceived value over digital banking services.

Table 4: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.709	2	3.354	4.286	0.016
Within Groups	88.426	113	.783		
Total	95.135	115			

The hypothesis H01b, which states that there is no significant impact of marital status on customer perceived value (OCV) over digital banking services, was examined using one-way ANOVA. The analysis was conducted to determine whether differences exist in perceived value among customers based on their marital status categories (e.g., single, married, and others). The ANOVA results reveal that the between-group sum of squares is 6.709 with 2 degrees of freedom, resulting in a mean square of 3.354. The within-group sum of squares is 88.426 with 113 degrees of freedom, giving a mean square of 0.783. The computed F-value of 4.286 with a significance level (p-value) of 0.016 indicates that the differences among the groups are statistically significant at the 5% level of significance.

Since the p-value (0.016) is less than 0.05, the null hypothesis H02b is rejected. This suggests that marital status has a significant impact on customers perceived value toward digital banking services. These findings highlight the importance of customer segmentation based on marital status for banks aiming to enhance digital service value perception. Financial institutions could tailor their communication strategies and product offerings to address

the distinct expectations and priorities of different demographic groups, thereby improving customer satisfaction and engagement with digital banking platforms.

Discussion of Results

The study also reveals that demographic factors such as marital status, age, education, and profession significantly influence customer perceptions, whereas gender does not exert a statistically significant impact. This underscores the importance of segmenting customers based on life stage, educational background, and occupational context to tailor digital banking solutions that meet diverse needs. Moreover, significant differences in perceived value across public sector banks suggest variability in the quality of digital banking experiences, pointing to the need for institutions to invest in robust digital infrastructure, innovative features, and responsive customer support to remain competitive. Overall, the research highlights that the adoption and continued use of digital banking services are strongly driven by a combination of functional, emotional, social, and epistemic benefits. Banks that adopt a holistic approach, integrating user-friendly platforms, security, innovative features, and demographic-specific strategies, are likely to enhance customer satisfaction, loyalty, and perceived value. These findings provide practical guidance for financial institutions aiming to strengthen their digital banking offerings and foster sustainable customer engagement in an increasingly technology-driven financial landscape.

Suggestions

- Enhance User Experience:** Banks should prioritize improving the ease of use of digital platforms by streamlining registration processes, simplifying navigation, and offering intuitive interfaces for all users, including non-tech-savvy customers.
- Strengthen Security Measures:** Continuous upgrades to cybersecurity protocols and timely notifications regarding suspicious activities can enhance trust and reassure users about the safety of their transactions.
- Expand Customer Support Channels:** Banks should provide multiple support channels, including chatbots, helplines, and self-help resources, ensuring timely and effective resolution of customer issues.
- Promote Innovative Features:** Regularly introducing practical, user-friendly, and technologically advanced features can improve customer engagement and satisfaction while positioning the bank as digitally

progressive.

- **Targeted Demographic Strategies:** Tailoring services and marketing strategies according to age, marital status, education, and profession can increase perceived value among specific customer segments. For example, simplified interfaces for older users and advanced, feature-rich apps for younger users.
- **Enhance Financial Literacy:** Offering digital literacy programs and tutorials can help less-educated customers better understand and trust digital banking services, boosting adoption and perceived value.

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