



International Journal of Research in Finance and Management

P-ISSN: 2617-5754
E-ISSN: 2617-5762
Impact Factor (RJIF): 5.32
IJRFM 2026; 9(1): 29-33
www.allfinancejournal.com
Received: 08-10-2025
Accepted: 13-11-2025

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Customer satisfaction on digital banking services by public banks in Hyderabad

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DOI: <https://www.doi.org/10.33545/26175754.2026.v9.ila.672>

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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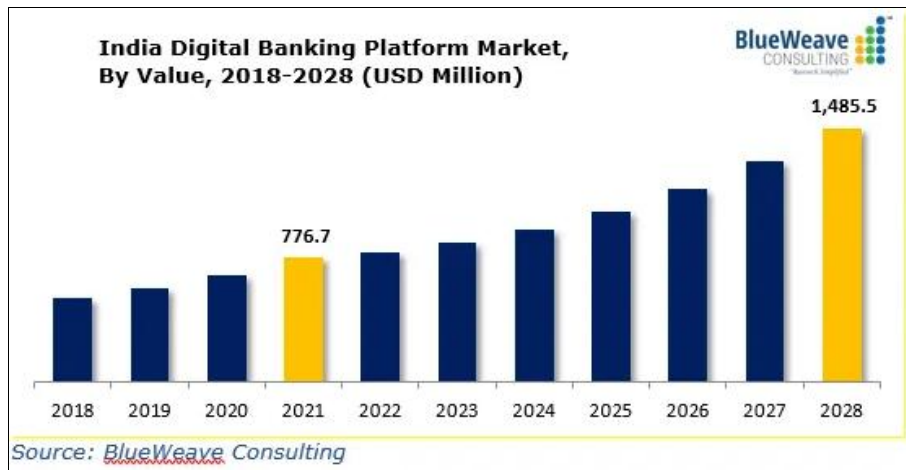


Fig 1: India Digital Banking Platform Market, By Value, 2018-2028 (USD Million)

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.

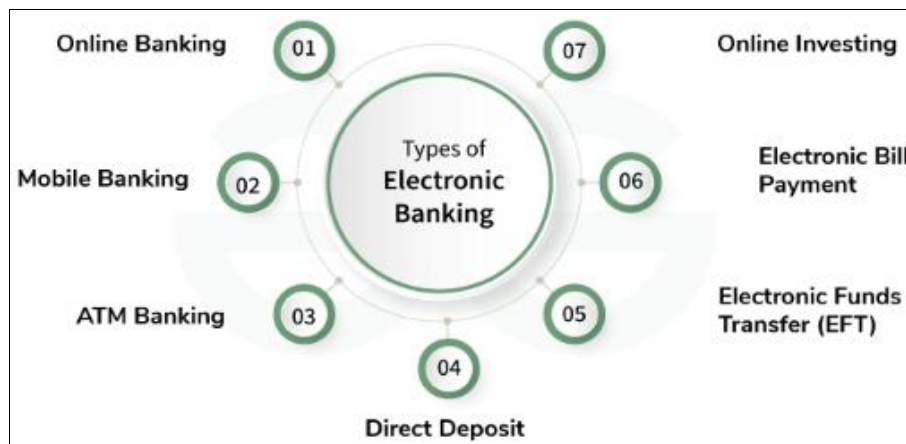


Fig 2: Types of Electronic Banking Services

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

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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