



International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2025; 8(1): 281-285
www.theeconomicsjournal.com
Received: 22-02-2025
Accepted: 26-03-2025

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Digitalization of banks and its impact on customer satisfaction

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DOI: <https://doi.org/10.33545/26179210.2025.v8.i1.490>

Abstract

The shift from traditional to digitalized banking system has been a great revolution in the recent past. Digital banking is the most important change in the present world. Digital banking provides services like convenience, greater coverage and Web enabled function thus making it more popular among the customers. A digitalized banking system has really eased up the working of banks and has made banking process easy for the customers. One can pay bills, do recharges, transfer money anywhere in the world with just a one click from the convenience of his home. However there are certain security issues which are a great concern whole using the digital banking system. However, it is a still a great revolution and customer are highly sighting from traditional banking to digital banking.

Keywords: Digitalization, digital banking, customer satisfaction, security concerns

Introduction

The word "digitalization" is derived from the word "digital." The term "digital" comes from the Latin word "digitus" meaning "finger" or "digit," which refers to counting numbers using fingers. Over time, "digital" came to be associated with the use of discrete numerical data, often represented in binary form (0 and 1) in computing in the computer. In foreign scientific literature the concept "Digitization" and "Digitalization" are treated as unequally. In Scott J. Scott Brennen and Daniel Kreis's (2016), article based on the definition of Oxford dictionary of English. Digitization is treated as material process of transformation of analog flows of information to digital bits, and digitalization is a way of reorganization of many areas of social life around infrastructure digital and media of communications. Digitization is defined as "the economic and social transformation triggered by the massive adoption of the digital technologies for to generate the process, share and transact information" (Katz, *et al.*, 2014)^[8]. It has been seen that in the large number of countries digitization has become the one of the key economic pillar or drivers in recent years it provides and accelerate the economic growth and create job opportunities in mass numbers. As per E.N. Smirnov (2022)^[15], digitalization "is a fundamental trend of development of world economy changing its structure and having transferred it to a new qualitative state where digital technologies dominate in all spheres of economy and public life". Into what state the economy passes it is not specified; however, it will rely on digital technologies.

"Digitalization" refers to the process of converting information into a digital format or by adopting digital technologies in various aspects of life and business. In nutshell digitalization has transformed both the business process and way of doing business in banking and in all sectors by making use of opportunities of technology. "Digitization" means converting the data, sound, text photos music and all kinds of information into 'bits' (0 & 1) and converting them into computer language via microprocessor, digitalization has facilitated the strong reproduction and sharing of information. Banking digitalization means acquiring technology centric capabilities that enable new methods of interaction and services delivery to improve customer's experience. Owing to the technological evolution in the banking sector, we will probably see and witness another revolution in banks marketing strategies (Dootson, *et al.*, 2016)^[4]. Although digital banking is technology related services oriented and designed around the needs of digital natives that has grow up with computers as a daily part of our life and are living in a broadly interconnected world.

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In emerging country like India where other financial sector is still in their infancy the banking industry accounts for the majority of the financial sector. Banks stability is vital since they act as a trustee of the public funds, mobilisers and funders of various operations at the regional and international levels. The banking business has grown from a basic middle man level to a vast commercial enterprises level.

Digital Banking

Digital Banking refers to the wider range of banking services such as online and mobile banking services which are provided through the particular recognized digital platforms. Convenience and accessibility are increased through these services which enable customers to conduct a variety of banking tasks without having to visit the bank personally (Bhasin, 2021) ^[3]. The use of Digital technologies in banking sector has been significantly impacted on the customer satisfaction, the scenario and the speed of operations in the economy. The Internet and the other spectacular digital devices act as a major driver for the economic growth and economic development of the economy. (Quinton, S., *et al*, 2018) ^[12]. They have transformed the industries and opened up into a new global market which were unimaginable in the past. E-commerce platforms and digital communications have also made it easier for companies to reach international markets and boosting trade throughout the world. The digital banking is divided into two parts, the first one is Mobile banking and second one is Internet-Banking. The term "Mobile Banking" deals with the practice of conducting financial transactions via portable electronics including smartphones and tablets services consists of fund transfers, bill payments, balance inquires and transaction alerts SMS are usually included (Ahlberg *et al.*, 2015) ^[2]. The major factor which leads to the growth of mobile banking is the wide spread use of mobile technology, which has increased the accessibility to banking particularly in areas with weak infrastructure instruments. Using the internet for to do the financial transactions or tasks by customer through via banks websites or different social media applications, laptops are commonly known as the internet banking or online banking. Customers with internet connectivity can manage their funds, pay bills through payments apps, make transfer of money and check their accounts from any part of the country's location. A broader range of services such as loan providing applications, investment services and access to financial advices are available through internet banking than via mobile banking. Digital banking is the devised generic form of term which provides various banking or financial services and products information through different electronic modes to the customers such as the Automated teller machines (ATMS), the telephone, the mobile, the internet and other social media platforms. The banking platform in India is expanding and progressing continuously day by day. Banking sector is known as backbone of the emerging Indian economy. It plays a dominant role in every aspect of customer life. The liberalization of the Indian Economy has created a strong competitive cultural effect that has been taken them to the service sector; particularly in the banking sector digitalization comes as a storm, any strong competitive change in the banking sector through the adoption of various technologies which will have a huge sweeping impact on the growth of the economy. The

advancement of the technologies of information collection, storage processing and transmission technologies have impacted in all aspects of banking activities. The term digital banking covers all the services which cover through the computer, mobile, and other electronic devices. The system is updated automatically and immediately after every transaction. Digital banking is further defined as the delivery of banking services to the customers via electronic channels. It does not involve any physical exchange of money, all the transaction done through electronically from one customer account to another customer account. Digital banking system encourages every individual and enabled him to how the financial institutions, business firms, customers and other classes can access the accounts from any part of the world and can do the transaction when they you have a time or when the bank is open or not (Hakizimana, S., *et al.*, 2023) ^[6].

Digitalization of Banks and Customer Satisfaction

Customer satisfaction in the digital banking sector has been improved over the years due to the convenience and accessibility of services provided to its customers by the banking sector. Many users appreciate the ability to conduct the transactions, manage accounts and access services anytime from anywhere in any part of the world. However, the satisfactions may vary from country to country, area to area; rural to urban etc. it can be based on several factors which can be determined. Risk that is related and linked with customer satisfaction is arises from the difference in customer preferences and perceptions and expectations from the services used and perceived performance of a service that is known as service qualities. When the customer gets quality in services through various electronic channels, then they get satisfaction from the said quality services (Raza *et al* 2017) ^[13]. It has mentioned that assessment of different services provided by the organization to the customers, quality of services considered as the one of the dominant determinants in judging an organization, as it provides an excellent and superior services to the customers. It admires customers tend to purchase goods and hire services from specific banks and experts of the bank, then the bankers or organization are assured of receiving the product services. This can create a level of hope, trust, and loyalty among the customers. The term service quality also can be defined as the fulfilling the customers wants and expectations from digital banking services as per their needs and requirement. Customer satisfaction measures through different major dimensions such as credibility, convenience, accountability in services, security, tangible, reliability, responsiveness, competence, and access of the service quality (Parasuraman *et al.*, 1988) ^[10]. Electronic banking transactions have a tremendous affect on the banking performances. Factor such as direct customer involvement in electronic payment terminals and international transfer transactions has positively influenced on banking profitability. Smith, A., Johnson (2020) ^[16] in his study examined the impact of mobile banking apps on customer satisfaction in emerging market economies, using a mixed method approach. It found that factors such as convenience, user interface design, transaction speed and customer support are the key to improving customer satisfaction. The research also revealed that social economic elements, including income, education and smartphone penetration influence the usage of mobile banking applications. One more important aspect is the

convenience and time saving advantages of electronic banking which play a central key role in enhancing the customer satisfaction over the period of time. It is found that biometric technologies, including figure print and facial recognition play a crucial role in improving both security and user convenience. This in turns leads to increase satisfaction and trust among electronic banking users. In contrast, elements like the risk of internet fraud and the volume of payment processing had a negative impact on the customer satisfaction and banking performances.

Objective of the Study

1. To examine the influence of digital banking services on the customer satisfaction.

Research Methodology

The planned and systematic search for a solution to the

problems is called research methodology. Both Primary data and secondary data have been used for data collection. Primary data have been collected using questionnaire and secondary data are collected from various published and unpublished sources like research journals, articles, and reports. The sample size was restricted to 150 respondents due to constraint of time and money. The respondents belong to different income group and profession.

Results and Discussion

Gender wise Classification

Gender is a range of Physical, Mental, And Behavioral Characteristics which distiguis a male and female. It is an important factor to find out the capacity of the people having relationship with banks. The Gender-Wise Distribution of the Sample Respondents are given below in Table 1.

Table 1: Gender Wise Distribution of Respondents

| S. No. | Gender | Frequency | Percentage |
|--------|--------|-----------|------------|
| 1 | Male | 96 | 64 |
| 2 | Female | 54 | 36 |
| Total | | 150 | 100 |

It is clear from the above table that out of the 150 respondents selected for the study 96 (64%) are males and 54 (36%) are females.

Age wise Classification

Age is one of the important and decisive factors that help in determining the nature of any organization or business. It also helps in analyzing and understanding that which age group customers are aware of banks digitalization. The age wise distribution of respondents is given in table below:

Table 2: Age Wise Distribution of Respondents (No/%)

| S. No. | Age | Frequency | Percentage |
|--------|----------------|-----------|------------|
| 1 | Below 20 Years | 61 | 40.7 |
| 2 | 21-30 Years | 43 | 28.7 |
| 3 | 31-40 Years | 27 | 18 |
| 4 | Above 40 Years | 19 | 12.6 |
| Total | | 150 | 100 |

Table 2 reveals that 61 (40.7%) of the sample respondents are below the age group of up to 20 years and 43 (28.7%) are in the age group of above 21-30 years, 27 (18%) of the Sample Respondent are in the age group of 31-40 years and 19 (12.6%) are above 40 years of age. Thus it could be easily concluded that mostly youngsters are using the digital services of banks as they are more aware of technology and thus can use them conveniently.

Customer Satisfaction

The use of digital banking services has been increasing since the rise of Covid-19. The pandemic forces people to remain inside their houses and thus shift the focus to Digital banking. Banks also after pandemic tries to shift their focus to digital services and thus started various digital services so as to make the digital banking convenient and easy to use. The table 3 below discusses the various ways in which digital banking has impact on the satisfaction level of customers.

Table 3: Digital Banking and Customer Satisfaction (No/%)

| Services | Satisfied | Dissatisfied | Don't Know | Total |
|--------------------------------|------------|--------------|------------|-----------|
| User Friendly applications | 104 (69.3) | 28 (18.7) | 18 (12) | 150 (100) |
| Time saving | 121 (80.7) | 18 (12) | 11 (7.3) | 150 (100) |
| Access to Bank Account anytime | 114 (76) | 27 (18) | 09 (06) | 150 (100) |
| Payments possible 24*7 | 106 (70.7) | 37 (24.6) | 07 (4.7) | 150 (100) |
| Low Transaction Fee | 98 (65.3) | 34 (22.7) | 18 (12) | 150 (100) |

A look at the tables reveals there are five determinants to measure the satisfaction level of the customer regarding digital banking. Out of the five determinants, Time Saving is the most voluble determinant as 121 (80.7%) users felt that due to digitalization of banks lot of their time is saved as they don't have to go to banks for various bank related work and can be done from the comfort of the house. Secondly Access to Bank Account anytime and anywhere us the second most value factor regarding customer satisfaction. As 114 (76%) users felt that due to digitalization one can have access and do transaction from any part of the world without going to bank branches and

thus is of immense satisfaction to customer. Thirdly, Payment possibility 24*7 is another important determinant as one can make payment any time be it day or night and from any part of the world without worrying about the time out of the sample take 106 (70.7%) users are feeling the same. At the fourth place is the user friendly apps developed by banks for digital payments. Around 104(69.35) these apps are very convenient and easy to use, thereby increasing the customer satisfaction. Finally, low transaction cost is another important determinant of customer satisfaction as 98 (65.3%) user are of the opinion that low transaction cost also increases the customer satisfaction and motivate them

to shift to digital systems.

Problems Associated with Digital Banking

Digital banking is really a blessing and has eased up the work off banks and on the other hand really been

phenomenal in easing up the process of banking for the customers by providing them services from the convenience of their homes. However there are still some problems associated with the use of digital banking. Some of the problems are discussed in table below:

Table 4: Problems Associated with Digital Banking (No/%)

| Problems | Yes | No | Don't know | Total |
|------------------------------|------------|-----------|------------|-----------|
| Security Concerns | 123 (82) | 16 (10.7) | 11 (7.3) | 150 (100) |
| Network Issues | 107 (71.4) | 38 (25.3) | 05 (3.3) | 150 (100) |
| Limited Access to Technology | 101 (67.3) | 31 (20.7) | 18 (12) | 150 (100) |

Out of the three main problems associated with digital banking, Security concern is the most important as 123(82%) customers felt that by using digital payment system their security is concerned and there private information is leaked. Secondly network issues are also a very serious issue. About 107 (71.4%) user complained that various times servers are down and thereby they can't make payment or their payment get stuck causing a convenience to both the payer and payee. Finally 101 (67.3%) users say that due to limited access to technology, they are not able to use digital banking services properly. They are not aware or have very less knowledge regarding the technology thus making it difficult to shift towards digital systems.

Conclusion

This study focused to indentify the key attributes of digital banking systems and how has been the experience of customer regarding the digital banking services. The finding clearly show that digitalization of banks has been a revolution and ha really eased up the life of customer by providing various services at the comfort of homes. Further the customers are free and don't have to be in long queues for hours to carry out transactions and all these can be easily done from the comfortably withOut going to banks. However, despite the fact that digital banking has been a great revolution yet it not without loopholes. The biggest issue with the digital banking is the leakage of private data of customer. As during online transactions, data of customer is leaked and thus hacker use them and they are subject to online frauds. Further, network issues also cause problem to digital users. Thus, the banks need to put attention to the challenges and problem posed by digital banking and try to make them easier, convenient and secure so that the customer can use the digital services easily and without the fear of security breach. The Banks have to upgrade and constantly think of New Innovative Customized Packages and Services to remain competitive and thereby increasing the customer satisfaction.

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