EXPLORING THE RELATIONSHIP BETWEEN DIGITAL BANKING SERVICE QUALITY AND CUSTOMER SATISFACTION

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ABSTRACT

As a result of economic reforms, the banking industry underwent deregulation and increased competition. Indian banks have leveraged technology to introduce a range of digital banking products and services. This study examines consumers' usage of these digital banking products and services and analyses their awareness and satisfaction. Out of a sample of 200 customers, this study found that nearly 41% of bank customers use digital banking services for all their transactions, including funds transfer, paying bills, and checking their balance as needed. Additionally, this study found that overall satisfaction with digital banking services is the same for male and female customers and does not differ significantly. The availability of staff members and computerised counters in the bank was given the least importance by customers, as they primarily use digital banking services on their mobile devices or computers. These findings highlight the growing importance of digital banking in the modern financial landscape and the need for banks to continue investing in technology to meet customer needs.

Keywords: digital banking, customer satisfaction, facilities offered

1.1 Introduction

The banking industry underwent deregulation and increased competition due to economic reforms. In the post-reform period, new products, delivery channels, and processes were introduced, along with increased sophistication due to the more discerning nature of banking service users. To succeed in this sector, players must understand their customers, fulfil their needs, and achieve high customer retention levels by leveraging technology, knowledge, and human resources to provide quality products and services while managing risk and returns. Indian banks have introduced a range of digital banking products and services by leveraging technology. This study examines consumers' usage of these digital banking products and services and analyses their awareness and satisfaction.

1.2 Review of Literature

Ashok and Selvakumar (2006) conducted a study titled "Customer Satisfaction in Banks" to understand the feasibility of physical facilities and elicit customer opinions on their satisfaction with selected branches. The findings showed that service delivery and customer delight are among the most debated issues in the banking industry in India.

Sandip et al. (2010) conducted a study titled "Impact of Service Quality on Customer Satisfaction, Loyalty, and Commitment in the Indian Banking Sector" to examine the association between service quality and customer satisfaction, loyalty, and commitment.

Amer (2010) studied individual consumers' perception of Pakistan's Islamic banking products and services. The study explored the perception of individuals responsible for financial affairs. It examined the usage of Islamic banking facilities and respondents' understanding of the Islamic banking system on various aspects of the selection criteria.

Vidyapriya and Mohanasundari (2012)studied customer responsiveness to banking technology products in rural South India. The study aimed to measure customer knowledge of banks' technology products in rural Tamil Nadu. The research would help bank branches understand the responsiveness level of rural customers towards technology products and take necessary steps to improve.

Elavarasi and Surulivel (2012)studied customer awareness and preference towards e-banking services offered by banks, focusing on SBI. The data analysis showed that age, educational qualification, occupation, and income level are significant factors determining banks' usage of e-banking services in the study area.

1.3 Objectives
1. To determine the socio-economic characteristics of banking customers.
2. To examine the reasons for choosing the banks by the customers.
3. To identify the digital banking services and facilities availed by the customers and their impact on customer satisfaction.

1.4 Source and Methodology
This study was conducted using both primary and secondary sources of data. Primary data were collected through a survey conducted online and offline using a structured questionnaire. The questionnaire was designed to gather information from respondents about their experiences and opinions regarding the banks' digital banking services and facilities. Secondary data were collected from articles, magazines, journals, research websites, and internet searches. These sources provided valuable insights into the current state of digital banking and its impact on customer satisfaction. By combining the primary and secondary data, this study aimed to comprehensively analyse the topic.

1.5 Analysis and Interpretation
This study was conducted using a well-structured questionnaire to collect data from customers of Canara Bank, The Federal Bank Ltd., and HDFC Bank. The questionnaire was distributed online and offline to 100 customers of Canara Bank, 50 of The Federal Bank Ltd., and 50 of HDFC Bank. The data collected from these 200 respondents were scrutinised and analysed to provide insights into the topic.

Table1
Socio-Economic Profile of Bank Customers

Socio Economic Variable	No. of Customers	Percentage(%)
Gender		
Male	**127**	**63.5**
Female	73	36.5
Age		
Up to 25 years	63	31.5
26-35	**69**	**34.5**
36-45	34	17.0
Over 45	14	17.0
Edu. Qualification		
Upto School level	57	28.5
UG	**94**	**47.0**
PG	32	16.0
Professional Course	17	8.5
Marital Status		
Married	**114**	**57.0**
Unmarried	86	43.0

Socio Economic Variable	No. of Customers	Percentage(%)
Occupation		
Agriculture	42	21.0
Private Employee	**69**	**34.5**
Govt employee	54	27.0
Business	35	17.5
Area		
Rural	79	39.5
Semi-urban	**95**	**47.5**
Urban	26	13.0
Monthly Income		
Below ₹7500	35	17.5
₹7501-₹15000	59	29.5
₹15001-₹22500	**77**	**38.5**
Above ₹22500	29	14.5

Table 1 presents the socio-economic profile of a sample of 200 banking customers. The data shows that the majority of the customers are male (63.5%), aged between 26-35 years (34.5%), and have an undergraduate degree (47%). Regarding occupation, 34.5% are private employees, and most reside in semi-urban areas (47.5%). The most common monthly income range is ₹15001-22500 (38.5%).

The data also shows a relatively even distribution of customers across age groups, with 31.5% aged up to 25 years, 34.5% aged between 26-35 years, and 17% aged between 36-45 years. Regarding educational qualification, the majority have an undergraduate degree (47%), 28.5% have completed up to school-level education, and 16% have a postgraduate degree.

In terms of marital status, the majority of customers are married (57%). The data also shows a diverse range of occupations among the customers, with 21% working in agriculture, 34.5% being private employees, 27% being government employees, and 17.5% being business owners.

Most customers reside in semi-urban areas (47.5%), while 39.5% live in rural areas and 13% reside in urban areas. In terms of monthly income, the most common range is ₹15001-22500 (38.5%), followed by ₹7501-15000 (29.5%) and below ₹7500 (17.5%).

Table 2

Type of Digital Banking Services Availed

Reason/ Bank	Canara Bank	The Federal Bank	HDFC Bank	Total
Funds Transfer	10 (10%)	18 (36%)	4 (8%)	32 (16%)
Online Purchase	15 (15%)	3 (6%)	5 (10%)	23 (11.5%)
Checking Bank Balance	13 (13%)	9 (18%)	15 (30%)	37 (18.5%)
Paying Bills Online	12 (12%)	5 (10%)	5 (10%)	22 (11%)
Doing all the Transactions	50 (50%)	15 (30%)	21 (42%)	86 (43%)
Total	**100**	**50**	**50**	**200**

Source**:** Computed from primary data

	Services	Canara Bank		The Federal Bank		HDFC Bank	
		Mean rank	Rank	Mean rank	Rank	Mean rank	Rank
a)	Near to my Residence	16.05	I	9.38	I	6.11	V
b)	Recommended by Friends / Employers	14.22	II	7.58	II	7.44	I
c)	Purpose of Getting Loan	13.05	III	7.02	III	2.80	VIII
d)	Better Services	11.94	V	4.72	VII	4.77	VII
e)	Interest Rate (Low-Interest Rate for Loans)	11.38	VII	5.27	V	6.13	IV
f)	Availability of Services of Staff Members	11.55	VI	3.83	VIII	4.97	VI
e)	Availability of services at Computerised Counters	8.22	VIII	5	VI	6.86	III
f)	Digital Banking Service Quality	12.33	IV	6.80	IV	7.38	II

According to Table 2, 50% of Canara Bank customers, 30% of Federal Bank customers, and 42% of HDFC Bank customers use digital banking services for all their transactions, including funds transfer, online purchases, checking bank balances, and paying bills online.

Table 3

Reasons for Choosing The Bank (Friedman's Test)

Table 3 shows that for Canara Bank and Federal Bank customers, the primary reason for choosing their bank is its proximity to their residence. However, for HDFC Bank customers, the top reason for choosing their bank is that friends or employers recommended it. The quality of

digital banking services is ranked second by HDFC Bank customers, while Canara Bank and Federal Bank customers prefer these banks for obtaining loans. All customers gave the availability of staff members and computerised counters in the bank the least importance, as they primarily use digital banking services on their mobile devices or computers.

Analysis of Variance (ANOVA)

ANOVA finds out if there is any significant difference between gender and overall satisfaction gathered on bank customer satisfaction.

The null hypothesis…

a) The overall satisfaction is the same for all customers, i.e., male and female.

b) Males and females do not differ concerning overall satisfaction.

Table 4

Gender and Overall Satisfaction (Canara Bank)

Gender	Overall satisfaction					Total
	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	
Male	8	11	35	8	4	66
Female	3	7	18	3	3	34

Total	11	18	53	11	7	100

a) For $V_{4,4}$, $F_{0.05} = 6.39$

The null hypothesis is accepted since the calculated value (0.106) is less than the table value (6.39). **It is concluded that Gender and Overall satisfaction do not differ significantly.**

Now let us compare the gender variance with the residual variance.

$F = 18.9/102.4 = 0.184$

b) For $V_{1,4}$, $F_{0.05} = 224.6$

The null hypothesis is accepted since the calculated value (0.184) is less than the table value (224.6). **Hence there is no significant difference in the gender as far as overall satisfaction is concerned.**

The overall satisfaction is the same for all customers, i.e., male and female.

Table 5
The Federal Bank

Gender	Overall satisfaction					Total
	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	
Male	3	16	8	2	2	31
Female	6	4	5	2	2	19
Total	9	20	13	4	4	50

$F = 18.9/178 = 0.72$

a) For $V_{4,4}$, $F_{0.05} = 6.39$

The null hypothesis is accepted since the calculated value (0.72) is less than the table value (6.39). **It is concluded that Gender and Overall satisfaction do not differ significantly.**

Now let us compare the gender variance with the residual variance.

$F = 18.9/102.4 = 1.14$

b) For $V_{1,4}$, $F_{0.05} = 224.6$

The null hypothesis is accepted since the calculated value (1.14) is less than the table value (224.6). **Hence there is no significant difference in the gender as far as the overall satisfaction is concerned.**

The overall satisfaction is the same for all customers, i.e., male and female.

Table 6
HDFC Bank

Gender	Overall satisfaction					Total
	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	
Male	5	5	18	1	1	31
Female	4	6	7	2	1	19

Total	9	11	25	3	2	50

$F = 18.9/178 = 0.472$

For $V_{4,4}$, $F_{0.05} = 6.39$

      The null hypothesis is accepted since the calculated value (0.472) is less than the table value (6.39). **It is concluded that Gender and Overall satisfaction do not differ significantly.**

      Now let us compare the gender variance with the residual variance.

$F = 18.9/102.4 = 0.32$

For $V_{1,4}$, $F_{0.05} = 224.6$

      The null hypothesis is accepted since the calculated value (0.32) is less than the table value (224.6). **Hence there is no significant difference in the gender as far as the overall satisfaction is concerned.**

      The overall satisfaction is the same for all customers, i.e., male and female.

1.6 Findings

- Out of the 200 customers surveyed, the majority were male (63.5%), aged between 26-35 years (34.5%), and held an undergraduate degree (47%). Additionally, 34.5% were private employees residing in semi-urban areas (47.5%), with a monthly income of ₹15001-22500 (38.5%).
- This study found that nearly 86% of customers use digital banking for all their transactions, including funds transfers, checking balances, and paying bills online. It was also found that the bank's availability of staff members and computerised counters was given the least importance by customers, as they primarily use digital banking services on their mobile devices or computers.

1.7 Recommendations

- It is essential for banks to continuously update and improve their software to make it more user-friendly so that all customers can access and use digital banking services. This will enhance the customer experience and increase the adoption of digital banking among customers.
- Additionally, since many customers prefer to open their accounts at banks near their residences, banks should conduct surveys to identify areas with a high demand for banking services and open new branches as part of their financial inclusion strategy. This will help banks reach out to more customers and provide them with convenient access to banking services.

1.8 Conclusion

      In conclusion, banks need to remember that the growing population, increasing levels of education, and rising living standards have created a greater demand for banking services. As such, the banking sector's future belongs to the customers, and banks must focus on digitalising their services to attract and retain customers with better and more secure services. To achieve this, banks should provide proper training and awareness programs for their customers through various media channels. This will help customers understand how to use digital banking services effectively and safely while increasing their trust in the bank's ability to protect their financial information. Banks can ensure their continued success in an increasingly competitive market by prioritising customer needs and investing in digitalisation.

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