

Customers' Perception Towards Digital Banking Services Offered by Commercial Banks in Tamil Nadu

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Abstract

Digital banking has emerged as a transformative force in the Indian banking sector, reshaping the way customers access and utilise financial services. The rapid adoption of Internet banking, mobile banking, and the Unified Payments Interface (UPI) has significantly enhanced service efficiency and customer convenience. The main objective of this study is to analyse customers' perceptions of digital banking services offered by commercial banks. Both Primary and Secondary data were used for the study. Primary data were collected from 450 customers using a structured questionnaire. The sampling technique used for the study was convenience sampling. The tool used for the analysis was the Mean Score analysis. The findings of the study show that the convenience of digital banking services and ease of use of digital banking platforms are the most influencing variables while using digital banking services by the customers.

Key words: Digital Banking, Mobile Banking, Unified Payment System, Digital Platforms, Customer Perception.

Introduction

The banking sector plays a crucial role in the financial system of an economy. It facilitates the creation and maintenance of a robust payment system to meet the requirements of businesses, the government, and the general public. It also serves as a credit delivery mechanism that can be accessed by those in need of funds. Overall, the banking sector represents the centre of a nation's economic activities; thus, a strong and healthy banking system is essential for economic growth. The Indian banking sector is currently witnessing an IT revolution and is heading towards digitalisation. The Internet and IT have entirely changed the way banks and financial institutions function. Information technology was introduced in the Indian banking sector in the late eighties. However, the current phase of the IT revolution is more intense and impactful, which probably has the potential to change not only the banking landscape but also the overall structure and direction of the economy. The modernisation of the banking sector, after the introduction of IT and the Internet, has benefitted both customers and banks. Banking is no longer limited to transactions in branches, but has made its way into handheld devices like smartphones and tablets. The current phase of banking may be aptly called as 'Digital Banking'. We are familiar with the term 'E-banking, which is also known as online banking, virtual banking, or internet banking. It is a system which enables banking transactions, such as the transfer of funds, payment of loans, EMIs, and deposits and withdrawals of cash virtually with the help of the Internet and without the need to visit bank branches.

Under e-banking, a customer can number of get the benefit of services like Internet banking, SMS banking, ATMs, Mobile banking, e-cheques and debit/credit cards. Digital banking is another term which is often used synonymously with e-banking. Both terms are used interchangeably. However, strictly speaking, digital banking means no or

minimal use of paper currency. However, paper currency is still widely used. At present, ATMs are a vital part of the banking system, which facilitates customers in withdrawing cash as and when there is a need. A digital economy is one in which cash transactions are minimal.

1980	1990	2000-2010	2011-18	2018-2025
<ul style="list-style-type: none"> • MICR • Standard Cheques • Encoders 	<ul style="list-style-type: none"> • ATM • Electronic Fund Transfer • Branch Connectivity • Computerization 	<ul style="list-style-type: none"> • IMPS RTGS • NEFT • NECS • Online Banking • Tele Banking 	<ul style="list-style-type: none"> • Bio Metrics • Mobile Banking • Cheque Truncation • UPI • USSD • E-Wallet 	<ul style="list-style-type: none"> • Digital Currency

Review of Literature

Sundaralakshmi and Rajamannar (2025)¹ in their article examined customer perception and satisfaction with digital banking services in Tiruchirappalli District. Data were collected using a structured questionnaire from bank customers in the Tiruchirappalli district. The sample size for this study was 150. Tools used for the analysis were percentage analysis and ANOVA. The researcher concluded that digital banking is an essential part of our modern world, and it is crucial that everyone understands how to make the most of these services. To truly support the Digital India initiative and enhance customer welfare, digital banking must be available to all individuals, regardless of their education level, job, or location. The effectiveness of Internet banking relies not only on the technology itself but also significantly on the mindset, dedication, and engagement of everyone involved in its operation. Ultimately, it also hinges on how well customers can take advantage of the benefits of Internet banking services. The Reserve Bank of India (RBI) has issued various guidelines for commercial banks to help them navigate these challenges. Today, a growing number of customers enjoy the convenience of digital banking services.

Manju et al. (2022)² in their article examined customers perceptions of digital banking services, with special reference to Internet banking. The researcher concluded that Indian bankers can pave the way for the successful implementation and popularisation of the new concept of Internet banking on a large scale. People in these areas who

lack awareness and knowledge about computers and the internet are hesitant to use internet banking services. Therefore, bank officials should motivate their customers to use their Internet banking services without considering their demographic factors such as age, educational qualification, and family income. The adoption of new technology with defined rules and regulations, considering technical restrictions, will always provide the intended results.

Rajeshwari et al. (2019)³ observed that in the Indian perspective of digital banking, the main objective of the study was to analyse the technological milestones in Indian banks. The researcher concluded that with the increasing usage of smartphones, the digitalisation of the banking sector is inevitable to meet the increasing expectations of the world. This reduces human errors and increases convenience. With the help of digital banking, most businesses do not have to rely on bank operation timings. Transactions can now be made even during odd hours. Some transactions, such as paying bills or making regular payments, can be automated on a digital banking platform. As a result, businesses can save a lot of time on manual processes, which has a great impact on their productivity. The customer base has also increased because of the convenience of 'Anywhere Banking'. Digitisation has reduced human errors. It is possible to access and analyse the data at any time, enabling a strong reporting system. Digital banking is converting brick-and-mortar banks into greener and more efficient places to operate. There are numerous options available for banking. In the present scenario, people can check their bank

account details, pay their bills online, and transfer money to other accounts, all of which can be done comfortably at their residence. The only requirement for this is an Internet connection.

Rajan et al. (2018)⁴ in their article examined digital banking services from the customer perspective, and the main objective of the study was to analyse the factors influencing the usage of technology in banking services. The researcher concluded that the accessibility of digital banking is undertaken while considering only persons that are deemed physically fit in society. A study needs to be undertaken to determine the influence of the accessibility of digital banking on persons living with disabilities. To have faster processes in digital banking, banks need to invest more in robust and reliable systems to reduce incidents of failed transactions and transactional errors in ATMs, Mobile banking, and POS terminals. Banks should further automate most services, such as loan recovery and disbursement, and introduce queue management systems. Banks need to develop an application that can be used to enhance digital banking which will be considered safe and private, to boost the operations, availability, and accessibility of digital banking.

Research Gap

From the above review of the literature, it is evident that most studies have focused on customer perception, technological advancement, and the general adoption of digital banking services in India. However, limited empirical research has been conducted on the challenges faced by specific user groups, such as rural customers, digitally illiterate users, and persons with disabilities, while using digital banking platforms. Furthermore, comprehensive studies addressing usability complexity, accessibility issues, and system reliability concerns across different demographic segments are lacking, highlighting the need for in-depth research on inclusive, user-friendly, and secure digital banking services.

Study Objectives

The Main objective of the study is to analyze the Customers' Perception Towards Digital Banking Services Offered by Commercial Banks In Tamil Nadu

Research Methodology

From the customers point of view, the sample size of 150 customers in each district was randomly selected in selected districts of Tamil Nadu. The samples were collected from three districts: Chennai, Coimbatore, and Kancheepuram. Therefore, the sample size for customers was 450.

Table 1.1 Sampling Frame

S.No	Districts	Sample Size
1	Chennai	150
2	Coimbatore	150
3	Kancheepuram	150
Total		450

Source: Primary Data

Sampling Technique

The Sampling Technique used for the study was convenience sampling.

Sources of Data

For the purpose of the study, the researcher collected both primary and secondary data.

Primary Data

Primary data are required to analyse the digital banking services offered by Indian Commercial banks. Data were collected from both bankers and customers using a well-structured questionnaire in the selected districts of Tamil Nadu.

Secondary Data

Secondary data were collected from Journals, Magazines, Books and RBI Reports, Statistical Handbook of India, Government of India; NABARD and State Level Bankers' Committee in Tamil Nadu.

Data Analysis and Interpretation

Customers' Perception Towards Digital Banking Services Offered By Commercial Banks – Mean Score Analysis

Digital banking services offered by commercial banks have transformed the way customers' access and manage financial transactions by providing speed, convenience, and anytime-anywhere banking. Customers' perceptions of these services largely depend on ease of use, security, reliability, and the

overall quality of digital service delivery. Table 1.2 shows the mean score analysis.

Table 1.2 Customers' Perception Towards Digital Banking Services Offered By Commercial Banks

S. No.	Variables	Mean Score	Rank
1	Convenience of digital banking services	4.821	1
2	Ease of use of digital banking platforms	4.218	5
3	Transaction speed and efficiency	4.752	2
4	Availability of digital banking services	4.628	3
5	Security and privacy of transactions	4.584	4
6	Reliability of digital banking systems	3.892	8
7	Cost effectiveness of digital services	3.985	6
8	Customer support and grievance redressal	3.921	7
9	Awareness of digital banking services	3.754	9

Source: Primary Data

The mean score analysis shows that the convenience of digital banking services ranks first, indicating that customers highly value the ease and time-saving nature of digital banking. Transaction speed, efficiency, and availability of services also received high ranks, reflecting strong customer satisfaction with core functional aspects. However, comparatively lower mean scores for reliability, customer support, and awareness suggest that technical stability, grievance handling, and knowledge of digital services need improvement to enhance the overall customer experience.

Findings of the Study

The Major Findings of the study show that the convenience of digital banking services is the most important variable for customers using digital banking services offered by commercial banks.

Suggestions for Future Research

- Banks should strengthen their server capacity, conduct regular system maintenance, and ensure minimal downtime to enhance the reliability of digital banking platforms.
- Dedicated digital help desks, faster grievance redressal systems, and 24×7 multilingual customer support should be introduced to address customer issues effectively.
- Banks must conduct awareness programs, demonstrations, and digital literacy camps to educate customers about the features, benefits, and safe use of digital banking services.
- Clear and transparent procedures for resolving failed transactions, refund delays, and login issues should be communicated to the customers.
- Regular updates to mobile and Internet banking applications should focus on bug fixes, stability improvements, and user-friendly navigation.

Recommendations

Although convenience ranks highest, banks should balance ease of use with reliability, security, and service support to ensure a holistic digital banking experience.

- Banks should use SMS alerts, in-app notifications, and email communication to guide customers on new services and usage advice.
- Frontline staff should be trained to assist customers with digital queries and troubleshoot basic technical issues promptly.
- Periodic customer satisfaction surveys and app feedback mechanisms should be used to identify pain points and improve service delivery.
- Ensuring consistent service availability across mobile apps, Internet banking, ATMs, and customer service centres will improve customer trust and adoption.

Managerial Implications

This study highlights the need for bank management to shift its focus from merely offering digital convenience to strengthening reliability, customer support, and awareness, which are critical for long-term customer retention.

Policy Implications

Policymakers and regulators should encourage banks to adopt customer-centric digital policies, promote digital literacy, and standardise grievance redressal mechanisms.

Customer Implications

Improved reliability, faster grievance handling, and enhanced awareness lead to higher customer confidence, satisfaction, and sustained usage of digital banking services.

Conclusion

The study concludes that customers generally have a positive perception of the digital banking services offered by Indian commercial banks. The high mean scores for convenience, ease of use, transaction speed, and service availability indicate that digital banking has successfully enhanced accessibility and operational efficiency for customers. These factors have significantly reduced the need for physical branch visits and improved the overall banking experience of customers. However, the comparatively lower mean scores for security, reliability, customer support, awareness, and overall satisfaction highlight persistent challenges that require immediate attention from the relevant authorities. Concerns related to data privacy, technical disruptions, limited grievance redressal mechanisms, and insufficient awareness of advanced digital features continue to influence customers' overall satisfaction.

Therefore, while digital banking has achieved substantial acceptance among customers, Indian commercial banks must strengthen their security infrastructure, improve system reliability, enhance customer support services, and increase awareness through targeted educational initiatives. Addressing these issues will help banks build greater customer trust, improve satisfaction, and ensure the sustainable growth of digital banking services in India.

Despite providing valuable insights, this study has certain limitations. The findings are based on primary data collected from a limited geographical area and specific sample size, which may restrict the generalisation of results to the entire population. The study relied on self-reported responses, which

may be subject to personal bias and perception errors. Additionally, the analysis focuses only on selected variables related to digital banking services and does not cover emerging technologies or recent policy changes, which could influence customers' perceptions in the future.

Further Scope of Research

Future research can be extended by covering a larger geographical area and a more diverse sample to enhance the generalisability of the findings. Comparative studies may be conducted between public and private sector banks or between urban and rural customers to identify variations in digital banking adoption and perception. Further studies can also focus on emerging technologies such as AI-driven banking, blockchain, and biometric security, as well as examine the long-term impact of digital banking on customer loyalty, financial inclusion, and sustainable banking practices.

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