

CUSTOMER SATISFACTION AND CUSTOMER LOYALTY OF DIGITAL BANKING SERVICES IN THE PRIVATE BANKING

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Abstract

This study sought to determine customer satisfaction and loyalty among customers of private sector banks, with a particular emphasis on Federal banks. Over time, there have been substantial developments in the financial sector. The establishment of RRBs, the admission of private sector banks and foreign banks, as well as the current emergence of e-banking, have all periodically led to significant changes in the structure and operation of banks in the Indian context. The study's findings indicate that the majority of consumers are familiar with ATM services. The vast majority of customers are aware of ATM services, and balance inquiries demonstrate a high level of awareness. CSAT scoring was employed in Likert scales to compute customer satisfaction and loyalty. Excellent satisfaction score was found for ATM and internet banking. It was found that digital banking services had good consumer loyalty. It is suggested to offer loyalty programmes through mobile wallets, rewards programmes for frequent debit card users, and customized rewards programmes built on effective client segmentation.

Keywords:- ATM, customer loyalty, customer satisfaction, e-wallet, internet banking, mobile banking, private sector banks.

Banking is significant for the economic development of nations across the world. A developed banking sector is a major indicator of the country's economic health. The banking industry has undergone significant changes over the

years. In the Indian context, the creation of RRBs, the entry of private sector banks and foreign banks, and now the advent of e-banking have periodically brought about significant changes in the structure and operation of banks.

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Aided by technological advances and developments, banks have responded to the challenge of competition from several companies that have entered into the financial and banking industry by embracing online banking strategy that focuses on attempting to construct customer satisfaction (Joseph, McClure & Joseph, 1999). The Internet enabled banks to develop their own websites, which customers can access from their homes using web browsers. In 1996, this served as the impetus for internet banking. The evolution of ATMs as a delivery channel marked the beginning of customer empowerment for their transactions. The application of technology in banking has resulted in the availability of numerous delivery channels such as ATMs, tele-banking, internet banking, mobile banking, anywhere and anytime banking, and so on. Banking has changed from being a labour intensive, variable-cost industry to a more capital intensive and fixed-cost industry.

With the widespread use of mobile devices in India, banks are now concentrating on providing banking services through mobile devices, a technique known as mobile banking. Any company organization's primary objective is to generate profits through sales or service provision, and this objective can be met by improving customer satisfaction through higher quality services. Effective account holder satisfaction investigation is a very important precondition for the e-commerce area to win in market competition (Fasanghari and Rousdsari,2008). A satisfied customer will remain in contact with the bank and recommend its services to others, which

will increase sales and profit. Customer retention, loyalty, and service continuance intention in providing services depend on customer satisfaction. Customer satisfaction is stated to be one of the most important keystones when creating customer loyalty, especially in the bank sector as even discussed in [Ribbink, Van Riel, Liljander and Streukens (2004), Levin and Liljander (2006) and Methlie and Nysveen (1999)]. In addition to retaining existing clients, it is vital to attract new ones. Hence customer satisfaction has become a major concern for service oriented industries, particularly banking institutions.

Statement of the Problem

The rapid integration of information technology in the banking sector has led to the development of more adaptable and user-friendly digital banking services, addressing the evolving needs of consumers. In India, the banking industry has undergone significant technological advancements, narrowing the gap with globally advanced counterparts. The transformative changes since the early 1990s revitalized the sector, with private and foreign banks introducing innovative technologies such as ATMs, credit cards, internet banking, and mobile banking. Both private and public sector banks now fiercely compete to provide high quality digital services, making customer satisfaction a key benchmark. This study aims to explore customer awareness, usage, satisfaction, and loyalty in the private sector to gain insights into the effectiveness of digital banking services.

Objectives

1. To assess customer awareness and usage of digital banking services offered by Federal Bank.

2. To examine the overall level of customer satisfaction towards various digital banking services offered by Federal Bank.
3. To assess customer loyalty towards the digital banking services offered by Federal Bank.

Scope of the Study

This study focuses on how customers use, are aware of, are satisfied with, and remain loyal to private sector banks' digital banking services. In light of the two requirements (1) Banking institutions that have won IDRBT or IBA awards for outstanding banking technology (2) banks having a high number of urban branches in Kerala as per SLBC Kerala, a bank is chosen. Federal Bank, ICICI Bank, and South Indian Bank were chosen based on the first criterion as they have received the IBA's FinTech adoption award. These banks were then vetted based on the second criterion, and Federal Bank, which has the most branches, was selected for the study. Federal Bank was chosen for the study because it meets both of the criteria used to choose banks in the private sector. Trivandrum is selected as the district since it has a significant number of Federal Bank branches as per the SLBC Kerala report. ATMs, internet banking, mobile banking, and e-wallets have only been included in the study as digital banking products.

Materials and Methods

In pursuance of the aforementioned objectives, the following methodology was adopted for conducting the study. Both secondary data and primary data have been used in the study.

Secondary Data

Secondary data were gathered from published theses from various universities around the state and outside the state of Kerala, the State Level Bankers Committee Report, journals specialised in banking and finance, articles related to banking, Reserve Bank of India reports, RBI Bulletin, Indian Bank Association reports, online data sources, and the Federal Bank's website.

Primary Data

Primary data have been collected from selected customers of the Federal Bank of Thiruvananthapuram district by administering a well-structured questionnaire.

Population

The population of the study consists of Rural, Semi-Urban and Urban branch customers of Federal Bank in Thiruvananthapuram.

Sample Frame

Simple random sampling was the chosen method of sampling. After identifying the digital banking customers, data were collected from persons visiting ATMs and questionnaires were delivered to them. For the study, both primary and secondary data were used. A questionnaire was used to gather primary data. Books, journals, and websites were used to acquire secondary data. Some participants completed the questionnaires right away, while others were handed prepaid envelopes with the researcher's address so they could return the completed forms whenever it was most convenient for them. These participants' email addresses

and phone numbers were acquired to follow up after they returned the completed questionnaire.

Sample size: The sample consisted of 105 respondents chosen randomly.

Analytical Tools:

Descriptive statistics are used in the study, including Simple Percentage Analysis, Customer Satisfaction Score and Likert Scale Analysis. Customer Satisfaction Score, or CSAT score, is a customer experience metric that gauges satisfaction with a product or service or a customer support interaction. It is calculated using the formula:

$$\text{CSAT score} = \frac{\text{Satisfied customers}}{\text{Total customers asked}} * 100$$

The results so obtained are compared with a benchmark of CSAT scoring and the interpretations are made.

In the case of measuring loyalty, the Likert scale score range has been used. For this categorizes the Likert scale as 1- Not likely 2-Somewhat likely 3-Neutral 4- Likely 5-Very Likely. Then computed the Range as the highest Likert scale score is subtracted from the lowest score and it is divided by the total number of the Likert scale. This value is added to the lowest Likert scale and the benchmark range is obtained. Afterwards, the average of the responses is calculated and compared with the benchmark to arrive at the conclusion.

Demographic Characteristics of Customers

The table 1 shows the respondents' demographic attributes. The vast majority

of respondents (48.6 percent) are between the age group of 25 and 35. About 53 of the 105 respondents (50.5 percent) are female and 57 of them are private employees. The data makes apparent that 57 respondents (54.3 percent) are private employees and that 49 respondents (46.7percent) are from urban localities.39 respondents (37.1 percent) reported having a monthly salary of over Rs 50,000.

Awareness of various Digital banking Services

This section discusses the awareness of the services of various digital banking products. Here several services of digital banking products were identified. The degree to which each digital banking product's services were known was assessed. Many different sorts of banking transactions can be carried out by a bank customer via ATMs, internet banking, mobile banking, and e-wallets. Hence it is crucial to understand whether the customers are aware of the services offered. The results of the awareness of customers are displayed in the following tables, which were determined by analysing customer replies to questions on the various services provided by these digital banking products.

The table 2 makes it clear that among all the services, awareness of ATM cash withdrawal (69.1 percent) service is the highest. Furthermore, compared to other services, users' awareness of depositing cash (55.3 percent) through ATMs is shown to be poor. The banking sector has been quickly advancing the usage of Internet banking as a useful and practical instrument to add value for customers. It is one of the common services provided

Table 1
Demographic Profile of Respondents

Characteristics	Sub characteristics	Frequency	Percentage
Age	Below 25 years	11	10.5
	25-35 years	51	48.6
	35-45 years	19	18.1
	Above 45 years	24	22.9
Gender	Male	52	49.5
	Female	53	50.5
Place of residence	Rural	19	18.1
	Semi-urban	37	35.2
	Urban	49	46.7
Education	Primary School	0	-
	Secondary School	2	1.9
	Graduate	46	43.8
	Post graduate	37	35.2
	Professional	20	19
Occupation	Student	16	15.2
	Government Employee	5	4.8
	Private employees	0	-
	Self-employed	57	54.3
	Business	12	11.4
	Retired	3	2.9
Monthly Income	Below Rs 20,000	12	11.4
	Rs20,000-30,000	28	26.7
	Rs 30,000-40,000	11	10.5
	Rs 40,000-50,000	14	13.5
	Above Rs 50,000	13	12.4
		39	37.1

Source: Primary data

Table 2
Awareness of various ATM services

ATM Services	Highly Aware	Aware	Unaware	Highly Unaware	Total
Withdrawal of cash	68.1	27.7	3.2	1	100
Checking balances	69.1	26.6	3.2	1.1	100
Money Transfer	62.8	27.7	7.4	2.1	100
Updating Pin	60.6	27.7	10.6	1.1	100
Cash Deposit	55.3	26.6	16	2.1	100

Source: Primary data

by traditional banks to internet users in order to deliver faster and more dependable services. Therefore, this study also looks at the awareness of internet banking services.

The table 3 demonstrates that awareness of the internet banking balance enquiry (66 per cent) feature is high, followed by fund transfers (64.9 per cent), while awareness of the deposits and withdrawal service is determined to be poor. The banking industry has seen an increase in competition over the past few years, and in order to stay competitive, banks are constantly looking to improve their products and keep abreast of

technological advancements and new tools and techniques to satisfy and keep customers. Mobile banking is one such tool. Hence it is essential to know the awareness of mobile banking services.

High awareness of mobile banking’s balance inquiry services (69.1percent) is seen in the table 4. It is also unexpected to learn that customers have least awareness about mobile banking’s mutual fund investment service (45.7 per cent). The electronic wallet, commonly referred to as an e-wallet, is frequently used to lessen the hassle of carrying currency. An E-wallet is a type of electronic card that may be used to make purchases online

Table 3

Awareness of various Internet banking services.

Internet banking services	Highly Aware	Aware	Unaware	Highly Unaware	Total
Bill Payment Services	61.7	30.9	6.4	1.1	100
Fund Transfer	64.9	27.7	6.4	1.1	100
Deposits and Withdrawal	54.3	33	11.7	1.1	100
Balance Enquiry	66	28.7	4.3	1.1	100

Source: Primary data

Table 4

Awareness of various Mobile Banking Services

Mobile banking services	Highly Aware	Aware	Unaware	Highly Unaware	Total
Transfer of Fund	66	30.9	2.1	1.1	100
Balance Enquiry	69.1	27.7	2.1	1.1	100
Opening Deposits	60.6	24.5	12.8	2.1	100
Mutual Fund Investment	45.7	20.2	29.8	4.3	100

Source: Primary data

using a computer or smart phone. It requires a debit or credit card to be linked with e - wallet software in order to make purchases. Although there exists such digital banking products, it is important to understand how many customers are aware of them.

The study’s results indicate that e-wallet balance enquiry services (50 per cent) are highly known, but strangely, wallet cash back (36.2 per cent) is not as well known.

Table 6 shows the source of awareness of respondents towards digital banking services. Approximately 46 (48.93 per cent) of the respondents reported that banking authorities are the main source of information regarding the digital banking services provided by private sector banks. The results also show that the next largest sources of knowledge about the digital banking services offered by private sector banks are from friends

or relatives (29.78per cent) and radio or television (19.16 per cent)

According to the research, 42.55 per cent of customers have been using digital banking services for longer than five years. Additionally, about 23 respondents (24.46 per cent) reported using digital banking services for between six months and one year.

The findings indicate that 32 respondents (34.04 per cent) use it daily and 33 respondents (35.12 per cent) use it on a monthly basis.

Customer Satisfaction

According to a prior study by Amin et al. (2015), effortless technology is not only a reason to change behaviour, but it is also important to understand gratification among people who use technology. Concerns about consumer satisfaction are warranted given the

Table 5
Awareness of various E -Wallet services of Federal bank

E-Wallet Services	Highly Aware	Aware	Unaware	Highly Unaware	Total
Bill Payment Services	46.8	26.6	19.1	7.4	100
Transfer of Funds	44.7	27.7	21.3	6.4	100
E Wallet Cash backs	36.2	26.6	29.8	7.4	100
Balance Enquiry	50	24.5	19.1	6.4	100

Source: Primary data

Table 6
Source of awareness of Digital banking services

Sources	Frequency	Percentage
Bank Authorities	46	48.93
Friends/Relatives	28	29.78
Newspaper	2	2.13
Television/Radio	18	19.16

Source: Primary data

Table 7
Period of usage of Digital banking services

Duration	Frequency	Percentage
Less than 6 months	9	9.59
6 months-1 year	23	24.46
1year-3year	14	14.89
3years-5years	8	8.51
More than 5 years	40	42.55

Source: Primary data

Table 8
Frequency of usage of digital banking services

Year	Frequency	Percentage
Daily	33	35.12
Weekly	24	25.53
Monthly	32	34.04
Rarely	5	5.31

Source: Primary data

proliferation of digital banking products and service providers. Customer satisfaction scores for each of the digital banking products' services were calculated. The outcomes of the same are shown in the table below:

With regard to CSAT benchmarks, ATM services for cash withdrawal and balance inquiries have excellent satisfaction ratings. A high percentage of customers show excellent satisfaction with the balance inquiry, deposits, withdrawals, and bill payment services offered through internet banking. Transfer of funds and balance inquiries have excellent customer satisfaction rates in mobile banking services. Additionally, it was also discovered that mobile banking's mutual fund investing services only received a good score. The majority of e-wallet services display good, but not excellent scores.

Customer Loyalty

To determine consumer loyalty, a variety of customer loyalty statements were used. Customers will be loyal to a product if they enjoy using it after making a purchase. After receiving the goods, though, if consumers have a terrible experience, they become unhappy and try to move on to something else.

The Table 10 shows that all the statements are in the range of 4.3-5, so it is evident that the respondents under study are very loyal to their bank.

Findings

1. The study reveals a generally high awareness of basic ATM services like cash withdrawal and balance checking, while other services such as money transfer, updating PINs, and cash deposits exhibit varying levels of awareness. Cash deposit

Table 9
Customer satisfaction towards various Digital banking services

ATM services	CSAT Score	Mobile banking services	CSAT Score
Withdrawal of cash	90.4	Transfer of Fund	93.6
Checking balances	92.6	Balance Enquiry	95.7
Money Transfer	88.3	Opening Deposits	89.4
Updating Pin	86.2	Mutual Fund Investment	74.5
Cash Deposit	80.9	E-Wallet Services	
Internet Banking		Bill Payment Services	72.3
Bill Payment Services	88.3	Transfer of Funds	75.5
Fund Transfer	91.5	E Wallet Cashbacks	62.8
Deposits and Withdrawal	87.2	Balance Enquiry	74.5
Balance Enquiry	93.6		

Source: Primary data

Table 10
Customer loyalty of Digital banking services

Statements	Likert Scale Average Score
I will speak positive things about this bank’s digital banking services to other people	4.4
I will recommend this bank to my friends or relatives when they need the related information	4.4
My bank is worthy of my loyalty through their digital banking practices	4.5
I am pleased to be a customer of my bank	4.6

Source: Primary data

services show the lowest overall awareness at 55.3 per cent. A substantial percentage (16 per cent) remains unaware, highlighting a potential opportunity for banks to enhance communication and promotion of this feature.

2. The study reveals a generally high awareness of key internet banking services such as bill payment, fund transfer, and balance enquiry. However, there are variations in awareness levels for specific services like deposits and withdrawal. These

findings provide insights for banks to focus on enhancing communication strategies, particularly for services with lower awareness levels, to further engage customers and promote the adoption of internet banking services.

3. The study reveals varying levels of awareness among respondents regarding different mobile banking services. While fund transfer and balance enquiry enjoy high awareness, services like opening deposits and mutual fund investment exhibit moderate to lower levels of awareness. These findings provide valuable insights for banks to tailor their communication strategies, focusing on increasing awareness for specific mobile banking services and enhancing overall customer engagement.
4. Emphasize the security measures in place for mobile banking services, addressing any concerns that might be hindering adoption. Clear and transparent communication regarding the safety of transactions can build trust and boost confidence among users, ultimately increasing awareness and usage.
5. The study reveals varying levels of awareness among respondents regarding different E-wallet services. While balance enquiry enjoys a high level of awareness, services such as bill payment, fund transfer, and cash backs exhibit moderate to lower levels of awareness. These findings provide valuable insights for Federal

Bank to tailor their communication strategies, focusing on increasing awareness for specific E-wallet services and enhancing overall customer engagement in the digital payment landscape.

6. Nearly half of the respondents (48.93 per cent) identified bank authorities as their primary source of awareness for digital banking services. This indicates that a significant portion of customers relies on direct communication and information provided by the bank itself, highlighting the importance of clear and effective communication strategies employed by financial institutions.
7. The largest percentage, at 42.55 per cent, represents respondents who have been using digital banking services for more than 5 years. This group likely includes seasoned users who have witnessed the evolution of digital banking and have developed a strong reliance on these services.
8. The majority of respondents (35.12 per cent) engage with digital banking services on a daily basis. This high frequency suggests a strong reliance on digital platforms for various banking activities, emphasizing the integral role of these services in customers' daily financial routines.
9. Checking balances through ATMs receives even higher satisfaction scores at 92.6 per cent, suggesting that customers appreciate the ease and accuracy of this essential banking function. The satisfaction score for balance enquiry through mobile

banking is exceptionally high at 95.7 per cent. Customers express a high level of satisfaction (88.3 per cent) with bill payment services through internet banking. The satisfaction score for E-wallet cash back services is comparatively lower at 62.8 per cent.

10. The statement “I am pleased to be a customer of my bank” receives the highest average score of 4.6, indicating an exceptionally high level of satisfaction. Customers express a strong positive sentiment and contentment with their overall banking relationship, including the digital services provided by the bank.

Suggestions

1. Collect and analyse customer feedback to identify specific pain points or areas for improvement in ATM services. Use this information to make data-driven enhancements to the user experience, ensuring that customer expectations are met and exceeded.
 2. Since the awareness of cash deposit services is relatively lower at 55.3 per cent, there is an opportunity for banks to improve communication strategies. Implement targeted campaigns and educational materials to increase awareness and highlight the convenience and benefits of using ATM services for cash deposits.
 3. Share user testimonials and success stories regarding positive experiences with E-wallet services.
- Real-life examples can build credibility and trust, addressing any reservations or doubts that potential users may have.
4. Develop marketing campaigns that showcase the benefits of cash backs, emphasizing how users can maximize savings through E-wallet transactions.
 5. Ensure that information about digital banking services is readily available through official communication channels such as newsletters, website updates, and in-branch materials.
 6. Implement referral programs or promotional incentives that encourage existing customers to share their positive experiences with digital banking services with their networks. Positive word-of-mouth can be a powerful tool for attracting new users.
 7. Include workshops, webinars, or informative content to keep long-term users informed about the latest technological advancements and service offerings.
 8. Explore opportunities to personalize digital banking services based on customer preferences and usage patterns. Tailoring experiences to individual needs can significantly improve overall satisfaction.
 9. It was shown that compared to other digital banking products, ATMs are more widely known. It is advised to organise campaigns, seminars, or other initiatives to raise awareness of the remaining items and encourage their use.

Conclusion

As highlighted through the study with customer satisfaction leads customer loyalty. Customer loyalty is more of an emotional than a logical concept. Usually, it is driven by a customer's desire to keep doing business with a certain company. Customer attention is frequently generated and maintained by one or more satisfying encounters that develop into relationships. It was proven that ATMs are more well-known than other digital banking products. Organising campaigns,

seminars, or other activities is advisable to increase knowledge of the remaining products and promote their usage. Different services were found for each digital banking product, but users are aware of the most popular service are balance enquiry. It was revealed that digital banking services did not receive an excellent score and merely had a good rating of customer loyalty. It is recommended to provide a personalised digital banking experience to increase customer satisfaction and loyalty.

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