

Service Quality and Its Effect on Customer Satisfaction in Digital Banking

Mansi Mangla

Research Scholar, School of Business, Manav Rachna university, Faridabad, India
mansimangla1999@gmail.com

Dr. Akanchha Singh

Assistant Professor, School of Business, Manav Rachna University, Faridabad, India
akansha.singh9919@gmail.com

Dr. Sunil Kadyan

Associate Professor, Finance Insurance & Risk Management, Birla Institute of Management Technology (BIMTECH)
Greater Noida, UP
sunil.kadyan@bimtech.ac.in

Abstract

The accessibility, speed and transparency of banking services in India have been significantly improved by digital banking. There is a growing use of mobile banking, online banking, UPI, and wallets among consumers instead of the traditional banking. Consumer happiness has become a highly determinant factor in the changing banking environment with regard to service quality. The article reviews analytically the quality of digital banking services on five key dimensions, which are reliability, responsiveness, usability, security and technical efficiency. According to the consumer feedback of the study, the level of satisfaction is much higher in case the digital services are delivered on time, the transactions are perfect, the user interface is easy to use and simple. OTP verification, secure login, and fraud prevention are security and privacy measures that improve consumer confidence. Besides, fast response in solving problems and customer services are very helpful in improving the user experience. With descriptive study, it is shown that when service quality in digital banking goes above expectations of the consumers, it motivates them to use the services. This generates an improved customer loyalty, positive word-of-mouth, and a better competitive position of the bank. In turn, it may be concluded that a high service quality is one of the pillars of ensuring client satisfaction in digital banking.

Keywords: digital banking, service quality, customer happiness, customer experience, technical efficiency

1. Introduction

The high speed of the development of digital technologies has affected the banking industry considerably. Customer needs have been changing and they currently insist on speed, transparency, flexibility, and easy access of the banking services. As such, online banking has become common and modern way of banking in India. Customers are realizing that mobile banking, online banking, UPI, ATM, digital wallets and card transactions are more convenient than taking a trip to a branch. In the wake of the COVID-19 pandemic, the usage of digital transactions has become more rapid, and the banks have been able to do business across borders. Service quality is also a key factor of the tremendous change in digital banking operations. The quality of the service offered to the customers is what determines the digital services of a bank. Whenever customers find services to be easy to use, safe, dependable, effective and polite, they become even more satisfied. On the other hand, slow speed, technological failures, unsafe platforms, inadequate information, or slow customer service may worsen the user experience.

Modern customers want convenience as well as smooth and mistake free online experience. Reliability is important in this regard since it will determine how often a digital banking platform will perform a transaction correctly. The customers should be assured that their money will be safely delivered to the destination that they need and that there will be no technical problems to hinder their money transfers. It is also vital that it is responsive. Rapid banking services will increase customer satisfaction amid malfunctioning or queries. Digital services, such as the chatbots, call centers, and email help, contribute to the customer experience. Digital banking usability plays an important role in its adoption. The customers do not like any application that has a bulky interface, fewer language choices, or challenging navigation. Banks are constantly doing their best to make their interfaces easier to use and convenient enough to reach out to a wide variety of clients. One of the aspects of service quality is the security, where personal information, bank accounts and financial data belonging to the clients are guarded against cyber threat. With the rising cases of cybercrime in the digital banking system, the use of

one-time passwords (OTPs), biometric identification, encryption software, and alert systems have become necessities. A strong security programme enhances the likelihood of clients to use digital banking as they develop the feeling of protection. Technological efficiency measures the level of modernity and sophistication of the digital systems of a bank. The Digital banking is successful because of the constant innovation of technology, the speed of the servers, the network support and user experience. Users can be not satisfied with the frequent failures or outages of the system.

In online banking, the quality of services and customer satisfaction are closely connected. The descriptive study suggests that the customers select those banks that fully comprehend and satisfy their needs. When the customers have high satisfaction with a bank, they would be more likely to continue using it, thus improving the image of the bank, as well as its competitiveness. Every bank in India is investing in new technology and the digital banking industry is ever-growing. With the growth of digital banking, monitoring and upgrading the quality of services should be a regular practice. The most important aspect that will dictate the success of digital banking is the client experience. The main aim of the paper is to explore various service quality dimensions of digital banking and its effects on customer satisfaction. It is a study that is grounded on the client perspectives and experiences and its findings indicated that better service quality leads to greater adoption and subsequent use of digital banking. The present research offers some valuable suggestions on how to improve the quality of digital banking services, customer experience, and enhance the technological efficiency of the financial system.

2. Review of Literature

The SERVQUAL framework has been created by Parasuraman, Zeithaml and Berry (1985) to assess the quality of the services provided. It consists of Reliability, Responsiveness, Assurance, Empathy, and Tangibles. Citizens believe that it is this concept that makes clients satisfied with online services. The study by Zeithaml (2000) has shown that user experience is important in the digital world that consumer satisfaction largely depends on the quality of online services they offer. Sivathanu (2019) assumed the quality of service in digital banking is largely reliant on the aspects of security, ease of use, trust in technology, and user interface. According to Ayo et al. (2016), web performance and security standards are the most significant criteria that customers choose when using e-banking.

Harb, Thoumy and Yazbeck (2022) evaluated the satisfaction of clients with digital banking channels, particularly during the volatile economic and technological conditions. Research indicates that citizens become more judgmental of online banking when something goes wrong, like in a pandemic, an economic crisis, or a technical malfunction. The five key elements of service quality that were mentioned by customers include reliability, security, ease of use, quick service, and customer support that are of great importance to customers when it comes to their attitude towards the service. It stands a higher chance to gain the trust of a customer with a firm that has high security and smoothing transactions. On the other end, customers feel agitated by the presence of technical issues and the lack of support. The study highlights that the quality of services plays a significant role in retaining clients at the time when it is very uncertain.

Singh (2019) used the SERVQUAL model to assess the connection between the quality of e-service and customer satisfaction within the setting of the internet banking in India. In the study, customers were found to be more trusting and happier when they have a quick, easy and safe experience with the bank. The ease of use, effectiveness and clarity of information are all important in the satisfaction of customers. People are not so happy when something goes wrong with technology or the time they need is too long. The analysis showed that the customers revert to the use of digital banking services that are constantly improving and are simple to utilize.

Chu and Zhan (2024) examined the impacts of digital banking services on the level of happiness of clients. The paper concludes that digital banking can only work in ease, safe, and personalized. The clients desire financial services which are easy to access, quick to get services, and have reduced steps. People have the security of their money through 2-step authentication and other security measures. Furthermore, when digital platforms contain functions that are relevant to the needs of every customer, language, and behavior, their satisfaction and loyalty increase. Roy and Das (2018) applied SERVQUAL to examine the services of digital banking in India. They have found that 7-dimension counts are important they are Reliability, Transaction Efficiency, Customer Support, Security, Ease of Use, Performance, and Service Content. The data analysis revealed that security and support services are one of the concerns that customers are more concerned about since they have to trust financial services. The research indicated that easy-to-use mobile banking applications with a clear language enhance the customer experience, which increases satisfaction and adoption.

The paper, which was published in the *International Review of Management and Marketing* (2023), explored the connection between user happiness and service quality of Indian digital banking consumers. The study revealed that every part of the RATER model Reliability, Assurance, Tangibility, Empathy, and Responsiveness can be applied in digital banking, however, the Reliability and Speed are valued by clients the most. Users are satisfied with their experiences provided that the service continues to improve and the banks hear what their patrons have to say. According to the research, companies need to compete in terms of quality in regard to digital transactions. In their study, Lolemo and Pandya (2024) conducted an extensive systematic literature review to find out the connection between digital banking, consumer satisfaction, and loyalty. The paper has examined different studies and came up with a conclusion that credible online performance is a critical element in customer retention. Once a bank is quick in correcting issues and minimizing technical hitches, the customers get hooked to the services indefinitely. This project also revealed that the customer experience is the most important attribute in the market that has numerous competitors.

3. Research Methodology

This study relies solely on secondary data and the research techniques are descriptive and analytical. This research is meant to learn about the numerous factors of the quality of services in digital banking and how it affects customer satisfaction. There was no major survey in this paper. The credible sources of data were gathered by relying on existing sources such as research publications, published journals, government reports, annual reports by the RBI and NPCI, books on digital banking, dissertations, and foreign bank reports. We have used descriptive analysis in order to determine the relationship between the parameter of service quality, reliability, responsiveness, security, ease of use, technical efficiency and assurance parameters with customer satisfaction parameters like trust, convenience, long term use, loyalty and level of satisfaction. The study concentrates on Indian digital banking system, which puts more emphasis on mobile banking, online banking, and services based on UPI.

The literature and reports used in the analysis refer to the period between 2018 and 2025 and show a substantial increase in the level of digital banking usage and prevalence in India during the time frame. This study relies on secondary data and thus it does not allow the actual acquisition of the contemporary customer perception. Comparative analysis is hindered by the fact that different parameters are used in different studies. Nevertheless, an in-depth analysis of the existing sources helps this research to deliver significant and meaningful results related to the connection between service quality and customer satisfaction in digital banking.

4. Key service Quality Dimensions

The factors that influence client satisfaction in digital banking are also reliability, security, responsiveness, ease of use, and technical efficiency. Financial services are more trusted and used by the customers when the transactions are prompt, safe and error-free and help is easily accessible.

4.1. Reliability

In digital banking, reliability is believed to be the most important element of service quality. It demonstrates the quality, precise, and timely internet banking services. Whenever a customer transacts something via a mobile banking application or the internet, the first thing that they assume is that the process would be smooth. With numerous technical issues, server failures, or outstanding payment, customers can be much insecure and unhappy. It has been found out that consumers believe that a bank is more trustworthy when it provides services, which are fast and error-free. As an example, when balance balances, mini statements, passbook balances and fund transfers give prompt and accurate responses, customers will put their faith in the bank and desire to have the service as many times as possible. Reliability is one of the major aspects of customer satisfaction in the long run, and retention. Therefore, the banks should ensure that their online networks are current, secure and bug-free to ensure that their customers have confidence in them to manage their finances.

4.2 Responsiveness

The responsiveness is the speed at which the bank can assist customers with their issues and queries. The technical issues that you may encounter when using digital banking are damaged transactions, issues with accessing apps, server issues, and slow OTPs. Whenever the bank assists the customers, who are in such situations, they are happy. It has been demonstrated that 24/7 customer care, chatbots, helplines, WhatsApp banking, and online complaint resolution systems all render companies more responsive. Failure to respond promptly to the complaints by the customers can make them lose confidence and even change to another bank. The other important aspect of responsiveness is that the banks understand the desires of their customers and provide them with the necessary and opportune information and improved products.

Examples of some of them include instant payment systems (UPI), 24 hrs support desks, and improvements on feedback. Therefore, the responsiveness makes customers be even happier, as it makes their experience to be smooth, safe, and to be good.

4.3 Assurance (Trust and Safety)

Assurance gives the customers a feeling of safety, trust, and knowledge. There are numerous security threats of digital banking, such as hacking, cyber fraud, data breaches, and phishing. Therefore, clients can only be happy when they feel that their personal and financial data is secure.

Studies indicate that features such as cybersecurity measures, one-time passwords (OTP) authentication, encryption systems, fraud notices, and user-log-in authentication, make the customers feel safer. It is also quite significant that the bank provides the consumers with the security-related information in an open manner to generate the confidence. Brand recognition, personnel knowledge, and proven technical systems all add to the level of assurance. Customers are more likely to stay loyal to a bank if they think it will fully back them if something goes wrong. In the digital age, security has become the most important part of consumer happiness because no technology can be usable without it.

4.4 Empathy

Empathy is how well a bank knows what its customers need, how they feel, and what they've been through. Digital technology may make it less likely that people would contact with each other, but making the user experience easier and better is a true show of empathy. Some examples are clear and simple descriptions of features, visual interfaces that are easy for seniors and those with vision problems to use, personalized suggestions, account alerts, and digital services that are tailored to the needs of each user. Customers feel linked to the bank's service when they report an issue and the support personnel gives them a patient and polite answer. More so, the readiness of the bank to alter its schedule when it is available and prioritize the needs of its customers is a way to empathise.

Empathy will ensure that clients feel emotionally attached to digital banking and through this attachment, customers will be happier and become more loyal in the long-term.

4.5 Tangibles (Technical and Visual Quality Indicators)

All the things that can be touched and felt are referred to as tangibles (such as the design of a mobile application, the appearance of a web site, the ease of locating QR codes and the functionality of an ATM or a kiosk). A powerful UI/UX design makes it simple without making it complex. Indicatively, it has a well-defined menu system, it opens fast, is user friendly and it displays a transaction history. People do not like it when an application fails frequently or is too complex to operate. There are also tangibles such as ATM machines, kiosks to update passbooks and the quality of cards. Banking has been made faster with modern technology and this leaves customers satisfied with a bank that is well-modernized and techno. Tangibles are what a customer sees first and are very important for making them happy. Customers have a better experience when the visual and technical quality is higher.

5. Factors that affect satisfaction in digital banking services

Convenience, 24/7 availability, openness, tailored services, reasonable rates, incentive programs, and a smooth user experience are all things that make people happy. Customers become more loyal and trust digital banking when it saves them time, makes them feel safe, and is easy to use. They keep using digital services.

5.1 Convenience and Accessibility

Digital banking needs to be easy to use and always available in order to be successful. With mobile and internet banking, people may use financial services whenever and wherever they want, unlike traditional banking, which has time and location limits. Customers may check their balances, make payments, change their accounts, and do a lot of other financial duties from the comfort of their own homes at any time. This convenience directly affects their psychological health.

Such payment systems as UPI, IMPS, and QR have simplified and accelerated the daily transactions tremendously. The formal financial system is now accessible to more people since the banking services are more accessible and accessible in remote places. Digital banking applications possess other features such as bilingual interfaces, voice assistance, and accessible navigation which makes them simpler to use. When banks ensure that their services are accessible round the clock and that there are no interruptions and delays, customers will be much happier. Therefore, the client satisfaction in digital banking depends highly on the convenience and availability.

5.2 Transparency and Trust

Online banking, all steps are to be understandable such as the details of the successful transactions in the form of receipts, the details of charges, and the statement of any changes to the account. When everything is on record, customers will be

more secure and confident that their money is not at stake and they will not be charged the wrong price. People will trust the bank more due to the use of fraud warning warnings, SMS alerts, notifications, and email updates. Once the customers have clear information on the status and solution of their concerns, they get to trust the financial system better. Conversely, the existence of hidden charges, misplaced information, and untraceable transactions leave people dissatisfied and worried. It is trust that makes people wish to use digital payment systems more. The customers will feel more likely to continue using digital channels without concerns when they are informed that their data is secure and in case fraud has been detected, the bank will assist them. Hence, two of the most significant aspects that leave the customers happy are trust and openness.

5.3 Personalized Services

Digital banking personalization has a large impact on customer satisfaction. Depending on the usage, the activities, and the desires of the consumers with their accounts, the banks provide personalized services and recommendations. They may involve credit card deals, loan options, investment services, or covering the cost. AI and data analytics are ensuring that recommendations are made to each consumer that are more accurate. Whenever customers believe that the bank understands their needs and makes it easier to control their money, they feel emotional and practically happy. As an illustration, the elderly will be able to use larger fonts, students will receive additional cash back, women will receive personalized savings plans, and clients can get assistance immediately. These enhance user experience and add to the level of engagement. Digital banking personalization will attract customers to keep coming back, develop loyalty, and have people discussing it, which are all significant in terms of customer happiness.

5.4 Cost Effectiveness and Benefits

When customers can access the services of the banking at a reduced cost or no additional costs, they are not only happier, but also tend to refer the banks to their friends. Digital banking offers reduced fees, less paper work and time compared with the traditional banking. Banks are offering cash back, reward points, discounts, and savings on digital transactions and this makes customers believe that they are saving money. People are also happier with zero-balance accounts, Light settlements, NEFT/RTGS waivers of fees, and wallet reward. Moreover, the digital transactions are time-saving since customers do not need to stand in the queue or visit a branch. This time and money saving is a large portion of happy customers. Digital banking is a regular activity among the customers, who hold the bank in high estimation whenever it saves them money. Therefore, the customers are content with their banks as they are not only cheap but also rewarding.

5.5 A Smooth User Experience

The satisfaction of customers in terms of the quality and ease of use of a digital platform is closely linked to the level of customer satisfaction. Users like the services when an application or a webpage is user-friendly, fast and simple. An easy experience incorporates speedy loading of pages, ease of navigation, language choice, biometric signature, rapid transaction phases, and reduced errors. The customers become angry and unhappy when the apps frequently breakdown, the processing is too slow, there are no OTPs, or the error messages are inaccurate.

Banks can simplify the life of their customers and make it better by ensuring that their technology is current and it is accessible by their customers to utilize their services. Banks are more likely to retain their customers who will choose the current banking platform rather than other banks as long as they have a smoothly running experience. A comfortable experience, therefore, becomes the most important factor in the happiness of customers and their loyalty to digital banking as it makes people desire to revisit the service.

6. Discussion

The above data indicate that the quality of service is the most important aspect of customer satisfaction with digital banking. The customer experience is directly influenced by reliability, responsiveness, and certainty, empathy, and tangibles. Conversely, features to influence customer satisfaction, including convenience, personalization, cost-effectiveness, and easy user experience, are the primary drivers of the use of digital banking. The key expectation of customers regarding digital banking is that the transactions are to be secure, fast, and devoid of error. When the banks are reliable and stable in providing service, the satisfaction and trust of the consumers increase tremendously. Being responsive and open is actually significant when customers experience technological issues to maintain their confidence. Unless customers feel secure or confident, they may not desire to use digital platforms. Therefore, banks should continue paying attention to cybersecurity, data protection and risk management. Conversely, customization and easy user experience make the clients feel that digital services are personalized to them. This not only increases the number of people using it, but also makes the customer feel more attached to it. In addition the customers are happier in a competitive market with the digital transactions that save money and provide rewards. This analysis has made it clear that automatically improving service will result in happier,

more loyal, and more retentive customers to a product or a service. Indian banks need to invest additional funds in the digital platform and be more concerned about its technical quality, safety, and ease of use to enhance the digital banking experience of their customers even further.

7. Conclusion

The introduction of digital banking has transformed the banking system in India to be more modern, faster and consumer-oriented, which has aided more people to access banking services. The findings of the given research indicate the fact that consumer satisfaction towards digital banking is most significantly influenced by the quality of service. Anything that directly impacts the customer experience is reliability, responsiveness, certainty, empathy and tangibles. Conversely, being able to work at your own convenience, security, transparency, personalization of services, cost-effective, and having a user-friendly experience are some of the items that contribute to the retention of a happy customer. To make their customers happy, banks are only able to ensure that their digital services are available, secure and bug free at all times. It is also evident that improved service does not only leave customers happier, but also more loyal, with an increased likelihood of returning to the service, as well as, recommending the same to others. When the reliability of service is diminished by technical problems, security, or unresponsiveness, customers become unhappy and can change to other banks.

Therefore, the long-term sustainability and expansion of digital banking relies a lot on the satisfaction of the clients. Indian banks must strive to make technological processes, cybersecurity, customer service, and user experience better to maintain the faith and acceptance of digital banking by customers.

8. Recommendations

In order to ensure that the transactions are secure and error-free, the reliability and safety of digital banking services should be prioritised by the banks. Customer care systems should be more responsive and efficient at all times. Mobile applications and online banking should be simplified and quickened so that it becomes easier to the user. Keep customers' trust by being open about how you handle information and running cybersecurity awareness initiatives. To keep customers happy and loyal, offer individualized services and appealing rewards programs.

References

1. Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1985). *A Conceptual Model of Service Quality and Its Implications for Future Research*.
2. Zeithaml, V. (2000). *Service quality delivery in digital environments*.
3. Sivathanu, B. (2019). *Adoption of digital banking by customers*.
4. Ayo, C.K. et al. (2016). *E-banking service quality and customer satisfaction*.
5. Lolemo, S. E., & Pandya, H. B. (2024). *International Journal of Management, Economics and Commerce*, 1(1), 69–75.
6. Harb, A., Thoumy, M., & Yazbeck, M. (2022). *Banks and Bank Systems*, 17(3), 27–37.
7. Singh, S. (2019). *Theoretical Economics Letters*, 9, 308–326.
8. Chu, H., & Zhan, X. (2024). *Frontiers in Business, Economics and Management*, 15(3), 356–360.
9. Roy (Dutta), M., & Das, A. (2018). *Indian Journal of Economics and Development*, 6(12).
10. Author(s). (2023). *International Review of Management and Marketing*.