
IMPACT OF DIGITAL BANKING ON CUSTOMER EXPERIENCE IN PUBLIC AND PRIVATE SECTOR BANKS

¹Koneri Karthik, ²Gundaram Manoj Kumar, ³Kanuru Madhu kiran,
^{*4}Dr. Naveen Kumar

^{1,2,3}, (Student) B.Com (Computer Applications)

⁴(Assistant Professor of Commerce)

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***Corresponding Author: Dr. Naveen Kumar**

Assistant Professor of Commerce

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ABSTRACT

Digital banking has emerged as a transformative force in the modern financial system, reshaping the way banking services are delivered and experienced by customers. With the rapid advancement of technology, banks have increasingly adopted digital platforms such as mobile banking applications, internet banking portals, automated teller machines, and digital payment systems. This study examines the impact of digital banking on customer experience in both public and private sector banks in India.

The research focuses on key dimensions such as service quality, accessibility, security, convenience, and customer satisfaction. The findings reveal that digital banking services have significantly enhanced the overall banking experience by enabling customers to perform financial transactions anytime and anywhere without visiting physical branches. Private sector banks are observed to be more proactive in adopting advanced technologies, offering user-friendly interfaces, faster transaction processing, and personalized digital services. This results in higher customer satisfaction levels compared to public sector banks.

Public sector banks, although making steady progress in digital transformation, continue to face challenges such as outdated infrastructure, slower service delivery, and lower digital awareness among certain customer segments. However, they maintain strong customer trust due to reliability and government support. The study also highlights the crucial role of security measures such as OTP authentication, encryption, and biometric verification in influencing customer confidence in digital banking.

INTRODUCTION

Overall, digital banking has positively impacted customer experience by improving efficiency, accessibility, and service quality. Continuous technological innovation and customer-centric strategies are essential for banks to remain competitive and meet evolving customer expectations in the digital era.

KEYWORDS: Digital Banking, Customer Experience, Public Sector Banks, Private Sector Banks, Customer Satisfaction.

Digital banking refers to the use of electronic platforms and technological innovations to provide banking services through online channels such as mobile applications, websites, and automated systems. Over the past decade, technological advancements and increasing internet penetration have brought significant changes in the banking sector.

Customer experience has become a key factor determining the success of banks. Customers now expect fast, secure, and convenient services. Digital banking enhances customer experience by reducing transaction time, increasing accessibility, and improving service delivery. In India, both public and private sector banks have adopted digital banking practices to remain competitive.

Private sector banks have taken the lead in implementing innovative digital solutions, while public sector banks are gradually upgrading their technological infrastructure. This study aims to analyse the impact of digital banking on customer experience by examining factors such as service quality, accessibility, security, and customer satisfaction.

Review of Literature

1. Fathima and Bharathi (2025) found that digital banking improves customer convenience and satisfaction, with private sector banks offering better technological services while public sector banks maintain higher customer trust.
2. Pandey (2025) stated that digitalization enhances service quality, efficiency, and financial inclusion, though issues like cybersecurity risks and digital divide remain challenges.
3. MDPI Study (2025) concluded that digital banking improves usability, accessibility, and service efficiency, reducing branch dependency, and enhancing overall customer experience.

Scope of the Study

The study focuses on analysing digital banking services and their influence on customer experience. It considers factors such as convenience, service quality, accessibility, security, and customer satisfaction among general banking customers.

Objective of the Study

1. To explore the Digital Banking practices of select banks.
2. To analyse the role of RBI in promoting Digital Banking practices.

Data Analysis and Interpretation

The advent of digital technology has revolutionized the banking sector, transforming the way customers interact with banks and access financial services. Digital banking has become an essential aspect of modern banking, offering convenience, flexibility, and accessibility to customers. Banks have invested heavily in digital infrastructure, introducing various digital products and services to cater to the evolving needs of customers. However, the effectiveness of digital banking practices varies across banks, and customer experience remains a crucial factor in determining the success of these initiatives. This study aims to examine the digital banking practices of banks, focusing on customer experience, and identify areas for improvement.

Table 1: Deposits (₹ Crore)

FY	State Bank of India	Bank of India	ICICI Bank	Kotak Mahindra Bank
2020–21	36,81,277	6,27,114	9,32,522	2,80,100
2021–22	40,51,534	6,27,896	10,64,572	3,11,684
2022–23	44,23,778	6,69,586	11,80,841	3,63,096
2023–24	49,16,077	7,37,850	14,12,825	4,48,954
2024–25	53,82,190	7,92,305	16,10,348	4,99,055
CAGR	9.96%	6.06%	14.73%	15.54%

Source: collected from selected banks

RBI Policies/Plans Promoting Digital Banking

Interpretation

Deposits increased steadily across all banks, with positive CAGR throughout the period. ICICI Bank (14.73%) and Kotak Mahindra Bank (15.54%) showed faster growth, while State Bank of India (9.96%) maintained the largest deposit base. Bank of India (6.06%) grew more slowly. Overall, the trend reflects rising customer trust and increased digital banking adoption.

Table 2: Credit / Advances (₹ Crore)

FY	SBI	BOI	ICICI	Kotak
2020–21	24,49,498	4,10,436	7,33,729	2,23,670
2021–22	27,33,967	4,57,014	8,59,020	2,71,254
2022–23	31,99,269	5,15,852	10,19,638	3,19,861
2023–24	37,03,971	5,90,395	11,84,406	3,76,075
2024–25	41,63,312	6,56,432	13,41,766	4,26,909
CAGR	14.20%	12.45%	16.27%	17.48%

Source: collected from selected banks

Interpretation

All banks show strong growth with positive CAGR. Kotak (17.48%) and ICICI (16.27%) grew the fastest, while SBI (14.20%) maintained the largest base. BOI (12.45%) showed steady but relatively slower growth. Overall, the trend indicates rising credit expansion and increased banking activity.

Table 3: Credit-Deposit Ratio. (%)

FY	SBI	BOI	ICICI	Kotak
2020–21	66.54	65.45	78.68	79.85
2021–22	67.48	67.02	80.69	87.03
2022–23	72.32	77.04	86.35	88.09
2023–24	75.34	80.01	83.83	83.77
2024–25	77.35	82.85	83.32	85.54
CAGR	3.83%	6.04%	1.45%	1.74%

Source: collected from selected banks

Interpretation

The ratios show a gradual upward trend for SBI and BOI, with moderate CAGR, indicating improving efficiency. ICICI and Kotak exhibit relatively stable performance with lower CAGR, suggesting consistency rather than rapid change. Overall, the trend reflects steady operational improvement across banks.

Table 4: Net NPA. (%)

FY	SBI	BOI	ICICI	Kotak
2020–21	1.50	3.35	1.14	1.21
2021–22	1.02	2.34	0.76	0.64
2022–23	0.67	1.66	0.48	0.37
2023–24	0.57	1.22	0.42	0.34
2024–25	0.47	0.82	0.39	0.31
CAGR	-25.18%	-29.06%	-23.63%	-28.41%

Source: collected from selected banks

All banks show a declining trend with negative CAGR. BOI and Kotak recorded sharper declines, while ICICI and SBI showed relatively moderate reductions. Overall, the trend indicates significant improvement in asset quality or reduction in the measured ratio over the period.

Table 5: Number of Branches.

FY	SBI	BOI	ICICI	Kotak
2020–21	22,219	5,084	5,266	1,604
2021–22	22,266	5,100	5,418	1,700
2022–23	22,405	5,129	5,900	1,780
2023–24	22,542	5,144	6,523	1,948
2024–25	22,937	5,160	6,983	2,148
CAGR	0.81%	0.38%	7.30%	7.58%

Source: collected from selected banks

Interpretation

SBI and BOI show minimal growth with low CAGR, indicating a stable branch network. In contrast, ICICI and Kotak recorded higher growth, reflecting expansion efforts. Overall, the trend suggests gradual network growth, with private banks expanding faster than public sector banks.

Table 6: Number of ATMs.

FY	SBI	BOI	ICICI	Kotak
2020–21	62,617	5,744	14,136	2,555
2021–22	65,030	5,500	13,626	2,705
2022–23	65,627	5,600	16,650	2,963
2023–24	65,000	5,800	17,190	3,212
2024–25	63,791	5,850	16,285	3,295
CAGR	0.46%	0.45%	3.60%	6.55%

Source: collected from selected banks

Interpretation

SBI and BOI show almost stable performance with very low CAGR, indicating limited expansion. ICICI records moderate growth, while Kotak shows relatively higher growth. Overall, the trend reflects gradual expansion, with private banks growing faster than public sector banks.

Introduction of RBI

The Reserve Bank of India (RBI) is the central banking authority of India responsible for

regulating the country’s monetary and financial system. It plays a crucial role in supervising banks, ensuring financial stability, and promoting economic growth. In recent years, RBI has been at the forefront of transforming India into a digital economy by introducing innovative payment systems, policies, and infrastructure. Through initiatives such as UPI, digital payment frameworks, and financial inclusion schemes, RBI has significantly enhanced the accessibility, efficiency, and security of banking services. Its continuous efforts have positioned India as a global leader in digital payments. (ETBFSI.com)

Table 1: Infrastructure & Inclusion-Based Initiatives.

Year	RBI Initiative	Objective	Impact on Banks
2020-21	24×7 RTGS	Enable round-the-clock fund transfers	Improved liquidity and faster settlement
2021-22	PIDF Scheme	Expand digital payment infrastructure in rural areas	Increased POS & QR adoption
2022-23	Digital Banking Units (DBUs)	Promote banking in underserved regions	Enhanced access to digital banking services
2023-24	Financial Literacy Programs	Promote awareness of digital payments	Increased adoption among rural users
2024-25	Feature Phone Payment Systems	Enable digital payments without smartphones	Broadened financial inclusion

Interpretation

RBI focused heavily on **financial inclusion and infrastructure development** during this period. Initiatives like PIDF and DBUs expanded digital payment access in rural and semi-urban areas. This helped banks increase their customer base and digital transactions. Overall, these measures strengthened the **foundation of digital banking growth across India.** (Dalvoy)

Table 2: Digital Payment System Development Initiatives.

Year	RBI Initiative	Objective	Impact on Banks
2020-21	UPI & IMPS Expansion	Promote real-time payments	Massive increase in digital transactions
2021-22	Payment Vision 2025	Provide roadmap for digital payments	Encouraged innovation in banking
2022-23	RuPay Credit on UPI	Enable credit-based digital payments	Increased credit usage digitally
2023-24	UPI Enhancements (Auto-pay, Lite, etc.)	Improve user convenience	Higher transaction volume
2024-25	UPI International	Expand global usage of UPI	Increased global reach of Indian banks

Interpretation

RBI's initiatives strengthened **real-time digital payment systems**, especially UPI. These policies made transactions faster, cheaper, and more convenient, leading to rapid adoption. Banks benefited through increased transaction volumes and improved customer engagement. As a result, India became a **global leader in digital payments**. (Fortune India)

Table 3: Innovation & Future-Oriented Initiatives.

Year	RBI Initiative	Objective	Impact on Banks
2022-23	CBDC (Digital Rupee Pilot)	Introduce digital currency	Modernised payment ecosystem
2023-24	Unified Lending Interface (ULI)	Enable frictionless digital credit	Faster loan processing
2023-24	AI & Digital Security Framework	Strengthen cybersecurity	Safer digital banking
2024-25	CBDC Expansion	Scale digital currency usage	Increased digital transaction options
2024-25	Cross-border Payment Initiatives	Improve international payments	Faster global transactions

Interpretation

RBI emphasized **innovation and future readiness** through initiatives like CBDC and ULI. These measures modernized banking services and improved efficiency in lending and payments. Banks could offer faster, secure, and technology-driven services. This positioned India's banking system for the **next phase of digital transformation**. (The Economic Times)

Suggestions

- Improve digital infrastructure in public sector banks
- Enhance usability of mobile banking applications
- Increase awareness regarding digital banking services

- Strengthen cybersecurity measures
- Provide efficient customer support systems
- Reduce server downtime and technical issues
- Introduce personalized banking services
- Train customers for effective digital usage

CONCLUSION

Digital banking has significantly transformed the banking experience by offering convenient, fast, and accessible financial services. Private sector banks lead in innovation and digital service quality, while public sector banks are gradually improving their digital capabilities. The study concludes that digital banking positively impacts customer satisfaction and operational efficiency. Continuous technological upgrades, enhanced security measures, and customer-centric strategies are essential for sustaining growth and competitiveness in the evolving digital banking landscape.

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