



e-ISSN:2582-7219



INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SCIENCE, ENGINEERING AND TECHNOLOGY

Volume 7, Issue 2, February 2024



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

Impact Factor: 7.521



6381 907 438



6381 907 438



ijmrset@gmail.com



www.ijmrset.com



A Comparative Study of Digital Banking Effectiveness of Private and Public Sector Banks in India: A Secondary Data Analysis

Tarun Sharma, Dr. Ajay Verma, Dr. Atul Gupta

Assistant Professor, Swami Keshvanand Institute of Technology, Management & Gramothan, Jaipur, India

Associate Professor, Swami Keshvanand Institute of Technology, Management & Gramothan, Jaipur, India

Associate Professor, Swami Keshvanand Institute of Technology, Management & Gramothan, Jaipur, India

ABSTRACT: Digital banking has emerged as a cornerstone of modern banking operations, enabling institutions to cater to customer needs with efficiency and innovation. This study examines the comparative effectiveness of digital banking services offered by private and public sector banks in India through a secondary data analysis. Key dimensions such as customer satisfaction, transaction efficiency, service accessibility, and technological innovation are analyzed using insights from diverse secondary data sources. The study highlights the urgent need for public sector banks to upgrade their digital infrastructure and improve their service delivery to stay relevant in an increasingly competitive environment. It also emphasizes the role of digital banking in promoting financial inclusion by making banking services more accessible to people in remote and underserved areas. The research concludes with practical recommendations for improving the digital banking landscape in India. These include investing in advanced technologies, training employees for digital operations, improving cybersecurity measures, and focusing on customer-centric innovations. By addressing these areas, both private and public banks can contribute to a more inclusive, efficient, and customer-friendly banking environment, ultimately supporting India's economic growth and digital transformation.

KEYWORDS: Digital Banking, Private Banks, Public Banks, Financial Inclusion, Customer Satisfaction

I. INTRODUCTION

The Indian banking sector has changed significantly over the last 20 years, with technology playing a key role in reshaping how banks operate and serve their customers. Digital banking, which includes services like online banking, mobile apps, digital wallets, and AI-based customer support, has made banking faster, easier, and more accessible. Customers can now manage their accounts, transfer money, and even get personalized help without visiting a bank branch. This has made digital banking an essential part of modern banking services. Private sector banks have been quick to adopt new technologies and lead the way in offering advanced digital services. They have invested heavily in creating easy-to-use platforms, using artificial intelligence to provide customized services, and improving customer satisfaction by offering faster and more reliable options. This proactive approach has allowed them to stay ahead in the competition. In contrast, public sector banks, which have a larger reach and strong customer trust, have faced challenges in adapting to these changes. Many of these banks still rely on older systems, which make it harder for them to compete with the speed and innovation of private banks. However, public sector banks are now working to improve their digital services, modernize their systems, and provide better experiences for their customers. By analyzing secondary data from multiple studies and reports, this research aims to explore the effectiveness of digital banking services in these two sectors, drawing insights on how they can further evolve to meet customer expectations.

II. OBJECTIVES OF THE STUDY

1. To compare the effectiveness of digital banking services in private and public sector banks in India.
2. To identify the key factors influencing customer satisfaction and technological adoption.
3. To provide actionable recommendations for enhancing digital banking services across sectors.
4. Understand the contribution of digital banking in reaching underserved and rural areas, fostering greater financial inclusion.



III. METHODOLOGY

This study relies exclusively on secondary data to analyze the effectiveness of digital banking services offered by private and public sector banks in India. The data is sourced from a range of credible and reliable sources, including peer-reviewed journals, industry reports, government publications, and banking sector reviews. Peer-reviewed journals provide in-depth academic insights into the trends and performance of digital banking, while industry reports from financial institutions and consulting firms highlight key developments, challenges, and innovations. Additionally, government publications, such as those from the Reserve Bank of India (RBI), offer official statistics and data on the Indian banking sector. Banking sector reviews and periodic reports from both public and private sector banks further contribute to understanding their digital initiatives and performance metrics. Relevant datasets from previous studies and surveys are also incorporated to support the analysis.

The research focuses on key performance indicators (KPIs) such as transaction speed, customer satisfaction, service accessibility, and technological innovation. These indicators are analyzed using data extracted from existing studies, with comparative methods such as means and percentages employed to evaluate differences between private and public sector banks.

IV. LITERATURE REVIEW

Numerous studies have explored the evolution and impact of digital banking in India, offering critical insights into its development.

- Nath et al. (2013) highlighted the positive influence of IT adoption on bank performance, emphasizing technology's role in streamlining operations, reducing costs, and enhancing decision-making.
- Ramya (2021) examined customer perspectives, identifying private banks' superior service quality and innovation as key differentiators. Conversely, public banks struggled with slower technology adoption and less intuitive interfaces.
- Rajasulochana and Murthy (2022) identified critical factors like system availability and website usability that significantly shape customer satisfaction, with private banks outperforming public ones in most areas.
- Kumar and Gupta (2020) analyzed perceptions of online banking risks, concluding that public sector banks were viewed as more secure due to their government affiliation, despite lagging behind private banks in innovation.
- Undi (2021) highlighted private banks' superior profitability metrics, attributed to effective cost management and investments in digital technologies. Public banks faced challenges such as higher non-performing assets (NPAs) and infrastructural inefficiencies.
- Kumar and Mohan (2020) explored the role of digital banking in transforming the Indian banking sector. Their study highlighted that private sector banks have consistently outperformed public sector banks in adopting innovative technologies such as mobile banking apps and AI-based customer support systems. They attribute this to private banks' flexibility in decision-making and higher investments in technology. On the other hand, public sector banks were found to face challenges such as reliance on outdated infrastructure and slower decision-making processes.
- According to a report by the Reserve Bank of India (2022), the adoption of digital banking has surged in both urban and rural areas. However, the report notes that public sector banks lag behind private banks in terms of transaction speed, user-friendly interfaces, and real-time services. The study emphasized the need for public banks to invest in upgrading their digital infrastructure to remain competitive.
- In their comparative analysis, Sharma and Gupta (2021) found that private banks prioritize customer satisfaction by focusing on innovative services and faster response times, while public banks rely heavily on their established reputation and wider customer base. The research also pointed out that public banks have made efforts to bridge the gap by introducing initiatives such as mobile banking apps and improved online portals, but these often fall short in terms of usability and speed compared to their private counterparts.
- Singh et al. (2020) examined the role of digital banking in promoting financial inclusion. Their study revealed that digital banking services offered by public sector banks have a wider reach, particularly in rural and underserved areas. However, they face limitations in terms of the quality and efficiency of these services. In contrast, private banks, while offering superior digital platforms, primarily focus on urban and semi-urban customers.
- Research by Deloitte (2023) highlighted that customer satisfaction in digital banking depends significantly on factors such as transaction efficiency, ease of access, and security features. The report emphasized that private banks are more agile in adopting technologies like blockchain and biometric authentication, which enhance



customer trust and satisfaction. Meanwhile, public banks are gradually adopting similar measures but at a slower pace due to budgetary and administrative constraints.

V. FINDINGS AND ANALYSIS

1. Customer Satisfaction

Private banks consistently lead in customer satisfaction, supported by user-friendly interfaces, AI-driven support, and proactive customer engagement. Secondary data reveals that private banks achieve higher ratings in ease of use and customer loyalty metrics, attributed to personalized experiences and targeted marketing.

2. Transaction Efficiency

Private sector banks demonstrate superior transaction processing times due to advanced IT infrastructure and automated systems. Public sector banks, while improving, are hindered by outdated technologies and slower process automation.

3. Service Accessibility

Public banks' extensive reach in rural and semi-urban areas remains a strength; however, their digital offerings lack the accessibility and intuitiveness of private banks. Secondary data indicates a disparity in urban and rural adoption rates, with private banks dominating in urban markets.

4. Technological Innovation

Private banks lead in adopting cutting-edge technologies, including AI-powered analytics, blockchain, and digital wallets. Reports reveal significant investment gaps between private and public sector banks in technology, with private banks spending nearly 50% more on innovation annually.

5. Perception of Security

While public banks enjoy a perception of greater security due to government backing, private banks are closing this gap by implementing robust cybersecurity measures and transparent data protection policies.

VI. DISCUSSION

The findings suggest that private banks excel in leveraging technology and customer-centric strategies, resulting in higher satisfaction levels. Public banks, despite their trust and credibility, need systemic reforms to enhance their digital services. Collaboration with fintech firms and increased investment in technology can help bridge the gap. Moreover, targeted customer education campaigns can improve digital adoption rates, especially in rural areas where public banks have an established presence.

VII. CONCLUSION

The study highlights significant differences in digital banking effectiveness between private and public sector banks in India. Private banks consistently outperform public banks in innovation, efficiency, and customer satisfaction. Public banks, however, have the potential to leverage their extensive networks and government backing to enhance digital service quality. By adopting a forward-looking approach and investing in modern technologies, both sectors can collectively improve India's digital banking landscape. However, public sector banks, despite facing challenges like legacy systems and slower technology adoption, play a crucial role in reaching underserved and rural populations. Their extensive network and customer trust provide a solid foundation for improving digital banking services, especially in promoting financial inclusion. To remain competitive, public sector banks must invest in upgrading their technological infrastructure and adopt more agile decision-making processes. The study also underscores the importance of digital banking in India's broader economic and financial inclusion goals. Both private and public sector banks have the potential to contribute significantly to India's digital transformation. By investing in innovation, improving service delivery, and enhancing customer experiences, both sectors can help create a more inclusive, efficient, and customer-centric banking environment. Overall, this research provides valuable insights into the current state of digital banking in India and offers practical recommendations for both private and public sector banks to enhance their digital offerings. By addressing the identified gaps and focusing on technological advancements, banks can better meet customer expectations and contribute to the country's ongoing digital revolution.

Recommendations

- Strategic Technology Investments:** Public banks should allocate resources to modernize their digital platforms and adopt emerging technologies like AI and blockchain.
- Employee Upskilling:** Regular training programs focused on digital literacy can empower staff to better serve customers in a digital-first environment.



3. **Collaborative Innovations:** Partnerships with fintech companies can accelerate innovation and provide access to state-of-the-art solutions.
4. **Customer-Centric Strategies:** Both sectors should emphasize customer feedback mechanisms to continuously refine their digital offerings.
5. **Rural Penetration and Education:** Targeted awareness campaigns can boost digital banking adoption in rural areas, leveraging the reach of public banks.

REFERENCES

1. Nath, R., T Bhal, K., & T Kapoor, G. (2013). Factors Influencing IT Adoption by Bank Employees: An Extended TAM Approach. *Vikalpa*, 38(4), 83-97.
2. Ramya, N. (2021). A Comparative Study of Digital Banking in Public and Private Sector Banks. *International Journal of Innovative Research in Engineering & Multidisciplinary Physical Sciences*, 9(5), 1.
3. Undi, R. (2021). Comparative Financial Performance Of Select Public And Private Sector Banks In India. *Xilkogretim Online - Elementary Education Online*, 2165-2173.
4. Rajasulochana, D., & Murthy, S. (2022). E-Banking and Customers' Satisfaction in Public and Private Sector Banks in Karnataka: An Empirical Analysis. *Journal of Positive School Psychology*, 6(8), 8270-8279.
5. Kumar M., & Gupta S. (2020). Security perception of e-banking users in India: An Analytical Hierarchy Process. *Banks and Bank Systems*, 15(1), 11.
6. Additional secondary data sources from industry reports and government publications.
7. Kumar, S., & Mohan, R. (2020). *Digital Transformation in Indian Banking: A Comparative Study of Private and Public Sector Banks*. *Journal of Banking and Finance*, 42(3), 221-234.
8. Reserve Bank of India. (2022). Annual Report on Digital Banking Trends in India. Reserve Bank of India. Retrieved from <https://www.rbi.org.in/>
9. Sharma, P., & Gupta, A. (2021). Customer Satisfaction in Digital Banking: A Comparative Study of Private and Public Sector Banks in India. *International Journal of Financial Services*, 39(4), 110-125.
10. Singh, M., Gupta, R., & Sharma, K. (2020). Financial Inclusion through Digital Banking: Challenges and Opportunities for Public Sector Banks in India. *Journal of Financial Inclusion*, 15(2), 52-64.
11. Deloitte. (2023). Digital Banking in India: Trends and Insights. Deloitte Insights. Retrieved from <https://www.deloitte.com/>
12. Gupta, N. (2021). Technological Innovations in Indian Banking: A Study of Mobile Banking and AI Integration. *Indian Journal of Technology and Management*, 18(1), 58-73.
13. Iyer, S., & Singh, D. (2020). The Role of Digital Banking in Financial Inclusion: A Case Study of Public and Private Sector Banks in India. *Journal of Economic and Social Studies*, 32(1), 75-88.
14. Bhattacharya, B., & Mehta, S. (2021). Banking Innovation: A Study on the Digital Revolution in India's Banking Sector. *International Journal of Emerging Markets*, 36(2), 125-139.



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | ijmrset@gmail.com |

www.ijmrset.com