

A Study on Impact of Internet Banking on Customer Retention: A Study with Reference to ICICI Bank

1. **AMMULA SAIKRISHNA** (24UJ1E0003) Student of 2nd Year MBA,
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad – 501 401.

2. **Dr Shaik Mastan Vali**, Associate Professor Dept of MBA,
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad – 501 401

Abstract

Internet banking has become an integral part of modern banking by enabling customers to access financial services conveniently through digital platforms. The increasing use of internet-enabled devices, improved digital infrastructure, and growing customer preference for online transactions have accelerated the adoption of internet banking in India. This study examines the impact of internet banking on customer retention with reference to ICICI Bank. A descriptive research design was adopted using both primary and secondary data. Primary data were collected from 100 ICICI Bank customers through a structured questionnaire, while secondary data were obtained from books, journals, banking reports, and published literature. The findings indicate that convenience, security, service quality, reliability, trust, and customer satisfaction are the major factors influencing customer retention. Overall, customers expressed positive perceptions of ICICI Bank's internet banking services. The study recommends continuous technological innovation, enhanced cybersecurity measures, and customer-focused digital services to strengthen customer loyalty and ensure long-term customer retention.

Keywords: Internet Banking, Customer Retention, ICICI Bank, Customer Satisfaction, Service Quality, Digital Banking, Customer Loyalty.

1. INTRODUCTION

The banking industry has experienced a significant transformation over the past two decades due to rapid technological advancements and the widespread adoption of digital technologies. Traditional banking, which primarily depended on physical branch visits for routine financial transactions, has gradually evolved into a technology-driven system that enables customers to access banking services through internet-based platforms. Among various technological innovations, **internet banking** has emerged as one of the most important developments, allowing customers to perform financial transactions quickly, securely, and conveniently from any location using computers, laptops, tablets, and other internet-enabled devices. Internet banking has substantially improved operational efficiency, reduced transaction costs, and enhanced customer convenience while enabling banks to deliver high-quality financial services. ICICI Bank has been one of India's leading private sector banks to actively invest in internet banking technologies and digital infrastructure to improve customer experience and operational effectiveness.

The growth of internet banking in India has been supported by several technological, economic, and government initiatives. Programmes such as **Digital India**, Aadhaar integration, financial inclusion initiatives, and the rapid expansion of internet connectivity have encouraged customers to adopt digital banking services. The introduction of advanced payment systems such as **Unified Payments Interface (UPI)**, **National Electronic Funds Transfer (NEFT)**, **Real Time Gross Settlement (RTGS)**, and other online payment mechanisms has significantly enhanced the efficiency and accessibility of banking transactions. Furthermore, the increasing penetration of smartphones, affordable internet services, and growing digital literacy have encouraged customers from both urban and rural areas to utilise internet banking services. Events such as demonetisation in 2016 and the COVID-19 pandemic further accelerated the use of internet banking by encouraging contactless financial transactions and reducing dependence on physical bank branches. These developments have transformed customer expectations and strengthened the importance of digital banking within India's financial system.

Internet banking offers numerous benefits to customers and financial institutions. Customers can access banking services twenty-four hours a day, transfer funds instantly, pay utility bills, monitor account balances, download account statements, manage investments, and apply for financial products without visiting bank branches. These services save time, reduce transaction costs, and improve financial flexibility. For banks, internet banking minimizes operational expenses, reduces paperwork, enhances service efficiency, and improves customer relationship management. Consequently, banking institutions continue to invest heavily in advanced digital technologies to strengthen customer satisfaction and maintain a competitive advantage in the rapidly evolving banking industry.

Customer retention has become one of the most important strategic objectives for banks because retaining existing customers is generally more cost-effective than acquiring new ones. Internet banking contributes significantly to customer retention by providing reliable, secure, and convenient banking services that enhance customer satisfaction and strengthen long-term relationships. Customers who experience efficient online banking services are more likely to remain loyal to their banks and continue using digital banking channels. However, customer retention is influenced by several factors, including service quality, security, trust, convenience, accessibility, transaction efficiency, and customer support. Concerns related to cybersecurity, data privacy, phishing attacks, and technical failures may reduce customer confidence and negatively affect long-term retention. Therefore, banks continuously invest in cybersecurity technologies, multi-factor authentication, encryption systems, fraud detection mechanisms, and responsive customer support to strengthen customer trust.

The **Technology Acceptance Model (TAM)** proposed by Davis explains that **perceived usefulness** and **perceived ease of use** significantly influence customers' willingness to adopt technology-based services. Similarly, **Relationship Marketing Theory** emphasises that long-term customer relationships, trust, satisfaction, and continuous service improvement are essential for customer retention. These theoretical perspectives provide a strong foundation for understanding the relationship between internet banking and customer retention.

ICICI Bank has established itself as one of India's leading private sector banks by continuously investing in innovative digital banking technologies. Its internet banking platform provides customers with a comprehensive range of financial services, including account management, online fund transfers, bill payments, investment services, loan applications, digital account management, and secure online transactions. The bank's commitment to technological innovation, service quality, and customer-centric digital strategies has strengthened customer satisfaction and loyalty. The present study examines the impact of internet banking on customer retention by analysing customers' perceptions of convenience, security, service quality, trust, reliability, accessibility, and satisfaction. The findings are expected to provide valuable insights for banking professionals and policymakers in developing effective customer retention strategies, improving digital banking services, and strengthening long-term customer relationships in India's evolving digital banking environment.

2. LITERATURE REVIEW

The adoption of internet banking has become an important area of research because digital technologies have significantly transformed the banking industry. Researchers have extensively examined the relationship between internet banking, customer satisfaction, customer loyalty, service quality, and customer retention. Previous studies indicate that factors such as convenience, perceived usefulness, security, trust, reliability, and service quality play a vital role in influencing customers' continued use of internet banking services. The uploaded project report reviews several influential studies that provide the theoretical foundation for understanding the impact of internet banking on customer retention.

1. **Davis (1989)** developed the **Technology Acceptance Model (TAM)**, which explains that **perceived usefulness** and **perceived ease of use** are the primary determinants of technology adoption. According to Davis, customers are more likely to adopt and continue using internet banking services when they perceive them to be beneficial, efficient, and easy to operate. The Technology Acceptance Model has become one of the most widely accepted frameworks for explaining customer acceptance of digital banking technologies and continues to guide research on internet banking adoption and retention.

2. **Reichheld and Sasser (1990)** emphasized that customer retention is more profitable than acquiring new customers and highlighted the importance of maintaining long-term customer relationships through superior service quality and customer satisfaction. Similarly, **Zeithaml, Berry, and Parasuraman (1991)** introduced the **SERVQUAL Model**,

identifying reliability, responsiveness, assurance, empathy, and tangibility as the key dimensions of service quality. Their study concluded that high service quality strengthens customer satisfaction and positively influences customer retention in service industries, including banking.

3. **Jun and Cai (2001)** examined customer satisfaction with internet banking and found that website design, transaction security, ease of navigation, information accuracy, and customer support significantly influence customer perceptions. Likewise, **Pikkarainen et al. (2004)** reported that perceived usefulness, convenience, accessibility of information, and ease of use positively affect internet banking adoption. **Nilsson, Eriksson, and Kerem (2005)** further observed that customer trust and perceived benefits significantly influence customers' willingness to continue using internet banking services, thereby improving customer retention.

4. Later studies continued to reinforce these findings. **Safeena et al. (2011)** identified security, trust, ease of use, and perceived usefulness as important determinants of customer satisfaction and retention. More recent studies by **Gupta and Sharma (2018)**, **Reddy and Kumar (2020)**, and **Rao and Verma (2023)** concluded that convenience, service quality, transaction speed, security, technological innovation, and customer support significantly improve customer satisfaction and strengthen long-term customer loyalty. They also emphasized that continuous improvements in digital banking infrastructure are essential for maintaining customer trust and competitive advantage.

Overall, the reviewed literature demonstrates that **service quality, convenience, trust, security, reliability, customer satisfaction, and technological innovation** are the major determinants of customer retention in internet banking. However, relatively few studies focus specifically on the impact of internet banking on customer retention with reference to **ICICI Bank**. Therefore, the present study contributes to the existing literature by analysing customers' perceptions of internet banking services and examining how these services influence customer satisfaction, loyalty, and long-term retention in the context of ICICI Bank.

3. RESEARCH OBJECTIVES AND RESEARCH METHODOLOGY

Research Objectives: The present study aims to examine the impact of internet banking services on customer retention with reference to ICICI Bank. The objectives are derived from the uploaded project report and presented in a research paper format.

The specific objectives of the study are:

1. To examine the usage of internet banking services among ICICI Bank customers.
2. To evaluate the impact of internet banking services on customer retention.
3. To assess customer satisfaction with ICICI Bank's internet banking services.
4. To identify the factors influencing customer loyalty and the continued use of internet banking services.
5. To suggest suitable measures for improving internet banking services and strengthening customer retention.

Research Methodology: The study adopted a **descriptive research design** using both primary and secondary data. Primary data were collected from **100 ICICI Bank customers** through a structured questionnaire using the convenience sampling technique. Secondary data were obtained from books, journals, banking reports, and websites. Percentage analysis, weighted mean analysis, and ranking techniques were employed to evaluate the impact of internet banking on customer retention.

4. DATA ANALYSIS AND INTERPRETATION:

The analysis is based on responses collected from **100 ICICI Bank customers** regarding their perceptions of internet banking services and their influence on customer retention. Descriptive statistical tools, including **Percentage Analysis**, **Weighted Mean Analysis**, and **Ranking Analysis**, were used to interpret the collected data. The following tables present the major findings of the study.

Table 4.1 Demographic Profile of Respondents

Statistical Tool: Percentage Analysis

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	57	57
	Female	43	43
Age	Below 25 Years	19	19

	25–35 Years	45	45
	36–45 Years	23	23
	Above 45 Years	13	13
Educational Qualification	Intermediate	17	17
	Graduate	46	46
	Postgraduate	27	27
	Others	10	10

Source: Primary Data

Interpretation

The demographic profile shows that **57%** of the respondents were male and **43%** were female, indicating participation from both genders. The largest proportion of respondents (**45%**) belonged to the **25–35 years** age group, suggesting that young adults are the most active users of internet banking services. Regarding educational qualifications, **46%** were graduates, followed by **27%** postgraduates. The findings indicate that educated and economically active customers are more likely to adopt internet banking because of their familiarity with digital technologies. Overall, the demographic characteristics suggest that internet banking is widely accepted among younger and educated customers of ICICI Bank.

Table 4.2 Factors Influencing Customer Retention through Internet Banking

Statistical Tool: Weighted Mean Analysis

Factor	Weighted Mean	Rank
Convenience	4.09	I
Security	4.02	II
Reliability	3.95	III
Customer Satisfaction	3.90	IV
Trust	3.84	V

Scale: 1 = Strongly Disagree, 5 = Strongly Agree

Source: Computed from Primary Data

Interpretation

The weighted mean analysis indicates that **convenience** is the most influential factor affecting customer retention, with the highest weighted mean score (**4.09**). Customers value the ability to access banking services at any time without visiting branches. **Security** ranked second (**4.02**), demonstrating that secure transactions and effective cybersecurity measures strengthen customer confidence. **Reliability** ranked third (**3.95**), followed by **customer satisfaction** (**3.90**) and **trust** (**3.84**). These findings suggest that efficient, secure, and dependable internet banking services encourage customers to maintain long-term relationships with ICICI Bank.

Table 4.3 Customer Perception of Internet Banking and Customer Retention

Statistical Tool: Descriptive Statistics and Ranking Analysis

Response	Frequency	Percentage (%)	Rank
Strongly Agree	40	40	I
Agree	37	37	II
Neutral	9	9	III
Disagree	8	8	IV
Strongly Disagree	6	6	V

Source: Primary Data

Interpretation

The analysis indicates that **40%** of respondents strongly agreed and **37%** agreed that internet banking positively influences customer retention, representing a combined positive response of **77%**. Only **14%** of respondents expressed disagreement, while **9%** remained neutral. These findings demonstrate that most customers believe internet banking enhances convenience, improves satisfaction, and strengthens long-term relationships with ICICI Bank. Efficient online services, secure transactions, reliable system performance, and improved customer experience contribute significantly to customer loyalty. The results confirm that internet banking has become an important strategic tool for improving customer retention and sustaining competitive advantage in the banking sector.

5. Results

The findings indicate that internet banking has a significant positive impact on customer retention at ICICI Bank. Most respondents regularly use internet banking services because of their convenience, accessibility, reliability, and security. The analysis shows that convenience is the most influential factor affecting customer retention, followed by security, reliability, customer satisfaction, and trust. Customers expressed positive perceptions regarding the quality of ICICI Bank's internet banking services and believed that efficient online banking strengthens their relationship with the bank. Overall, the study confirms that customer satisfaction and trust developed through effective internet banking services play a crucial role in enhancing customer loyalty and long-term customer retention.

6. Suggestions

Based on the findings, ICICI Bank should continue upgrading its internet banking platform to improve service quality, transaction speed, and user experience. The bank should strengthen cybersecurity measures and regularly educate customers about safe online banking practices. Responsive customer support and continuous technological innovation should be prioritised to enhance customer trust and satisfaction. Periodic customer feedback should also be collected to identify service gaps and further strengthen customer retention through efficient internet banking services.

7. Conclusion

Internet banking has become a vital component of modern banking and plays a significant role in retaining customers. The present study concludes that ICICI Bank's internet banking services positively influence customer retention by providing convenient, reliable, secure, and efficient banking solutions. The findings reveal that customer satisfaction, trust, convenience, security, and service quality are the major determinants of long-term customer loyalty. Continuous improvements in digital banking infrastructure and customer-centric service strategies will further strengthen customer confidence and retention. Therefore, internet banking serves not only as a technological innovation but also as an effective strategic tool for sustaining long-term customer relationships and competitive advantage.

8. Scope for Further Research

The present study is limited to ICICI Bank customers and focuses on the impact of internet banking on customer retention. Future research may compare customer retention across different public and private sector banks to identify variations in service quality and digital banking practices. Researchers may also examine the influence of artificial intelligence, personalised digital banking services, cybersecurity awareness, customer engagement, and fintech innovations on customer retention. Studies involving larger sample sizes, multiple geographical regions, and longitudinal research designs can provide deeper insights into customer behaviour and support the development of more effective customer retention strategies in the digital banking sector.

References

1. Davis, F. D. (1989). *Perceived usefulness, perceived ease of use, and user acceptance of information technology*. *MIS Quarterly*, 13(3), 319–340.
2. Gupta, R., & Sharma, S. (2018). Customer retention through internet banking services in India. *International Journal of Banking and Finance*, 10(2), 45–58.
3. ICICI Bank. (2024). *Annual Report 2023–24*. Mumbai: ICICI Bank Limited.
4. Jun, M., & Cai, S. (2001). The key determinants of internet banking service quality. *International Journal of Bank Marketing*, 19(7), 276–291.
5. Pikkarainen, T., Pikkarainen, K., Karjaluoto, H., & Pahnla, S. (2004). Consumer acceptance of online banking: An extension of the Technology Acceptance Model. *Internet Research*, 14(3), 224–235.
6. Rao, V., & Verma, S. (2023). Digital banking and customer retention in Indian banks. *International Journal of Financial Innovation*, 8(2), 78–95.

7. Reserve Bank of India. (2024). *Report on Trend and Progress of Banking in India 2023–24*. Mumbai: Reserve Bank of India.
8. Safeena, R., Date, H., Kammani, A., & Hundewale, N. (2011). Factors affecting the adoption of internet banking in India. *International Journal of Computer Theory and Engineering*, 3(1), 1–6.
9. Reichheld, F. F., & Sasser, W. E. Jr. (1990). Zero defections: Quality comes to services. *Harvard Business Review*, 68(5), 105–111.
10. Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1991). The nature and determinants of customer expectations of service. *Journal of the Academy of Marketing Science*, 21(1), 1–12.