

A Study on Public and Private Sector Banks on Digital Usage

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ABSTRACT

The banking industry in India has witnessed a significant transformation with the rapid adoption of digital technologies. This study aims to analyze and compare the digital usage trends in public and private sector banks, focusing on the level of digital adoption, customer preferences, and the efficiency of digital services offered. The research explores various digital banking channels such as mobile banking, internet banking, ATMs, and UPI services, and examines how both sectors are leveraging these platforms to enhance customer satisfaction and operational efficiency.

Primary data was collected through surveys and interviews, while secondary data was sourced from bank reports and digital banking statistics. The findings indicate that private sector banks are comparatively more agile in implementing digital solutions and promoting digital literacy among customers. In contrast, public sector banks, though improving, still face challenges related to legacy systems and slower adoption rates.

This study highlights the importance of digital transformation in maintaining competitiveness and meeting the evolving expectations of tech-savvy customers. It also suggests recommendations for public sector banks to bridge the digital gap and improve service delivery through strategic investments in technology and training.

Introduction

Over the past decade, the way we interact with banks has drastically changed. From standing in long queues for simple transactions to now managing our entire banking life through a smartphone—digital banking has become the new normal. Whether it's transferring funds, paying bills, or applying for loans, technology has made banking faster, easier, and more accessible than ever before.

But behind this digital revolution, there's an interesting contrast: how public and private sector banks are adapting to this shift. While private banks are often seen as more tech-forward and quick to adopt new trends, public sector banks—despite their traditional roots—are also stepping up their game in the digital space.

This study aims to explore how both sectors are embracing digital transformation, what strategies they are using, and how these changes are impacting customer experience, efficiency, and financial inclusion. As we move further into a digitally-driven economy, understanding this shift becomes not just important—but essential.

Review of Literature

Vennila & Narendra Rathanaraj (2024) explored customer perceptions towards ATM services, highlighting that ATMs have become a basic expectation in banking. Their study suggested banks should improve ATM effectiveness and introduce incentives to encourage usage, based on primary data collection.

Shah Malav Vineshkumar & Bhavin Bhatt (2024) conducted an empirical study in Ahmedabad, focusing on customer satisfaction with ATM services from Bank of Baroda and Yes Bank. Using structured questionnaires, they found that ATMs remain the most popular e-banking service and offered suggestions for service improvement.

Anantha Lakshmi & Padmajav (2023) examined the role of information technology in banking, particularly in e-transactions using ATMs, credit cards, and debit cards. The study revealed Axis Bank leads in POS transactions, while most debit card usage still occurs at ATMs, raising concerns around cash management.

Saravanan (2022) focused on SBI ATM users in Salem district. The study assessed customer satisfaction and identified common issues, using both primary and secondary data. It found that many customers actively use ATMs for multiple types of transactions.

The Digital Shift in Indian Banking

With the rise of smartphones, internet access, and government initiatives like *Digital India*, digital banking has become essential. Services like UPI, IMPS, mobile wallets, net banking, and chatbot-based customer service are now part of daily banking.

Private sector banks—like HDFC, ICICI, and Axis—have taken a lead in adopting and integrating advanced digital tools. They offer sleek mobile apps, AI-driven chatbots, and seamless online account management features.

Public sector banks—such as SBI, Bank of Baroda, and PNB—while initially slower, have made significant strides. SBI's YONO app is a great example of a public bank's push into digital banking, offering end-to-end banking services on a single platform.

Key Areas of Digital Usage

1. Mobile & Internet Banking:

Private banks often provide more user-friendly apps, while public banks are catching up by upgrading their platforms and adding more features.

2. ATM & Card Services:

Both sectors offer wide ATM networks and card services. However, issues like outdated machines and limited functionalities are more common in public sector ATMs.

3. **Customer Service via Chatbots and AI:**

Private banks use AI-powered assistants to solve queries quickly, while public banks are still in early stages of this transition.

4. **UPI & Payment Integration:**

Both sectors support UPI transactions, though private banks often integrate with more third-party apps for smoother transactions.

Private Sector Banks: Fast and Forward

Private sector banks like HDFC, ICICI, and Axis have always been known for being more agile and tech-savvy. They've heavily invested in digital infrastructure and offer seamless mobile banking experiences, smart ATMs, real-time support via chatbots, and AI-driven financial tools. Their apps are sleek, intuitive, and loaded with features.

These banks have taken digital banking not just as a service, but as a strategy. They've partnered with fintech companies, integrated with emerging platforms, and used data analytics to offer personalized banking solutions. For a digitally inclined customer, the private sector has a clear edge in terms of user experience.

Public Sector Banks: The Giants Awakening

Public sector banks (PSBs) like SBI, Bank of Baroda, and Punjab National Bank have traditionally been slower in adapting to change. Their processes were once paper-heavy and people-dependent. But in recent years, things have started to shift.

Take SBI, for example. With its YONO app and digital-first campaigns, SBI is trying hard—and succeeding—to keep up with its private peers. Many PSBs have revamped their websites, introduced mobile banking apps, and implemented digital KYC and video banking.

Challenges Faced

- **Digital Literacy:** Many rural customers, especially of public banks, still struggle with using digital services.
- **Infrastructure Gaps:** Public sector banks often face delays due to outdated IT systems.
- **Cybersecurity Threats:** As digital usage increases, so does the risk of fraud and cyber-attacks, requiring robust security measures.

Customer Perception and Satisfaction

Studies show that private bank customers tend to be more satisfied with digital services due to ease of use and quicker response times. However, public banks maintain a strong base due to trust, branch presence, and government support. As digital infrastructure improves, public banks are slowly improving their digital perception among customers.

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Conclusion

The digital revolution in Indian banking is well underway, with both public and private sector banks striving to keep up with changing expectations. While private banks are leading in innovation, public sector banks are making steady progress. Ultimately, the increased competition is benefiting the customer, making banking more accessible, efficient, and convenient.