

EXPLORING THE IMPACT OF DIGITALIZATION ON BANK PERFORMANCE AND CUSTOMER SATISFACTION

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Abstract

In the dynamic landscape of the banking industry, propelled by rapid digitalization, understanding the intricacies of customer satisfaction has become paramount. This study delves into the evolving dimensions of customer satisfaction within the context of digital transformation and its implications for bank performance. The research underscores the necessity for continuous exploration of emerging trends, technological advancements, and evolving societal values to discern their influence on customer satisfaction. By examining these factors, valuable insights emerge regarding the evolving needs, preferences, and expectations of bank customers.

Furthermore, this study investigates the relationship between customer satisfaction and bank performance. It reveals a direct correlation between the two, wherein heightened levels of customer satisfaction contribute significantly to enhanced bank performance. One of the primary findings of this research is the positive reception of digitalization by customers in the banking sector. The introduction of digital banking has substantially reduced the time required to perform various tasks, thereby enhancing efficiency. Moreover, the availability of AI-guided customer service further augments customer satisfaction by providing prompt assistance and resolution of issues. The culmination of these findings suggests that customer satisfaction is not only a crucial determinant of bank performance but is also directly proportional to it. The provision of efficient digital banking services, coupled with responsive customer support, fosters a sense of satisfaction and, to some extent, delight among customers. Consequently, this leads to an overall improvement in bank performance.

1. Introduction

The process of adopting digital technologies to modify conventional banking practices and business models is known as "digital transformation" in the banking sector. Enhancing customer experience, cutting expenses, increasing efficiency, and creating new revenue sources are the objectives of digital transformation. The rapid development of digital technologies has caused considerable changes in the banking sector in recent years. More tech-savvy consumers want to communicate with banks using digital channels like chatbots, internet banking, and mobile banking apps. In order to enhance their operations and customer experience, banks are also utilizing digital technologies including artificial intelligence (AI), machine learning, big data analytics, and blockchain.

The growth of fintech companies, which are upending conventional banking procedures, is one of the primary forces behind the digital transformation of the banking sector. These companies, which are frequently more responsive and client-focused than traditional banks, are utilizing digital technologies to deliver cutting-edge financial products and services. Banks are increasingly cooperating

with or buying fintech businesses to utilise their digital skills and knowledge in order to remain competitive. Rethinking the conventional banking businessmodel is another aspect of the banking sector's digital transformation. Banks are switching from the conventional branch-based model to a digital-first strategy. This entails lowering the number of physical branches and providing digital-only

banking services including online account opening and digital lending. Banks are also spending money on online advertising.

2. Literature Review

According to the (Potapova et al., 2022): digitalization and key performance indicators of commercial bank are interdependent. In this study they found with the statistical analysis of the data collected the Russian banking sector that digitalization has the significant potential in it. They done the correlation analysis of 100 Russian banks grouped by assets and performed in 2021. In this study it was confirmed that the digitalization affects all the individuals' transactions as well as net income commission. The outcome of the study was digitalization hasdirectly impacts on the Russian commercial banks and its performance.

According to (Azmi & Akhtar, n.d.) India stands on the second position in terms of internet user next to China. The aim of the study is to measure the impact of introducing technology on bank performance. The author finds the dearth literature relating to the effect of internet banking on bank performance for this, they collected the interviews form the 30 employees of 10 different banks of India. To analyse the bank performance, they used three factors as employee, costof operations and profitability. The findings of the study were that the technology is positively associated with the three factors in the study. It was proven that it improves the banking performance and allow it to expand from core banking service to complete financial solution.

3. Research Methodology

Problem Statement Objective of the Study

Research Design SamplingData Collection

Data Analysis

Hypothesis of the study

4. Data Analysis and InterpretationData Visualization

Descriptive Stats & Factor Analysis

5. Findings

The majority of the respondent stated that they feel's important and significance while adopting digital banking.

More than 75% population feels the same while opting the digital banking service of the bank as it is having the flexible time of use and easy to maintain.

The majority of the population i.e., 86% population are satisfied with the overall experience of using digital banking service provided by the bank. Majority of the population are having the positive attitude towards the digital banking services provided by the bank.

Majority of the population are ready to recommend the digital banking to their friends and relatives this directly implies that they are very much satisfied with the digital banking service provided by the bank.

This shows that the customer satisfaction is very high.

According to the theory if the customer is satisfied that also increase the overall performance of the bank.

6. Conclusion

It is crucial for researchers and practitioners to continue exploring the ever- evolving landscape of customer satisfaction in the banking industry due to digitalization. As consumer satisfaction and bank performance continue to evolve, there may be emerging trends, technology advancements, and shifting societal values that can significantly impact customer satisfaction. Exploring these factors can provide valuable insights into the evolving needs, preferences, and expectations of bank customer. Furthermore, studying customer satisfaction in banking sector, how it impacts the bank performance. The findings can inform that the customers are very much satisfied with the digitalization in the banking sector which directly increases the overall bank performance.