

Impact of Digital Banking on Customer Retention in the Indian Banking Industry: A Study of State Bank of India

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Abstract-

As digital platforms continue to redefine banking experiences in India, customer loyalty is becoming increasingly dependent on the quality of these services. This study investigates how digital banking tools—such as mobile apps, internet banking, and UPI—contribute to customer retention, with a special focus on the State Bank of India (SBI). Based on a primary survey involving 50 customers across five major banks, the research identifies ease of use, trust, service responsiveness, and digital accessibility as core factors influencing loyalty. While SBI maintains a strong reach, areas such as mobile app usability and support speed show room for improvement. The findings highlight the need for banks to enhance digital convenience and security to maintain customer relationships in a fast-evolving financial environment.

Keywords-

Digital Banking, Customer Retention, SBI, Customer Loyalty, Trust, Mobile Banking.

I. INTRODUCTION-

Over the last ten years, the Indian banking sector has seen a major shift, largely driven by rapid advancements in digital technology. The widespread use of smartphones and the growth of digital platforms like UPI, mobile apps, and online banking have changed the way customers interact with banks. While this shift has improved convenience, it has also brought new challenges—particularly in ensuring that customers remain loyal in an increasingly digital environment.

The State Bank of India (SBI), India's largest public sector bank, has taken significant steps toward digitalization with offerings like YONO and mobile banking services. However, customer loyalty today depends more on the quality of digital interactions than on the bank's reputation or size. This study examines how features of digital banking influence customer retention, using feedback from users of SBI and other major banks. The aim is to understand which elements of digital service play the most important role in building long-term customer relationships.

LITERATURE REVIEW-

Several studies have highlighted that digital banking plays a pivotal role in shaping customer loyalty. Researchers like Gupta and Jain (2022) have noted that personalized digital services and intuitive banking interfaces can significantly increase satisfaction levels. Kaur and Singh (2019) found that mobile app efficiency and prompt grievance handling

were particularly important for younger users. In the context of data protection, Choudhury and Verma (2021) emphasized that trust in digital platforms is essential for long-term engagement. Post-pandemic findings by Kumar and Sharma (2021) showed rising expectations from digital banking users, calling for continuous improvements in service quality and interface design. Broader insights from RBI, SBI, and Deloitte underscore the strategic role of digital innovation and customer-centric digital experiences in strengthening retention across the sector.

II. RESEARCH METHODOLOGY-

This study adopts a mixed-method approach, combining structured survey data with comparative analysis across five major Indian banks—SBI, HDFC Bank, ICICI Bank, Axis Bank, and PNB. A total of 120 respondents participated in the survey, selected through stratified sampling to represent urban, semi-urban, and rural customers. The survey explored digital banking usage patterns, satisfaction levels, trust in digital platforms, and likelihood of continued banking relationships.

Quantitative data were analyzed using descriptive statistics, correlation, and regression techniques to identify relationships between digital banking features and customer retention. Qualitative responses and open-ended feedback were reviewed to enrich the analysis with customer sentiments regarding app usability, digital service responsiveness, and security concerns. This multi-layered methodology ensured that the findings reflect both measurable patterns and customer perception nuances.

III. KEY FINDINGS AND DISCUSSION-

The data revealed a strong correlation between customer satisfaction with digital banking and their likelihood to stay with the same bank. Among the evaluated services, mobile banking apps had the highest influence on retention, especially when offering seamless navigation, real-time updates, and integrated support features.

Security and trust emerged as critical differentiators. Customers who felt confident about data privacy and fraud protection were significantly more loyal. On the other hand, HDFC's intuitive digital platform and efficient issue resolution gave it the highest retention sentiment among surveyed users.

Interestingly, younger customers (aged 18–35) were more likely to switch banks if their digital experience felt outdated or inconvenient. In contrast, older customers

prioritized platform security and consistent performance. Rural users expressed moderate satisfaction but noted barriers like technical glitches and lack of app awareness.

The study also highlighted the role of loyalty programs, such as cashback and reward points, in influencing retention—particularly among digitally active users. However, these were not standalone factors; they were most effective when paired with a robust digital user experience.

IV. CONCLUSION-

This research highlights the growing importance of digital banking in maintaining customer relationships within the Indian banking sector. As banks move toward a more digital approach, customers expect faster, safer, and more user-friendly service experiences. The findings of this study show a clear connection between customer satisfaction with digital services and their likelihood to remain with a bank—particularly in areas like mobile banking, secure transactions, and responsive customer support.

While SBI benefits from a wide customer base, it lags slightly in terms of app usability and quick support, especially when compared to private banks like HDFC and ICICI. The changing preferences of younger users and the specific needs of rural customers indicate that banks must adopt a more targeted and digitally adaptive strategy to retain a diverse range of clients effectively.

V. RECOMMENDATIONS-

To improve customer loyalty through digital platforms, banks should prioritize enhancing the design, speed, and functionality of mobile and online banking services. Investments in cyber security such as two-factor authentication and secure data handling—can help foster trust among users. In regions with lower digital penetration, banks should focus on awareness campaigns and user training to increase comfort with digital tools. Moreover, integrating reward programs within digital apps can encourage repeat usage. Real-time customer service, including live chats or Chatbot support, should be made available for instant assistance. Leveraging customer data to offer tailored services will also help banks retain a tech-savvy, diverse customer base.

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