

# Unveiling Hidden Charges: Challenges and Consumer Awareness in Digital Banking

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## Abstract

Digital banking has transformed financial transactions in India, offering speed and convenience. However, hidden charges such as minimum balance penalties, ATM fees, SMS alerts, and transaction costs often surprise customers due to poor disclosure. This study examines the challenges faced by digital banking users with special reference to hidden charges, and analyses consumer awareness levels. A sample of 128 respondents from Coimbatore city was surveyed using a structured questionnaire. Tools such as percentage analysis, correlation, chi square test, and weighted mean were applied. Findings reveal that 52 percent of users sometimes experience extra charges, 42 percent are not notified beforehand, and 61 percent are only partially aware of applicable fees. Minimum balance penalty (43 percent) is the most noticed hidden charge. Chi square analysis shows a significant association between awareness level and user response ( $\chi^2 = 17.30$ ,  $p < 0.05$ ). Weighted mean scores indicate that hidden charges discourage frequent usage (mean = 3.5) and that greater transparency would improve trust (mean = 4.04). The study suggests banks should simplify fee disclosures, send pre deduction alerts, and conduct customer awareness programmes.

**Key Words:** Digital Banking, Hidden Charges, Consumer Awareness, Transparency, Financial Literacy, Coimbatore.

## I. INTRODUCTION

In recent years, the banking sector in India has undergone significant changes due to the growth of digital technology and internet services. Traditional banking methods that depended heavily on cash transactions and physical bank visits are gradually being replaced by digital banking systems. Digital banking refers to the use of electronic platforms such as internet banking, mobile banking, debit and credit cards, Unified Payment Interface (UPI), and electronic fund transfers to carry out financial transactions. The Government of

India has promoted digital payments through initiatives like Digital India, aiming to increase financial inclusion, transparency, and convenience for consumers. As a result, digital banking has become an important part of everyday life for individuals and businesses.

Despite the advantages, digital banking has also introduced issues such as hidden charges – fees not clearly understood by customers at the time of using services. These include transaction charges, annual maintenance charges, SMS alert fees, penalties for not maintaining minimum balance, card usage fees, and charges for exceeding transaction limits. Many consumers are not fully aware due to lack of proper information and financial knowledge. A nationwide survey by LocalCircles (2024) found that 63 percent of online banking users experienced hidden charges that were not disclosed upfront.

The present study focuses on examining hidden charges in digital banking and analysing the level of consumer awareness regarding these charges, with special reference to Coimbatore city.

## II. REVIEW OF LITERATURE

RBI (2021) noted that unclear communication of fees leads to customer grievances and recommended clear pricing policies. Liam Anderson and Ishanvi Mahadevan (2023) found that hidden fees significantly impact younger users due to low awareness. LocalCircles (2024) reported 63 percent of users experienced hidden charges across 363 districts of India. Kaur and Pathak (2015) highlighted that poor communication by banks results in unexpected deductions. OECD (2020) recommended stronger regulatory frameworks for transparent pricing. Chawla and Joshi (2019) concluded that lack of awareness is a major barrier to acceptance of digital banking. Agarwal, S., & Ghosh, S. (2020) emphasised the role of mobile banking in financial inclusion. Dev et al. (2024) found that UPI convenience increased spending among 75 percent of users. Saxena, Joshi and Vidani (2024) noted that digital banking has reduced operational expenses for banks.

### III. OBJECTIVES OF THE STUDY

1. To identify the different types of hidden charges faced by digital banking users.
2. To examine the level of account holders' awareness regarding digital banking charges.
3. To study how hidden charges affect account holders' switching behaviour and use of formal banking.

### IV. RESEARCH METHODOLOGY

*A. Sample Size and Area:* 128 respondents from Coimbatore city were selected using non probability convenient sampling.

*B. Data Sources:* Primary data collected through a Google Form questionnaire; secondary data from journals, books, and the internet.

*C. Tools Used:* Percentage analysis, correlation, chi square test, weighted mean.

### V. ANALYSIS AND INTERPRETATION

#### 5.1 Percentage Analysis

**Table 1: Age of the respondents**

| Age         | No. of response | Percentage |
|-------------|-----------------|------------|
| 18-20       | 55              | 43         |
| 21-30       | 34              | 26         |
| 31-40       | 15              | 12         |
| Above 40    | 24              | 19         |
| Grand Total | 128             | 100        |

Majority (43 percent) belong to 18-20 years; 55 percent are female; 79 percent are students.

**Table 2: Type of bank account held**

| Type of bank account | No. of response |
|----------------------|-----------------|
| Co- operative bank   | 3               |
| Private Bank         | 60              |
| Public Sector Bank   | 65              |
| Grand Total          | 128             |

**Table 3: Most commonly used digital banking app**

| Most commonly used digital banking apps | No. of response | Percentage |
|-----------------------------------------|-----------------|------------|
| Gpay                                    | 114             | 89         |
| Navi Pay                                | 1               | 1          |
| Paytm                                   | 6               | 5          |

|             |     |     |
|-------------|-----|-----|
| Phonepe     | 7   | 5   |
| Grand Total | 128 | 100 |

**Table 4: Experience of extra or unexpected charges Experienced any additional No. of Percentage or unexpected charges while response analysis using digital banking services?**

|             |     |     |
|-------------|-----|-----|
| Mostly      | 6   | 5   |
| Never       | 18  | 14  |
| Rarely      | 38  | 30  |
| Sometimes   | 66  | 52  |
| Grand Total | 128 | 100 |

**Figure 1: Experience of Account Holders Regarding Extra Charges in Digital Banking**

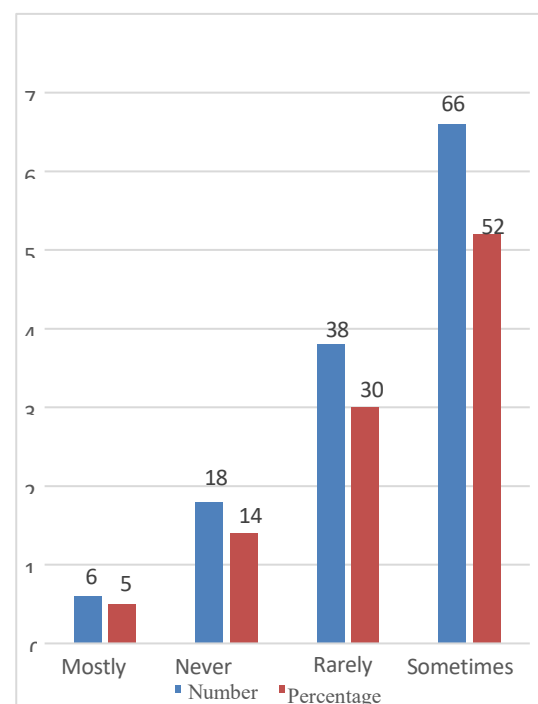


**Table 5: Pre notification about charges**

| Were you notified about these charges before they were charged? | No. of responses | Percentage |
|-----------------------------------------------------------------|------------------|------------|
| No                                                              | 54               | 42         |
| Not sure                                                        | 33               | 26         |
| Yes                                                             | 41               | 32         |
| Grand Total                                                     | 128              | 100        |

**Table 6: Types of hidden charges noticed (multiple response)**

| Which of the following charges have you noticed? | Frequency | Percentage |
|--------------------------------------------------|-----------|------------|
| ATM withdrawal charges beyond the free limit     | 47        | 36.7       |
| Minimum balance penalty                          | 55        | 43         |
| SMS/alert charges                                | 47        | 36.7       |
| Debit/card annual fees                           | 37        | 29         |
| Online transaction charges                       | 44        | 34.4       |
| Grand Total                                      | 230       | 100        |

Table 7: Awareness of service charges

| Awareness of the service charges applicable to the account | No. of respondents | Percentage |
|------------------------------------------------------------|--------------------|------------|
| Fully aware                                                | 31                 | 24         |
| Not aware                                                  | 19                 | 15         |
| Partially aware                                            | 78                 | 61         |
| Grand Total                                                | 128                | 100        |

## 5.2 Correlation Analysis

Table 8: Correlation results

| Variables                                                 | Correlation (r)      |
|-----------------------------------------------------------|----------------------|
| Frequency of usage vs. reduction due to hidden charges    | 0.18 (weak positive) |
| Reading Terms & Conditions & Awareness of Service Charges | 0.443                |

Interpretation: Hidden charges have a slight influence on reducing usage; reading terms and conditions moderately improves awareness.

## 5.3 Chi Square Analysis

**Test 1: Association between awareness level and response regarding digital banking charges**

Calculated  $\chi^2 = 17.302$ ,  $df = 4$ , table value (0.05) = 9.488  
Result: Reject  $H_0 \rightarrow$  significant association ( $p < 0.05$ ).

Awareness plays an important role in shaping opinions.

**Test 2: Association between comparing digital banking charges and reduction in usage**

Calculated  $\chi^2 = 15.20$ ,  $df = 9$ , table value (0.05) = 16.919  
Result: Accept  $H_0 \rightarrow$  no significant association.

## 5.4 Weighted Mean Analysis

Table 9: Perceptions on hidden charges and usage

|                                                                                 | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | Grand Total | Weighted score | Weighted mean |
|---------------------------------------------------------------------------------|----------------|-------|---------|----------|-------------------|-------------|----------------|---------------|
| 1.Do hidden charges discourage you from using digital banking frequently        | 23             | 40    | 47      | 13       | 5                 | 128         | 447            | 3.5           |
| 2.Hidden charges influence my decision to continue using digital banking        | 7              | 53    | 46      | 16       | 6                 | 128         | 423            | 3.3           |
| 3.Greater transparency in banking charges will improve customer trust and usage | 49             | 41    | 33      | 4        | 1                 | 128         | 517            | 4.04          |

Table 10: Analysis on hidden charges and usage

| Statement                                                           | Weighted mean | Interpretation |
|---------------------------------------------------------------------|---------------|----------------|
| Hidden charges discourage frequent digital banking usage            | 3.5           | Agree          |
| Hidden charges influence decision to continue using digital banking | 3.3           | Neutral        |
| Greater transparency will improve customer trust and usage          | 4.04          | Strongly Agree |

(Scale: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly agree)

## VI. RESULT

1. 43 percent of respondents are aged 18-20 years; 55 percent female; 79 percent students.
2. 51 percent hold public sector bank accounts; 89 percent use GPay as their primary digital banking app.
3. 52 percent have sometimes experienced extra or unexpected charges; 42 percent were not notified beforehand.
4. Minimum balance penalty (43 percent) is the most noticed hidden charge.
5. 61 percent are only partially aware of service charges applicable to their accounts.
6. Most respondents (52.3 percent) become aware of hidden charges through bank statements, not direct bank communication.
7. 50 percent find charges complicated because different transactions have different fees.
8. Correlation ( $r = 0.443$ ) shows reading terms and conditions moderately improves awareness.
9. Chi square test confirms a significant association between awareness level and user response ( $\chi^2 = 17.30$ ,  $p < 0.05$ ).
10. Weighted mean (4.04) indicates strong agreement that greater transparency would improve customer trust and usage.

## VII. SUGGESTIONS

1. Banks should clearly display all service charges on mobile apps, websites, and account statements.
2. Send pre deduction notifications for any charge before it is applied.
3. Provide a simple, consolidated list of all possible hidden charges (SMS fees, ATM fees, transaction charges, etc.).
4. Conduct regular customer awareness programs and financial literacy campaigns.
5. Reduce unnecessary or unclear charges to maintain customer trust.
6. Improve customer support to resolve complaints related to hidden charges promptly.
7. Offer a certain number of free digital transactions to encourage continued usage.

## VIII. CONCLUSIONS

Digital banking has become an essential part of everyday financial activities in India, but hidden charges remain a significant concern. This study of 128 respondents in Coimbatore reveals that while most users are young and frequent digital banking adopters, awareness of service charges is only partial. Hidden charges such as minimum balance penalties, ATM fees, and SMS alerts are commonly experienced, often without prior notification. The lack of transparency and complex fee structures lead to confusion, dissatisfaction, and reduced trust. However, the findings also show that customers strongly believe greater

transparency would improve trust and usage. Banks must therefore simplify disclosures, proactively educate customers, and ensure fair practices. Ultimately, addressing hidden charges is essential for building a reliable and customer friendly digital banking ecosystem.

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## BIOGRAPHIES



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