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**International Journal on Research and Development - A
Management Review**

ISSN: 2319 - 5479

Volume 15 Issue 01, 2026

A Study on Consumer Perception towards Digital Banking Services and Financial Inclusion: An Empirical Study with Special Reference to Internet Banking

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Peer Review Information	Abstract
<p>Submission: 10 Feb 2026 Revision: 22 Feb 2026 Acceptance: 03 March 2026</p>	<p>The traditional banking system has undergone a substantial transformation thanks to digital banking services, which have also become a crucial tool for advancing financial inclusion. Customers can effortlessly obtain financial services without physically visiting bank offices thanks to internet banking. However, how consumers view digital platforms is a major factor in the success of online banking. With particular reference to online banking, the current study investigates how consumers view digital banking services and assesses their influence on financial inclusion. A structured questionnaire was used to gather primary data from 120 online banking participants. Data analysis methods included regression analysis, mean score (weighted average) analysis, and percentage analysis. The findings show that online banking adoption is positively influenced by convenience, ease of use, security, and trust, all of which greatly help to financial inclusion.</p>
<p>Keywords</p> <p>Digital Banking, Internet Banking, Consumer Perception, Financial Inclusion, Service Quality.</p>	

Introduction

With the introduction of digital banking services like online banking, mobile banking, and electronic cash transfers, the quick development of information technology has completely changed the banking industry. Customers can conduct banking operations, such as fund transfers, bill payments, account management, and loan services, online via internet banking. These services have made banking more accessible to a larger population, decreased transaction costs, and enhanced convenience. Financial inclusion is the provision of accessible and reasonably priced financial services to all segments of society, especially the disadvantaged and unbanked. By removing operational and geographic constraints, digital banking significantly contributes to financial inclusion. However, acceptance and usage of

digital banking services, particularly internet banking, are determined by consumer perception. Consumer acceptance is influenced by elements like awareness, trust, convenience of use, and security concerns. Therefore, the purpose of this study is to examine how consumers view online banking and how it contributes to financial inclusion.

Literature review

The entire client journey must be smoothly connected with financial services. FIs have the chance to provide clients a comprehensive platform that meets their demands from beginning to end. In order to act as a facilitator and create markets that enable buyers and sellers to interact, financial institutions (FIs) must look beyond their traditional products (Boston Consulting Group and Facebook 2017).

The majority of respondents are satisfied with the following factors: "E-Transfer of Funds, Security of Transactions," and "Balance Enquiry, User friendliness of E-Banking, Promptness in attending grievances/Queries, Adequacy of Information provided by banks."

Additionally, it said that private sector banks had a higher level of clientele than public sector banks in these areas. Therefore, it has been determined that public sector banks need to be dedicated to online banking and have a better grasp of the needs of their clients. At the same time, banks in both sectors should make every effort to continue using efficient e-banking procedures. In order for customers to embrace innovation in financial transactions, banks should endeavor to gain their trust. Any company's ability to meet customer expectations determines whether it succeeds or fails.

The perception of e-banking services is significantly influenced by socioeconomic factors. The Discriminate Function Analysis (DFA) demonstrated that the group of dependent variables—opinion regarding the necessity of e-banking services, difficulty using e-banking services, economy, and usefulness of e-banking services—are discriminated by the chosen independent variables at a rate of more than 95%. Additionally, the majority of respondents expressed satisfaction with e-banking services.

Statement of the problem

Internet banking services are available, but many customers are hesitant to use them because of security worries, mistrust, and a lack of digital literacy. Usage is further discouraged by the complexity of digital platforms and the fear of online fraud, particularly among specific consumer groups. These problems hinder the efficient use of online banking and impede efforts to promote financial inclusion. Therefore, the study's main objective is to examine how consumers see online banking services and how they affect financial inclusion.

Objectives

1. To investigate how customers use online banking services.
2. To examine how customers see online banking services.
3. To research how customer perception affects financial inclusion.

Research methodology

Both primary and secondary data have been used in this investigation. The information was gathered via websites and other online resources.

Research Design:

The study uses an analytical and descriptive research design to investigate how consumers see online banking.

Area of Study

The study was conducted in Tirunelveli District, Tamil Nadu.

Sample Size

A sample of 120 respondents who utilize online banking services served as the basis for the study.

Sampling Technique

The convenience sampling technique was used to choose responders.

Data sources:

Primary data:

A structured questionnaire created especially to investigate consumer perceptions of online banking services and their function in financial inclusion was used to gather primary data for this study. A five-point Likert scale, ranging from Strongly Agree to Strongly Disagree, was used to score perception-based statements as well as demographic information.

The questions addressed important aspects of online banking services, including accessibility, security, ease of use, convenience, and trust. Internet banking users were given the questionnaire, and responses were gathered both in-person and online to guarantee data relevance and accuracy.

Secondary data:

In order to offer context for the study and to bolster the theoretical framework, secondary data were gathered. Standard textbooks, national and international periodicals, research articles, conference proceedings, and published reports from banks and financial institutions were the sources of this information.

The Reserve Bank of India (RBI) publications, official bank websites, and other reliable internet resources about digital banking and financial inclusion were also consulted.

The study's goals and methodology were

framed, research gaps were identified, and prior research findings were comprehended with the aid of secondary sources.

Tools used

- Percentage Analysis
- Mean Score and Weighted Average Analysis
- Regression of Analysis

Data Analysis And Interpretation

Table 1: Percentage Analysis of Internet Banking Usage

Particulars	Category	No. of Respondents	Percentage (%)
Frequency of Internet Banking Usage	Daily	38	31.7
	Weekly	46	38.3
	Occasionally	28	23.3
	Rarely	8	6.7
Total		120	100.0

Interpretation

According to the table, 38.3% of respondents use online banking every week, and 31.7% use it every day. This indicates that customers have a high

degree of acceptance and frequent use of online banking services. The goal of financial inclusion is supported by the higher utilization frequency, which shows better access to formal banking systems.

Table 2: Mean Score / Weighted Average Analysis of Consumer Perception towards Internet Banking

Factors	Weighted Total	Mean Score	Rank
Convenience	518	4.32	I
Ease of Use	505	4.21	II
Security	486	4.05	III
Trust	478	3.98	IV

Interpretation

Convenience is the most important element in the use of online banking services, followed by usability, according to the weighted average study. Even while

the mean scores for security and trust are positive, their relatively lower ranks reflect that banks must improve security measures and increase customer trust in online banking services.

Independent Variables	Regression Coefficient (β)	t-value	Sig. (p-value)
Ease of Use	0.312	3.84	0.001
Convenience	0.354	4.27	0.000
Security	0.286	3.12	0.002
Trust	0.298	3.45	0.001
R²	0.62		

Interpretation

According to the regression analysis, financial inclusion is most positively impacted by convenience ($\beta = 0.354$) and ease of use ($\beta = 0.312$). The R² value of 0.62 indicates that consumer perception factors account for 62% of the variation in financial inclusion. Positive customer opinion of online banking greatly increases financial inclusion, since all variables are statistically significant at the 5% level.

Findings and discussions:

The study's conclusions show that consumers who think digital banking services are quick and simple to use utilize them far more frequently. The percentage and mean score studies show that time-saving features, accessibility, and financial transaction flexibility are the main reasons why people favor online banking. These results imply that the most important elements influencing the uptake of online banking services are convenience and usability.

Additionally, the study shows that consumer perception is greatly influenced by security and trust. Even though most respondents have a favorable opinion of online banking, user confidence is nevertheless impacted by worries about online fraud, data protection, and illegal access. This is especially noticeable among infrequent and infrequent users, highlighting the necessity of ongoing security mechanism enhancement.

Regression research demonstrates that customer perception significantly improves financial inclusion. Increased access to and use of formal banking services is a result of a number of factors, including convenience, ease of use, security, and confidence. The regression model's high explanatory power shows that positive consumer impression promotes greater involvement in the digital financial system, hence enhancing financial inclusion.

Suggestions

The following recommendations are made in light of the study's findings:

- Particularly in rural and semi-urban regions, banks should regularly host financial literacy and digital awareness workshops to inform clients about the advantages and secure use of online banking services.
- To improve client trust and lessen fear of online fraud, advanced security measures like multi-factor authentication, biometric verification, and real-time fraud alerts should be put into place.
- To increase usability for all user categories, banks should create user-friendly digital platforms with straightforward navigation, multilingual options, and unambiguous instructions.
- Chatbots and round-the-clock helplines are examples of effective and timely customer support services that should be bolstered in order to boost customer happiness and quickly fix digital banking concerns.

Conclusion

The study comes to the conclusion that consumers have a generally favorable opinion of online banking services, which is essential for advancing financial inclusion. Customers are most motivated to utilize online banking by convenience and ease of use, although security and trust still need constant improvement. Increasing access to formal financial services and lowering reliance on physical banking infrastructure are two benefits of using internet banking. The expansion of digital banking will be further accelerated by bolstering digital

infrastructure, strengthening security protocols, and raising consumer knowledge, all of which will support equitable and sustainable financial development.

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