

An Empirical Study on the Drivers of Customer Preference and Digital Banking Adoption

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ABSTRACT:

The instant advancement of financial technologies has significantly transformed banking services, positioning digital banking as a vital component of contemporary financial systems. Identifying the key determinants that shape customers' intention to adopt digital banking is essential for financial institutions aiming to enhance customer engagement and accelerate digital transformation. This study examines the influence of four major factors perceived usefulness (PU), perceived ease of use (PEU), social influence (SI), and perceived trust (PT) on customers' intention to use digital banking services. Data were collected from 228 respondents across India using a structured questionnaire based on a five-point Likert scale and analysed through SPSS. The reliability of the constructs was assessed using Cronbach's alpha, while regression analysis was employed to test the proposed hypotheses. The results reveal that all four variables exert a positive and significant effect on digital banking adoption, with perceived trust and perceived usefulness emerging as the strongest predictors. The study highlights the growing importance of secure, user-friendly, and socially influenced digital banking platforms in shaping customer behaviour. These findings offer valuable implications for banks, policymakers, and fintech firms in designing effective strategies to enhance user adoption and foster sustainable digital banking ecosystems.

Keywords: Digital banking; Adoption intention; Trust; Perceived usefulness; Social influence; Perceived ease of use.

1. Introduction:

The banking industry is rapidly transforming and expanding its operational scope due to the ongoing digital revolution. Academics,

policymakers, and corporate leaders are increasingly focusing on digital transformation within commercial banking activities. In response to changing customer expectations and market

liberalization, commercial banks are embracing digital innovation through the development of advanced financial software, digital and mobile banking platforms, fintech solutions, big data analytics, internet-based financial services, enhanced risk management systems, and strengthened customer relationship management practices (Samuel Hakizimana, 2023). Digital technologies and the COVID-19 pandemic have significantly accelerated digital transformation, compelling the banking industry to restructure its services and products. A successful shift from traditional to modern systems requires a strong focus on multilevel governance (Baljinder Kaur, 2021). Digital banking provides convenient internet-based services with low transaction fees and time-saving benefits (Aftab Parvez Khan, 2017). In recent years, advancements in information technology and the widespread use of the internet have transformed service delivery methods. Banks leverage internet-based platforms to integrate e-commerce services, reduce costs, enhance financial products and operational systems, and improve the overall efficiency of banking operations and processes (Andrea H. L., 2021). This technological change of the banking sector has prompted a great deal of debate among scholars, and various studies have been led to investigate the enormous expansion of digital banking in recent years (Alnemer, 2022). Due to the pandemic, consumers have shifted to contactless payment applications and digital banking, pushing most banks across the country to reduce the number of physical branches in order to improve the convenience and efficiency of online banking operations (Erlane K. Ghani, 2022). Digital banking improves client loyalty to banks. A survey indicates that roughly 20% of clients are willing to switch banks if their present one does not offer online banking services. Research on the intention to adopt digital banking services is important (NGUYEN, 2020). Rapid developments in information technology have substantially enhanced the adaptability and user-friendliness of banking services. Electronic banking is becoming increasingly prominent in the financial sector, as customers progressively

embrace internet-based banking solutions (Nadim Jahangir, 2008). Perceived usefulness and perceived ease of use have been identified as the most important elements influencing behavioural intention to utilise technology (Andrea H. L., 2021). (NGUYEN, 2020) Said that trust is a key driver for adopting digital financial services. As outcome the study aims to identify the key determinants namely perceived ease of use, perceived usefulness, perceived trust, and social influence that significantly influence customers' intention to adopt digital banking services.

2. Review of Literature and Hypothesis Development:

2.1 Adoption of digital banking Services:

Digital banking provides information, ease of service, and convenience, as well as a number of additional services such as checking account balances, transferring bank accounts, bill payments, moving funds, enhancing payment management, stock investing, and insurance period payments (Andrea H. L., 2021). Although digital banking offers frequent benefits for both users and banks, research suggests that customer adoption is moderate. Customers' adoption of digital banking is mostly driven by perceived benefits in meeting their financial needs (K.A.E. Madusanka, 2021). (Kantika, 2022) Said that Banks should view financial technology deployment as an opportunity to enhance performance, strengthen client relationships, and develop internal and external relations capabilities. Adoption of Digital Bank refers to how users decide to use its services in the future. With the use of information systems in service delivery, the banking sector has prioritised dematerialising client interactions (Kwame Gyeabour Asante, 2022). Despite efforts to integrate digital banking, banks continue to face challenges in completely maximising its benefits. Adopting digital banking benefits both customers and banks, allowing them to better serve their clientele.

2.2 Hypotheses Development: Factors of Digital Banking Services

2.2.1 Perceived Ease of Use: The perceived ease of use variable is based on the Technology Acceptance Model (TAM). TAM is a method for predicting an individual's behavioural intention to use computer technology and information systems. Consumers' attitudes and behavioural intentions to utilise technology or systems depend on perceived usefulness (PU) and perceived ease of use (PEU) (Andrea H. L., 2021). Perceived ease of use refers to the consumer's expectation that online banking requires minimal effort. Consumers may quickly test and evaluate the benefits of new innovations (Nadim Jahangir, 2008). Researchers feel that the perceived simplicity of use of a technology increases the likelihood of the platform being employed. The viewpoint will be evaluated using the following hypothesis (Denny Indra Prastiawan, 2021).

H1: Perceived Ease of Use (PEU) directly influence the adoption of digital banking services.

2.2.2 Perceived Usefulness: Perceived usefulness is defined as the degree to which a individual believes that employing a specific system will progress his job performance (Hidayat, 2023). As a result, perceptions about the benefits of usage are predicted to have a direct impact on customer attitudes via perceived usefulness (Denny Indra Prastiawan, 2021). To prove this viewpoint, the following hypothesis will be studied.

H2: Perceived Usefulness (PU) directly influence the adoption of digital banking services.

Model:

Factors Influencing

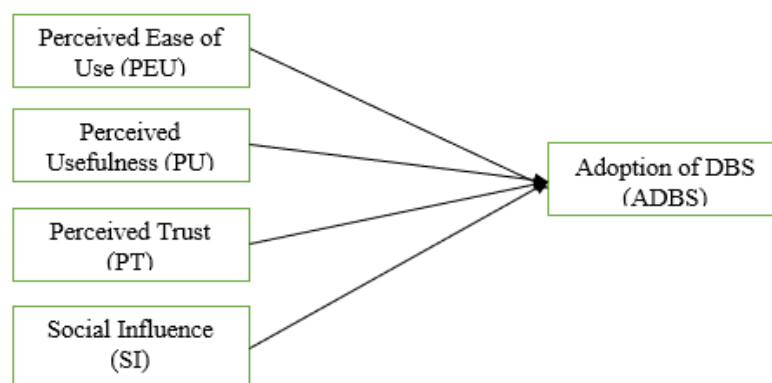


Figure 1. The Conceptual Model Source: Created by Authors

2.2.3 Perceived Trust: Customer trust indicates a sense of security when utilising a service, without concerns about potential hazards or troubles (NGUYEN, 2020). Customers' trust in digital banking transactions differs from that of face-to-face transactions in several ways, including the extensive use of technology for transactions, the remote and impersonal nature of the online environment, and the implicit uncertainty of transacting on an open technological infrastructure (Shumaila Y Yousafzai, 2003). Research suggests that trust positively impacts the propensity to utilise e-banking services, with views of utility, security, and privacy influencing perceived trust (D.A.G. Nayanajith, 2021). To prove this viewpoint, the following hypothesis will be studied.

H3: Perceived Trust (PT) directly influence the adoption of digital banking services.

2.2.4 Social Influence: Social influence can be distinct as "the degree to which an individual perceives that the use of new technology by him/her is considered important by others or he/she conforms to others' expectations" (Anita Ali, 2022). Social influence is a major predictor of new technology adoption in terms of rising responsiveness through feedback from friends and family (Aftab Parvez Khan, 2017). To prove this viewpoint, the following hypothesis will be studied.

H4: Social Influence (SI) directly influence the adoption of digital banking services.

3. Research Methodology

3.1 Method:

Scholars strongly recommend collecting data from a variety of samples to assure response variability and confirm the generalizability of conclusions. Thus, data for this study were gathered from a wide range of digital banking customers. The study included both descriptive and quantitative research approaches. A cross-sectional survey targeting adult users of digital banking services in India. A screening question ensured respondents had used any digital banking service (e.g., mobile banking app, UPI/wallet, investment app) in the past three months. Given the absence of a complete sampling frame of active users, a purposive approach with quota monitoring (age, gender, region/urban, rural) was used. Participation was voluntary and anonymous; informed consent was obtained prior to participation. Descriptive research discovers facts, but quantitative research produces statistics like frequencies and averages

(Lalitha, 2025). For the study, both primary and secondary data were used. The core facts for this study was composed using a standardized questionnaire. In total, the survey was distributed to about 250 respondents, and the researcher received 228 (93%) genuine responses from respondents across India.

Secondary data is compiled from various kinds of journals, periodicals, newspapers, and websites. Convenience sampling was used throughout the research process.

3.2 Measures:

For this study, the investigator employed a questionnaire, which is a structured collection of questions. This study used a survey-based approach. The survey form is separated into two sections: the initial section covers demographic questions, and the another section contains 17 questions that are responded by means of a five-point Likert scale, with "5" meaning "strongly agree" and "1" representing "strongly disagree".

Table 1: Measurement Items

Factors	Item code	Statements	Source
Perceived ease of use (PEU)	PEU 1	I find digital banking services easy to use.	(Mohammed Abdullah Al-Sharafi, 2017)
	PEU 2	Digital Navigating through digital banking applications is simple and straightforward.	
	PEU 3	Digital banking services require minimal effort to use.	
Perceived Usefulness (PU)	PU 1	Digital banking helps me perform banking tasks more efficiently.	(Andrea H. L., 2021)
	PU 2	The use of digital banking saves my time.	
	PU 3	Digital banking makes my banking transactions quicker.	
Perceived Trust (PT)	PT 1	I trust digital banking services to keep my financial data secure	(D.A.G. Nayanajith, 2021)
	PT 2	I feel safe while conducting transactions through digital banking.	
	PT 3	I have confidence in the bank's digital platform.	
Social Influence (SI)	SI 1	I use digital banking because my friends and family use it.	(Anita Ali, 2022)
	SI 2	Social media and online reviews influence my use of digital banking.	
	SI 3		

Adoption of Digital banking services (ADBS)	ADBS 1	My peers' opinions affect my decision to adopt digital banking services.	(K.A.E. Madusanka, 2021)
	ADBS 2	I prefer digital banking over traditional banking methods.	
	ADBS 3	I am likely to recommend digital banking services to others.	
		I am willing to adopt new features in digital banking as they become available.	

3.3 Data Analysis

This research used quantitative analysis to accomplish the objectives that data analysis was showed using SPSS software and descriptive statics were analyzed to summarize the evidence about the respondents regression was implemented to discover the relationship

between Perceived Ease of Use, Perceived Usefulness, Perceived Trust, Social Influence and Adoption of digital banking services.

4 Results

4.1 Statics of the Demographic Characteristics

Table 2. Profile of respondents (n = 228)

Variable	Description	Frequency	Percentage (%)
Gender	Male	138	60.5
	Female	90	39.5
Age	Below 20	100	43.8
	20-30	98	42.98
	31-40	24	10.52
	41-50	02	1.13
	Above 50	04	1.57
Qualification	SSLC	01	0.43
	PUC	06	2.63
	UG	66	28.94
	PG	143	62.7
	Ph.D	12	5.3

Table 2 summarizes the demographic features of the 228 respondents. In this study, 138 respondents were male (60.5%), and 90 were female (39.5%). This study originate that 100

(43.8%) respondents are below 20 years, and 143 (62.7%) have completed their postgraduate studies.

4.2 Evaluating Reliability

Table 3. Reliability Analysis

Scale	Cronbach's alpha	Items	Corrected Item – Total Correlation
PEU	0.864	PEU01	1.000
		PEU02	0.606
		PEU03	0.631
PU	0.889	PU01	1.000
		PU02	0.653
		PU03	0.320

PT	0.920	PT01	1.000
		PT02	0.591
		PT03	0.651
SI	0.777	SI01	1.000
		SI02	0.699
		SI03	0.668
ADBS	0.840	ADBS01	1.000
		ADBS02	0.775
		ADBS03	0.777

This study employs Cronbach's Alpha (CA) analysis to establish the reliability of the valid variables for the scales: Perceived Ease of Use, Perceived Usefulness, Perceived Trust, Social Influence and Adoption of digital banking services. Cronbach's alpha provides a bottom bound on dependability (α). Cronbach's alpha

cutoffs of 0.7 or 0.75 are commonly employed to assess test reliability (A. Christmann, 2005). The acceptable scale is identified when the experiential variables have a corrected element total correlation value of 0.3 or more. The results reported in Table 2 show that all scales have achieved dependability.

4.3 Multiple Regression Analysis

Table 4: Model of Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.811 ^a	.658	.652	1.62074	2.157

Table 4 illustrates the model's level of explanation, with an adjusted R² value of 0.658, indicating that 65.8% of Adoption of digital banking services (ADBS) is explained with the

impact of four independent variables: Perceived Ease of Use (PEU), Perceived Usefulness (PU), Perceived Trust (PT), Social Influence (SI).

Table 5: Regression Model Summary and hypothesis test result

Independent Variable	Standardized Coefficients	t	Sig.	Hypothesis result
Perceived Ease of Use (PEU)	0.634	12.337	0.000	H1 Accepted
Perceived Usefulness (PU)	0.698	14.663	0.000	H2 Accepted
Perceived Trust (PT)	0.711	15.208	0.000	H3 Accepted
Social Influence (SI)	0.538	9.607	0.000	H4 Accepted

Table 5 shows standardised estimates of Perceived Ease of Use ($\beta = 0.634$; p-value < 0.001), Perceived Usefulness ($\beta = 0.698$; p-value < 0.001), Perceived Trust ($\beta = 0.711$; p-value < 0.001), Social Influence ($\beta = 0.538$; p-value < 0.001) have positive and significant influence

towards adoption of digital banking services at the 0.1% significance level. Therefore all the alternative hypothesis got accepted and null hypothesis got rejected.

5. Conclusion and Suggestions:

According to the report, technological and behavioural variables have a substantial impact on digital banking adoption. Perceived trust appeared as the most important factor, demonstrating customers' desire for security, privacy, and confidence in digital platforms. Perceived usefulness and perceived ease of use are also important factors, demonstrating that customers choose digital banking that is efficient, time-saving, and user-friendly. Furthermore, social influence shows that peer recommendations, family usage, and social media have a significant impact on views about adoption. The high adjusted R^2 value (0.658) confirms that the model accurately explains the difference in adoption of digital banking services using the identified variables. Together, these studies authorise that technology efficiency, security assurance, and sociocultural dynamics all contribute to digital banking acceptance. The findings support the validity of the Technology Acceptance Model (TAM) and expand on it by emphasising the significance of trust and social impact in the Indian context.

This study raises a few questions for further examination; future studies should look at a larger and more diversified sample size across locations, age groups, and income levels to improve

generalisability. Variables such as cybersecurity knowledge, government regulations, financial literacy, and perceived risk could be investigated as mediators or moderators of adoption behaviour.

According to the findings, the study suggest that simple and user-friendly app designs with low effort can greatly increase adoption. To increase client trust, banks should invest in improved cybersecurity frameworks, open communication, and fraud prevention methods. Banks and regulators should conduct awareness campaigns to educate clients on the safety, benefits, and convenience of utilising digital banking platforms.

6. Limitations and Future Research

Non-probability sampling limits generalizability; future work could partner with banks for probability samples. Cross-sectional data preclude causal inference; longitudinal or experimental designs are encouraged. Potential moderators (financial literacy, perceived risk, age) warrant testing, as does measurement invariance across subgroups.

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