
**“TO STUDY THE IMPACT OF DIGITAL BANKING ON COST
REDUCTION AND FINANCIAL PERFORMANCE OF COMMERCIAL
BANKS IN PUNE REGION”**

***Tejas Mahesh More, Dr. Sandip Salunkhe.**

Department of Master of Business Administration
Zeal Institute of Management and Computer Application Narhe Pune.

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***Corresponding Author: Tejas Mahesh More**

Department of Master of Business Administration, Zeal Institute of Management
and computer Application Narhe Pune.

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ABSTRACT

In the ultramodern banking area, digital banking has come an essential part of fiscal services. With the growth of technology, banks are shifting from traditional styles to digital platforms similar as mobile banking, internet banking, and online deals. This exploration paper aims to study the impact of digital banking on cost reduction and fiscal performance of marketable banks in Pune area. The study is grounded on both primary and secondary data. Primary data was collected through structured questionnaires from bank workers and guests, while secondary data was collected from journals, reports, and online sources. The findings of the study reveal that digital banking significantly reduces functional costs by minimizing paperwork, reducing homemade work, and lowering structure changes. It also improves financial performance by adding effectiveness, client base and profitability. Still some challenges similar as specialized issues and cybersecurity risk still live. Regardless these challenges, digital banking plays an important part in appropriate banking operations. The main conclusion of the study is that digital banking has a clear and significant impact on both cost reduction and financial performance of commercial banks.

KEYWORDS: Digital Banking, Cost reduction, financial performance, Commercial Banks, Pune area.

INTRODUCTION

In today's modern period, technology has become a very important part of every sector, and the banking dedication is not special case. Over the once decade, the banking sector has witnessed a significant transformation due to rapid fire growth of digital technology. Digital banking has surfaced as an important tool that has changed the way banks operate and deliver services to their guests. It refers to use of online platforms similar as mobile operations, internet banking, and automated systems to give banking services without the need of physical commerce.

Traditionally, banking was carried out through physical branches, where the customers of the banks had to visit banks for services like depositing, withdrawing cash, transferring money, and applying for the loans. Moreover, this all process takes a time and also it involves lot of the paperwork and needed homemade trouble from the bank employees. Still the preference of digital banking has became more effective and largely accessible. The customers of banks can now perform banking deals anytime and anywhere using their devices or computers.

In addition to cost reduction, digital banking also has a strong impact on the financial performance of banks. Financial performance refers to the overall health of a bank in terms of profitability, growth, and effectiveness. By using the digital technology, banks can increase the number of deals, reduce functional crimes. This leads to advanced profit generation and better profitability.

Another important thing of digital banking is client satisfaction. In today's era the customer of banks prefers quick, easy, and dependable services. Digital banking fulfills these prospects by furnishing 24/7 access to banking services. The Pune city is one of the growing metro politic cities in Maharashtra, has a strong technological base and the large number of educated and tech expertise individuals. The presence of IT companies and startups has boosted the digital banking in the Pune area. There are the multiple commercial banks in Pune region with the digital platforms to meet the demand for online services. The digital banking also faces the certain challenges or issues similar to cybersecurity. It is important for banks to concentrate on perfecting security measures and educating customers or guests about safe digital practices.

This study shows the impact of digital banking on cost reduction and financial performance of commercial banks in Pune region. It helps to understand whether digital

banking has truly bettered effectiveness and profitability, and to identify the benefits and challenges associated with it. The findings of this exploration will be useful for banks, policymakers, and experimenters to understand the part of digital banking in the modern financial system.

LITERATURE REVIEW-

The proposition of capital structure impertinence was introduced by Franco Modigliani and Merton Miller in 1958. According to their proposition, in a perfect request where there are no levies, no sale costs, and full information is available, the value of an establishment and its cost of capital do not depend on how the establishment is financed. In simple words, whether a company uses debt or equity does not affect its overall cost of capital. still, this proposition is grounded on unrealistic hypotheticals. In the real world, factors similar as commercial levies, ruin costs, agency problems, and request defects live. Because of these factors, the cost of capital becomes applicable and plays a significant part in fiscal decision- timber.

latterly experimenters like Richard Brealey and Stewart Myers (2003) emphasized the practical significance of the Weighted Average Cost of Capital (WACC). They explained that WACC is used by enterprises as a reduction rate while assessing investment systems. It represents the average cost of all sources of finance, including debt and equity. However, it creates value for the establishment and increases shareholder wealth, if a design generates a return advanced than the WACC. On the other hand, if the return is lower than the cost of capital, it destroys value and should be rejected. thus, WACC acts as an important standard in capital budgeting opinions.

farther, Stephen Ross, Randolph Westerfield, and Jeffrey Jaffe (2010) stressed that accurate estimation of the cost of capital is essential for effective allocation of coffers. enterprises calculate on this estimation to decide which systems to accept or reject. However, profitable systems may be rejected, leading to lost openings, If the cost of capital is overrated. Again, if it's undervalued, enterprises may invest in empty systems, which can reduce overall profitability. Hence, perfection in calculating the cost of capital is veritably important for sound fiscal operation.

In the environment of developing and arising requests, I.M. Pandey (2015) studied the relationship between cost of capital and commercial investment opinions. His findings showed that enterprises with a lower cost of capital are suitable to invest more

efficiently. similar enterprises can take over more profitable systems and achieve better fiscal performance. On the other hand, companies facing an advanced cost of capital may struggle to invest due to precious backing, which can limit their growth and competitiveness.

In addition to these theoretical benefactions, several empirical studies have demonstrated that external factors similar as interest rates, affectation, and threat situations significantly impact the cost of capital. For illustration, when interest rates rise, adopting becomes more precious, adding the cost of debt and overall cost of capital. also, advanced business threat or request query increases the needed return by investors, raising the cost of equity. As a result, enterprises may delay, reduce, or indeed cancel their investment plans. In discrepancy, when the cost of capital is low, enterprises are encouraged to expand operations, invest in new systems, and explore growth openings.

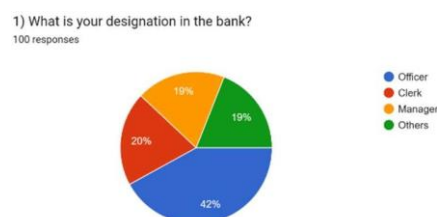
Overall, the literature easily shows a strong relationship between cost of capital and investment opinions. It highlights that proper estimation of the cost of capital is essential for opting the right systems and avoiding fiscal losses. Effective fiscal operation practices, including careful analysis of threat, request conditions, and backing options, help enterprises in maximizing profitability and adding shareholder wealth in the long run.

OBJECTIVES OF THE STUDY-

- To study the growth of digital banking in commercial banks in Pune region.
- To examine the impact of digital banking on cost reduction.
- To analyze the effect of digital banking on financial performance.
- To understand the benefits of digital banking for customers of commercial banks.
- To identify the key challenges faced by banks in digital banking.

DATA ANALYSIS AND INTERPRETATION-

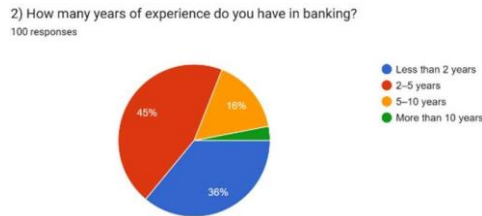
1. What is your designation in the bank?



Interpretation:

The survey was conducted among 100 of the people. The 42% of the people are officer 20% people are clerk 19% people are the others.

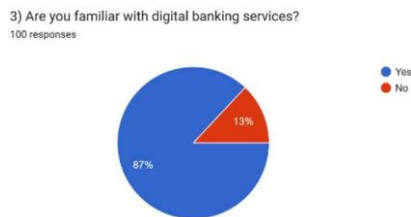
2. How many years of experience do you have in digital banking?



Interpretation:

The survey was conducted among 100 of the people. The question was asked how many years of experience do you have in digital banking.36% of the people respond to less than 2 years 45% people respond to 2-5 years 16% people marked to 5-10 years and remaining 3% of the people belong to more than 10 years.

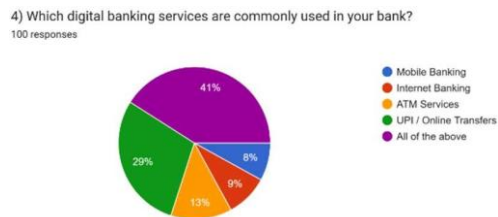
3. Are you familiar with digital banking services?



Interpretation:

The survey was conducted among 100 of the people. The question was asked are you familiar with digital banking services.87% of the people marked to Yes and remaining 13% marked to No.

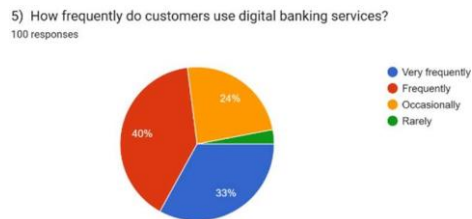
4. Which digital banking services are commonly used in your bank?



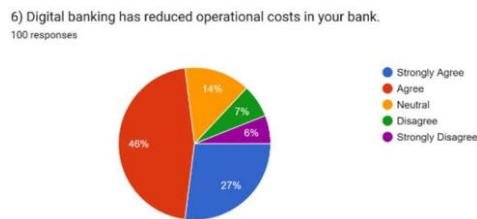
Interpretation:

The survey was conducted among 100 of the people. The question was asked which digital banking services are commonly used in your bank. 8% of the people respond to mobile banking 9% of the people respond to internet banking 13% people marked to ATM 29% people respond to UPI/Online transfers and remaining 41% of the people respond to All of the above.

5. How frequently do customers use digital banking services?



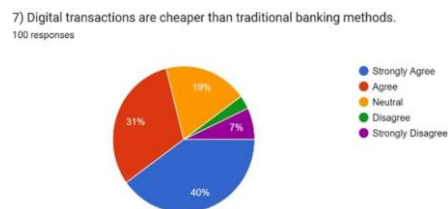
6. Digital transactions are cheaper than traditional Banking methods?



Interpretation:

The survey was conducted among 100 of the people. The question was asked How frequently do customer use digital banking services. 33% of the people marked to very frequently 40% people mark to frequently 33% of the people mark to occasionally and remaining 3% people respond to Rarely.

7. Digital banking has reduced operational cost in your bank?



Interpretation:

The survey was conducted among 100 of the people. The question was asked Digital banking has reduced operational cost in your bank. 27% of the people respond to strongly agree 46% people respond to agree 14% people mark to neutral 7% people mark to

disagree and remaining 6% of the people are strongly disagree.

Interpretation:

The survey was conducted among 100 of the people. The question was asked Digital transactions are cheaper than traditional banking methods. 40% of the people are strongly agreed 31% people are agreed 19% of the people marked to Neutral 3% people respond to disagree and remaining 7% people are strongly agreed.

Research Methodology Research Design

| Component | Description |
|----------------------------|---|
| Research Design | A Descriptive research and Analytical research |
| Data Collection | Two types of data were used: Primary Data and Secondary Data . |
| Primary Data | Collected through Structured questionnaires and surveys |
| Secondary Data | Secondary data is collected from research papers, journals, bank reports, websites and books. |
| Sample Size | The study includes around 100 respondents from different commercial banks in Pune area |
| Sampling Method | Convenience sampling method is used where respondents are taken based on availability |
| Data Analysis Tools | Data was analyzed using percentage analysis, charts and graphs, |

Findings of the Study

High awareness of digital banking

The study shows that large number of responders are familiar with digital banking services. Around 87 of responders are the users of services similar as mobile banking, internet banking, UPI, and ATM services. This shows that digital banking has come extensively accepted, especially in civic areas like Pune.

Operation of digital banking services

The study reveals that customers are mostly using digital banking services. A significant number of responders use multiple services similar as UPI, mobile banking, internet banking. About 40 of responder's states that customers or clients of commercial banks in Pune areas are using digital banking constantly, while a lower chance use it sometimes. This shows a shift from traditional banking to digital platforms.

Digital banking reduces functional costs

One of the major findings of the study is that digital banking has helped in reducing

functional costs for banks. Around 73 responders agree that digital banking reduces costs. Charges related to physical branches, paperwork, and staff have dropped due to digitalization.

Reduction in paperwork

The study shows that digital banking has significantly reduced paperwork. Around 79 of responders agreed that the use of digital systems has minimized the need for paper-grounded deals. This not only reduces costs but also make banking process more effective.

Drop in manual work

Another important finding is that digital banking reduces homemade work. About 74 of responders agreed that automated systems have reduced the need for physical trouble in digital banking operations. This has bettered hand productivity and reduced workload.

Time saving and effectiveness

Digital banking has significantly bettered the effectiveness of banking operations. A maturity of responders agreed that digital banking services time and pets up processes. Customers of the banks can perform deals incontinently, which improves overall service quality.

Increase in client base

This study shows that digital banking has helped banks attract further customers. Around 79 of responders agreed that digital services have increased the number of guests. Easy access and convenience encourage further people to use banking services.

CONCLUSION

The study shows that the growing significance of digital banking in the ultramodern banking system. With the rapid-fire advancement of technology, digital banking has come a crucial factor in transformation the operations and performance of commercial banks. This exploration concentrated on understanding the impact of digital banking on cost reduction and financial performance of banks in the Pune region.

The study also shows that digital banking has bettered the financial performance of banks. By adding the number of deals and expanding the client base, banks are suitable to induce advanced profit. Bettered effectiveness and reduced costs contribute to better

profitability. Digital banking also allows banks to give faster and further dependable services, which increases their overall performance.

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