



DIGITAL TRANSFORMATION OF FINANCIAL SERVICES IN PUBLIC SECTOR BANKS: A COMPARATIVE STUDY OF BANK OF INDIA AND BANK OF MAHARASHTRA

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Abstract:

The rapid evolution of digital technologies has significantly transformed the operational and service frameworks of public sector banks in India. This study examines the extent and impact of digital transformation in Bank of India and Bank of Maharashtra over the period 2014–2024. The research adopts a descriptive and comparative approach using secondary data from annual reports, Reserve Bank of India publications, and relevant academic literature. The study integrates tabular and conceptual analysis to evaluate technological adoption, service delivery efficiency, and financial inclusion. The findings reveal that digital transformation has enhanced operational efficiency, reduced transaction time, and improved customer accessibility in both banks. However, Bank of India demonstrates a more innovation-driven approach, while Bank of Maharashtra emphasizes inclusive digital growth in rural and semi-urban regions. The study concludes that digital transformation is a key driver of competitiveness and sustainability in public sector banking, although challenges such as cybersecurity risks and digital literacy gaps persist..

Keywords: *Digital Transformation, Public Sector Banks, Digital Banking, Financial Services, Bank of India, Bank of Maharashtra, Financial Inclusion, UPI, Banking Innovation*

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Introduction:

The banking sector in India has undergone a significant transformation in the past decade, primarily driven by advancements in digital technology. Public sector banks, which traditionally relied on manual and branch-based operations, are now increasingly adopting digital solutions to improve efficiency, accessibility, and customer satisfaction. This shift has been accelerated by government initiatives such as Digital India, the rapid growth of internet penetration, and the widespread use of smartphones. Digital transformation in banking refers to the integration of

modern technologies such as mobile banking, internet banking, artificial intelligence (AI), cloud computing, and digital payment systems into traditional banking processes. These innovations have enabled banks to provide faster, more secure, and convenient services to customers while reducing operational costs. In this context, public sector banks like Bank of India and Bank of Maharashtra are making continuous efforts to modernize their services through digital platforms. While both banks operate under similar regulatory frameworks, their approaches to digital transformation differ in terms of strategy, scale, and implementation.



This study aims to analyze and compare the digital transformation initiatives of these two banks over the period 2014–2024, focusing on their impact on financial services, operational efficiency, and customer experience.

Objectives of the Study:

The study is conducted with the following objectives:

1. To examine the concept and scope of digital transformation in public sector banks
2. To analyze the digital financial services offered by Bank of India and Bank of Maharashtra
3. To compare the technological advancements and digital strategies of both banks
4. To evaluate the impact of digital transformation on operational efficiency and customer satisfaction
5. To identify key challenges faced in the implementation of digital banking services
6. To suggest measures for improving digital banking performance

Hypothesis of the Study:

For analytical and research validation purposes, the following hypotheses are formulated:

Null Hypothesis (H₀):

Digital transformation has no significant impact on the performance of public sector banks.

Alternative Hypothesis (H₁):

Digital transformation has a significant positive impact on the performance of public sector banks.

- H_{1a}: Digital banking services significantly improve customer satisfaction
- H_{1b}: Technological adoption significantly enhances operational efficiency

Literature Review:

Sharma (2020) highlighted that digital banking services significantly improve operational efficiency and reduce transaction time in public sector banks. The study emphasized that mobile and internet banking have become key drivers of customer satisfaction.

Gupta and Verma (2021) examined the role of fintech in banking and concluded that collaboration between banks and fintech companies enhances innovation and service delivery. Their findings suggest that digital partnerships are essential for long-term competitiveness.

Kumar (2019) observed that public sector banks face challenges such as cybersecurity risks, lack of digital literacy, and resistance to change, which can hinder the pace of digital transformation.

Nair (2020) explored the role of government initiatives such as Digital India in promoting digital banking. The study found that policy support and infrastructure development have played a crucial role in accelerating digital adoption among public sector banks.

Research Methodology

1. Research Design

The present study adopts a **descriptive and comparative research design**. The descriptive approach is used to understand the concept and scope of digital transformation in public sector banks, while the comparative approach is applied to analyze differences and similarities between Bank of India and Bank of Maharashtra.

2. Nature of Data

The study is based on **secondary data**, which ensures reliability and consistency. Secondary data is appropriate for analyzing long-term trends and comparing institutional performance over time.

3. Sources of Data

Data for the study has been collected from the following sources:

- Annual reports of Bank of India and Bank of Maharashtra
- Publications of the Reserve Bank of India (RBI)
- Research journals and academic articles
- Government reports and official banking websites



4. Period of Study

The study covers a period of **ten years (2014–2024)** to capture the evolution and growth of digital transformation in public sector banks.

5. Sampling Design

The study is based on **purposive sampling**, where two public sector banks—Bank of India and Bank of Maharashtra—are selected for comparative analysis. These banks are chosen due to their relevance, accessibility of data, and contrasting digital strategies.

6. Tools and Techniques of Analysis

The following analytical tools are used:

- **Comparative Analysis** – to compare digital initiatives of both banks
- **Trend Analysis** – to observe growth in digital banking services
- **Descriptive Analysis** – to interpret data and draw conclusions

Tables and conceptual figures are also used to support the analysis.

7. Scope of the Study

The study is limited to:

- Public sector banks in India
- Bank of India and Bank of Maharashtra
- Digital financial services and transformation initiatives

8. Limitations of the Study

- The study is based only on secondary data
- It is limited to two banks, which may not represent the entire sector
- Lack of primary data such as customer surveys
- Data availability constraints for recent years

9. Significance of the Study

This study is significant as it provides insights into how public sector banks are adapting to digital transformation. It helps in understanding strategic differences between banks and offers useful suggestions for improving digital banking services.

The findings can be beneficial for policymakers, bank management, and researchers.

Data Analysis

1. Comparative Features

Table 1: Digital Banking Features

Features	Bank of India	Bank of Maharashtra
Mobile Banking	Advanced	Moderate
Internet Banking	Strong	Strong
AI Use	High	Low
Rural Reach	Moderate	High

Explanation:

The table shows that Bank of India is more advanced in technology adoption, while Bank of Maharashtra has stronger rural outreach.

Source: Compiled by the researcher based on secondary data.

2. Impact of Digitalization

Table 2: Before vs After

Parameter	Before	After
Time	High	Low
Cost	High	Low
Efficiency	Moderate	High

Explanation:

Digital transformation has reduced time and cost while improving efficiency significantly in banking services.

Source: Compiled by the researcher.

3. Growth of Digital Banking

Figure 1: Growth of Digital Banking in India

Interpretation:

The figure shows a rapid increase in digital transactions and mobile banking usage, indicating strong adoption of digital services in public sector banks.

Source: RBI reports and industry data.



4. Digital Transformation Model

Figure 2: Digital Transformation Framework

Interpretation:

The model explains how digital technologies convert customer needs into efficient banking services, improving satisfaction and performance.

Source: Conceptual model developed by the researcher.

5. Comparative Performance

Figure 3: Comparative Digital Performance

Interpretation:

The figure highlights that Bank of India performs better in innovation, while Bank of Maharashtra excels in inclusion.

Source: Compiled by the researcher.

Findings of the Study:

The present study evaluates the digital transformation initiatives of Bank of India and Bank of Maharashtra and their impact on financial services. Based on the comparative analysis of secondary data, tables, and figures, the following detailed findings are derived:

1. Growth and Adoption of Digital Banking Services

The study finds a substantial increase in the adoption of digital banking services during the period 2014–2024. Both banks have expanded their digital platforms, including mobile banking, internet banking, and UPI-based services. The graphical analysis (Figure 1) indicates a rapid rise in digital transactions, especially after the introduction of UPI and increased smartphone usage. This reflects a shift in customer preference from traditional banking methods to digital channels. **Key Insight:** Digital transformation has successfully increase customer engagement and reduced dependency on physical branches.

2. Improvement in Operational Efficiency The findings derived from Table 2 (Before vs After Digitalization) indicate that digital transformation

has significantly improved operational efficiency in both banks.

- Transaction time has reduced considerably
- Manual errors have decreased due to automation
- Processing speed of services has improved

Key Insight: Digital technologies have streamlined banking operations, resulting in faster and more accurate service delivery.

3. Reduction in Operational Costs

Digitalization has led to a noticeable decline in operational costs for both banks. The reduced need for physical infrastructure, paper-based processes, and manual labour has contributed to cost efficiency. **Key Insight:** Digital banking not only improves service quality but also enhances cost-effectiveness and profitability.

4. Enhancement of Customer Convenience and Satisfaction Digital banking services have **significantly** improved customer convenience by providing:

- 24/7 access to banking services
 - Quick fund transfers
 - Easy account management through mobile apps
- Customers no longer need to visit branches frequently, which saves time and effort. **Key Insight:** Customer satisfaction has increased due to convenience, accessibility, and speed of services.

5. Comparative Strategic Differences Between Banks The study identifies clear strategic differences between the two banks:

- Bank of India adopts a technology-driven approach, focusing on advanced tools such as AI, digital lending, and fintech collaboration
- Bank of Maharashtra follows an inclusion-driven approach, emphasizing rural outreach and financial inclusion **Key Insight:** Both banks are progressing in digital transformation, but their priorities differ based on their target customer base.



6. Growth in Financial Inclusion

Bank of Maharashtra has shown stronger performance in expanding digital banking services to rural and semi-urban areas. Its initiatives have contributed to increasing financial inclusion. **Key Insight:** Digital transformation is not only improving efficiency but also helping in bridging the gap between urban and rural banking services.

7. Role of Government Initiatives

Government initiatives such as Digital India and UPI have played a crucial role in accelerating digital transformation in public sector banks. **Key Insight:** Policy support has been a major driving force behind the growth of digital banking in India.

8. Challenges in Digital Transformation

Despite the positive impact, the study identifies several challenges:

- Cybersecurity threats and data privacy issues
- Low digital literacy in rural areas
- Resistance to change among employees
- High cost of technology implementation

Key Insight: Addressing these challenges is essential for sustainable digital transformation.

9. Overall Impact on Banking Performance The overall findings support the alternative hypothesis (H_1), indicating that digital transformation has a significant positive impact on banking performance.

Key Insight: Digital transformation enhances efficiency, customer satisfaction, and competitiveness in public sector banks.

Conclusion:

The study highlights that digital transformation has significantly improved the performance of public sector banks like Bank of India and Bank of Maharashtra during 2014–2024. Digital services such as mobile banking, internet banking, and UPI have enhanced efficiency, reduced transaction time, and increased customer convenience. While Bank of India focused on technological innovation and advanced solutions, Bank of Maharashtra emphasized financial inclusion in rural areas. The study confirms that digital transformation positively impacts efficiency, profitability, and customer satisfaction. However, challenges like cybersecurity risks, digital illiteracy, and high costs remain. Overall, digital transformation is essential for the long-term growth, competitiveness, and sustainability of public sector banks.

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