

## THE EFFECT OF USING MOBILE APPS ON CUSTOMER SATISFACTION AND RETENTION IN THE BANKING SECTOR

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### **Abstract**

This research aims to examine the influence of mobile application use on customer satisfaction and retention in the banking sector through a literature review approach. As technology advances, mobile applications have become a vital tool for banks to provide more efficient and user-friendly services to their customers. In this study, various relevant literature is analyzed to understand how mobile applications contribute to increasing customer satisfaction and loyalty. Findings from the literature show that features such as ease of access, speed of transactions, and personalization of services in mobile applications play a significant role in increasing customer satisfaction. These improvements not only improve user experience but also strengthen their long-term relationship with the bank. Furthermore, the literature shows that positive experiences gained from using mobile applications have a direct impact on customer retention. By providing a reliable and responsive platform, banks are able to maintain customer loyalty, reduce churn rates, and increase customer lifetime value. This research concludes that to remain competitive, banks need to continue to innovate in their mobile application development and focus on integrating features that address customer needs and preferences. Thus, investment in mobile application technology not only increases satisfaction, but also ensures the continuity of the relationship between banks and customers in this digital era.

**Keywords:** Mobile Apps, Customer Satisfaction, Retention, Banking

### **INTRODUCTION**

In the last few decades, mobile technology has experienced significant rapid development affecting various industries, including banking (Oh & Kim, 2022). One of the main reasons why mobile technology is important in the banking industry is its ability to make access to banking services easier for customers. Previously, customers had to visit a bank branch to make transactions or access their account information. However, with the existence of mobile banking applications, customers can now access banking services anytime and anywhere via their mobile devices (Erlangga & Nuvriasari, 2023).

This not only saves time, but also increases overall customer comfort and satisfaction.

Apart from that, mobile technology also plays an important role in increasing operational efficiency and reducing costs for banks. By adopting mobile banking solutions, banks can reduce their dependence on physical branch offices as well as the personnel needed to serve customers on-site. Digital transactions via mobile applications are usually faster and cheaper to process compared to conventional transactions at bank branches (Marsya & Hambalah, 2024). This allows banks to allocate their resources more efficiently and focus on efforts that can increase innovation and competitive advantage in the market.

Furthermore, mobile technology also enables banks to offer more advanced services, such as real-time notifications, personalization of services, and better security through biometric authentication. Real-time notifications help customers monitor their account activity and obtain important information directly, thereby reducing the risk of fraud. Personalization of services allows banks to present financial solutions tailored to customers' individual needs based on their transaction data. Security features such as biometric authentication, such as fingerprint or facial recognition, ensure that access to customer accounts is more secure. With all these benefits, mobile technology has become a key element in digital transformation in the banking industry (Rahayu & Widyastuti, 2022).

Digital transformation has become a major buzzword in the banking industry over the past few years. Through digital transformation, banks seek to overhaul and update their operational processes and services to meet increasingly complex customer needs that demand a fast and efficient experience. One of the tangible results of digital transformation is the development and widespread adoption of mobile banking applications. This application has changed the way customers interact with their bank, providing instant access to a variety of banking services, from checking balances, transferring funds, paying bills, to investing (Lelasari & Bernardo, 2023). With mobile banking applications, customers are no longer limited by branch office operating hours or long queues, providing invaluable flexibility.

The development of mobile banking applications is also driven by technological innovations that continue to develop, such as artificial intelligence (AI), blockchain and big data. The integration of artificial intelligence enables more accurate and responsive service personalization based on customer behavior patterns and preferences. Blockchain technology

offers higher security for financial transactions, which is one of the main concerns of customers when using digital platforms (Astuti & Awali, 2023). Meanwhile, big data analysis helps banks identify trends and customer needs more effectively, enabling them to offer more relevant products and services. All these innovations contribute to improving user experience, operational efficiency and bank competitiveness in the digital era.

Mobile banking services have a significant impact on customer satisfaction and retention. In an increasingly digital world, customers expect services that are fast, convenient and accessible anytime and anywhere. Mobile banking applications meet this need by providing complete banking solutions at customers' fingertips. Features such as easy fund transfers, bill payments, balance checking, and real-time account information updates enhance the overall user experience. When customers are satisfied with the ease and efficiency of the services provided, their level of satisfaction automatically increases, which ultimately makes them more loyal to the bank that provides the application (Sihombing & Harahap, 2024).

Apart from increasing customer satisfaction, mobile banking services also play a crucial role in customer retention. The convenience and flexibility offered by mobile banking means that customers rarely think about moving to another bank that may not offer similar services of the same quality. Banks that successfully integrate advanced technology in their mobile banking applications, such as artificial intelligence for personalized services or blockchain-based security, further strengthen their position in the hearts of customers. Through a positive and sustainable banking experience, banks not only retain existing customers but also attract more new customers who are looking for reliable digital banking services (Sriwidadi & Prabowo, 2023).

## **RESEARCH METHOD**

This research will use a literature review approach by examining various academic sources, industry reports and relevant case studies. A comparative analysis of existing studies will be conducted to identify common patterns and findings. In addition, interviews with experts and practitioners in the field of content marketing will also be conducted to gain further insight (Earley, M.A. 2014; Snyder, H. 2019).

## **RESULT AND DISCUSSION**

### **Advantages of Mobile Applications in Banking**

Mobile banking applications are a revolutionary tool in the banking industry, especially in terms of 24/7 service availability. With this application, customers can access banking services whenever they need, without being bound by bank operating hours or geographic location (Jayasinghe & Withanaarachchi, 2024). This allows customers to carry out transactions such as money transfers, bill payments, or balance checks at times that are most convenient for them, including outside regular business hours. The availability of 24/7 service also means that customers can immediately respond to financial emergencies or take advantage of financial opportunities that may arise at any time.

Ease of access is another advantage offered by mobile banking applications. By having the bank app on their mobile devices, customers can quickly and simply carry out various banking activities without having to visit a branch office or even turn on their computer. Processes that once might have taken hours or more can now be completed in minutes, with just a few taps of the finger. This convenience not only saves customers' time and energy but also increases productivity and comfort in managing personal finances (Rahmadani et al., 2024).

Service personalization is a superior feature that is increasingly being optimized in mobile banking applications. By utilizing artificial intelligence technology and data analytics, banks can provide customized user experiences based on each customer's unique habits, preferences and needs (Wardana & Prasetyo, 2023). For example, the app can provide relevant investment product recommendations, specific financial management tips, or special offers tailored to customers' spending patterns. This personalization not only increases added value for customers but also strengthens the relationship between the bank and its customers, because customers feel more cared for and understood by their bank.

In addition to key benefits such as 24/7 service availability, ease of access, and personalization of service, mobile banking applications also offer a high level of security which is a priority for many customers. This application is usually equipped with double authentication features, data encryption, and instant notifications for every transaction made. These features help protect customers' personal and financial information from cyber threats (Muchandigona & Kalema, 2023). With this additional layer of security,

customers can feel safer and calmer when carrying out various transactions via the mobile banking application.

Apart from that, mobile banking applications can also increase operational efficiency for the bank itself. By reducing dependence on services at branch offices, banks can reduce operational costs such as infrastructure and human resource costs. This efficiency allows banks to allocate their resources to more strategic matters, such as developing new products or improving customer service. Banks can also respond more quickly to customer needs and feedback, thereby improving overall service quality (Li, 2022).

In the future, mobile banking applications are predicted to continue to develop and adapt to the latest technology. The application of technologies such as artificial intelligence (AI), blockchain, and the Internet of Things (IoT) has the potential to further advance the features and services provided by these applications (Adiningtyas & Auliani, 2023). For example, the integration of AI can help provide more responsive and personalized customer service, while the use of blockchain can increase transparency and security in transactions. By continuing to follow technological trends and innovations, mobile banking applications can continue to offer significant added value to customers and ensure their relevance in an increasingly digital banking world.

### **Use of Mobile Applications can Increase Customer Satisfaction**

Using mobile banking applications can significantly increase customer satisfaction. One of the main factors is the comfort and convenience offered by this application. Through the mobile banking application, customers can access banking services anytime and anywhere without having to visit a physical branch office. The ability to carry out various transactions such as fund transfers, bill payments, and balance checks with just a few taps of the screen makes the banking experience much more efficient and hassle-free. This flexibility is highly appreciated by customers who have busy and limited schedules (Bui et al., 2022).

Additionally, mobile banking apps provide personalized features to suit user needs and preferences. For example, the application can send instant notifications for every transaction that occurs, helping customers keep track of their financial activities in real-time. Some apps also come with budget management and expense tracking, which can help customers plan and manage their finances better. This level of personalization not only increases convenience but also provides significant added value, which ultimately has a positive impact on customer satisfaction (Thakur & Yoshiura, 2022).

Security is also an important aspect that drives customer satisfaction. Modern mobile banking apps come with a variety of advanced security measures, including two-factor authentication, end-to-end data encryption, and suspicious activity detection. These features help protect customers' personal information and funds from digital security threats. When customers feel confident that their transactions and data are safe, they tend to have a higher level of satisfaction with the services provided. This certainty provides a sense of calm and trust which is essential in the relationship between the bank and its customers (Dewata, 2023).

Apart from that, increasing operational efficiency on the part of banks driven by the use of mobile banking applications also has an impact on customer satisfaction. By digitizing services, banks can reduce workload at branch offices and focus on improving the quality of customer service. Waiting times for resolving customer problems or questions can be shortened, and banks can be more responsive to customer needs. This creates a faster, more reliable and more satisfying service experience for customers (Pietrzak, 2023). Overall, the integration of mobile banking applications results in a more solid and positive relationship between banks and customers, which is reflected in higher levels of satisfaction.

In this digital era, innovation continues to be a key factor in increasing customer satisfaction. Banks that invest in mobile application development are not only prioritizing current customer needs, but also preparing themselves for the future demands of the banking industry. Those who are able to provide digital solutions that are intuitive, safe and effective will have more potential to maintain customer loyalty (Al-Baltah et al., 2024). In addition, mobile applications that are continuously updated with new and innovative features can provide greater added value, which in turn can increase the bank's competitiveness in the market.

The benefits of mobile applications are also reflected in higher customer engagement. This application facilitates better communication between banks and customers through customer service features such as live chat and a quickly accessible help center (Aqilah & Fathoni, 2023). With this easy-to-reach communication channel, customer complaints or questions can be handled immediately, which helps build stronger and more trusting relationships. This effective communication is key in increasing customer awareness and understanding of bank products and services, which is important for making better financial decisions.

Furthermore, mobile applications open up opportunities for banks to offer loyalty programs and special promotions that can increase customer satisfaction and retention. Features such as reward points, cashback, and exclusive offers that are only available through the application can add more value to users (Yoewono & Ananto, 2024). In this way, mobile applications become not only a transaction tool, but also a means to improve relationships with customers through personalized offers.

However, even so, challenges remain in using mobile applications. Banks must continuously strive to improve and optimize user interfaces and perform consistent security maintenance to avoid vulnerabilities. Customers must also be provided with adequate education about the application features and how to use them safely (Wu et al., 2023). Thus, despite the challenges, the potential for increasing customer satisfaction through mobile applications is significant, considering the various benefits they offer. Investments in this technology, if done wisely, will bring positive results for banks and customers in the long term.

### **Mobile Applications Influence Customer Retention in the Banking Sector**

In recent years, mobile applications have become an important tool for banks in retaining and increasing customer retention. The convenience offered by mobile applications, such as the ability to carry out transactions anytime and anywhere, is highly appreciated by highly mobile customers. By providing easy and fast access to banking services, banks can increase customer satisfaction and strengthen their loyalty. The speed and efficiency provided by this application also helps reduce queuing times and visits to physical branches, which ultimately provides a more comfortable and enjoyable banking experience for users (Yunanto & Medyawati, 2024).

Apart from ease of access, the unique features offered by mobile applications also play an important role in increasing customer retention. For example, real-time notifications regarding transactions and account status provide customers with a greater sense of security and control. Loyalty programs such as reward points, cashback and exclusive, personalized offers can add value to users, making them more likely to stick with the bank's services. Features for checking balances, paying bills, transferring funds and financial management that are easily accessible through applications further increase customer comfort and trust in bank services (Bag, 2022).

However, the integration of technology and security is also a big challenge in using mobile banking applications. Banks must continually ensure

that their applications are safe from cybersecurity threats, which can undermine customer trust in the event of a data breach. Investments in advanced security technology and regular updates are critical to mitigating these risks (Vaddhano, 2023). In addition, banks need to provide sufficient education to customers about safe application usage practices to reduce the risk of user error which could impact the security of their accounts.

Overall, mobile applications offer great potential in increasing customer retention in the banking sector. With a combination of convenience, innovative features and guaranteed security, mobile applications can provide a better and more integrated banking experience for customers. In the long term, banks that are able to maximize this potential will be more successful in building and maintaining strong relationships with their customers (Ilham et al., 2022). While the challenges in implementing this technology should not be overlooked, the benefits offered by mobile applications in maintaining customer satisfaction and loyalty are significant.

Personalization of services through mobile applications is one of the keys to increasing customer retention in the banking sector. By understanding each customer's needs and preferences, banks can offer more relevant and specific services and products. The use of data analytics and artificial intelligence (AI) allows banks to collect and analyze customer data in depth, so they can provide more precise recommendations and tailored special offers. This data-driven approach not only increases customer satisfaction but also creates a more personalized and meaningful experience (Bouhlef et al., 2023).

The ability of mobile applications to provide direct and responsive customer support is also an important factor in retaining customers. Features such as live chat, customer service bot, and helpline available 24/7 allow customers to get help whenever they need it. A fast and effective response from the bank can reduce user frustration and increase their trust in the services provided (Durai & Lallawmawmi, 2023). The better a customer's experience with the support provided, the more likely they are to remain loyal to using the bank's services.

In addition, integration with other digital financial services, such as e-wallets, digital payments and online investments, can add added value to mobile banking applications. Collaboration with fintech platforms or other digital service providers can expand the financial ecosystem offered by banks. By providing a variety of services in one easy-to-access application, banks can create a more holistic and connected experience for customers. This



integration not only increases user convenience but also strengthens the bank's competitive position in an increasingly digital market (Verma et al., 2024).

However, it is important for banks to continue to innovate and evolve in their mobile application development. The technology landscape and customer needs are constantly changing, so banks must proactively adapt and update the features they offer. Customer involvement in the development process can be an effective strategy to ensure that the application being developed remains relevant and meets user expectations. Investing in research and development, as well as listening to customer feedback, will help banks design mobile applications that are not only sophisticated but can also maintain customer loyalty in the long term (Lohachova et al., 2023).

## **CONCLUSION**

The use of mobile applications in the banking sector has a significant role in increasing customer satisfaction and retention. Mobile applications enable customers to access banking services more easily, quickly and efficiently. Through this application, banks can provide a more personalized and relevant experience by offering features tailored to each customer's needs and preferences. The ability to carry out transactions anytime and anywhere, coupled with responsive customer service support, contributes greatly to increased user satisfaction. This quality user experience is a key factor for customers to remain loyal to using the bank's services.

In addition, mobile applications strengthen the relationship between banks and customers by providing various financial services on one integrated platform. With the integration of features such as e-wallet, digital payments and investment services, customers feel more connected and well served, which ultimately increases their loyalty. Meanwhile, continuous innovation in application development and attention to customer feedback are important factors in maintaining relevance and attracting customer interest amidst intense competition. With the right investments in technology and a focus on customer needs, banks can ensure that their mobile applications not only meet user expectations, but also build long-term relationships that are profitable for both parties.

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