

A COMPARATIVE ANALYSIS OF TRADITIONAL BANKING AND ELECTRONIC BANKING WITH THE SPECIAL REFERENCE OF INDORE DISTRICT

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Abstract: To understand its role in relation to traditional banking services and to present a comprehensive picture to spread such technology in this field the aim of the paper is to investigate drivers to adopt electronic banking. By analysis in Indore city, the role of firm specific and nonspecific (technology, market, environment) characteristics in influencing the decision to adopt new technical platforms to conduct online banking transactions in the retail sector of the financial sector. The main objective of this paper is to analyse the relationship between electronic banking and traditional banking services, to understand whether these two systems of distribution of financial services are substituted or supplemented by banks.

Keywords: Comprehensive, Electronic, Environment, Financial Sector, Technology.

A. Introduction:

The banking sector is an integral part of the economy. Today's financial institutions are considered as a traditional banking which deal with the financial activities in terms of collecting deposits and providing loans. On the other hand, e-banking involves several channels of distribution that supply information. Similarly, it delivers the system which provides information and services to customers through different delivery policy that used to be a variety of devices such as mobile phone, ATM cards, computer, telephone or digital television, internet and kiosk services. Under the traditional banking, bank payment transactions are done via any kind of legal affairs. The main role of the e-banking is to serve the people by giving satisfied services. The main delivery channel of e-banking is internet. Its value to customers and banks is continuously increasing its delivery systems.

According to Bjelica and Dejan (2010), defines traditional banking transactions system is that all natural and legal persons are on the side of the applicants while the authorised organisations for payment transactions (banks, PTT exchange, savings banks) are on the side of the recipients. Conversely, e-banking is the automated delivery system to customers through internet, interior message channels (Daniel and Sathye, 1999). According to Basel Committee report on banking supervision (2008) "it refers to the provision of retail and banking products and services through electronic channels". Thus in the most encompassing definition, electronic banking would run the gamut from direct deposit, ATM, credit and debit cards, telephone banking to electronic bill payment and web-based banking.

B. Literature review:

For the purpose of the study a lot of literature has been reviewed i.e. books, research journals, websites, magazines, newspapers, etc. From them two related reviews have been discussed below:

- i. **Krishnamoorthy, V. and R. Srinivasan (2013), "Internet Banking as a tool for Customer Relationship Management- A Study on Customer Perspective"**, in this study it intends to throw light on customer perception on internet banking which serves as a tool for Customer Relationship Management (CRM). Data was collected from 154 respondents who are exposed to Internet Banking.
- ii. **Sharma, Himani (2011), "Banker's Perspectives on E-Banking"**. This research paper is about the banker's perspectives on e-banking activities of respondents, impact of e-banking and promotional measures used by banks to promote e-banking. The survey data used in this research are collected through a questionnaire in Northern region of India by administering to 192 bankers.

C. Research Question:

The research questions of this study are related to factors that affect the adoption and implementation of e-banking in special context of the traditional banking industry. The specific questions to be checked are: What are the bases of comparison of adoption of e-banking in traditional banks? From the study I initiated following questions:

- How e-banks are different from the traditional banks?
- How the traditional bank's financial performance affected by e-banking?
- Why traditional bank services failed to get customer satisfaction in comparison with e-banking?
- How to utilise the new digital products and services to create a more sustainable future.
- General responsible of bank is public funding operation such as; payment and deposits then why bank are regulated?

D. Aims:

In view of the widespread event of traditional banking in our society, especially in public sector and organisations as well as their important activities of e-banking, it is a better way to recommend and develop the development banking systems.

E. Objectives:

The study is in line with the objectives of evaluating the effects of e-banking, particularly focusing e-banking on the traditional banking services. The following objectives are discussed:

- To understanding e-banking and traditional banking terms of profitability.
- To assess the impact of e-banking on traditional banking service.
- To identify and highlight potential improvements what reduces the impacts of traditional banking.
- To highlight the different products or services distribution strategies that increases resource of efficiency and customer's satisfaction.

F. Scope of the Study:

The universe of the research includes all the banks in India providing e-banking services. The banks selected for this study are from public sector banks and private sector banks representing State Bank of India (SBI) and HDFC Bank as they are the largest banks in their respective sector, considering their number of branches, customer base and net worth. The study is confined to Indore city of Madhya Pradesh state, as it has the maximum bank branches and also has the maximum e-banking users.

G. Methodology:

The methodology will be based on a cross-sectional survey method with three main components. These included reviews, contacts and field activities. The review was conducted through desk research of online resources, research papers, working documents, conference documents and other publications. A self developed instrument was used for the field exercise. A questionnaire was prepared for the survey, 200 respondents are interviewed and it was filled by them.

The suggested method which is also applicable in the study is the use of the questionnaires wherein the banks can determine the level of understanding of the customers about the e-banking and the other related services. Also through the help of the questionnaires, the banks can measure the influence or the impact of the interactive banking in finding solutions out of the client's busy life. All of the information created out of the questionnaires will lead to the determination of the various perceptions of the customers in the services that is offered through the use of Internet.

Investigation will be prepared by collecting data, analysing, comparing and interpreting the results according to literature procedure. The course of action will be ready by gathering data from several years to current published journal. The data will be monitored by comprising with several aspects. The accumulated data will be justified based on analytical data.

H. Concept of Traditional banking and Electronic banking

Traditional banking and e-banking are two ways for taking the benefits from bank. Both have benefits and disadvantages. Customer can use both or any of these facilities. Here we are showing the differences between traditional banking and e-banking.

1. Traditional Banking: In traditional banking system, a customer can open an account in bank and take the facilities of saving his money by depositing money in local bank. He can withdraw his money through cheque, counter payment and through bank draft. He can get any type of information from the bank manager and can ask any problems. He can also take help for getting loan from bank like personal, car, marriage, education and motor loan etc.

a. Advantages of Traditional Banking

Traditional banking has totally improved from previous face. We do not want to take risk of customer's money and their loss is our loss. We deduct fraud case by monitoring the activities through the surveillance cameras. Now traditional banking has improved and there is minimum change of fraud.

b. Disadvantages of Traditional Banking

- **Unsafe:** In this type of banking, the robbery can be happening at any time and it is not only safe for the customers as well as banks too.
- **Limited Timings:** Every bank is opened from 9: 00 to 5:00 p.m. But, it may possible that we have to pay at 11:00 p.m. which can be done through e-banking not traditional banking.

2. E-banking: E-banking means internet banking or modern banking or online banking. In this method, customer gets his bank account ID and password and he can check his account, pay his bill and print his receipt through his home personal computer, mobile phones etc. which is connected with Internet. E-banking is development of today banking system. In other words, e-banking is electronic banking whose facility, you can take through your regular broadband Internet connects and getting card facilities.

a. Advantages of Electronic banking

- **Convenient:** E-banking is convenient because it can use for tracking money in bank without going to bank. Already we are changing everything from traditional to electronic.

- **Environment Protection:** The use of e-banking protects our environment to not using of paper work etc.
- **Security:** The quality or state of being secure to be free from danger.
- **Ease of Use:** The customer can use the procedures of e-banking easily.
- **Digital Products/Services:** Goods and services that can be transformed to digital format and deliver upper the internet banking.
- **Transaction and Payment:** Services and procedures that the bank availableness for the customer is able to take payment and borrow transactions from banks easily.
- **Information Content:** The content at a web site that need to be changed continually to keep it up to date.
- **Innovation:** The innovation of new ideas such as new technologies, design and best practice that permit bank to compete efficiently in the worldwide environment.

b. Disadvantages of Electronic banking

- **Problems of Hackers:** Hacking, spyware program, computer virus and breaking online password are the weakness of e-banking or online banking. Online big hackers are using computer virus and after spreading it, they compromise your computer. After this, they know all detail of your computer and banking password and illegally transfer all your money.
- **Network problem:** sometimes it doesn't work because lack of network problem or server.

I. Differences between Electronic Banking and Traditional Banking

The differences between traditional banking and electronic banking on the basis of presence, time, accessibility, security, finance control, expensive, cost, customer service and contact are differentiated as follows.

Table 1: Comparison between Traditional Banking and Electronic Banking

Basis of Difference	Traditional Banking	Electronic Banking
Presence	Banks exist physically for serving the customers.	Electronic banks do not have physical presence as services are provided online.
Time	It consumes a lot of time as customers have to visit banks to carry out bank transactions like-checking bank balances, transferring money from one account to another.	It does not consume time as customers do not have to visit banks to check bank balances or to transfer money from one account to another. Customers can access their account readily from anywhere with a computer and internet access.
Accessibility	People have to visit banks only during the working hours.	Electronic banking is available at any time and it provides 24 hours access.
Security	Traditional banking does not encounter e-security threats.	Electronic banking is the tempting target for hackers. Security is one of the problems faced by customers in accessing accounts through internet.
Finance Control	Customers who often travel abroad cannot pay close attention and control of their finances.	Customers who often travel abroad can have greater control over their finances.
Expensive	Customers have to spend money for visiting banks.	Customers do not have to spend money for visiting banks. They can avoid bank charges that may be charged for certain teller transactions or when they pay bills electronically-directly from their account to the merchant. It helps to save money on postal charges.
Cost	The cost incurred by traditional banks includes a lot of operating and fixed costs.	Such costs are eliminated as the banks do not have physical presence.
Customer Service	In traditional banks, the employees and clerical staff of the bank can attend only few customers at a time.	In Electronic banking, the customers do not have to stand in queues to carry out certain bank transactions.
Contact	Customers can have face to face contact in traditional banking.	Customers can have only electronic contacts.

In traditional Banking, borrowing money from the public and lending them to business units constituted the main functions of a bank.

When the banks became profit conscious and wanted to give more emphasis to profit generation, they started focusing on *fee-based business*. As a result, they started rendering different types of service oriented functions, which are called General Utility Services. These formed the subsidiary services of the bank. These included providing of safe locker facilities, Issuing of Letters of Credit, Dealing in Foreign Exchange and underwriting loans floated by the Government.

Modern day banks have been using the technology based services or electronic banking. The banking services are being rendered very fast and efficiently. The channels of these services are as under:

1. Tele banking services.
2. Net banking Services.
3. Issue of Credit and Debit Card services.
4. Bank assurance.
5. ATMs.
6. SMS Alert services.
7. Electronic Funds Transfer system. (For ex. NEFT)
8. Electronic clearing services (RTGS)

Thus in traditional banking the services are slow but personalised whereas in modern banking, due to the introduction of technology, the services are rendered fast.

The physical and space barrier are removed completely and one can do banking 24x7, that is all round the year on all days from anywhere. The services are also rendered fast. No need to go bank to withdraw money physically. Even we can draw money even at midnight.

Table 2: Comparison of E-Banking with Traditional Banking shows in Gender

			MOST USING SERVICE		Total
			TRADITIONAL BANKING	E-BANKING	
GENDER	MALE	Count	40	69	109
		% of Total	20.0%	34.5%	54.5%
	FEMALE	Count	29	62	91
		% of Total	14.5%	31.0%	45.5%
Total		Count	69	131	200
		% of Total	34.5%	65.5%	100.0%

Inference Drawn:

On comparing E-Banking with Traditional banking in terms of customers adoption is as much as high in e-banking than the traditional banking, that is 31% and majority of the e-banking customers responded it as good, that is, 65.5%. And it is also analyse that male users are more than the female users in the traditional banking while in e-banking there is not much difference in gender.

Table 3: Most popular mode to avail E-Banking facility

		Frequency	%	Valid %	Cumulative %
Valid	ATM CARDS	93	46.3	46.5	46.5
	MOBILE/TELE BANKING	38	18.9	19.0	65.5
	INTERNET BANKING	59	29.4	29.5	95.0
	KIOSK/E-LOBBY SERVICES	10	5.0	5.0	100.0
	Total	200	99.5	100.0	
Missing	System	1	.5		
Total		201	100.0		

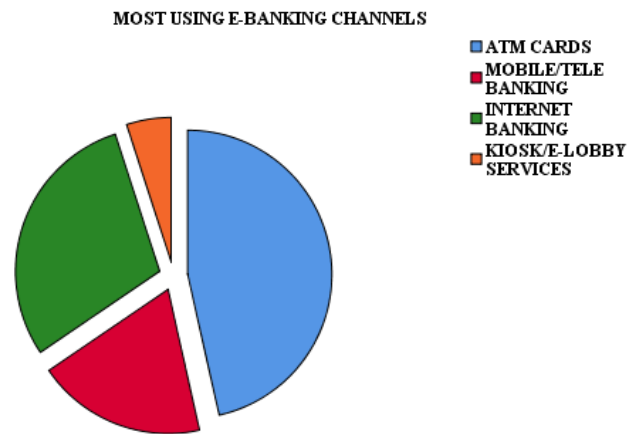


Figure 1 Most popular mode to avail E-Banking facility

Inference Drawn:

From the above data it shows that most popular mode of e-banking channels. In this most popular mode is ATM i.e. 46.3%, then internet banking i.e. 29.4%, then mobile banking i.e. 18.9% and at last kiosk services i.e. 5%

J. Research significance:

The need and demand of e-banking possesses a great challenge for traditional banking service. In order to meet a high-quality service in business sector traditional banking service has to be optimised to e-banking. The significant of research associated with e-bank itself and e-commerce, off course, lies in its availability. Ineligible banking progress and decisions may amplify a financial strategic risk (Cezar et al.). Carter and Garcia (2009) made it clear that traditional banking system and transactions have recognised that they are not as permanent as previously assumed. The loss of confidence in traditional banking system has revealed by the recent financial system fall down. Panait (2009) made it understandable that banking operation's hazard arises from fraud, handling errors, system trouble or other unexpected actions. This risk continues in each item for consumption and service offered. Funding and investment-related risks could increase with an institution's e-banking initiatives depending on the volatility and pricing of the acquired deposits.

On the other hand, the drawback lies in its security factors and complexity. Both of them have profound impact of e-banking traditional banking service. It may appear form social and organisational perspective (Ioannis, 2009) and may arise due to a failure of some relevant integrity or all the lack of authentic and confidential information. From the above point of view, it is clear that traditional banking faced a lot of problems from different user and non user.

K. Rationale:

The important networking activities and usefulness as natural process have prompted a search for better methods of producing e-business. Although a number of synthetic methods for judging of e-business have been reported simple and efficient approaches still remain scare.

L. Limitation:

To collect more information from present fast moving situation, manage formal and informal interview within the time will be main problem for this study. Anyway, more limitation will be including actually when it was hand out data.

M. Reflection:

E-banking is the real output of the impact of traditional bank.

N. Conclusion:

The result of this study shows that traditional bank users are not completely satisfied in comparison with electronic banking system. Traditional bank did not provide sufficient facilities to their clients that they obtained from online bank organizers. For instant, e-bank consumers are achieving several benefits such as ATM, internet banking, credit card, mobile banking, POS, SMS banking and a range of buying or selling option. As a result, most of the customers are moving to e-banking system. Usefulness, perceived ease of use, consumer awareness and perceived risk are the important factors of e-banking banking adoption.

This study meets the desired objective but it suffers from one setback. Study concludes that a majority of customers are accepting e-banking since of many positive issues. We concluded that value, effortlessness of use of the system and the awareness about electronic banking and risks related to it. Those are real thing to accept electronic banking system. These factors have a strong and positive effect on customers to accept electronic banking system.

These researches provide a rapid entry to justify business market in all conditions. The methodology is expected to be widely used in e-banking sector. Therefore, the process will provide a new entry into the active system for improving traditional banking system.

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