

Traditional Vs E-Banking: An Empirical Study Of Punjab Bank Customers

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Abstract

E-banking is likely to upend the traditional banking because it proposes banking services at a very little cost and provide attractive facilities at just a click of mouse. This study adopts a comparative analysis of e-banking and traditional banking through primary data. Primary data is collected through well structured questionnaire from 100 Punjab bank customers. The study concluded that e-banking is preferred over traditional banking but it is not a substitute because majority customers still visit banks personally for few transactions. The study also highlighted the future of e-banking which is bright and customers expected that e-banking will help to manage the banks efficiently.

Keywords: Traditional banking, e-banking, ATM, Internet banking, mobile banking, transformation.

Background

E-banking system provides banking transactions with the help of electronic channels like ATM, debit/credit cards, NEFT, etc. In traditional banking system, customer visit the bank physically for banking services like cash deposit/withdrawal, fund transfer, etc. E-banking has overturned traditional banking because e-banking transactions are much cheaper than branch or even phone transactions (Vyas). E-banking also provides attractive facilities like cash back, etc. that catch the attention of the customers more to use e-channels.

In 1990s traditional banks started finding the ways of providing limited online facilities to decrease operating cost (Sharma, 2016) that also led several banks to boost their internet availability with far-reaching websites and with features like downloading forms, account opening, etc. After this success, banks started witnessing cut-throat competition from other banks in providing the customers with a wide range of high-end technology products/services, good customer experience, a good network of bank branches, etc. (Infsys, 2018). The primary bank to offer internet services was ICICI in 1997 and then all banks started providing such services to their customers (Sharma, 2010).

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Now e-banking has become a survival factor and fundamentally transforming the banking industry worldwide. This technology revolution in the whole world has gradually stimulated from internet banking to mobile banking and now digital banking is the new direction. In a fast growing economy like India, where everything is going digital and government is also promoting digital transactions by providing certain incentives, it is high time for banks to reconsider their ways of working and should start working in collaboration with fin tech firms.

Continually, digital wallets transactions are increasing while at the same time, banking transactions are decreasing (Shreyas, et al, 2019). Especially Covid-19 has accelerated the digital transactions and the countries with more stringent Covid-19 policies and lower community mobility experienced a large increase in financial app download in the wake of the outbreak (Didier et al, 2021). Due to digital transactions, banking sector has become extensive and included non-banking firms that is again a major challenge for banks to survive in the future. It is easy to set up e-banks, so is also the reason that new entrants are arriving because of adaptability and responsiveness.

This paper analyzed the customer perceptions regarding traditional and e-banking services. The main aim of the paper is to evaluate if e-banks are preferred over traditional banks and e-banks will manage future banking more efficiently.

Literature review

Sharma, 2016 studied the e-banking facilities provided in Albania, benefits and drawbacks with some suggestions. The study concluded that only one option is not good for future banking as the customers enjoy both online and in store services. Though the advantages of online banking are undeniable but it is not convenient for all types of customers. The study suggested to present first physically and then e-banking to be as one of the provided facilities with proper risk management.

Chen et al, 2017 evaluated the case study of ICBC bank to contrast with Citibank. The study analyzed the various strategies, organization, HR system, product innovations adopted by these two banks. The paper proposed 'electric vehicle' mode for ICBC banks and 'airplane mode' for Citibank. The paper concluded that ICBC bank is a user of technology rather than a leader and creator due to lack of core technology especially in core Fin Tech.

Shreyas et al, 2019 analyzed that digital wallets are preferred over traditional banking as these are more convenient, safe, provide additional services and cash back facility. It is also concluded that after China, India has largely adopted the usage of digital wallets and

penetrated at an average rate of 78% in 2017. Even transaction volume and value using digital wallets has gone up where India is leading by 0.1% more than China.

Rani, 2017 analyzed that e-banking has become necessary survival weapon and is fundamentally changing the banking industry worldwide. E-banking offers customers' banking services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs.

Objectives of the Study

1. To evaluate the comparative view of customers towards traditional and e-banking.
2. To analyze the future of e-banking in comparison to traditional banking.

Data Collection

This study is an empirical study in nature and it is related to analyze the customers' perception regarding traditional vs e-banking. Primary data is collected through well structured questionnaire. The sample size is 100 customers from Urban and Semi-urban Punjab who are using e-banking system and are from different socio-economic background. The data is collected online due to Covid-19 pandemic situations and it is collected in the month of May-June, 2022.

To analyze the collected data, percentage method and ranking method were used to produce the results.

DATA INTERPRETATION AND DISCUSSIONS

RELIABILITY TEST: *Reliability is tested through* Cronbach's Alpha which has been calculated to test the internal consistency of total 100 responses with the help of SPSS 17.00. Its value is 0.799 that shows that the items under study are sound enough to measure the customer perception about E-banking and traditional banking and hence, can be used for further analysis.

Reliability Statistics

Cronbach's Alpha	No of Items
.799	69

Table 1: Demographic Profile of the Respondents

Category	Features	Respondents
Age (Years)	20-30	41

	31-40	28
	41-50	26
	Above 50	5
Income (Lakhs)	No Income	18
	Below 1 Lakh	8
	1-5	24
	5-10	32
	Above 10	18
Gender	Male	51
	Female	49
Education	Higher Secondary	6
	Bachelor Degree	15
	Master Degree	52
	Doctorate Degree	27
Occupation	Service Class	43
	Professionals	24
	Business Class	6
	Students	27

Source: Survey Results

The statistics of table 1 shows that majority respondents are of 20 – 30 years of age. Majority respondents are earning between 5-10 lakhs while 18% are not having any income source. 51% are male respondents and from occupation category, service class is dominating in the whole sample size while 27% are students who contributed in this study. It is observed that during this pandemic, more students have started to use e-banking services and other payment apps for financial services. Hence, students are covered under this study.

Table 2: Responses Regarding Personal Visit of Respondents to the Banks

Option	Percent
Yes	70
No	30

Source: Survey Results

Table 2 depicts that 70% of the total respondents prefer to visit banks personally while 30% do not prefer for the same.

Table 3: Preference of Service to Visit the Bank Personally

Services	Response (Percent)
Cash deposits, FD, Pass book updation	35
Check Clearance and DD making	14
Cash withdrawal	15
Authentication of Doc, KYC or other legal purposes	10
ATM, Credit card	8
Fund Transfer	5
Others (Complaints, TDS, Security Laps, etc.)	13

Source: Survey Results

The reasons for personal visit to banks are shown in table 3 that clearly indicates that 35% respondents visit banks personally to deposit large cash, fixed deposits or pass book updation while around 15% visit for large cash withdrawals and cheque clearance or DD making. 10% visit for authentication of documents; KYC etc while below 10% respondents visit for fund transfer, complaints, TDS, etc.

Table 4: Preference of E-Channels among Respondents

E-Channels	Response (Percent)	Rank
ATM	43.00	1
Internet Banking	27.00	3
Mobile Banking	30.00	2

Source: Survey Results

It is derived from table 4 that ATM is the most preferred channel followed by mobile and internet banking mainly because of security reasons.

Table 5: Functions Preferred by Customers through E-channels (Percent)

Function	ATM	Internet Banking	Mobile Banking
Balance enquiry	23	29	48
Cash withdrawal	91	2	7
Cash deposits	52	29	19

Mini statements	30	37	33
Request for bill payment	22	34	44
Request to issue cheque book	21	43	36
Transfer of Funds	12	51	37
Loan payments	13	54	33
Report of lost ATM/cheque book	14	37	49
Stop payment instructions	12	43	45
Obtain product information	11	45	44
Request for DD	12	53	35
Shop online	33	24	43
Enquiry about cheque status	15	37	48
View of FD details	14	42	44
E-Commerce (Business)	20	42	38
Ticket/Hotel Booking etc.	31	25	44
Other agency services(Mobile recharge, etc)	26	25	49

Source: Survey Results

Table 5 depicts that cash withdrawal (91%) and deposits (52%) related transactions are preferred with ATMs. Mini statements, request to issue cheque book and DD, transfer of funds, loan payments, obtain information and e-commerce business are preferred through internet banking while balance enquiry, bill payment requests, report of lost ATM, stop payment instructions, online shopping, cheque status enquiry, view FD details, ticket/hotel bookings and other agency services are done through mobile banking. It is important to note that for stop payment instructions, view FD details respondents prefer internet or mobile banking both as there is not a major difference in the response rate.

Table 6: Responses Regarding Banker Customers' Relationship Deteriorating with Upcoming Technology

Option	Percent
Yes	62
No	38

Source: Survey Results

If it is asked from the respondents that banker customers' relationship is deteriorating with upcoming technology (table 6) then 62% respondents were in the favour of this statements means only 38% denied that relationships are not deteriorated while other respondents are in the opinion that relationships affected negatively with the technology.

Table 7: Type of Bank Necessary for e-age due to Technology

Type of Bank	Response Percentage
Traditional Banks	2
Partially Computerized	11
Fully Computerized	25
E-banks	15
All types of banks	47

Source: Survey Results

Table 7 depicts that overall 47% respondents want all types of banks while except 2 % respondents, all others are in favour of computerized and e-banks. Individually 15% are in favour of total e-banks and 25% want fully computerized banks.

Table 8: Future of e-Channels/Banks

Statements	SA	A	ND	D	SDA
Awareness for e-channels will be effective to manage changing environment	47	45	8	0	0
Information technology will help to improve efficiency	51	45	3	1	0
Information technology will manage the entire bank activities	36	43	16	4	1
The people will have no trust in e-channels	13	33	27	18	8

Source: Survey Results

Table 8 shows the customer opinion regarding future of e-banks where the statistics portray that 90% respondents are agreed that awareness for e-channels will be effective to manage changing environment. Similarly 96% are in favour of IT that will help to improve efficiency,

79% are agreed that IT will manage the entire bank activities while 46% are afraid that people will have no trust in e-banks while only 26% have trust in e-banks.

Conclusion

It is concluded that e-banks are preferred for selected transactions because of convenience but not all types of bank customers like total e-banking. E-channels are preferred for some transactions but traditional banking is also preferred by many respondents for the same transactions done electronically like cash deposits, cash withdrawals, complaints, etc. The majority respondents are of the opinion that their relationships with banks are deteriorating with technology and people will have no trust in e-banks in the coming times. Hence it is clear that both types of banks are important to satisfy all types of customers because all are not convenient with either only traditional ways or only e-banking. They want mix of technology and in store services.

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