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A Comparative Study on Peoples' Preferences towards Electronic Banking over Traditional Banking

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Abstract:

In today's era of information and technology an economy cannot achieve the target of sustainable development by following traditional banking method. So, it has become mandatory for developing country like India to increase automation in banking industry. Customers are no longer restricted to visiting physical locations for banking services such as cash withdrawals, check deposits, and account statement retrieval. Any query or transaction is handled online in real Internet banking at any time without involving a branch. The availability of Internet banking is shifting from being a "nice to have" to a "need to have" service. This study compares consumer preferences for traditional banking against electronic banking. The survey also looks into the most common reasons why individuals use electronic banking, examines what people think about electronic and traditional banking, and determines the issues users encounter with both types of banking. The results of this study shed light on the variables that affect people's preference for electronic devices and offer recommendations for improving the banking services.

Keywords: Electronic Banking, Traditional Banking, Bank Customers.

INTRODUCTION:

Banking is a financial service industry that involves accepting deposits, granting loans, and providing other financial services to customers. Banks play a crucial role in the economy by intermediating between those who have surplus funds (such as individuals and companies) and those who need funds (such as individuals and businesses).

Electronic banking (e-banking) is a form of banking where customers can perform various financial transactions through electronic channels such as the internet, mobile devices, and automated teller machines (ATMs). The transactions may include accessing account

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information, making deposits and withdrawals, paying bills, transferring funds, and other financial services.

Traditional banking, on the other hand, refers to the conventional banking system that has a physical presence, including branches and tellers. Customers can walk into the bank to perform various financial transactions, such as depositing or withdrawing cash, applying for loans, opening accounts, and accessing other financial services. The transactions are usually conducted face-to-face with a bank representative or teller.

OBJECTIVES OF THE STUDY:

- To evaluate the adoption of electronic banking services provided by banks among customers.
- To find the core factors that affects customers' use of Electronic Banking and Traditional Banking.
- To understand the reason why people, prefer to use Electronic Banking over Traditional Banking.
- To identify the purposes, why people use Electronic Banking the most.
- To study the opinion of the People about Electronic Banking and Traditional Banking.

SCOPE:

The research will gather data from customers of different banks and regions to obtain a broader perspective of their preferences towards electronic and traditional banking. The study will explore the challenges associated with the adoption of electronic banking systems and traditional banking and evaluate their effectiveness in meeting the customers' needs. The research will also examine the role of banking institutions in promoting and enhancing the adoption of electronic banking systems. The scope of the study is limited to electronic and traditional banking services provided by banks and will not include other forms of electronic transactions, such as e-commerce or online payment systems.

HYPOTHESES:

1. **H₀ Null Hypothesis:** There is no significant difference between Area of respondents and their Rate of Service Quality on Electronic Banking.
2. **H₀ Null Hypothesis:** There is no significant difference between Employment Status of respondents and their view on Complete takeover of Electronic Banking over Traditional Banking.
3. **H₀ Null Hypothesis:** There exists an association between Age of the respondents and their Preferred Type of Banking.
4. **H₀ Null Hypothesis:** There exists an association between Educational Qualification of the respondents and their Preferred Type of Electronic Banking.

STATEMENT OF THE PROBLEM:

The purpose of this research is to comprehend the reasons behind the rising popularity of electronic banking over traditional banking and to pinpoint the elements that influence this preference. In order to do this, it will be necessary to compare the advantages of traditional banking to those of electronic banking, including its convenience, speed, cost-effectiveness, accessibility, and security. The study will also examine how technology influences customer

preferences for electronic banking as well as the difficulties that users encounter. The results of this study will assist financial institutions better understand the demands of their clients by offering insightful information about the reasons and preferences of customers who choose internet banking.

RESEARCH METHODOLOGY:

A total of 125 people participated in the survey, which was designed to examine their perceptions of electronic banking versus traditional banking and to determine the main reasons why respondents preferred using electronic banking the most.

- **Primary Data:** For the research both the primary and secondary data was used. To conduct the research by constructing the structured questionnaire and distributed to the selected investors through the Google Docs. Sample size of the 125 respondents was used with convenient sampling technique. For the data analysis we used ANOVA and CHI-SQUARE TEST to provide the best results out of it.
- **Secondary Data:** The secondary data was collected from the internet and from survey-related details conducted by various companies. This secondary data will provide additional context to the findings of the study and help to support the conclusions.

REVIEW OF LITERATURE

- Anjani K. Singh, Sonal Raina Tikku (2023) The purpose of this study is to comprehend the variables that affect the uptake of mobile banking among agribusiness merchants in India's wholesale commodities markets and to pinpoint the difficulties they encounter when utilising this technology. The goal of the study is to learn more about the variables that affect how readily Agri merchants embrace mobile banking and how these variables change depending on demographic group. Financial institutions and decision-makers can use the study's findings to help them develop and put into practise strategies that will encourage Agri merchants in India to adopt mobile banking.
- C.Surya, N.Vinodha, and N.Manju (2022) to gauge how satisfied customers are with the commercial banks' offered internet banking services. The study also tries to pinpoint the difficulties users of internet banking services encounter. The results of this survey will assist banks better understand how clients view and anticipate using internet banking services so they can tailor their offerings accordingly. The study's findings would also be useful for policymakers and regulators in helping them take the required actions to encourage the use of online banking services and to foster an environment that makes it possible for clients to use these services.
- Vishvesh Upadhyaya (2022) The article's primary goals seem to be to examine how users see internet banking services and determine the correlation between demographic factors and how frequently users use these services. The article also seeks to highlight the continued importance of conventional banking practises in contemporary society despite the availability of technology and e-banking services. The essay emphasises the

significance of comprehending customer behaviour, reasons for using e-banking services, and the contribution of traditional banking to the shift to digital banking.

ANALYSIS AND INTERPRETATION

Table 1: Area and Quality of Electronic Banking Service

ANOVA					
Area					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.188	3	0.396	1.704	0.170
Within Groups	28.124	121	0.232		
Total	29.312	124			

Inference:

From the Table 1, it is found that the significant value is .170. It is much greater than .05. Hence, the null hypothesis is accepted. This reveals that there is no significant difference in the Area of respondents and their Rate of Service Quality on Electronic Banking.

Table 2: Employment Status and Complete Takeover of Electronic Banking over Traditional Banking

ANOVA					
Employment Status					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.333	2	0.666	0.994	0.373
Within Groups	81.819	122	0.671		
Total	83.152	124			

Inference:

From the Table 2, it is clear that the significant value is .373. It is much greater than .05. Hence, the null hypothesis is accepted. This reveals that there is no significant difference Employment Status of respondents and their view on Complete takeover of Electronic Banking over Traditional Banking.

Table 3: Age and Preferred Type of Banking

CHI-SQUARE TEST		
	Age	Preferred Type of Banking
Chi-Square	79.984 ^a	113.288 ^b
Df	2	1
Asymptotic Significance	0.001	0.021

Inference:

Table 3 shows that the significant value is .021. It is less than .05. Hence, the null hypothesis is accepted. This reveals that there exists an association between Age of the respondents and their Preferred Type of Banking.

Table 4: Results of chi-square test

CHI-SQUARE TEST		
	Educational Qualification	Preferred Type of Electronic Banking
Chi-Square	162.960 ^a	61.912 ^b
Df	4	3
Asymptotic Significance	0.012	0.010

Inference:

Table 4 portrays that the significant value is .0010. It is less than .05. Hence, the null hypothesis is accepted. This reveals that there exists an association between Educational Qualification of the respondents and their Preferred Type of Electronic Banking.

LIMITATIONS OF THE STUDY

- The findings may not be applicable to other areas or populations as the primary data was obtained from people of Chennai city.
- Additionally, the responses obtained from the 125 respondents may not be entirely accurate due to potential biases or lack of interest in providing correct information.
- The study is also limited to individuals who have knowledge about the electronic banking sector, which may not be representative of the entire population.
- Furthermore, the findings of the study may not hold true in the future, as the attitudes and preferences of individuals can change over time.
- The sample size of 125 respondents may also limit the generalizability of the findings.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS:

- There is no significant difference between Area of respondents and their Rate of Service Quality on Electronic Banking.
- There is no significant difference between Employment Status of respondents and their view on Complete takeover of Electronic Banking over Traditional Banking.
- There exists an association between Age of the respondents and their Preferred Type of Banking.
- There exists an association between Educational Qualification of the respondents and their Preferred Type of Electronic Banking.

SUGGESTIONS:

- Strengthen electronic banking security by putting multi-factor authentication, encryption, and regular security checks in place to ward off fraud and data breaches.

- By creating user-friendly interfaces, making information accessible, and boosting the speed and dependability of transactions, electronic banking may be used by more people.
- Even though online banking does away with the need for in-person assistance, it's still crucial to provide individualised assistance to make sure clients feel supported and valued.
- Many people still prefer traditional banking because they lack the knowledge of how to use electronic banking. Provide financial education to customers to increase adoption and usage of electronic banking.
- Increasing physical presence is important for maintaining traditional banking since it gives consumers access to actual branches when they need them. This can entail adding new branches in underserved regions or expanding business hours.

CONCLUSION:

Conventional banks did not provide their customers with nearly as many facilities as those offered by electronic banking. Because of this, individuals are strongly persuaded by the benefits of e-banking. Cash machine, e-banking, credit cards, and a distance of choice of purchase or auction are some of the different advantages that users of efficient e-banking are obtaining. As a result, the majority of users are switching to the e-banking system. According to the study's findings, most clients are choosing online banking due to its numerous advantageous features. It is recommended that banks should continue to improve their electronic banking services to meet the needs and expectations of customers while maintaining the traditional banking system to cater to customers who prefer personal interaction. Furthermore, there is a need for banks to educate customers on the use of electronic banking services and address any challenges faced by users to improve adoption and usage. Overall, electronic banking is a significant development that has changed the way people conduct financial transactions and is expected to continue to grow and evolve in the coming years.

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