

# **AN EVALUATION OF COMPARATIVE STUDY BETWEEN TRADITIONAL BANKING AND ELECTRONIC BANKING (WITH SPECIAL REFERENCE TO NAINITAL DISTRICT OF UTTARAKHAND)**

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## **Abstract**

In the framework of the Uttarakhand district of Nainital, this research article compares and contrasts traditional and electronic banking. The purpose of the study is to assess local residents' opinions and preferences about these two banking options. Residents of the Nainital district were surveyed, and most of the participants stated that they thought internet banking was more profitable than traditional banking. The convenience, cost, and growing acceptance of online transactions and e-commerce activities are some of the elements that contribute to this image. Nonetheless, it is imperative that banks strike a balance between providing traditional banking services and e-banking while successfully meeting the various needs and preferences of its clientele.

The Introduction of electronic banking in the Nainital district has also resulted in fewer in-person bank visits, a decline in the use of physical bank branches, heightened competition among banks, an increase in the need for digital infrastructure investments by banks, and an all-around improvement in the standard of the customer experience when using traditional banking services. By implementing the required improvements and updates, traditional banks

in the Nainital region can stay competitive in the market and respond to the growing trend of e-banking.

**Keywords :** E- banking, Traditional banking, Impact, Profitability, Comparison.

## **INTRODUCTION**

The banking sector is essential to the economy. Historically, financial institutions accept deposits and extend loans. E-banking uses multiple methods to distribute information. Customers can receive services via several delivery methods, including mobile phones, ATM cards, computers, telephones, digital television, internet. Traditional banking involves offline and paper processes for conducting bank payments. The primary role of e-banking is to serve the public by providing satisfactory services. E-banking relies primarily on the internet for delivery.

Traditional banking involves physical branches where customers can conduct their banking activities. Electronic banking, on the other hand, refers to online banking services that enable users to conduct financial transactions using digital channels such as computers, smartphones, and tablets. This comparison will look at the primary differences between traditional banking and electronic banking, such as convenience, accessibility, security, cost-effectiveness, and customer experience.

### **Traditional banking benefits include:**

1. Personal interaction: In-person interactions with bank employees are possible through traditional banking, which can offer a more effective and intimate banking experience.
2. Trust: Because traditional banks have been around for a long time and have built reputations, many people have a higher level of trust in them.
3. Physical presence: Customers can visit traditional banks' physical locations to do a variety of tasks, like making cash deposits, taking out cash, or getting financial advice.
4. Comprehensive services: Customers who like to access several financial products in one location may find it helpful as traditional banks offer a wide range of services, including credit cards, loans, mortgages, and investment opportunities.

### **Drawbacks of traditional banking :**

1. Limited accessibility: People who live in rural places or have limited mobility may find it inconvenient that physical branches can only serve a particular number of customers in a

specific location.

2. Lengthier processing times: Because traditional banking transactions frequently rely on manual verification procedures and paper-based documentation, they may take longer to process.

3. greater prices: Due to the greater operating costs involved in maintaining physical branches, traditional banks may charge higher fees for their services than internet banks.

4. Limited banking hours: Due to their regular operation hours, traditional banks might not be the best choice for clients who would rather use their services after hours.

### **Benefits of online banking:**

1. Convenience: With e-banking, clients can conduct a range of financial operations at any time of day or night from the comfort of their own homes.

2. Accessibility: Customers can access their accounts from any location in the world with an internet connection thanks to e-banking, which removes geographical restrictions.

3. Cost-effective: Because online banks do not have the administrative expenses of physical offices, e-banking frequently has lower fees than traditional banking.

4. Quicker processing times: Because e-banking transactions are automated and don't need human intervention, they can be completed instantly.

### **Disadvantages of e-banking system:**

1. Security risks: E-banking systems can be risky to cyber threats, such as hacking, phishing, and data breaches, which may compromise customers' personal and financial information.

2. Lack of personal assistance: E-banking may not provide the same level of personal assistance and customized solutions that traditional banking can offer.

3. Technical issues: Online banking platforms may experience technical glitches or downtime, which can disrupt customers' access to their accounts and transactions.

4. Limited services: Some online banks may offer limited banking services compared to traditional banks, such as less diverse loan options or investment opportunities.

## **Review of Literature**

**Kumar, S. (2021)** This paper investigates the role of digital transformation in shaping consumer expectations and the efficacy of banking service delivery.

**Adeleke, A. & Abiodun, A. (2020)** This study explores how electronic banking services have transformed traditional banking operations and positively influenced their performance metrics.

**Omar, N. & Hackney, R. (2020)** The authors discuss strategic approaches for banks to integrate traditional and electronic banking services, promoting organizational growth.

**Chithra, M. & Sundararajan, V. (2019)** This research highlights customer satisfaction levels concerning services offered by traditional banks versus electronic banking institutions.

**Shreyas et al, (2019)** He came to the conclusion that because digital wallets are safer, more convenient, and offer cash back, they are favoured over traditional banking. India was the country that adopted digital wallets the most after China, with an average penetration rate of 22%. Digital wallet transactions have increased, with India now surpassing China in this regard.

**Fauzi, F. M., Rahman, R. A., & Yaacob, M. R. (2018)** The study looked at customers' perception of traditional banking and e-banking in Malaysia. Factors influencing customers' choice of banking method include trust, perceived risks, perceived ease of use, and social influence. Older customers associate traditional banking with trust and personal relationships, while younger customers prefer e-banking due to its convenience, according to the findings. The need for financial institutions to understand customer preferences and develop strategies to cater to different customer segments is emphasized in the study.

**Gupta & Sharma, 2017** Emerging technologies such as biometric authentication, blockchain, AI-driven customer service (chatbots), and contactless payments are shaping the future of electronic banking. These innovations aim to enhance user experience, improve security, and streamline processes. Meanwhile, traditional banking continues to evolve by integrating digital channels, creating a hybrid model that leverages both physical and electronic services.

**Asika, O. L., & Madu, C. N. (2016)** The literature review looked at customer preferences between traditional banking and e-banking. Convenience, security, ease of use, and transaction speed are some of the factors identified in the study. E-banking is gaining popularity due to its convenience, accessibility, and cost-effectiveness while traditional banking still retains a substantial market share.

**Ayo et al., 2014** Research indicates that customer acceptance of electronic banking hinges on perceived usefulness, ease of use, trust, and security. Younger populations tend to prefer online

and mobile banking, while older clients may prefer traditional methods due to familiarity and comfort. The study established that perceived risk remains a significant barrier for many customers adopting e-banking services.

**Kashaf et al., 2014** Electronic banking offers benefits such as convenience, 24/7 availability, reduced operational costs, and rapid transaction processing. It also supports a wider reach, enabling banks to serve customers in remote areas. However, it faces challenges including technological complexities, operational risks, and high initial infrastructure costs. The shift to electronic channels necessitates robust cybersecurity measures to prevent fraud and data breaches.

**Kumar et al., 2013** Security remains a critical concern in electronic banking. Cyber threats, including hacking, phishing, and malware, pose significant risks to financial institutions and customers. While traditional banking relies on physical security measures, electronic channels require advanced cybersecurity infrastructure and ongoing vigilance. Trust in the security measures significantly influences customer willingness to adopt e-banking.

**Dong, (2008)** The use of internet banking has advantages for both parties. It's become one of the top channels for financial institutions to conduct business. Personal and commercial activities with their customer increased in speed. The traditional activities in a bank can be replicated by the financial institutions over the internet. The operational and overhead costs of the financial institutions have been lowered by the shift to online transactions. The automation of customer transactions is the reason for the savings.

## **Research Methodology**

The purpose of this research is to assess a comparative study between electronic banking and traditional banking, with a focus on the Uttarakhand district of Nainital. The researcher uses random sampling. A questionnaire-based primary data survey was carried out in Uttarakhand's Nainital district. The purpose of the questionnaire is to get 200 responders to provide primary data.

## **Objectives**

- To better understand the profitability of e-banking against traditional banking.
- To assess the impact of e-banking on traditional banking services.

- To Identify and emphasise potential changes that mitigate the effects of traditional banking.

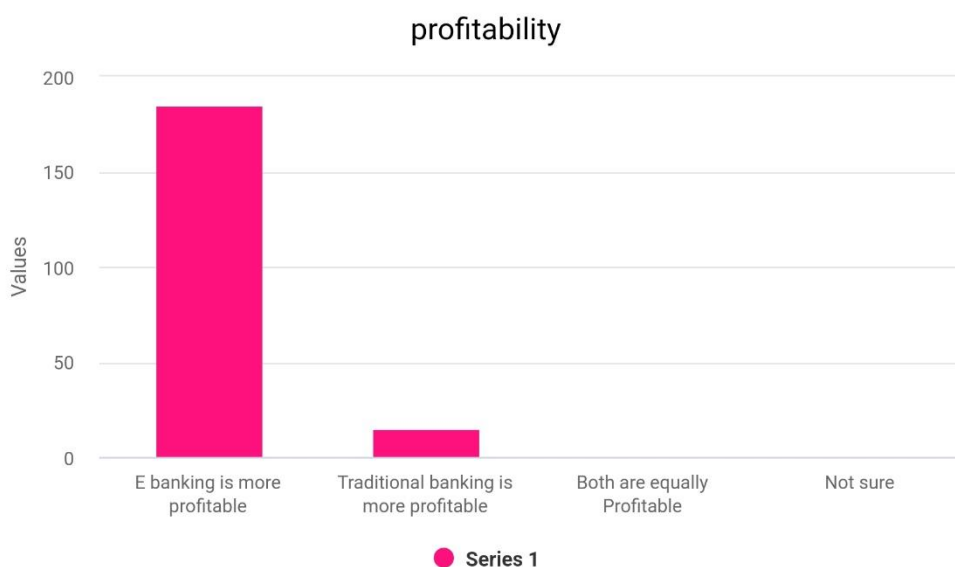
### Questionnaire Design

A series of self-created questionnaires are constructed with consideration for the needs and objectives, and are then reviewed, adjusted, and administered. When creating the questionnaire, it's important to keep in mind that it shouldn't be overly complex and that the questions should be straightforward and relatable. This will make it easier for respondents to respond by saving time by prefiguring the answers to the questions. For additional clarification, in-person telephone interviews and observations were also conducted.

### Data Analysis and Interpretation

- **Perceiving of profitability of e banking as compared to traditional banking.**

**Fig 1 -**



The profitability of e-banking compared to traditional banking in Nainital district of Uttarakhand can be analysed based on the responses of 185 individuals who stated that e-banking is more profitable, while 15 individuals believe traditional banking is more profitable.

There may be some benefits to e-banking in terms of profitability in the Nainital district, as seen by the 185 respondents who said that it is more profitable than traditional banking. These

benefits can include lower overhead expenses for online banks as they don't need physical locations and can run with fewer employees. Higher bank profitability may result from these cost savings.

Customers can also access and complete transactions on their accounts from anywhere at any time using internet-enabled devices, which makes e-banking even more convenient and accessible. Because of its ease of use, e-banking services may be used by more clients, which could result in more transactions and eventually more revenues for the banks.

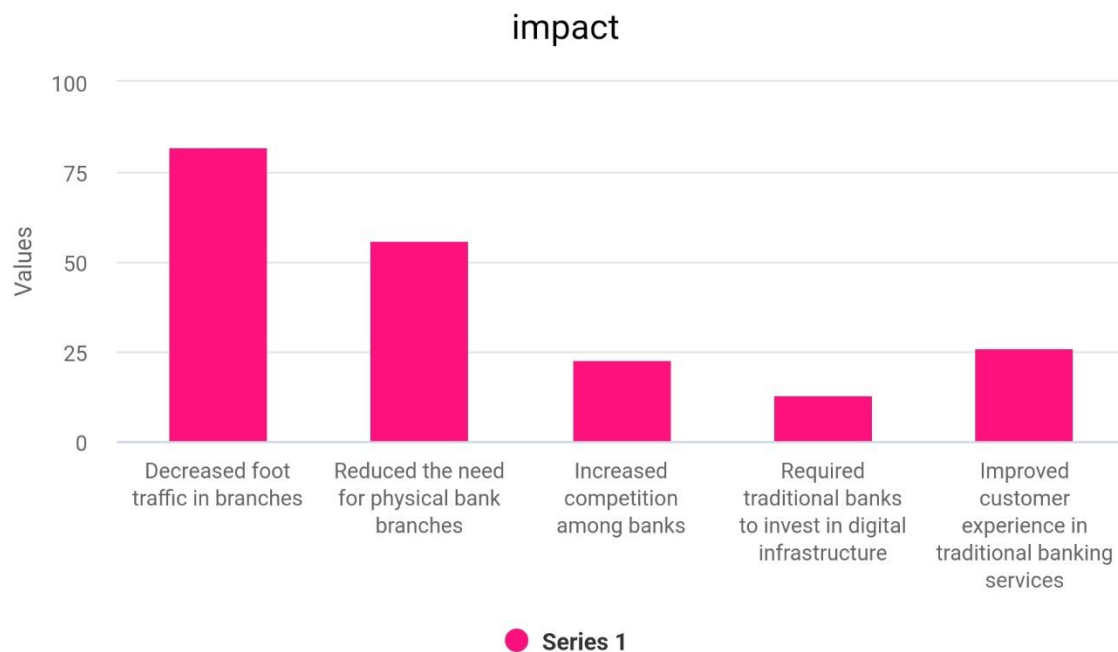
Furthermore, the profitability of e-banking has been aided by the rising popularity of online purchasing and e-commerce. Banks that provide e-banking services stand to gain more revenue from transaction fees and other costs related to these online activities as more clients engage in online transactions and payments.

It's noteworthy, though, that 15 respondents continue to think traditional banking is more profitable. This may be the result of a number of things, including a mistrust of internet transactions, a preference for in-person encounters with bank staff, or particular banking requirements that are better served by conventional banking techniques.

In general, the majority of Nainital district respondents think that online banking is more profitable than traditional banking. This is probably due to the ease, affordability, and growing acceptance of online transactions and e-commerce endeavours.

Nonetheless, it is imperative that banks accommodate every customer's requirements and preferences while maintaining a balance between traditional banking services and e-banking.

- **Impact of e-banking had on traditional banking services –**

**Fig 2 –**

Based on survey respondents' comments, the effects of e-banking on traditional banking in Uttarakhand's Nainital district can be summed up.

1. Less foot traffic in branches: 82 respondents selected this response, suggesting that e-banking has resulted in fewer people visiting actual bank branches. Customers no longer need to physically visit the branches to conduct transactions or access banking services thanks to the convenience of internet banking.
2. Lessened the demand for physical bank branches: E-banking, according to 56 respondents, has lessened the need for numerous traditional bank locations. There is less need for physical branches as more consumers use digital banking channels, which lowers the costs of operating and maintaining several branch locations.
3. Enhanced competition between banks: According to 23 respondents, the introduction of e-banking has heightened competition between banks. Customers have more options and may quickly compare products from several banks when they use online banking services. In order to draw in and keep consumers, banks are encouraged by this rivalry to enhance their products and services.



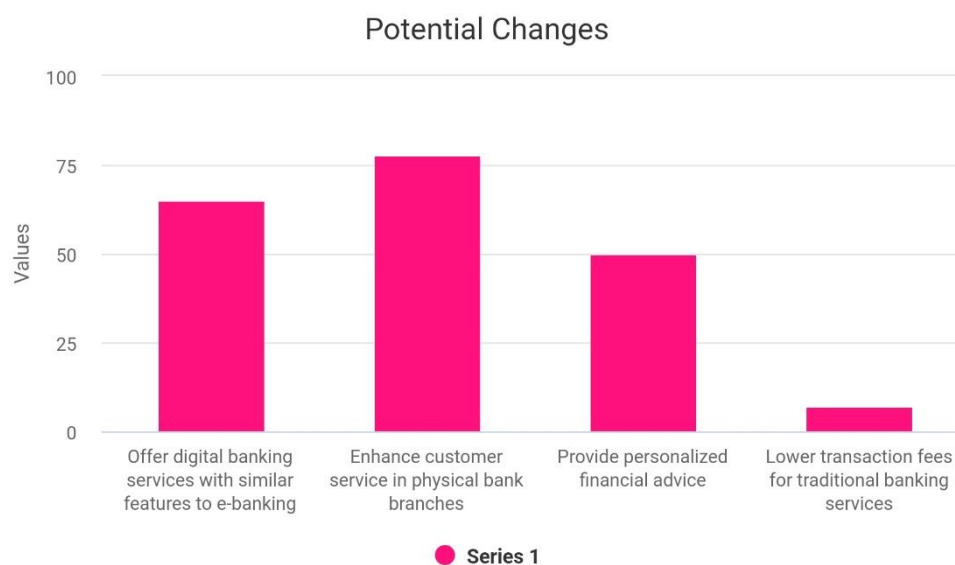
4. Required traditional banks to make investments in digital infrastructure: According to 13 respondents, the popularity of e-banking has forced traditional banks to make these kinds of investments. In order to stay relevant and satisfy the needs of tech-savvy clients, traditional banks must improve their technological prowess and offer safe and intuitive online banking services.

5. Better customer experience with traditional banking services: According to 26 respondents, e-banking has made traditional banking services more enjoyable for customers to use overall. Banks can give consumers quick, effective, and easily accessible services by providing online banking choices. This can incorporate functions like quicker transaction processing, digital services that are tailored to the user, and 24/7 account access.

In the Nainital district of Uttarakhand, e-banking has generally resulted in fewer people visiting physical bank branches, a decrease in the need for physical bank branches, more competition among banks, the need for banks to invest in digital infrastructure, and an improvement in the general quality of the customer experience when using traditional banking services.

- **Potential changes or improvements made in traditional banking to mitigate the effects of e-banking -**

**Fig 3 -**



Potential adjustments or enhancements to traditional banking could be implemented in the Uttarakhand district of Nainital to lessen the impact of e-banking. The following recommendations are based on a subset of the responses:

Provide e-banking-like features for your digital banking services: Traditional banks can upgrade their technology infrastructure to enable digital banking services. Features like electronic financial transfers, mobile banking apps, and online account management can fall under this category. By offering these services, they can keep clients who find online banking more convenient.

2. Improve customer service in physical bank branches: Conventional banks should concentrate on making their physical branches a better place for customers to interact with them. This may entail assuring lower wait times, empowering employees to handle client inquiries and transactions effectively, and creating a warm and inviting environment. Traditional banks can attract and maintain customers who appreciate individualised assistance by providing exceptional customer care.

3. Offer clients individualised financial guidance: Conventional banks are able to provide its patrons with individualised financial advise. This may entail working with licenced financial advisors that may assist clients in selecting wisely when it comes to savings, investments, and financial planning. Banks may add value and create enduring client connections by offering customised advice.

4. Lower transaction fees for traditional banking services: Banks should think about changing their pricing schedules to make traditional banking more alluring than online banking. Reducing transaction costs for conventional banking services can encourage clients to use them instead of just e-banking. This tactic can assist traditional banks in keeping clients who are price conscious or regularly make larger-than-average transactional purchases.

Traditional banks in the Nainital area can adjust to the expanding e-banking trend and maintain their competitiveness in the market by putting these modifications and enhancements into practise.

## **Findings and Conclusion**

- In general, the majority of Nainital district respondents think that online banking is more profitable than traditional banking. This is probably due to the ease, affordability, and growing acceptance of online transactions and e-commerce endeavours.

Nonetheless, it is imperative that banks accommodate every customer's requirements and preferences while maintaining a balance between traditional banking services and e-banking.

- In the Nainital district of Uttarakhand, e-banking has generally resulted in fewer people visiting physical bank branches, a decrease in the need for physical bank branches, more competition among banks, the need for banks to invest in digital infrastructure, and an improvement in the general quality of the customer experience when using traditional banking services.
- Traditional banks in the Nainital area can adjust to the expanding e-banking trend and maintain their competitiveness in the market by putting these modifications and enhancements into practise.

### **Suggestions**

- An analysis of the operational costs of traditional banking and electronic banking can be conducted. This study can give insights into the cost-effectiveness of electronic banking and help banks determine the potential savings and investments required for its implementation.
- Check out the impact of electronic banking on financial literacy levels in the district. It is possible to assess whether electronic banking has increased financial awareness among individuals and influenced their financial decision-making processes.
- The impact of electronic banking on customer satisfaction is being investigated. The study can measure the level of customer satisfaction with electronic banking services and identify the key factors that influence loyalty towards a particular banking channel .
- Government policies and regulations can be used to promote electronic banking adoption. It is possible to evaluate the effectiveness of existing policies to facilitate the transition from traditional to electronic banking.
- To analyse the trends and changes in the adoption and usage of electronic banking in the district, conduct a longitudinal study. Insights into the evolution of electronic banking can be provided by this research.

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