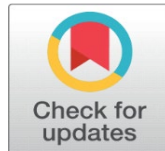


A STUDY ON DIFFERENT BETWEEN MODERN BANKS AND TRADITIONAL BANKS SERVICES

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ABSTRACT

The primary objective of this study is to explore the factors driving the adoption of electronic banking and its relationship with traditional banking services. Focusing on the retail sector of the financial industry in Indore city, the research aims to investigate the influence of firm-specific and non-specific characteristics (such as technology, market, and environment) on the decision-making process of banks in adopting new technical platforms for online banking transactions. By analyzing these factors, the study seeks to provide a comprehensive understanding of how electronic banking complements or substitutes traditional banking services. Ultimately, the goal is to contribute to spreading technology in the banking sector by shedding light on the dynamics between electronic and traditional banking distribution channels.

Keywords: Electronic Banks, Technology, Banking Sector, Decision-Making, Technology, Market, and Environment

1. INTRODUCTION

The banking sector is a vital component of the economy, traditionally focused on activities like collecting deposits and providing loans. In contrast, e-banking encompasses various distribution channels that facilitate information dissemination and service delivery. These channels include mobile phones, ATM cards, computers, telephones, digital television, internet platforms, and kiosks. Unlike traditional banking, where payment transactions are typically conducted through legal means, e-banking utilizes automated systems to serve customers efficiently. The internet serves as the primary delivery channel for e-banking services, continually increasing in value for both customers and banks. Traditionally, banking transactions involve natural and legal persons as applicants, with authorized institutions such as banks, postal, and savings banks acting as recipients. However, e-banking streamlines this process by automating delivery systems through internet platforms and internal messaging channels. According to Bjelica and Dejan (2010), traditional banking transactions involve applicants and authorized payment institutions, while e-banking leverages electronic channels to serve customers efficiently. The Basel Committee on Banking Supervision (2008) defines e-banking as the provision of retail banking products and services through electronic channels, encompassing a wide range

of services such as direct deposit, ATM transactions, credit and debit cards, telephone banking, electronic bill payment, and web-based banking.

2. OBJECTIVES OF THE STUDY

The main objectives of this study on the differences between modern and traditional bank services are:

- 1) **To Compare the Services Offered by Modern and Traditional Banks:**
The study aims to examine and contrast the types of banking services provided by modern banks (e.g., digital banks, online-only banks) and traditional brick-and-mortar banks. This includes services like online banking, mobile banking apps, and automated teller machines (ATMs) in modern banks versus physical branches, face-to-face customer service, and personal banking in traditional banks.
- 2) **To Analyze Customer Experience with Modern vs. Traditional Banking Services:**
The study seeks to explore how customers perceive the quality, convenience, accessibility, and efficiency of banking services provided by modern and traditional banks. This includes understanding customer satisfaction with online banking platforms, mobile apps, customer support, and in-person banking experiences.
- 3) **To Assess the Role of Technology in Transforming Banking Services:**
The study aims to understand how technological advancements, such as the internet, mobile apps, and artificial intelligence, have influenced the way banks offer services, and how these innovations have affected customer engagement and business operations.
- 4) **To Identify the Challenges Faced by Modern and Traditional Banks:**
The study will investigate the operational challenges that both types of banks face in delivering services. For modern banks, this could include cybersecurity concerns and the need for robust digital infrastructure, while traditional banks may face challenges like maintaining physical branches and adapting to the digital era.
- 5) **To Provide Insights into the Future of Banking:**
The study will explore trends in the banking sector, such as the shift towards digital banking, the integration of AI and blockchain, and how both modern and traditional banks are adapting to changing consumer preferences and regulatory pressures.

3. REVIEW OF LITERATURE

1) Evolution of Banking Services

The banking industry has undergone significant transformation over the past few decades, moving from traditional face-to-face banking to the incorporation of digital technologies. **Traditional banks** have operated with physical branches, where customers could access services such as savings accounts, loans, and personal financial advice (Al-Tamimi, 2003). These banks have maintained a strong focus on in-person interactions, and their services are typically limited to operating hours within the physical branch.

Modern banks, including digital and online-only banks, have emerged due to the rise of the internet and mobile technology. These banks offer services that are accessible 24/7 via mobile apps, websites, and automated platforms (Bannister & Connolly, 2014). With the rise of neobanks (e.g., Chime, Revolut), the traditional banking model has been disrupted, offering consumers lower fees, more accessible services, and an entirely digital banking experience.

2) Technological Impact on Banking Services

The integration of technology in banking has been a game-changer. Mobile banking, online account management, AI-driven customer support (chatbots), and even blockchain for secure transactions are features that modern banks leverage to attract and retain customers (Gulati, 2018). **Mobile banking apps** allow customers to access their accounts, transfer funds, pay bills, and manage investments with ease, providing greater convenience than traditional banks, which still rely heavily on physical branch visits (Zavolokina et al., 2016).

Conversely, traditional banks have faced challenges in adapting to these technological shifts. While many traditional banks have developed their own mobile applications and websites, the transformation process can be slow, and some still lack the full functionality that modern banks offer. **Legacy systems** and high costs associated with maintaining

physical branches contribute to the slower adoption of newer technologies in traditional banking models (Pousttchi & Dehnert, 2018).

3) Customer Experience and Satisfaction

Studies have shown that customer experience is a significant factor in differentiating modern and traditional banking services. Customers of modern banks often report higher satisfaction with the speed and convenience of digital banking services. For example, a study by **Nguyen & Simkin (2017)** found that users of digital banks valued the ability to perform transactions on the go, with fewer concerns about fees or limited operating hours. On the other hand, traditional banks are often perceived as offering more personalized service, especially for complex financial products such as mortgages and investment advice (Berry, 1980).

4) Security and Trust in Banking Services

Security remains a critical concern in both modern and traditional banking. While modern banks benefit from the use of advanced encryption and security technologies, customers may still have concerns about online fraud, identity theft, and data breaches (Jiang & Wei, 2018). Traditional banks, in contrast, have the advantage of a long-standing reputation for trustworthiness and the security of in-person interactions. However, some customers feel uneasy with the technological vulnerabilities of digital banking services.

5) Challenges and Future of Banking

The future of banking is likely to be shaped by continued digitalization, regulatory changes, and evolving customer expectations. According to **Chishti & Barberis (2016)**, banks of the future will need to find a balance between traditional personal services and the convenience and efficiency of digital platforms. The rise of fintech companies, regulatory changes like Open Banking, and the increasing demand for personalized services are pushing banks, both modern and traditional, to innovate and stay competitive in a rapidly evolving market.

4. METHODOLOGY

The methodology employed in this study adopts a cross-sectional survey approach, incorporating three primary components: reviews, contacts, and field activities. The review process involved comprehensive desk research utilizing online resources, research papers, working documents, conference materials, and other relevant publications. Additionally, a self-developed instrument was utilized for fieldwork. A questionnaire was designed to survey 200 respondents, who were interviewed and provided response.

5. MODERN BANKING PRODUCTS

Modern banking products have evolved to meet the diverse needs and preferences of today's consumers, leveraging technology and innovation to offer convenience, flexibility, and enhanced functionality. One of the key products in modern banking is online banking, which provides customers with 24/7 access to their accounts, allowing them to view balances, transfer funds, pay bills, and manage transactions from the comfort of their own devices. Mobile banking apps have further extended this convenience, enabling customers to perform banking tasks on the go using their smartphones or tablets.

Another popular modern banking product is contactless payments, which utilize near-field communication (NFC) technology to enable secure and convenient transactions with a simple tap of a card or mobile device. Contactless cards and mobile payment platforms such as Apple Pay and Google Pay have gained widespread adoption due to their speed, ease of use, and enhanced security features. Modern banks offer a range of digital savings and investment products designed to help customers grow their wealth and achieve their financial goals. These products often include high-yield savings accounts, automated investment platforms, and robo-advisors, which utilize algorithms to provide personalized investment advice and portfolio management services. Modern banking products cater to the changing needs and expectations of consumers in an increasingly digital world, offering convenience, efficiency, and enhanced functionality through innovative digital solution

A traditional bank refers to a financial institution that provides a range of services to its customers, including savings and checking accounts, loans, mortgages, and investment products. Unlike online or digital-only banks, traditional banks typically have physical branches where customers can conduct transactions in person with bank tellers or use ATMs.

These banks often have a long history within their communities and are regulated by government authorities to ensure the safety and security of their customers' deposits. Traditional banks play a crucial role in the economy by facilitating the flow of money and credit, supporting individuals and businesses with their financial needs, and contributing to the overall stability of the financial system.

A modern bank refers to a financial institution that leverages advanced technology and digital platforms to provide a wide range of banking services to its customers. Unlike traditional banks, modern banks often operate primarily online or through mobile applications, offering convenient access to accounts, transactions, and financial products anytime, anywhere. These banks typically prioritize efficiency, speed, and user experience, allowing customers to manage their finances remotely with ease. Modern banks may also employ innovative tools such as artificial intelligence, data analytics, and blockchain technology to streamline operations, enhance security, and personalize services for their clients. With the rise of modern banking, there has been a shift towards digital payments, online lending, and automated financial management, reflecting the evolving preferences and lifestyles of consumers in today's interconnected world.

6. BENEFITS OF TRADITIONAL BANKS

Traditional banks offer several benefits that cater to various financial needs and preferences. Firstly, traditional banks provide a physical presence through branches, which can be reassuring for customers who prefer face-to-face interactions and personalized assistance. This accessibility enables individuals to seek guidance on complex financial matters, such as mortgage applications or investment planning, from knowledgeable bank staff.

Secondly, traditional banks often offer a wide array of financial products and services under one roof, including savings and checking accounts, loans, credit cards, investment options, and insurance products. This comprehensive range of offerings allows customers to conveniently manage multiple aspects of their finances within a single institution, facilitating seamless transactions and account management.

Additionally, traditional banks typically prioritize security and reliability, backed by robust regulatory frameworks and established risk management practices. Customers benefit from the assurance that their deposits are protected up to certain limits by government-backed insurance schemes, providing peace of mind and safeguarding their funds against unforeseen events.

Furthermore, traditional banks often foster long-term relationships with their clients, built on trust, reliability, and personalized service. Through consistent engagement and tailored financial advice, banks can better understand their customers' needs and offer customized solutions that align with their goals and aspirations.

Overall, the benefits of traditional banks encompass convenience, comprehensive services, security, personalized support, and the assurance of a longstanding reputation, making them a preferred choice for many individuals and businesses seeking stability and reliability in their financial relationship.

7. MODERN BANKS BENEFITS

Modern banking offers numerous benefits that cater to the evolving needs and preferences of today's digitally savvy consumers. Firstly, modern banks provide unparalleled convenience through online and mobile banking platforms, enabling customers to access their accounts, make transactions, and manage their finances anytime, anywhere. This accessibility eliminates the need for physical branch visits and allows for seamless banking on-the-go, fitting into the busy lifestyles of modern individuals.

Secondly, modern banks often offer innovative and user-friendly digital tools and features, such as budgeting apps, financial management dashboards, and real-time account alerts. These tools empower customers to take control of their finances, track their spending, and make informed decisions to achieve their financial goals more efficiently.

Moreover, modern banks prioritize speed and efficiency in their operations, streamlining processes such as account opening, loan applications, and fund transfers through automation and digitization. This expedites transactions and reduces wait times, enhancing the overall customer experience and satisfaction.

Additionally, modern banks leverage advanced security measures, including encryption, biometric authentication, and fraud detection algorithms, to safeguard customers' sensitive information and protect against cyber threats. These robust security protocols instill confidence in customers and ensure the safety of their financial transactions conducted online.

Furthermore, modern banks often offer competitive interest rates, lower fees, and attractive rewards programs to incentivize customer loyalty and attract new clients. These value-added benefits contribute to cost savings and financial rewards for customers, enhancing the overall value proposition of modern banking services.

Overall, the benefits of modern banking encompass convenience, innovation, efficiency, security, and value, catering to the preferences of today's tech-savvy consumers who prioritize speed, accessibility, and seamless digital experiences in their financial interaction.

8. DIFFERENT BETWEEN MODERN BANKS AND TRADITIONAL BANKS

Modern banks and traditional banks differ significantly in their approaches to banking services and customer interactions. Traditional banks typically operate through physical branches, offering face-to-face customer service and relying on manual processes for transactions. In contrast, modern banks leverage advanced technology and digital platforms to provide seamless and convenient banking experiences through online and mobile channels. This allows customers to access their accounts, make transactions, and manage their finances anytime, anywhere, without the need for branch visits. Furthermore, modern banks often offer innovative digital products and services such as mobile payments, robo-advisors, and peer-to-peer lending platforms, catering to the evolving needs of tech-savvy consumers. While traditional banks may have established reputations and long-standing relationships with customers, modern banks prioritize agility, efficiency, and innovation in delivering banking solutions. Overall, the key differences between modern and traditional banks lie in their delivery channels, technological adoption, customer interactions, and product offerings, reflecting the changing dynamics of the banking industry in the digital age.

Table 1 Most using Service Traditional banking

Male			Total
count	40	69	109
% of total	20.0%	343.5%	54.5%
Female	29	62	91
	14.5%	31.0%	45.5%
count	69	131	200
%of total	34.5%	65.5%	100%

Comparison of E-Banking with Traditional Banking reveals a significant preference for e-banking over traditional banking among customers, with 65.5% of respondents favoring e-banking compared to 34.5% for traditional banking. This suggests a higher adoption rate of e-banking services. Additionally, the majority of customers perceive e-banking positively, indicating its effectiveness in meeting their banking needs. Interestingly, while there is a gender disparity in traditional banking, with more male users (34.5%) compared to female users (14.5%), the gender distribution in e-banking is relatively balanced, with 34.5% male users and 31% female users. This suggests that e-banking may be more inclusive and accessible across genders compared to traditional banking.

Table 2 Most Popular Mode to Avail E Banking Facility

VALIED		Frequency	%	Valid%	Cumulative %
	ATM CARDS	93	46.3	46.5	46.5
	MOBILE or TELE BANK	38	18.6	19.0	65.5
	INTERNET BANK	59	29.4	29.5	95.0
	KISOK LOBBY SERVICE	10	5.0	5.0	100.0
	TOTAL	200	99.5	100.0	
	SYSTEM	1	5		
MISSING	TOTAL	201	100.0		

The most popular mode to avail E-Banking facility among respondents is ATM cards, with a frequency of 93, accounting for 46.5% of valid responses. Following closely is Internet banking, with 59 respondents, representing 29.5% of valid responses. Mobile/Tele banking is the next most utilized mode, with 38 respondents, comprising 19.0% of valid responses. Kiosk/E-lobby services are the least utilized mode, with only 10 respondents, making up 5.0% of valid responses. Overall, ATM cards emerge as the preferred choice for accessing e-banking services among the surveyed population.

9. LIMITATION

A significant challenge for this study is the time constraint in conducting both formal and informal interviews to gather comprehensive information in the rapidly evolving landscape of the banking sector. Additionally, limitations may arise from the availability and reliability of the handed-out data.

10. CONCLUSION

The findings of this study indicate a notable disparity in satisfaction levels between users of traditional banking services and electronic banking systems. Traditional banks have fallen short in providing the range of facilities and conveniences offered by electronic banking platforms. For instance, e-banking users enjoy access to a variety of services such as ATM transactions, internet banking, credit cards, mobile banking, point-of-sale (POS) transactions, SMS banking, and diverse purchasing and selling options. Consequently, there has been a significant migration of customers towards e-banking systems. Key factors influencing the adoption of e-banking include perceived usefulness, perceived ease of use, consumer awareness, and perceived risks associated with the system. While this study successfully achieves its objectives, it is important to acknowledge one limitation. The study's conclusion highlights that the majority of customers are embracing e-banking due to several positive attributes. Specifically, the perceived value, ease of use, awareness of electronic banking, and understanding of associated risks play pivotal roles in fostering customer acceptance of electronic banking systems. These factors exert a strong and positive influence on customers' willingness to adopt electronic banking systems.

CONFLICT OF INTERESTS

None.

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