

Customer Preference for Online Banking vs. Traditional Banking.

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ABSTRACT

Purpose: The research seeks to examine customer inclinations between online banking and traditional banking, pinpointing significant elements that affect their decisions. It investigates factors such as convenience, safety, accessibility, and quality of service to comprehend the changes in banking habits.

Methodology: The research utilizes a mixed-methods strategy, integrating both quantitative and qualitative techniques. Primary data is gathered through surveys and questionnaires directed at banking customers who utilize both online and traditional banking options. A random or stratified sampling method ensures a varied demographic representation. Secondary data derived from reports, studies within the banking sector, and earlier research offer further insights.

Findings: The research indicates that customers favour online banking due to its convenience, ease of access, and efficiency in saving time, whereas traditional banking is preferred for its personalized attention, trustworthiness, and concerns regarding security. Aspects like age, education level, and familiarity with technology play significant roles in shaping customer choices.

Research limitation: The research is constrained by its sample size and demographic limitations, which could influence the ability to generalize findings. There may be technological bias present, as respondents with digital literacy might have a preference for online banking. Furthermore, the dependence on self-reported data could lead to response bias.

Originality: This research offers modern perspectives on banking preferences, aiding financial institutions in honing their strategies to strike a balance between digital ease and conventional service excellence. It adds to the body of work on trends in digital banking adoption and provides actionable suggestions to improve customer confidence, safety, and overall experience in online banking.

INTRODUCTION

The swift evolution of technology has revolutionized the banking industry, providing customers with the option of either conventional in-person banking or digital banking services. Digital banking has become increasingly popular because of its ease of use, availability, and efficiency, enabling users to carry out transactions at any time and from any location. Nevertheless, traditional banking still holds significance, especially for those who appreciate direct interactions, customized services, and greater confidence in financial dealings.

This research aims to investigate customer preferences between online and traditional banking, pinpointing the factors that sway their decisions. Essential elements such as security, user-friendliness, quality of service, and overall customer satisfaction are analysed to comprehend the changes in banking habits. Furthermore, the study intends to examine the difficulties customers encounter with both banking methods and the increasing trend of hybrid banking, where users engage with both types of services. The results of this research will offer valuable

guidance for banks to enhance their services and improve customer experiences in a rapidly changing financial environment.

ONLINE BANKING

Online banking has transformed the financial sector by providing customers with a quick, convenient, and effective method to oversee their accounts and carry out transactions. As digitalization has grown, banks have created intuitive mobile apps and websites that allow customers to carry out numerous banking tasks, such as transferring funds, paying bills, applying for loans, and monitoring their accounts, all without needing to go to a physical branch.

One major benefit of online banking is its availability around the clock, enabling users to carry out transactions whenever they wish. Moreover, it minimizes the need for physical documents and lengthy wait times, enhancing the efficiency of banking services. Nevertheless, in spite of these advantages, certain customers remain reluctant due to concerns about security, risks of fraud, and technical issues. Cyber security threats, phishing scams, and a lack of digital skills present significant obstacles to the broader acceptance of online banking, particularly among older adults and individuals in rural regions with limited access to the internet.

TRADITIONAL BANKING

Traditional banking is still an essential component of the financial system, offering customers in-person services at physical branches. Even with the growing popularity of digital banking, numerous people still favour traditional banking for its personalized service, direct interactions, and confidence in financial dealings. Going to a bank branch enables customers to obtain professional financial guidance, address complicated banking problems, and conduct secure transactions without worries about digital fraud or cyber security risks.

One of the key benefits of conventional banking is the personal interaction that fosters customer connections and trust. A significant number of customers, particularly seniors and those who are not well-versed in digital interfaces find it easier to perform transactions in a physical branch where bank employees can provide support. Furthermore, traditional banking is often favoured for services that necessitate detailed paperwork, like loan approvals, investment advice, and substantial transactions.

Table 1. Difference Between Traditional and Online Banking

TRADITIONAL BANKING	ONLINE BANKING
It may take some time to open an account	Quick and efficient account setup
There are some options for online banking	Simple online procedure
A widespread ATM network is available	Some fees for ATM usage
Interest rates are generally lower	High interest rates
Fees are usually included	Minimal to zero fees
Customer service is available in person	Customer support via phone or online
Local branches can be found	No physical location

STATEMENT OF THE PROBLEM

Banking acts as the foundation of the Indian financial services sector, having undergone significant changes from conventional methods to a modern, technology-oriented framework. The transition towards digital banking has transformed the industry, prioritizing paperless transactions and round-the-clock availability to

improve customer convenience. In this age of digital change, grasping customer preferences for digital banking has become essential. This research intends to examine the elements that affect the adoption of digital banking, the challenges encountered by users, and the different types of digital payments that customers prefer. The findings will assist financial institutions in enhancing digital banking services and effectively addressing customer concerns.

LITERATURE REVIEW

- The banking industry has experienced a significant shift with the rise of digital banking, resulting in evolving customer preferences for online versus traditional banking. Numerous studies have investigated the elements that affect consumer decisions, emphasizing the importance of convenience, accessibility, security, and service quality in influencing banking habits.
- Research shows that online banking is largely favoured for its convenience, enabling users to carry out transactions, check their account balances, and make payments at any time without needing to go to a physical bank. The rise of mobile banking applications, digital wallets, and internet banking options has further propelled the acceptance of digital banking. Findings indicate that elements like time savings, reduced transaction fees, and round-the-clock accessibility contribute to the appeal of online banking for technologically inclined customers. Nevertheless, worries about cyber security, potential fraud, and the absence of personal interaction still pose significant obstacles to broader adoption. A number of customers are reluctant to fully embrace digital banking due to concerns about hacking, data breaches, and technical problems.
- Conversely, traditional banking remains important, particularly for clients who value in-person interactions and tailored support. Research indicates that some individuals, especially seniors and those less familiar with technology, find greater comfort in completing transactions at a physical bank branch. For intricate financial services like loans, investment advice, and resolving account issues, traditional banking is often the preferred choice. Despite its dependability, traditional banking faces drawbacks such as limited operating hours, lengthy wait times, and processes laden with paperwork, making it less convenient when compared to online options.
- Recent research underscores the rise of a hybrid banking model, in which customers utilize both digital and conventional banking services according to their requirements. Online banking is often favoured for everyday transactions and bill payments, while traditional banking is still the go-to option for significant transactions and financial advice. The growing incorporation of AI-powered chatbots, innovations in fintech, and improved cyber security strategies has been essential in connecting online and traditional banking services.
- Research indicates that financial institutions should prioritize enhancing digital literacy, strengthening security frameworks, and improving customer service to promote increased acceptance of online banking, all while upholding the trust and reliability associated with conventional banking. This investigation expands upon these findings to evaluate consumer preferences, assess obstacles, and propose strategies for creating a more customer-focused banking experience.

OBJECTIVE OF THE STUDY

This research seeks to offer important perspectives on changing banking trends and assist financial organizations in formulating strategies that address varied customer demands.

The detailed objectives are:

- **To Explore Customer Preferences for Online and Traditional Banking:** This research intends to investigate customers' preferences concerning online and traditional banking services. It will determine which banking method customers prefer along with the reasons for their choices, taking into account aspects like convenience, accessibility, security, and trust.
- **To Identify Influential Factors on Customer Choices:** Several elements influence customer decisions when selecting between online and traditional banking. These factors encompass user-friendliness, service effectiveness, technological familiarity, confidence in digital platforms, and the desire for personal interaction. The research aims to uncover the most crucial factors that influence these preferences.
- **Assess the Advantages and Challenges of Online and Traditional Banking:** Online banking presents advantages such as round-the-clock accessibility, time savings, and less paperwork, whereas traditional banking offers personal interaction and customized support.
- **To Analyse the Impact of Demographic Factors on Banking Preferences:** Customer preferences may differ based on factors such as age, level of education, job, income, and comfort with technology. This research intends to explore how these demographic variables affect the acceptance of online banking and the on-going use of conventional banking.
- **Evaluate Security Concerns and Their Impact on Digital Banking Adoption:** Security issues represent a significant concern in online banking. Customers might be reluctant to embrace digital banking because of worries about fraud, data leaks, and cyber threats. This study will investigate how security apprehensions influence customer confidence and the adoption of digital banking.
- **To Investigate the Usage Patterns of Digital Banking Services:** Digital banking encompasses mobile banking, internet banking, digital wallets, and UPI transactions. This research will analyse the frequency with which customers utilize these services and identify the most favoured digital payment methods.
- **To Compare Customer Satisfaction Between Online and Traditional Banking:** Grasping customer satisfaction levels is essential for enhancing banking services. This research will evaluate the satisfaction rates of customers engaging in online banking compared to those who depend on traditional banking services.
- **To Offer Recommendations for Improving Banking Services:** Drawing from the findings, this research will propose strategies for banks to enhance their digital banking platforms while preserving the reliability of traditional banking. It will also investigate methods to foster customer trust, boost security, and deliver a seamless banking experience.

RESEARCH METHODOLOGY

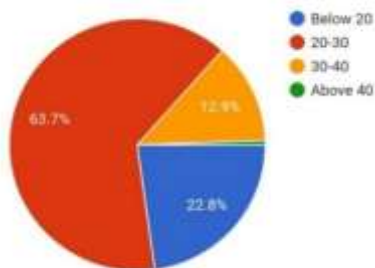
The data for this study is gathered from various banking customers through a structured questionnaire administered via Google Forms. The collected data is analysed and interpreted using statistical tools, with the findings presented in the form of tables and graphs for better visualization. This research follows a survey-based approach to examine customer preferences between online and traditional banking. The study employs a descriptive research method, focusing on understanding and outlining the characteristics and behaviours of the customer group under analysis. The primary objective is to assess customer inclinations toward different banking modes and identify the factors influencing their choices.

RELIABILITY OF SCALE

This research utilized a self-designed questionnaire, prompting us to perform a reliability assessment. To evaluate both validity and reliability, we applied Cronbach's alpha analysis using SPSS.

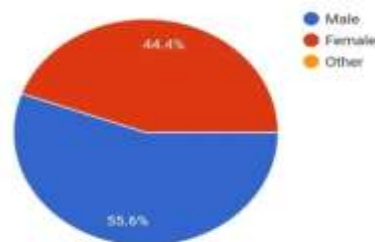
DATA ANALYSIS AND INTERPRETATION

Fig.1 Age group



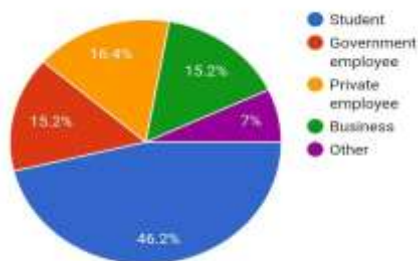
A major part of our respondents is age 20-30 and below 20 from the fig.1

Fig. 2 Gender



It is inferred that the majority of the defaulting of the customer were male from the fig.2.

Fig. 3 Occupation



It reveals that the most of the defaulting customer are student from the fig. 3

DETAILS OF SIGNIFICANT RESULT

Statement 1: How often do you use banking services?

Table 1: Statement 1

S.no	Response	Frequency	Percent
1	Daily	40	23.5
2	Weekly	50	29.4
3	Monthly	45	26.5
4	Rarely	35	20.6

According to table 1, maximum respondents use their banking services on weekly basis for convenience, rewards and financial management.

Statement 2: Which banking method do you primarily use?

Table 2: Statement 2

S.no	Response	Frequency	Percent
1	Online banking	80	47.05
2	Traditional banking	60	35.29
3	Both equally	30	17.6

According to table 2, maximum respondents are likely to use online banking that suggest a trend toward digitalization and technological adoption.

Statement 3: What type of banking transactions do you perform the most?

Table 3: Statement 3

S.no	Response	Frequency	Percent
1	Fund transfer	70	41.2
2	Loan applications	50	29.4
3	Deposits/Withdrawals	30	17.6
4	Others	20	11.8

According to table 3, maximum respondents are likely to perform fund transfer as the type of banking transactions.

Statement 4: Why do you prefer traditional banking over online banking?

Table 4: Statement 4

S.no	Response	Frequency	Percent
1	Personal interactions	80	47.1
2	Trust and security concerns	50	29.4
3	Lack of digital literacy	25	14.7
4	Better customer service	15	8.8

According to table 4, maximum respondents prefer traditional banking over online banking because of the personal interactions.

Statement 5: Why do you prefer online banking over traditional banking?

Table 5: Statement 5

S.no	Responses	Frequency	Percent
1	Convenience	60	35.3
2	Time-saving	40	23.5
3	Accessibility from anywhere	25	14.7
4	Better offers and lower fees	35	20.6

According to table 5, maximum respondents prefer online banking for its convenience due to its ease of performing banking services from any location.

Statement 6: How satisfied are you with traditional banking services?

Table 6: Statement 6

S.no	Response	Frequency	Percent
1	Very satisfied	40	23.5
2	Satisfied	50	29.4
3	Neutral	45	26.5
4	Dissatisfied	35	20.6

According to table 6, maximum respondents are satisfied with traditional banking services because of its personal interactions, trust and security concerns and better customer services.

Statement 7: What challenges have you faced with traditional banking?

Table 7: Statement 7

S.no	Response	Frequency	Percent
1	Long queues	70	41.2
2	Inconvenient working hours	60	35.3
3	Limited availability of branches	40	23.5

According to table 7, maximum respondents have faced long queues with the traditional banking.

Statement 8: How concerned are you about security in online banking?

Table 8: Statement 8

S.no	Response	Frequency	Percent
1	Very concerned	90	52.9
2	Somewhat concerned	40	23.5
3	Neutral	25	14.7
4	Not very concerned	15	8.8

According to table 8, maximum respondents are concerned about security in online banking.

Statement 9: Have you ever faced a security breach or fraud in online banking?

Table 9: Statement 9

S.no	Response	Frequency	Percent
1	Yes	35	20.6
2	No	135	79.4

According to table 9, maximum respondents have not faced a security breach or fraud in online banking.

Statement 10: Do you trust traditional banks more than online banking services?

Table 10: Statement 10

S.no	Response	Frequency	Percent
1	Yes	85	50
2	No	50	29.4
3	Not Sure	35	20.6

According to table 10, maximum respondents feel that traditional banks are more trustworthy than online banking services.

Statement 11: Would you prefer using digital only banks in the future (e.g., neobanks)?

Table 11: Statement 11

S.no	Response	Frequency	Percent
1	Yes	60	35.3
2	No	40	23.5
3	Maybe	70	41.2

According to table 14, maximum respondents prefer using digital only banks as its more convenient.

Statement 12: What security features do you consider essential for online banking?

Table 12: Statement 12

S.no	Response	Frequency	Percent
1	Two-factor authentication	80	47.1
2	Fraud protection and alerts	50	29.4
3	Data encryption and privacy policies	25	14.7
4	Customer support for security issues	15	8.8

According to table 12, maximum respondents consider two-factor authentication as a security feature for online banking.

Statement 13: What would make you switch from traditional to online banking?

Table 13: Statement 13

S.no	Response	Frequency	Percent
1	Better security	50	29.4
2	Better user experience	60	35.3
3	Lower fees	35	20.6
4	More customer support	25	14.7

According to table 13, maximum respondents switch from traditional to online banking for its better user experience.

Statement 14: Do you think traditional banking will remain relevant in the future?

Table 14: Statement 14

S.no	Response	Frequency	Percent
1	Yes	40	23.5
2	No	60	35.3
3	Not sure	70	41.2

According to table 14, maximum respondents are not sure that traditional banking will remain relevant in the future.

Statement 15: Would you consider switching completely to online banking in the future?

Table 15: Statement 15

S.no	Response	Frequency	Percent
1	Yes	35	20.6
2	No	50	29.4
3	Maybe	85	50

According to table 15, maximum respondents are not fully sure about switching completely to online banking in the future.

CONCLUSION

The study of customer preferences for online banking versus traditional banking provides valuable insights into the evolving financial landscape. Understanding why customers choose one banking method over another helps financial institutions improve their services, enhance customer satisfaction, and promote financial inclusion.

Benefits:

The research helps banks understand the factors influencing customer choices, such as convenience, security, and technological advancements.

- **Improved Banking Services:** Findings can assist banks in enhancing both online and traditional banking services by addressing customer needs more effectively.
- **Financial Inclusion:** Online banking provides access to financial services for individuals in remote areas, improving economic participation.
- **Cost Efficiency:** Digital banking reduces operational costs for banks, which may lead to lower fees and better financial products for customers.
- **Security Enhancements:** Studying customer concerns about cybersecurity can drive improvements in fraud prevention and data protection measures.

Challenges:

Customers have different levels of digital literacy, making it difficult to generalize preferences across demographics.

- **Security and Privacy Concerns:** Cyber threats and fraud risks make some customers hesitant to adopt online banking, complicating efforts to promote digital transactions.
- **Technological Barriers:** Some customers, particularly the elderly, may struggle with using digital banking platforms due to a lack of technical knowledge.

- **Trust Issues with Online Banking:** Many customers prefer face-to-face interactions in traditional banking due to concerns over online banking reliability and fraud risks.
- **Regulatory and Compliance Issues:** Banks must comply with different regulatory frameworks for online and traditional banking, which can affect service offerings and customer preferences.

Research Consideration:

- Identify the primary factors influencing customer preferences (e.g., convenience, security, accessibility).
- Define the target audience, such as individuals who actively use banking services.
- Use a stratified sampling method to ensure diverse representation across different demographics.
- Surveys and Questionnaires: To gather quantitative data on banking preferences, usage patterns, and satisfaction levels.

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