

DOI: <https://doi.org/10.5281/zenodo.18985126>

# CUSTOMER PERCEPTION OF E-BANKING SERVICE IN INDIAN BANKS : A COMPARATIVE STUDY OF TRADITIONAL BANKING AND E-BANKING

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Received: 11/12/2024

Accepted: 25/02/2025

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## ABSTRACT

Technological advancements transformed the branch banking to E-banking that is known as 'Anywhere Anytime Banking'. These developments have facilitated greater choice for consumers, who have become more discerning and demanding compelling banks to offer a broader range of products through diverse distribution channels. This research paper focused on the comparison of the E-banking with Traditional Banking. To fulfil the objective of this study I had chosen structured questionnaire which was filled up by customers. 50 respondents were selected for study after initial screening. The study reveals that mostly customers prefer electronic banking services over branch banking due to reliability, convenience, speed, safety and security, cost effectiveness, user-friendly, and error free system. In contrast the parallel finding shows that security problems, lack of trust and knowledge, ATM machine problems etc. affect the adoption decision of customers of internet banking services.

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**KEYWORDS:** Electronic Banking, Traditional Banking, Core Banking Solution

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## 1. INTRODUCTION

In banking industry, E-services are at revolutionary stage. Electronic based banking is replacing conventional banking system. Now, trend in banking has evolved from cash economy to plastic card economy. Fierce competition among banks along with the global forces has compelled the banks to adopt the technological changes to face the electronic age. E-banking provides various alternative electronic channels to using banking services i.e. internet banking, mobile banking, ATM services, electronic fund transfer, credit card, debit card, and electronic clearing services etc. This study aims at analysing the perception of the customers on comparison of the E-banking with Traditional banking. Traditional banking and e-banking are two ways for getting the benefits from bank. Both have benefits and disadvantages. Here we are showing the differences between traditional banking and e-banking.

### 1.1. Basic Introduction <sup>[1]</sup>

#### *Traditional Banking*

In traditional banking system, a customer can open any bank account in banks, take the facility of saving his money by depositing money in local bank. He can withdraw his money through check, counter payment and through bank draft. He can meet the bank manager and ask his problem. He can take the physical help for getting loan from bank.

#### *E-banking*

E-banking means Internet banking or modern banking or online bill. In this method, customer gets his bank account ID and password and he can check his account, pay his bill and print his receipt through his home personal computer which is connected with Internet. E-banking is development of today banking system. In other words, e-banking is electronic banking whose facility, you can take through your regular broadband Internet connect.

### 1.2. Benefits

#### *Traditional Banking*

A traditional bank provides the opportunity to develop a personal relationship with that bank. In the same manner the customer gets to know the banker in order to get benefits from the bank. This is called banker –customer relationship which helps the bank get more and more business and the customer to get better service. This is possible as there is direct contact between banker and customer in traditional banking. Sometimes a face-to-face meeting is required to complete complex transactions and address complicated problems. A traditional bank can host

meetings and call-in experts to solve a specific issue. If a customer deposits cash on a regular basis, a traditional bank with a drive-through window may be more practical and efficient.

#### *E-banking*

- Increased comfort and timesaving - transactions can be made 24 hours a day, without requiring the physical interaction with the bank.
- Access to banks from any part of the world: Essential banking services like deposits, withdrawals transfer of funds, etc. can be accessed by customers from any part of the world.
- Reduced costs- This is in terms of the cost of availing and using the various banking products and services.
- Convenience- All the banking transactions can be performed from the comfort of the home or office or from the place a customer wants to.
- Speed - The response of the medium is very fast; therefore, customers can actually wait till the last minute before concluding a fund transfer.
- Funds management- Customers can download their history of different accounts and do a “what-if” analysis on their own PC before affecting any transaction on the web. This will lead to better funds management.

### 1.3. Disadvantages

#### *Traditional Banking*

Robbery: Open any day newspaper, you will see the new bank robbery case. This is the disadvantages. Two and more thieves came and taken bank's money is general news. No one can do same thing in e-banking. Time limitation: Banks are open from 9: 00 to 5:00 p.m. But it may be possible that we must pay at 11:00 p.m., which can be done through e-banking not traditional banking.

#### *E-banking*

Hacking, spyware program, computer virus and breaking online password are the weakness of e-banking or online banking. Online big hackers are using computer virus and after spreading it, they compromise your computer. After this, they know all detail of your computer and banking password and illegally transfer all your money. Next day, your bank account may be zero. Even you can stop this crime by writing strong password but you cannot remove it totally.

## 2. REVIEW OF LITERATURE

Khan and Fozia (2011)<sup>[2]</sup> identified the customers' perception on traditional banking and E-Banking services and also investigated the character of internet and core banking services offered by banks in

traditional banking and E-Banking. The study was concluded that the informational, modified and self-service assistance improved the existing function of traditional banking. Online services were differentiating from traditional retail banking to E-Banking. E-Banking makes obsolete, the technological knowledge of traditional banking. In addition, the new value propositions of E-Banking will create the fundamental changes in business model dimensions such as customer value, cost structure, customer base, market sector and revenue source. Finally, both the technological knowledge and business model dimension between traditional banking and E-Banking are definitely different. Therefore, it is essential to identify the customers' perception of E-Banking services.

Beikzad (2011)<sup>[3]</sup> investigated the comparative of customer's perception of risk in E-Banking process and traditional banking process. Customers risk perception classified into six heads like total risk perception, physical risk perception, performance risk perception, psycho-sociological risk perception, financial risk perception and time risk perception. The study found that there was a difference between customers risk perception in E-Banking process and traditional banking process and also there was difference between customers physical, performance, financial and time-consuming perception of risk in E-Banking process and traditional banking process. The study suggested that banks need to develop communication skill, enlarge customers' personal privacy by enhancing security system of banks and train customers to know the current technology and also increase the effectiveness of ATM machines. Hence, it is necessary to analyse the security level of E-Banking services regarding ATM, mobile banking, internet banking and phone banking.

Subbiah and Jeyakumar (2008-2009)<sup>[4]</sup> revealed that the benefits of core banking are reduced transaction cost, paper usage, time, money and increased customer satisfaction, quick implementation of E-Banking services, management of ever-increasing transaction volume and better security. The customers were directly benefited by way of happy banking experience. Core banking was a new trend which has increased the speed of banking transactions. Rapid improvements in technology, quicker communication facility and accessibility of high computer power, internet banking and core banking have resulted in a revolution in the banking industry worldwide.

Neha and Datta (2010)<sup>[5]</sup> studied on how the customers perceived the value of internet banking services over the traditional way of banking services. The researcher identified the perceived service quality attributes of self-service technology and the impact of

these perceived service quality attributes towards customer satisfaction level in internet banking. The study found that some factors like perceived value, perceived service quality, customer satisfaction and their loyalty have predominant impact on a customer adoption of internet banking services. Perceived value has an impact on customer loyalty, customer satisfaction and service quality. Service quality also had a similar impact on the perceived value, customer satisfaction and customer loyalty.

M. Harris (2007)<sup>[6]</sup> observed that Internet Banking is Becoming "Need to Have" service. E-banking is one of the most recent technological innovations, which is becoming a need for every common man. It uses Internet as a medium for delivery banking services. Today, banking is not limited to branches, where a person goes to bank for withdrawal of cash or request a statement of accounts or to deposit a check. An inquiry or transaction can be handled online without any reference to the branch any time through Internet Banking. Benefits of internet banking include fast speed, convenient, cost-effective, all-time accessibility, and flexibility.

ET Bureau Mar 2, (2011)<sup>[7]</sup> The Reserve Bank of India has asked banks to use technology more effectively with a focus on bringing down costs and improving customer services in its information technology (IT) vision document for 2011-17. Further, the committee, in the report, specifies the role of IT in banking –with the major objective being balancing the three Cs - cost, control and customer services.

### **2.1. Objectives of the Study**

1. To assess the impact of E-banking on traditional banking service.
2. To understand the benefits of e-banking as compared to traditional banking.
3. To understand the satisfaction level of the customers on using E-banking services.

### **2.1. Hypothesis**

H1: There is no difference in the satisfaction level of the customers of Traditional banking and E-banking.

H2: There is difference in the satisfaction level of the customers of Traditional banking and E-banking.

## **RESEARCH AND METHODOLOGY**

The present study is based on primary data, as customers perception are helpful in evaluating the benefits of E-banking over traditional banking. Thus, information relating to the customer perception towards services provided by all the banks in Raipur is collected for the study through survey with the help of questionnaire. The secondary data which were collected from existing literature formed the literature review of this study. Sampling Technique: To carry

out the study in more accurate convenience random sampling method was selected.

Sample Size: The total sample size of the study is 50. To meet up with the objectives of study 50 customers were selected as sample unit.

Descriptive Research Design: Descriptive Research Design is used in this study because it will ensure the minimization of bias and maximization of reliability of data collected.

Data Collection Method: The main tool in gathering primary data was questionnaire which was collected from 50 respondents. Secondary data has been gathered from various published and unpublished government reports, annual reports of banks, magazines, and newspapers etc.

**DATA ANALYSIS AND INTERPRETATION**

**Table 1: Demographic Profile of the 50 Respondents**

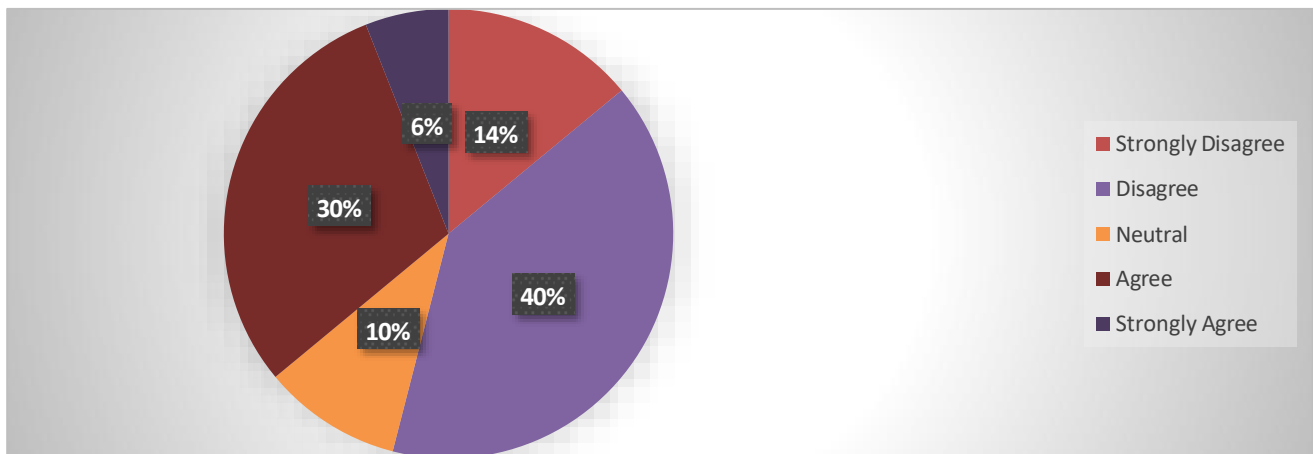
Gender	No. of respondent	Age	No. of respondent	Income	No. of respondent	Profession	No. of respondent
Male	35	21-30	20	Up to 10000	5	Service	20
		31-40	15	10000-30000	15	Businessman	10
Female	15	41-50	10	30000-50000	18	Non-working	5
		Above 50	5	Above 50000	12	Student	15
Total	50	Total	50	Total	50	Total	50

Q 1. Is Traditional banking is more convenient than E-banking?

- (a) Strongly Agree (b) Agree (c) Neutral (d) Disagree (e) Strongly Disagree

**Table 2: Traditional banking is more convenient than E-banking**

Options	No. of respondent
Strongly Disagree	7
Disagree	20
Neutral	5
Agree	15
Strongly Agree	3
Total	50



**Figure 1: Traditional banking is more convenient than E-banking**

Table 2 exhibits the opinion of respondents on comparison of traditional banking with E- banking. It is observed from the table that out of 50 respondents 40 per cent of the respondents are disagreed while 30 per cent are agreed with the statement that Traditional banking is more convenient than E-banking. Thus, It can be inferred that respondents are more in favour of using E-banking services.

Q 2. Why have you never used online banking services?

- a) Do not have Internet at home
- b) Don't trust internet services when it comes to managing my money
- c) Online services don't enable me to do what I want to do
- d) I prefer to have personal human relation
- e) Find the process too difficult

**Table 3: Reason for not using E-banking Services**

Options	No. of respondent
Do not have Internet at home	5
Don't trust internet services when it comes to managing my money	20
Online services don't enable me to do what I want to do	6
I prefer to have personal human relation	10
Find the process too difficult	9
Total	50

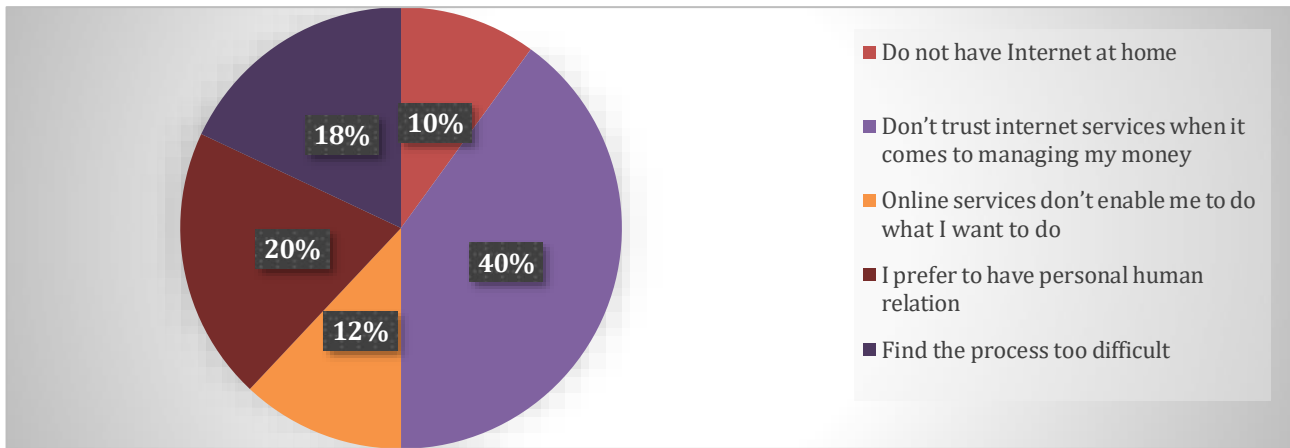


Figure 2: Reason for not using E-banking Service

Table 3 exhibits the reasons for not using E-banking services. It is observed from the table and graph that out of 50 respondents 40 per cent of the respondents don't trust internet services when it comes to managing money while 20 per cent prefer to have personal human relation and 18 per cent find

the process too difficult, thus don't prefer E-banking as payment mode.

Q 3. Which one is the main reason for you to use e-banking Services

(a) Better Information (b) Simplification of processes (c) 24 Hr. service (d) Limited time available

Table 4: Reason for using E-banking services

Options	No. of respondent
Better Information	5
Simplification of processes	10
24 Hr. service	20
Limited time available	15
Total	50

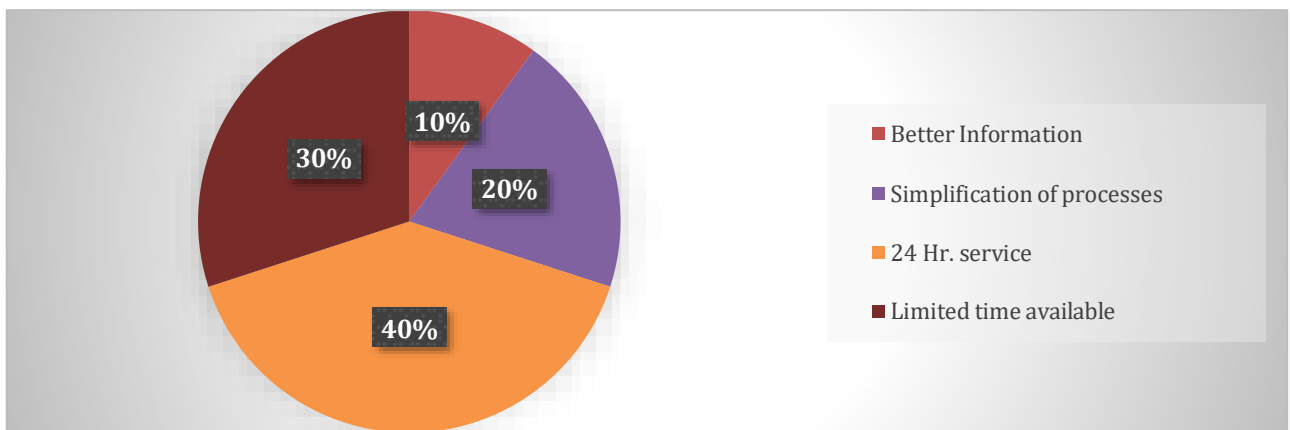


Figure 3: Reason for using E-banking services

Table 4 exhibit the reason of using E-banking services. It is observed from the table and graph that out of 50 respondents 40 per cent of the respondents are using E-banking due to 24 hours service availability, 30 per cent are using due to limited time available and 20 per cent due to simplification of process. Thus, it can be inferred that most of the

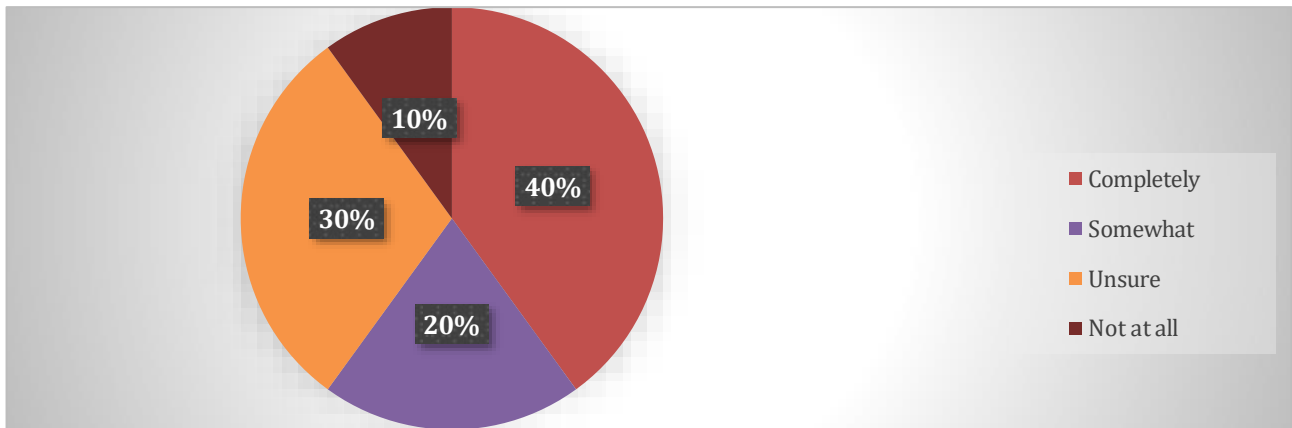
respondents accept the fact that E-banking services is convenient and Time saving medium.

Q 4. Do you think that human contact is important for banking relation?

(a) Completely (b) Somewhat (c) Unsure (d) Not at all

Table 5: Human contact is important for banking relation

Options	No. of respondent
Completely	20
Somewhat	10
Unsure	15
Not at all	5
Total	50



**Figure 4: Human contact is important for banking relation**

Table 5 exhibit the opinion of the respondent towards banking relation; it is observed from the table and graph that out of 50 respondents 40 per cent of the respondents are completely agreed while 10 per cent opted not at all for the statement that human contact is important for banking relation.

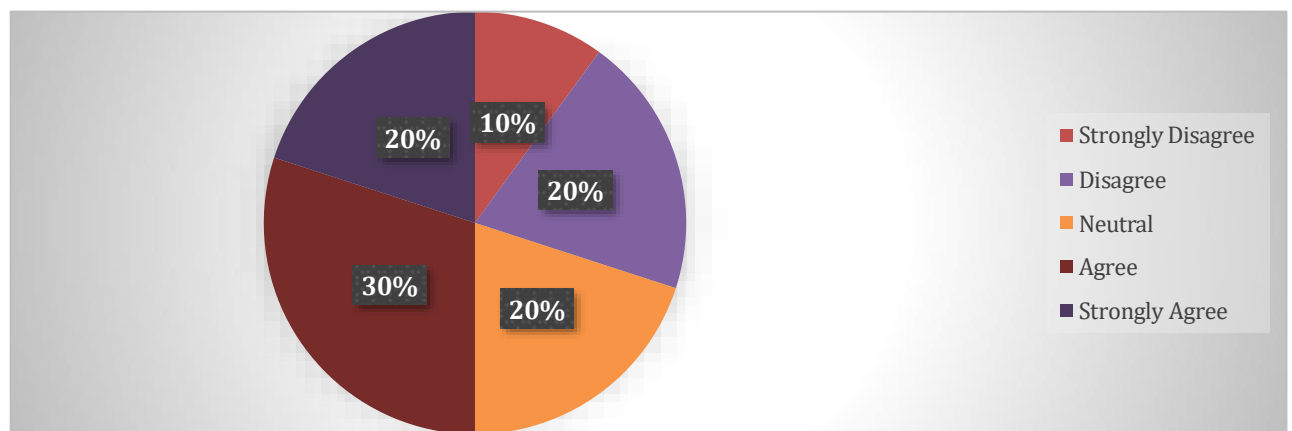
Thus, customers believe in face-to-face interaction in banks.

Q 5. Is Traditional banking is more secured than E-banking

(a) Strongly Agree (b) Agree c) Neutral d) Disagree (e) Strongly Disagree

**Table 6: Traditional banking is more secured than E-banking**

Options	No. of respondent
Strongly Disagree	5
Disagree	10
Neutral	10
Agree	15
Strongly Agree	10
Total	50



**Figure 5: Traditional banking is more secured than E-banking**

Table 6 exhibit the opinion of the respondents about security issue. It is observed from the table and graph that out of 50 respondents 30 per cent of the respondents are agreed while 20 per cent are disagreed with the statement that Traditional banking is more convenient than E-banking. Thus,

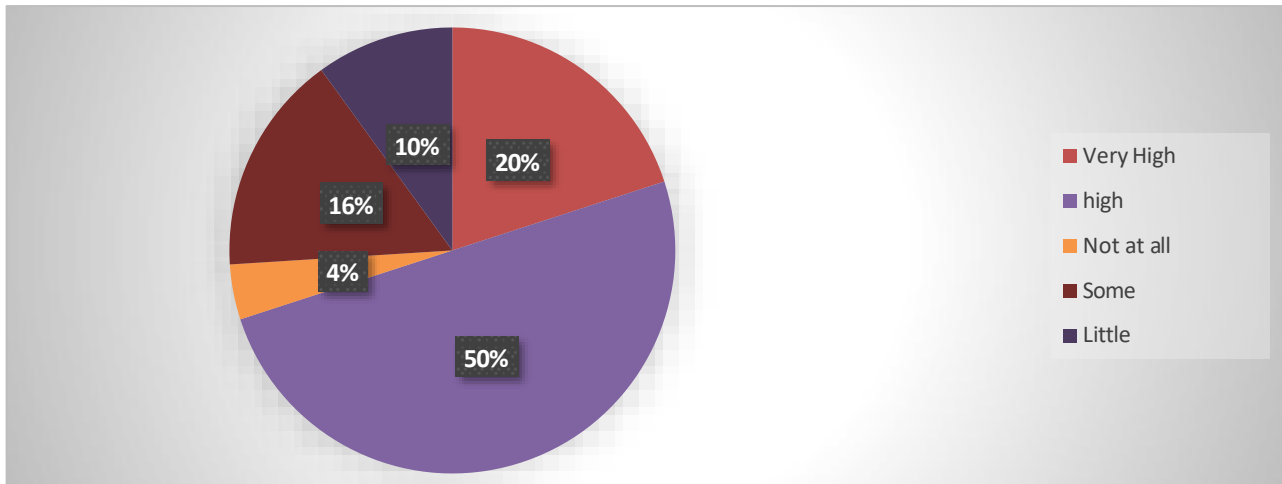
most of the respondents believes e-banking is not secured medium as hacking is the biggest problem.

Q 6. Degree of satisfaction from the service via internet comparatively to service via banks

(a) Very High (b) High (c) Not at all (b) Some (e) Little

**Table 7: Degree of Satisfaction**

Options	No. of respondent
Very High	10
High	25
Not at all	2
Some	8
Little	5
Total	50



*Figure 6: Degree of Satisfaction*

Table 7 exhibit the opinion of the respondents about their degree of satisfaction. It is observed from the table and graph that out of 50 respondents 50 per cent of the respondents are highly satisfied while 4 per cent opted not at all for the satisfaction with the E-banking services. Thus, most of the respondents are satisfied in using E- banking services due to its 24 hours service availability.

## CONCLUSION

Based on the result of the descriptive analysis study it can be concluded that the satisfaction level of customer is much more in case of doing transaction through direct banking channels compared to doing transaction manually as the customer's involvement is more in case of former. The greater degree of customer involvement will lead to greater degree of relationship with bank and a smooth customer relationship management. Transaction through direct banking channel is always a cheaper alternative compared to transaction done involving branch channel. Direct banking channels attach the customer

to the bank directly; carry out transactions on the customers command and in real time. This saves customer's time as well. Further for carrying out these transactions customers are not required to visit the bank but simultaneously having greater degree of satisfaction by doing the error free fast secure transaction. In India, E-banking is in a nascent stage. The challenges such as security risk, privacy risk, trust factor and less awareness among consumers about e-banking are acting as hurdle in the adoption of e-banking facilities. Considering the challenges and risk related to e-banking, the Government of India along with various government agencies is making an effort to make e-banking more safe, secure and reliable. Thus, Banks should start initiating awareness program and create the environment of using Internet banking services. Benefits of its usage, security concern and ease of operation, no extra charges for usage should be highlighted time and again using different forums. It is clear from above study that E-Banking increase the pace of transaction and makes life simple and beautiful.

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