



COMPARISON BETWEEN TRADITIONAL BANKING AND ONLINE BANKING

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Abstract

Banking is considered to be the back bone of an economy. In simple terms banking can be defined as acceptance of deposits for the purpose of lending. Banks accept deposits from the public at a lower rate of interest and lend the same to public at a higher rate of interest. The margin between these two rates of interest is the main source of income for a bank. The new developments in communication and information technology contributed for many innovations in the system of banking. The most important development is the introduction of online banking. This changed the face of banking system and made the banking very easy and more convenient. In traditional banking customer has to visit the branch of a bank for making transactions. But using online banking a customer can avail almost all services without visiting the branch. Online banking facilitates ‘anywhere anytime banking’. Because of high level competition banks are keep on trying to introduce new innovative methods and products in their system. Although online banking is very beneficial and convenient it is not that much popular due to some reasons. The comparison between traditional banking system and online banking system is very interesting and giving some idea about these two systems.

Key Words: Traditional banking, online banking, anywhere anytime banking, demand draft.

Objective of the study

The objective of this paper is to have an idea about traditional banking and online banking systems and a comparison between these two systems of banking.

Introduction

Banking Regulation Act of India, 1949 defines banking as “accepting for the purpose of lending or of investment of deposits of money from public, repayable on demand or otherwise or withdraw able by cheque, draft, order or otherwise”. In India Banking operations are based on The Reserve Bank of India Act, 1934 and the Banking Regulation Act, 1949. Traditional banking and online banking are two way for availing banking services. Customers have the opportunity to use both of these facilities according to their convenience.

Traditional Banking

In traditional banking system the customer visits the banks for getting services or making transactions. He can open any type of account in a bank. In traditional banking, customer can open account in a bank and deposit and withdraw money by using cheques, counter payment using withdrawal slips and through bank drafts. He has to visit the bank for doing transactions. In traditional way of banking face to face interaction between the customers and the staff of the bank is possible and it causes for better relationship between the customers and the bank. In case of loans and advances the credibility of the customer is very important factor for taking sanction decision. Since the customer has direct relationship with the bank, the manager or the sanctioning authority will be able to judge the credibility and integrity of the customer easily.

Services available in Traditional Banking System

A customer can get different kinds of services in traditional banking system. The services available in traditional banking are discussed below:

1. Open Account

The customer can visit a branch of any bank and open any kind of account such as savings account, current account, etc. according to his need. However the customer needs to visit the branch for this purpose.

2. Open Fixed Deposit Account

The customers can open Fixed Deposit Account for their savings. If the Fixed Deposit matures he can renew the account for another term and he can also avail loan facility against the Fixed Deposit.

3. Making Demand Draft

The customer can make a Demand Draft favouring any beneficiary. But for this also the customer has to go to the branch.



4. Request for Cheque Book

In case of traditional banking the usage of cheques is more and customers have to keep sufficient number of cheques in their custody for making payments through the bank. A customer can visit the branch and give request for cheque book.

5. Request for Stop Payment of Cheque

If a customer wants to stop the payment of a cheque which is already issued by him, he can submit a request for stopping payment of the same.

6. Loan Facilities

The customers can get various types of loan facilities from a bank. The main loan facilities offered by a bank are as under:

Housing Loan
Auto Loan
Education Loan
Gold Loan
Personal Loan
Business Loan
Mortgage Loan
Loan against Fixed Deposit

7. Transfer of Funds between the accounts within bank

The customers can transfer funds between the accounts within the bank.

8. Locker Facility

Traditional banking provides customers the facility for keeping their valuables in lockers. They have to pay the rent to banks for availing this facility.

Online Banking

Online banking refers to the process of banking using internet facility. The customers can avail most of the banking services through online banking. Online banking provides accessibility to the website of the bank and the customers can make transactions through the website using their ID and Password. Each customer is provided with particular ID and Password for accessing online facility.

Services Available in Online Banking

Almost all the banking services are available in online banking. In addition to these online banking can be used for some other purposes such as online shopping, ticket booking etc. The various services available in online banking are as under:

1. Online Account Statement

The customers can download and take print out of the account statement using online banking. It will help them to keep a track of their accounts.

2. Open Fixed Deposit Account

Online banking facilitates for getting information's about the fixed deposit schemes offered by the bank and customer can choose and open suitable fixed deposit scheme. Further he can renew the fixed deposit account at the time of maturity.

3. Fund Transfer

Online banking facilitates for fund transfer between the accounts in same bank or between the accounts in different banks. Commonly used fund transfer methods are Real Time Gross Settlement (RTGS), National Electronic Funds Transfer (NEFT) and Immediate Payment Service (IMPS). These facilities are used according to the need of the customer.

4. Submission of Various Requests

The customers can make use of online banking for submitting request for following:

Request for new cheque book
Request for Demand Draft
Request for stop payment of cheque



5. Payment of Utility Bills

Online banking facilitates for online payment of utility bills such as electricity bills, water authority bills, mobile connection bills, etc. The customers can make the payment at their convenience. No need to go to the service providers. Online banking helps for anytime any where banking.

6. Online Purchase

Using online banking customers can do online shopping through various sites for online shopping. If the customers select the item for purchasing they can make the payment through online banking. Online shopping helps the customers for purchasing items at a reduced price without visiting any shop.

7. Online Booking of Tickets

Online banking facilitates for booking of all kinds of tickets such as air ticket, railway ticket, bus ticket, cinema ticket, etc. This helps the customers for saving time and effort.

Comparison between Traditional Banking and Online Banking

Traditional Banking and Online Banking have its own advantages and disadvantages. The comparison between the same on the basis of some important factors is as follows,

Security

Traditional banking is more secured in comparison to online banking. In traditional banking any password is not used for security. So nobody can access the accounts of a customer and can not do unauthorized transactions

Online banking lacks security in comparison to traditional banking. Security issues are the main threats for online banking. Online hackers are always trying for accessing the accounts of customers for doing unauthorized transactions. It is not possible to eradicate the risk of hacking in online banking. However new technologies are used to develop new methods to control this risk.

Personal Preference

Traditional banking provides better personal preference to the customers. The customers are getting personal attention from the bank staff and there will be better relationship between the customers and the staff of the bank. The persons who like face to face contact prefer traditional banking to online banking.

Online banking lacks face to face contact between the customers and the staff of the bank. Since the customers do not visit the branch for making transactions there may not be good relationship between customers and staff of the bank.

Knowledge

For traditional banking there is no need to have any special knowledge. In this case customers visit the branch and get service done by the staff of the bank. Further they get correct guidance and advices from the bank staff regarding the services and get their doubts clarified.

For doing online banking the customers need to have basic computer knowledge and English knowledge. In this case customers are doing transactions without the intervention of the bank staff.

Basic Requirements

In case of traditional banking, banking transactions are being made at branch premises and the customers need not arrange any equipments such as computer, internet connection, etc.

Online banking is done by the customer himself. So for doing online banking, customer has to arrange the basic equipments such as computer system, internet connection, etc.

Cost

Traditional banking requires physical presence of the customers. So the customers have to travel to the bank and they have to spend time there. If the number of customers is more, they have to wait in queue for getting the service done. They have to use vouchers, forms, cheques and slips for the transactions. Traditional banking includes a lot of operating and fixed cost.

In case of online banking the customer makes transaction as per his convenience and the cost for making transactions is nominal.



Presence

In traditional banking banks exist physically for providing services and the customers are to be present physically for availing services.

In case of online banking, physical presence of the banks does not require for making transactions. The customers do not have to go to the bank for making transactions.

Accessibility

In traditional banking, services are available only during banking hours. Usually the bank time is between 10.00 am to 4.00 pm. After the banking hours the customers may not be able to get the services even if it is very urgent. Another important factor is number of branches of the bank. If the bank has sufficient number of branches the customers can go to any branch and do transactions.

Online banking provides 24 hours access to the customers. The customers may be allowed to visit the online site of the bank anytime. The customers need not search for a branch for making transactions. Even if he does not have any idea about the place where the branch of the bank situates, he can make transactions through online banking. Online banking helps for anytime anywhere banking.

Consumption of Time

Traditional banking is very time consuming in comparison to online banking. The customers have to spend time for travelling to bank. They have to wait in queues for getting the services done. Even if it is for balance enquiry of the account, they have to spend their valuable time.

Online banking helps the customers to save their time. They need not travel to the bank or no need to wait in queues. They can access their account and make transactions within very short time.

Control over Finance

If the customer is out of station or if he is an NRI, he may not be able to have a track of his bank accounts. He may not be able to pay close attention and control of his finance.

Using online banking the customers can have better control and can have track of their bank accounts even if they are not in station.

Conclusion

Online banking is more convenient and beneficial in comparison to traditional system of banking. Though online banking is more beneficial it is not used by the majority of the customers. Most of the customers do not have awareness of online banking and they do not know how to use internet. So the banks and government have to conduct customer awareness programmes for making aware the customers about the usage of online banking. In India online banking is passing through the growth phase of its development cycle. It is sure that online banking will not remain as only a value added service. The developments in communication and information technology make online banking more popular.

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