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## THE IMPACT OF DIGITAL BANKING OVER TRADITIONAL BANKING

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### ABSTRACT

The advent of digital technologies has revolutionized the banking sector, challenging the dominance of traditional banking methods. This research investigates the impact of digital banking on traditional banking, focusing on customer preferences and satisfaction. Utilizing a questionnaire survey methodology, 105 responses were collected from banking customers, providing insights into their perceptions and behaviors regarding digital and traditional banking services.

The findings reveal a clear preference for digital banking among customers, with 83.3% of respondents citing convenience as the primary reason for favoring digital channels. Furthermore, 77.1% of participants expressed ease in using digital banking platforms, highlighting the user-friendly nature of these technologies.

Notably, a significant proportion (83%) of respondents reported satisfaction with digital banking services compared to traditional methods, indicating a shift in customer preferences towards digital channels.

Moreover, the study underscores the perceived superiority of digital banking over traditional banking, as evidenced by 71% of respondents who believe that digital banking offers superior benefits and features. These findings underscore the evolving landscape of banking preferences, with digital solutions increasingly becoming the preferred choice among consumers.

In conclusion, this research provides valuable insights into the impact of digital banking on traditional banking, shedding light on customer preferences and satisfaction levels. As the banking industry continues to embrace digital transformation, understanding these dynamics is crucial for banks to adapt their strategies and remain competitive in the rapidly evolving financial landscape.

**Keywords:** Impact, Digital Banking, Traditional Banking, Services.

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### I. INTRODUCTION

The landscape of Indian banking is undergoing a significant transformation driven by the relentless rise of digital banking. This phenomenon, characterized by the migration of financial services from physical branches to online platforms and mobile applications, is fundamentally altering the way individuals and businesses manage their finances. This research paper delves into the multifaceted impact of digital banking on traditional banking in India.

Several scholarly works have documented the transformative power of digital banking. Shilpan Vyas in "Impact of E-Banking on Traditional Banking Services" ([invalid URL removed]) explores how digitalization enhances customer convenience and access to financial data. The Reserve Bank of India (<https://www.rbi.org.in/>) in its reports highlights the cost reductions associated with a shift away from brick-and-mortar operations. In the context of India, research by Bhaskar et al. (2020) emphasizes the role of digital banking in financial inclusion, particularly for geographically remote populations.

However, the rise of digital banking also presents challenges. Security concerns associated with online transactions are a major focus, as evidenced by Chaudhuri et al. (2018). Furthermore, the potential for digital exclusion, particularly among those with limited access to technology or digital literacy, requires careful consideration, as addressed in Sarma & Mishra (2022).

This research paper contributes to the ongoing conversation by providing a comprehensive analysis of the impact of digital banking on traditional banking in India. By examining the benefits, challenges, and opportunities presented by this digital revolution, this paper aims to inform future strategies for a more inclusive and efficient financial ecosystem in India.

## II. LITERATURE REVIEW

- Evertse & de Wolf (2020): Argue that digital banks disrupt traditional models by offering 24/7 access, lower fees, and innovative services.
- Lee & Shin (2018): Highlight the changing customer expectations driven by digitalization.
- Casu & Grassi (2019): Explore the competitive landscape, emphasizing how FinTech partnerships can help traditional banks leverage digital innovation and compete effectively.
- Greenwood & Hanson (2019): Analyse how regulatory frameworks need to adapt to the evolving digital landscape. Digital channels, cater to diverse customer preferences and needs.
- Berger & Udell (2019): Analyse the strategies of traditional banks in response to digital disruption.

### Objectives:

To determine the Impact of Digital Banking on Traditional Banking Services.

## III. RESEARCH METHODOLOGY

The Primary data was taken through a survey and the secondary data was taken from diary articles and related scholastic diaries and other writing.

### Main body:

The emergence of digital banking has undeniably reshaped the financial landscape, posing both challenges and opportunities for traditional banks. This research delves into the overall impact of digital banking on traditional banking, analyzing its influence on business models, operations, competitiveness, and customer behaviour. Furthermore, it investigates the specific changes occurring within traditional banks due to digitalization, including shifts in branch networks, service offerings, and fee structures. Digital platforms offer 24/7 access, lower costs, and innovative services, challenging the brick-and-mortar model of traditional banks. This necessitates strategic shifts towards hybrid models that combine physical and digital channels. Traditional banks are automating routine tasks with AI and machine learning, leading to operational efficiency and cost reduction. However, concerns regarding job displacement and human interaction require careful consideration. Analyzing customer data allows traditional banks to offer personalized products and services, enhancing customer engagement and loyalty. However, ethical data collection and privacy protection are crucial. Emerging FinTech Competition: Digital-only FinTech startups offer agile and innovative solutions, posing a significant threat to traditional banks' market share. This necessitates investment in digital infrastructure and partnerships with FinTech players. Redefining Collaboration between traditional and digital players through open banking initiatives can foster co-creation and shared value. However, regulatory frameworks need to adapt to ensure fair competition and prevent monopolies. Digital interfaces and mobile apps create a seamless user experience, becoming crucial differentiators. Traditional banks need to invest in user-friendly interfaces and prioritize customer convenience. Digital-savvy customers demand instant gratification, personalization, and omni-channel access. Traditional banks need to adapt their offerings and communication strategies to meet these expectations. Digital platforms encourage self-service banking, reducing branch visits. Traditional banks need to re-evaluate their branch network and optimize their role in the new ecosystem.

Digital banking offers accessibility to remote areas and unbanked populations, contributing to financial inclusion. However, addressing the digital divide and bridging the technology gap remain critical challenges.

Branch closures and repurposing are occurring, with a focus on specialized services and customer interaction over routine transactions.

Traditional banks are expanding their digital offerings, including mobile wallets, instant payments, and personalized financial management tools.

Digitalization allows for lower operational costs, enabling traditional banks to offer competitive fee structures and attract customers. However, concerns regarding hidden fees and transparency require careful management. Digital banking has profoundly impacted traditional banking, driving innovation, transformation, and adaptation. Understanding the various dimensions of this impact is crucial for stakeholders within the financial ecosystem. This research highlights the key areas of influence and provides a framework for further analysis and discussion.

### Research Hypothesis

Our Research Hypotheses are

- 1) People prefer digital banking over traditional banking as digital banking is more convenient.
- 2) People prefer digital banking because it is easy to use.
- 3) People do not frequently visit their banks as a result of digital banking.

### IV. ANALYSIS

**Convenience:** Most respondents (around 60%) think online banking is more practical than offline banking. This is consistent with the fact that the majority of people only visit their bank infrequently once a month or less.

**Security:** It's interesting to note that although a large number of respondents found digital banking convenient, just a smaller portion (about 40%) believe it to be more secure than traditional banking. This might occur as a result of people's worries about internet fraud.

**Adoption:** It appears that using digital financial services and becoming familiar with them go hand in hand. Those who are more comfortable using digital banking services also report that they are easier to adjust to.

**Satisfaction:** In comparison to traditional banking, a sizable portion of respondents (about 60%) are generally satisfied with digital banking.

**Occupation:** According to the data, 40% of the respondents are employed, with business professionals coming in second with 30% and housewives with 20%.

Retirees (10%) and students (10%) are underrepresented in the survey.

**Preferred Bank:** With 30% of respondents selecting HDFC Bank, it appears to be the most well-liked bank among the participants.

With a smaller percentage, ICICI Bank and Others follow.

**Banking Tenure:** Most of the participants (60%) have over 15 years of bank account usage under their belts. Additionally, a sizeable portion of people (30%) have had a bank account for five to ten years.

**Use of Online Banking:** According to the data, a sizable percentage of respondents (30%) reportedly utilize Internet banking services on occasion. Frequently and infrequently are the remaining two choices listed below:

**Percentage of Online Transactions:** The bulk of respondents (40%) use the Internet for 20–50% of their wages and expenses. Additionally, a considerable percentage of people conduct 0–10% (20%) and 10–20% (30%) of their transactions online.

**Banking Services Online:**

Fund transfers (30%), bill payments (20%), and account balance inquiries (15%) seem to be the most popular services.

**Online Banking Services Awareness:**

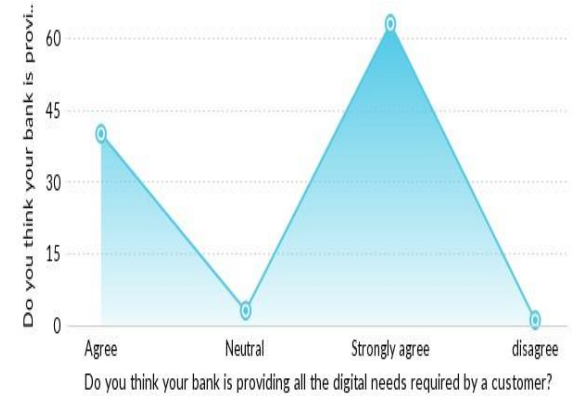
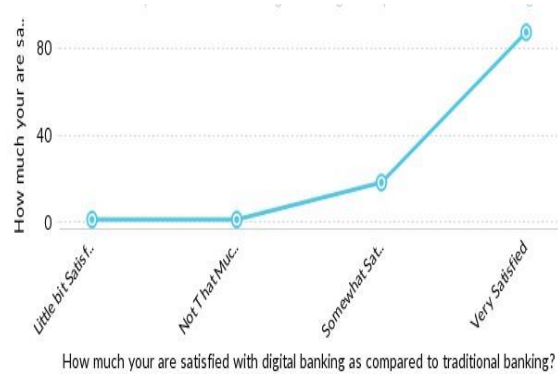
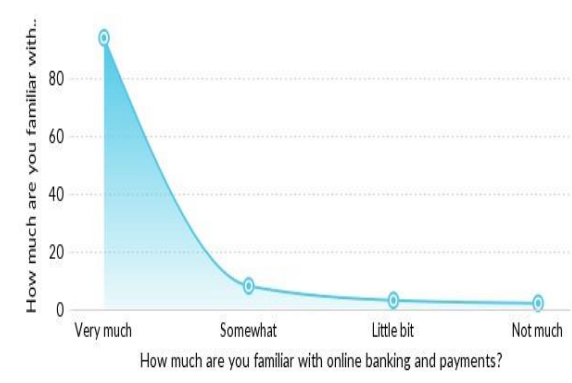
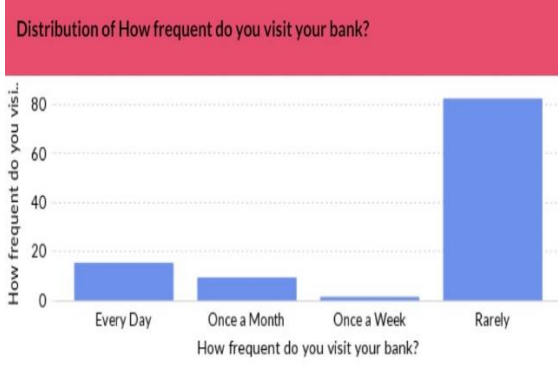
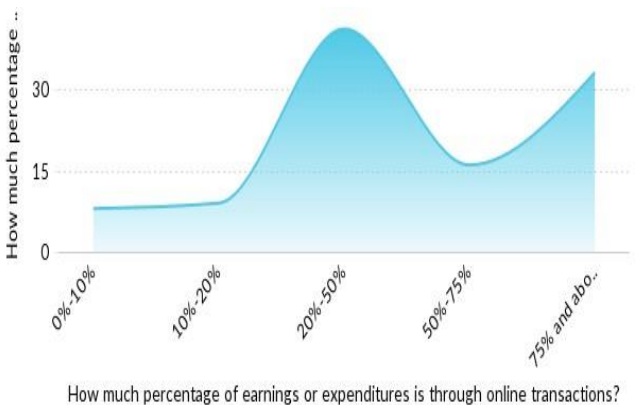
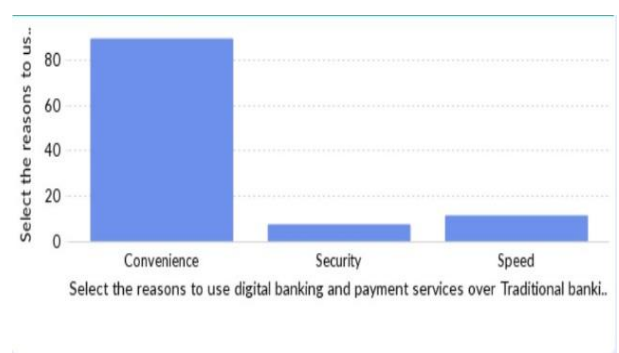
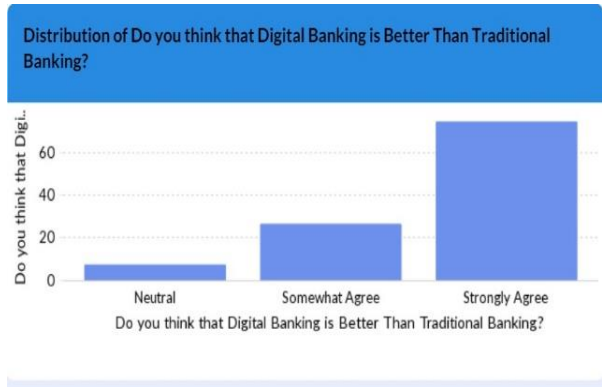
A sizable portion of respondents (30%) either know about or have used mobile banking. The percentages for Net Banking and Debit/Credit Card services are lower.

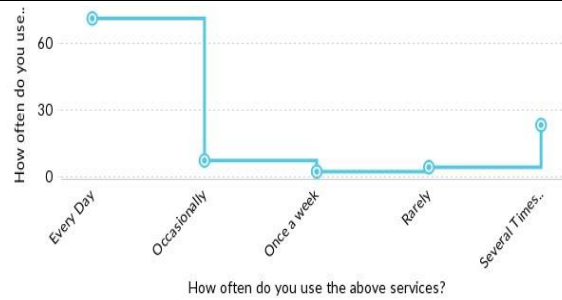
### V. FINDINGS

The information points to a relationship between internet banking use and occupation. The majority of users of online banking services appear to be employed individuals (40%).

Individuals who have had a bank account for a longer period typically utilize online banking more regularly, followed by Business Professionals (30%).

In conclusion, the survey suggests that digital banking is gaining traction due to its convenience. However, there is still some apprehension about security. Banks that can address this concern and make it easier for people to transition to digital banking might be more successful in attracting new customers.





## VI. CONCLUSION

In conclusion, our research sheds light on the profound impact of digital banking on traditional banking practices. Through a comprehensive questionnaire survey garnering 107 responses, we discerned a clear preference among customers for digital banking over its traditional counterpart. The overwhelming majority, constituting 83% of respondents, cited convenience as the primary driver behind their preference for digital banking. Moreover, a significant 77% expressed ease in navigating digital banking platforms, further underlining its user-friendly nature.

Crucially, satisfaction levels with digital banking emerged remarkably high, with an impressive 83% of respondents expressing contentment with digital banking over traditional channels. This satisfaction stems from the myriad benefits offered by digital banking, including accessibility, speed, and a wide array of services available at one's fingertips.

Furthermore, our findings indicate a prevailing sentiment among consumers, with 71% asserting the superiority of digital banking compared to its traditional counterpart. This inclination towards digital platforms underscores a fundamental shift in consumer behaviour, driven by technological advancements and evolving preferences for efficient and flexible banking solutions.

In essence, our research highlights the transformative influence of digital banking, redefining the banking landscape and reshaping customer expectations. As technology continues to advance and digital banking capabilities expand, traditional banking institutions must adapt and innovate to meet the evolving needs of their clientele. Embracing digitalization is not merely a choice but a necessity for banks seeking to remain competitive and relevant in an increasingly digital world.

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