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A Study on Traditional and Modern Banking System

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Abstract - The majority of the country's network providers have embraced the new modern banking system. The term "modern banking" refers to the practice of utilizing mobile phones for financial transactions. Despite its youth, the internet has quickly developed into a fully developed medium. People throughout the world have easier access to the internet than to any other media (save television). Several businesses in Ghana are embracing e-marketing as a means of keeping up with global rivals given that more individuals in the country have internet access than ever before. Because of the efforts of network providers, consumers may now use their mobile phones to get access to the web from just about any place. The goals of this study include identifying when and where beneficiaries may get their money, as well as what kinds of documents will be needed. The study revealed that clients must provide identification and a PIN to withdraw funds. respondents also noted that they spend less time withdrawing money thanks to modern banking.

Keywords - Traditional, Modern, Banking System

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1. INTRODUCTION

Users of traditional banking must physically visit a branch to complete basic banking transactions including making deposits or withdrawals, transferring money between accounts, and confirming account statements. These traditional financial institutions have been compared to the first banks. They pioneered the role of financial intermediaries by establishing bank accounts for businesses. They had massive structures on the outside with marble pillars, but within, the money was in boxes. A Bank moniker has been given to this. In the business world, they were heavy hitters. With the help of an investing plan, they were able to turn their home equity into working capital for the company. Classic banking systems are built on the use of technology. Beginning in the 1990s, the banking industry in India opened its doors to the modern world. Almost 80% of India's banking industry's total assets are held by public sector banks.[1]

Business and government practices are evolving rapidly. Organizations might now have direct one-on-one interactions with their customer's thanks to the proliferation of internet-connected devices, mobile apps, and social networking sites. The majority of banks now provide their services online, and customers may complete their transactions with only the tap of a button using a mobile app; this has fueled the expansion and profit growth of these institutions. Banks' day-to-day operations have been revolutionized by the advent of modern banking services because of the increased emphasis placed on two-way communication and interpersonal relationships between consumers and financial institutions to better grasp their goals and objectives.[2]

The banking industry has changed drastically in recent years. Modern banking systems, which depend on digital technology and internet transactions, have complemented the older, more conventional banking system that was based on physical branch locations and cash transactions. The purpose of this research is to compare and contrast the benefits and disadvantages of old and contemporary banking systems.

1.1 Traditional Banking System

There has long been a banking system in operation, known as "conventional banking," which is based on brick-and-mortar locations and cash transactions. Online banking and other digital technologies are often cited as examples of more advanced banking systems that are compared and contrasted with this one.[3]

Customers of a conventional bank must personally visit a branch to create an account, make a deposit or withdrawal, or do any other banking business. Employees of the bank process these deals and respond to questions and complaints from clients. Many people have positive impressions of conventional banking because of the one-on-one attention they get from tellers.

1.1.1 Advantages of Traditional Banking System

The traditional banking system has several advantages that have made it a preferred choice for many customers. Some of the advantages of the traditional banking system include:[4]

i. Personalized Service: One of the significant advantages of traditional banking is the personalized service it offers. Customers can interact face-to-face with bank employees and build relationships with them over time. This level of personalized service can help build trust and foster a sense of community.

ii. Tangible Transactions: Traditional banking involves physical cash transactions, which can provide a sense of security for customers. Customers can see and touch their money, which can help them feel more in control of their finances.[5]

iii. Accessibility: Traditional banking is more accessible to people who may not have access to digital banking services. For example, elderly customers or those who live in remote areas may prefer to use physical branches for banking transactions.

iv. Familiarity: Traditional banking has been in place for many years, and many people are familiar with it. This familiarity can make customers feel more comfortable and confident in their banking transactions.

v. Relationship-Based Banking: Traditional banking often relies on building relationships with customers, which can result in more personalized financial advice and better financial products and services.[6]

1.1.2 Challenges of Traditional Banking System

While the traditional banking system has several advantages, it also faces several challenges. Some of the challenges of the traditional banking system include:

i. Limited Accessibility: Traditional banking can be limited to physical branches, which can make it challenging for customers who live in remote areas or are far from a branch to access banking services.[7]

ii. High Transaction Costs: Traditional banking can involve high transaction costs, such as fees for transactions or maintaining a physical branch.

Security Concerns: Traditional banking relies heavily on physical cash transactions, which can be vulnerable to theft and fraud. This can put both customers and banks at risk.

iii. Limited Technology: Traditional banking systems may not have the latest technology, which can make banking processes slower and less efficient. This can lead to longer wait times for customers and slower transaction processing times.[8]

iv. Lack of Innovation: Traditional banking systems may be slower to adopt new financial products and services, which can limit their ability to compete with more innovative financial institutions.

1.2 Modern Banking System

The modern banking system, also known as digital banking, is a system of banking that relies on online banking and digital technologies to conduct transactions. Unlike traditional banking, digital banking allows customers to access banking services and conduct transactions from anywhere with an internet connection.[9]

Modern banking systems offer a range of services, including online account opening, online payments, mobile banking, and digital wallets. Customers can manage their accounts, pay bills, transfer money, and access other banking services through a website or mobile application.

1.2.1 Advantages of Modern Banking System

The modern banking system provides numerous advantages to individuals, businesses, and the economy as a whole. Here are some of the advantages of modern banking:[10]

i. Convenience: Modern banking provides customers with the convenience of accessing their accounts and conducting transactions from anywhere in the world through online banking, mobile banking, and ATMs.

ii. Security: Modern banking systems use sophisticated security measures to protect customers' funds and personal information. This includes encryption, multi-factor authentication, and fraud detection systems.[11]

iii. Financial Inclusion: Modern banking has made it easier for individuals who were previously excluded from the banking system to access financial services. This includes people living in remote areas, those without a credit history, and those with limited mobility.

iv. Improved Efficiency: Modern banking systems have automated many of the processes involved in banking, leading to improved efficiency and faster processing times for transactions.

v. Enhanced Economic Growth: The availability of modern banking services and products has contributed to increased economic growth by providing access to capital for businesses and individuals, and by facilitating the movement of funds across borders.[12]

1.2.2 Challenges of Modern Banking System

While modern banking systems provide numerous advantages, they also face several challenges that can impact their effectiveness. Here are some of the challenges of modern banking:[13]

i. Cybersecurity Threats: With the increasing use of technology in banking, the risk of cyber threats such as data breaches, identity theft, and phishing attacks has also increased. Banks must constantly upgrade their cybersecurity measures to protect customer data and funds.

ii. Regulatory Compliance: Modern banking systems are subject to a range of regulations and compliance requirements, which can be complex and costly to implement. Compliance with these regulations is necessary to ensure the safety and stability of the financial system.

iii. Financial Stability: Modern banking systems are also vulnerable to financial stability risks, including systemic risks that can have a ripple effect throughout the economy. This requires banks to implement risk management measures and contingency plans to mitigate these risks.

iv. Customer Expectations: Customers have come to expect a high level of convenience and personalized service from modern banking systems. Meeting these expectations can be challenging, especially for smaller banks that may have limited resources.[14]

v. Competition: The banking industry is becoming increasingly competitive, with new fintech companies and non-bank financial institutions entering the market. Banks must adapt to this competition by innovating their products and services and improving their customer experience.

2. METHODOLOGY

Study procedures and research methods are detailed below. New Juaben Municipality's total population of 183,727 serves as the study's population sample. A total of 399 participants were chosen at random from this pool. Using the equation, we were able to calculate the sample size.

$$\frac{N}{1+N(e^2)},$$
$$183{,}727$$

Where N is the total number of people and e is the maximum allowable deviation.

$$n = \frac{183{,}727}{1+183{,}727\,(0.05)^2} = \frac{183{,}727}{1+459.3175} = \frac{183{,}727}{460.3175} = 399.13$$

The researcher prepared questionnaires and conducted pilot tests with a subset of the population of New Juaben Municipality to ensure their reliability and validity. The pilot was a success, and modifications were made to the questionnaire to clear up any remaining confusion. The study's two research assistants were trained for a full day in questionnaire administration after being hired by the researcher. Following a long delay, the questionnaires were given out to the participants and collected the next day. Both the accidental sampling and the snowball sampling approaches were used because of the low use of contemporary banking in the nation. People were approached on the Koforidua Polytechnic campus and in the Koforidua municipality, where the researcher and her assistants distributed questionnaires and received referrals to other persons they knew who were already using contemporary banking. After sending out the survey, over 70% of responses were obtained for analysis.

The researcher used a combination of approaches or mixed, to collect information. To clarify, we used both qualitative and quantitative approaches. The use of a questionnaire reveals that a survey approach was used in the study's research design. Individual questions and those related to contemporary banking were separated in the questionnaire. Statistical Package for the Social Sciences (SPSS) version 17 was used for the analysis of the data. Tables and percentages were automatically created by SPSS for use in the analysis.

3. RESULT

To finish the study and provide suggestions, the researcher examined the data and gave it meaning.

The study revealed that men made up 33.2% of the respondents, while women accounted for 67.2%. As women make up over 51% of the population in the study region, it's not surprising that there were more female than male replies. Among the respondents, 90% were between the ages of 18 and 25, 8% were between the ages of 26 and 33 and another 2% were between the ages of 42 and 49. The majority of township responders were between the ages of 18 and 34. Just 4.7% were recent high school grads planning to enroll in college, whereas 95.3% were current college students. This indicates that the majority of respondents have some level of education and are familiar with the mobile money system in the nation.

From the statistics, we can see that 66.7% of respondents used MTN, 12.7% used Vodafone, 7.2% used Tigo, 6.2% used Globacom, 2.1% used Expresso, 3.1% used Airtel, and 2.1% used all networks. It should come as no surprise that the MTN network was the most popular among respondents.

Again, 7.4% of the respondents bank with UT-bank, 24.1% ADB, 2.7% for Barclays, 1% for Cal bank, 5.4% for Fidelity, 1.3% also for First Allied savings and loans, 32.8% for GCB, 4% for HFC, 8.4% for Merchant, 2% for NIB, 1.3% for Opportunity bank, 2.7% for SG-SSB, 2.3% for Stanbic, 2.7% for Unibank, 1% for both HCF and Fidelity banks and HFC and GCB respectively. This signifies that the vast majority of banks in the nation are now using cutting-edge banking When asked whether having an account with the network operator is necessary to access funds, 28.4% of respondents strongly agreed with this statement, 36.8% agreed, 7% were indifferent, 25.4% disagreed, and 2.3% strongly disagreed. Most respondents agreed that an account with the network provider is required before funds may be withdrawn.

Table1 Although 42.8% of respondents strongly agreed, 44.1% agreed, 8.7% were indifferent, and 1% and 3.3% disagreed that contemporary banking is more convenient than traditional banking, respectively. This indicates that most people think that using an online banking service is more convenient than using a conventional bank.

Table 1: Modern banking is more convenient than the traditional way of banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	128	42.8	42.8	42.8
	Agree	132	44.1	44.1	87.0
	Neither agree nor disagree	26	8.7	8.7	95.7
	Disagree	3	1.0	1.0	96.7
	Strongly disagree	10	3.3	3.3	100.0
	Total	299	100.0	100.0	

Similarly, 11.4% of people highly agreed that they can always access their money regardless of whether the network was up or down, 27.1% agreed, 8.4% were unsure, and 41.1% and 12% disagreed and strongly disagreed, respectively. It is safe to assume that the vast majority of respondents believe that they are unable to get to their money whenever the network goes down.

Table 2 The majority of respondents (50.8%) agreed that the paperwork necessary to transfer funds using contemporary banking is simpler than using the old method of transferring funds (43.8%), while 1.3% were unsure and 4% were strongly opposed. Conclusion: sending money via contemporary banks is more convenient than utilizing older methods. To this end, I agree with Jackie's (2012) contention that user-friendliness and convenience are crucial for system success.

Table 2: Transferring money using modern banking is easier in terms of documentation than the traditional money transfer by the bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	131	43.8	43.8	43.8
	Agree	152	50.8	50.8	94.6
	Neither agree nor disagree	4	1.3	1.3	96.0
	Disagree	12	4.0	4.0	100.0
	Total	299	100.0	100.0	

The results showed that 43.1% of respondents strongly agreed that identification is required before they can access their funds, 39.5% agreed, 5% were unsure, 9.4% disagreed, and 3.0% severely disagreed. So, the vast majority of responders agree that proof of identity is required to withdraw funds.

A whopping 61.2% of respondents gave their enthusiastic approval to the statement "I require a secret code before I can access my money," while 35.1% gave their assent, 1.7% gave their weak approval, and 2% gave their strong approval. The vast majority of respondents (80%) agreed that they would require a password to access their funds.

Of those who responded, 43.5% were adamant that they could withdraw cash from any branch of the network provider, while 39.8% were in agreement, 5.7% were unsure, 8.7% were not in agreement, and 2.3% were strongly disagreeing. As a result, customers may get their money at any of the operator's locations nationwide. This supports the argument that customers will adopt the new system and show loyalty if they can access their funds from any location serviced by the network provider.

Of those polled, 46.2% were adamant that they could get to their cash whenever they wanted, while 34.1% were in agreement with that statement, 1% were unsure, and 14.7% and 4% were extremely against. Most respondents had the impression that they have 24-hour access to their funds, according to the survey.

And once again, 47.5% of respondents strongly agreed that they do not need a check to access their funds, 28.1% agreed, 17.5% disagreed, and 7% highly disagreed. In sum, most respondents felt they did not have to wait for a check before receiving their funds from the network provider.

Table 3 Around 26% of respondents strongly agreed they did not have to sign any documents to get their money, while 40% agreed, 3% were unsure, and 24% and 6% disagreed, respectively. For the vast majority of responses, this implies no paperwork is required to get their money.

Table 3: You need not sign any document before you access your money

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	79	26.4	26.4	26.4
	Agree	121	40.5	40.5	66.9
	Neither agree nor disagree	9	3.0	3.0	69.9
	Disagree	72	24.1	24.1	94.0
	Strongly disagree	18	6.0	6.0	100.0
	Total	299	100.0	100.0	

In conducting the study Around 49.5% of respondents believe they spend less money at the network operator's retail location, while 30.4% agree, 5.7% are unsure, 11.7% disagree, and 2.7% strongly disagree. Simply said, most respondents do not spend as much time at a network operator's location as they do at a brick-and-mortar bank. Likewise, our conversations with consumers revealed that their average time spent in an operator's store is under five minutes.

The results showed that 26.1% of respondents highly agreed that there is no cost implication when they take their money from the network operator, 33.8% agreed to it, 3% were indifferent, and 30.8% and 6.4% opposed and strongly disagreed, respectively. This indicates that the vast majority of respondents consider cash withdrawals to be free of charge.

Table 4 Fifty-eight point two percent of respondents strongly agreed that contemporary banking is quicker and faster than the old manner of banking; thirty-nine point eight percent agreed; and one percent strongly disagreed. In sum, most respondents agree that online banking is quicker and more convenient than in-person transactions.

Table 4: modern banking is quick and faster than the traditional banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	174	58.2	58.2	58.2
	Agree	119	39.8	39.8	98.0
	Neither agree nor disagree	3	1.0	1.0	99.0
	Disagree	3	1.0	1.0	100.0
	Total	299	100.0	100.0	

The results showed that 39.5% of respondents strongly agreed that contemporary banking is superior to traditional banking, 53.2% agreed, 2.5% were neutral, 2.3% disagreed, and 3% strongly disagreed. This proves that the country's current system of banking is superior to its previous methods.

Once again, 38.8% of respondents gave their enthusiastic approval, 41.8% gave their agreement, 13% gave their indifference, and 6.4% gave their strong disagreement that contemporary banking is more secure and safer than conventional banking. In conclusion, online banking is a safer and more secure option compared to its predecessor, conventional banking.

The results showed that 41.1% of respondents strongly agreed that they prefer contemporary banking over the old form of banking, 52.2% agreed, 5.4% were indifferent, and 1.3% disagreed. So, it may be concluded that the vast majority of respondents favor online banking over more conventional methods.

4. CONCLUSION

During our investigation, we discovered that the vast majority of financial institutions and network providers are actively participating in contemporary banking, which offers several advantages over traditional methods. When asked how they plan to retrieve their funds in the event of a network outage, respondents expressed uncertainty. Recipients need just a form of identity and a secret code in addition to the usual papers to access their funds. Once again, it was discovered that clients could get their money from any network operator location directly into their accounts without first having to write a check. Apart from that, customers save time and effort at the site where they get their money since no signature is required. It was also clear that online banking is safer and more secure than conventional banking methods, and that it is quicker, easier, and better than the old ways. It's become the standard method of exchanging money amongst some residents of the community.

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