



# A Comparative Study of Traditional V/S Digital Banking Services in Rural Areas

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## Abstract

The study examines the drastic changes in banking system operations in India and particularly in rural areas. Today we have an ample number of options in financial services sector. We are going to evaluate awareness, fulfillment, and accessibility to customers. These advancements have not only improved accessibility for rural populations but have also fostered financial literacy and empowerment. As a result, more individuals are able to participate in the economy. Apart from it, we are going to do a study on the basis of secondary data collection, from which we can easily differentiate about the level of services provided and awareness about digital banking in them altogether. This paper includes how we can integrate services in traditional as well as digital formats to have a smooth transition towards technology enhancement. However, challenges like lack of literacy and network issues take place, and to solve these problems, we are going to suggest possible ways to eliminate the difficulty.

**Key words** – Traditional Banking, Digital banking, Rural areas, Financial services.

## Introduction

Banking is vital for the economic progress of rural communities. If we talk about banking in past times, majorly in rural areas, it mainly focused upon agriculture, which is a part of the primary sector. The culture of moneylender exploitation was at its peak, as they charged more interest, and if someone was unable to pay it on time, they encroached on their land immediately. So, the evolution of the banking sector started when the first Regional Rural Bank opened at Moradabad, Uttar Pradesh, in 1975. The consolidation of RRBs has been a phased and strategic reform initiative led by the Ministry of Finance, Government of India. In response to persistent structural inefficiencies and to enhance scale, the government launched a comprehensive amalgamation plan guided by the principle of “One State, One RRB.” In the years 2006–2010, the number reduced from 196 to 82. After that, in 2013–2015. Further reduced from 82 to 56 and in 2019–2021 consolidated from 56 to 43. Now in 2025, 26 RRBs will be amalgamated into 11 new entities in 10

states and 1 union territory. Apart from it, the states of Goa and Sikkim did not have any RRBs (*Policy Responses and Reform Measures*, n.d.).

Traditionally, financial transactions have depended on in-person services at physical bank branches. However, digital banking’s emergence, featuring mobile apps, UPI, internet banking, and digital wallets, brings both possibilities and difficulties. This transition is especially important in rural India, home to about 65% of the population (Census 2011), given the existing infrastructure limitations, literacy rates, and levels of technology use. Initiative to promote Digital India includes Pradhan mantra jan dhan yojana (PMJDY), Aadhaar – linked payments, Direct benefit transfers (DBT) schemes, etc. Between 2014 and 2017, the proportion of the adult Indian population with an account at a financial institution increased from 52.8% to 79.8%<sup>4</sup>. Over the course of three years, this represents over three hundred million people brought into the formal financial sector (Project Mobile Solutions Technical Assistance and Research (mSTAR), 2019). Inclination towards digitalization which includes mobile banking, online services, easy credit accessibility or services of microfinances is increasing.

## Literature Review

This paper explores how digital banking is transforming rural economies by giving people easier access to savings, credit, and secure transactions. It highlights the benefits of mobile banking, digital wallets, and government initiatives in bridging financial gaps for underserved communities. At the same time, it points out barriers like poor internet connectivity, low digital literacy, and trust issues that still hold back progress. Overall, the study stresses that with the right policies, education, and infrastructure, digital banking can be a powerful driver of financial inclusion and rural development (Mookerjee et al., 2025).

This paper looks at why rural people in Haryana accept or avoid digital banking. It finds that family, friends, and community strongly influence their decisions. Lack of trust, fear of fraud, and low digital skills stop many from using online services. Younger and educated people are more

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comfortable, while older or less educated groups struggle. Poor internet and infrastructure also add to the problem. The study suggests improving digital literacy and building trust to increase digital banking use in villages (Bala, 2025).

This paper shows how in rural areas people are engaged in using smartphones for the purpose of buying education, doing shopping and for household ownership. It shows the role of smartphones directly linked with decreasing digital divide in India while showing challenges and future prospects (Panwar & Sahoo, 2025).

This study looks at how digitalization is reshaping rural banking in India, while also highlighting the hurdles that slow its progress. It explains how digital banking can improve efficiency, transparency, and financial inclusion, yet faces challenges like low literacy, weak infrastructure, poor smartphone penetration, and a preference for cash. The paper emphasizes the need for awareness, financial education, and stronger infrastructure to make rural digital banking successful. Ultimately, it argues that bridging this digital divide is essential for India's growth, transparency, and long-term economic development (Ranjith & Sindhuja, 2022).

In this study we are going to see internet banking system with the eyes of rural customers. Issues like transactional costs and its speed and user friendliness is well explained. Apart from it an area of Gujarat region is taken to perform actual study with respondents of that particular region, this shows age, gender, occupation, income and education in percentage which extends towards the findings of how frequently services of bank used by the customers (Parmar & Ranpura, 2013)

## Objectives of the Study

1. To evaluate the effectiveness and availability of conventional versus digital banking services in rural communities.
2. To assess customer satisfaction regarding both types of services.
3. To examine the effect of digital banking on promoting financial inclusion.
4. To identify challenges faced in the adoption of digital banking in rural regions.

## Hypotheses of the Study

- H0 - There is no significant difference in customer satisfaction between traditional and digital banking services.
- H1 - There is a significant difference in satisfaction levels.

## Research Methodology

The research approach used in this work was primary data collection. We applied the questionnaire method, which is fairly common in the field of business research. This method

is primarily a question-and-answer strategy, depending on the amount of time and resources available.

Questionnaires were randomly distributed to the people living in a rural area named Sohna village of Haryana. The responses collected from these questionnaires aimed to assess the differences in lifestyle, access to resources, and overall satisfaction. By analyzing the data, researchers hope to gain valuable insights into how urbanization affects quality of life and social dynamics. We are going to take a sample size of 20 people from this village who are using banking services.

## Traditional Banking System

Traditional banking system directly linked with physically available branches of banks in our surrounding resident area, from there we can access services like smooth cash deposit, face to face inquiry of their available schemes and loans provided to public, passbook entry to know your bank balance and many more services whenever a person visit. See, traditional banking gained trust and faith in public as an interaction with a customer is very important aspect which actually creates positive psychological impact upon customers.

*Financial Literacy low Urban and rural areas: It is often believed that in India, the majority of the rural people is not familiar with digital banking (Financial Literacy Low Nationwide, Both in Urban and Rural Areas: RBI Survey, n.d.).*

Transition from old to new methods of banking may takes time to be implemented properly but worth of time and efforts towards digitalization.

## Digitalisation in Banking System

Digital banking refers to services of banking through internet. It involves services such as opening a bank account without physically visiting the bank, requesting a branch change, 24\*7 services, online transactions, complaints of unauthorized transactions, and many more services. We can use automation of payments in digital banking as whenever we use our credit card to buy any goods or services they automatically detect EMI (Equated monthly Installment) with interest without any delay to promote efficiency in their services.

*"The future of finance is digital." – Ginni Rometty, Former CEO of IBM*

## Comparative Analysis

Traditional banking services are slow, paper-based, and restricted to business hours, relying on face-to-face interactions at branches. Digital banking, on the other hand, allows 24/7 access through mobile apps, internet banking, ATMs, and UPI, making transactions faster and more convenient. Although digital banking is more cost-effective and efficient than traditional banking, personal interaction fosters trust. Digital banking reduces time and cost but faces

challenges such as cyber threats and low digital literacy in rural areas. Older generations still prefer traditional banking, but younger and more educated customers are more likely to adopt digital banking. Overall, trust is guaranteed by traditional banking, whereas speed and convenience are

guaranteed by digital banking. For inclusive growth, both must work together.

*“Automation applied to an inefficient operation will magnify the inefficiency.” — Bill Gates, Co-founder, Microsoft*

### Findings

Likert Scale	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
	5	4	3	2	1

Questions	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
It is easy to access digital banking services in my area.	1	3	15	0	1
I trust digital banking systems as much as traditional banks	2	3	12	1	2
Digital banking saves me time compared to visiting a bank branch.	1	2	16	0	1
I am satisfied with the customer service of my digital banking application.	0	2	8	7	3
I feel secure using mobile banking for transactions.	0	1	9	6	4
I prefer using UPI and mobile apps over cash transactions.	1	3	0	12	4
I understand how to use basic online banking services (e.g., check balance, transfer money)	0	3	1	2	14
Traditional banks are more reliable than digital platforms.	2	5	13	0	0
Government programs have improved digital banking access in rural areas.	4	15	1	0	0
I would recommend digital banking to others in my community.	1	19	0	0	0

### Analysis and Interpretations

1. Accessibility – Most respondents (15) are *not sure* about easy access to digital banking, showing uncertainty about infrastructure or awareness in their area.
2. Trust – Trust levels are low, as only five respondents agree/strongly agree while 12 remain unsure. This indicates a hesitation compared to traditional banks.
3. Time-Saving – A majority (16) agree digital banking saves time, highlighting efficiency as a key benefit.
4. Customer Service – Satisfaction was weak, with 10 respondents disagreeing/strongly disagreeing. Poor support is a major concern.
5. Security – Only 10 participants agreed, while 10 disagreed/strongly disagreed, showing divided opinions and fear of fraud.
6. Preference for Digital Payments – Most respondents (16) still prefer cash over UPI/apps, suggesting low comfort with cashless transactions.

7. Digital Literacy – Very low understanding; 14 strongly disagreed with knowing basic online services, showing lack of skills.
8. Reliability – Traditional banks are seen as more reliable, with 7 agreeing and none disagreeing.
9. Government Support – Strongly positive response (19 agree/strongly agree), indicating schemes have improved access.
10. Recommendation – Almost all respondents (20) would recommend digital banking, showing growing acceptance despite doubts.

The survey shows that while digital banking is recognized as time-saving and promoted by government efforts, major barriers remain—low digital literacy, poor customer service, and security concerns. Traditional banks are still considered more reliable, and cash remains the preferred mode of transactions. However, the fact that most respondents were willing to recommend digital banking indicates a positive shift in perception and strong potential for adoption once awareness, training, and trust improve.

## Conclusion and Recommendation

The survey shows that while people recognize digital banking as time-saving and supported by government initiatives, many still lack trust, digital skills, and confidence in its safety. Traditional banks remain more reliable in the eyes of users, and cash is still preferred payment method.

Banks and policymakers should focus on improving digital literacy through training programs, strengthening customer service, and ensuring better security measures. Awareness campaigns and simplified apps in local languages can build trust. By addressing these issues, digital banking can become more accessible, reliable, and widely adopted in rural regions.

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