

TRADITIONAL BANKING vs CLOUD BANKING

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Abstract : A bank is a financial institution that accepts deposits from the public and creates credit. ... In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards. As banks adapt to market changes and new technology landscapes, cloud computing is playing a major role, providing alternative ways to access to core banking technology. The spiralling costs of deploying and maintaining complex in-house legacy systems, along with the need to keep up with consumer expectations, are leading banks to increasingly demand innovative, flexible and cost-effective deployment models for their banking solutions. Cloud offers a scalable, manageable technology model that reduces IT hardware, maintenance and development costs, which makes it the ideal deployment choice for a Model Bank. Traditional banks are THE original banks that go way back in the history of the economy. They were the original financial intermediaries to offer checking accounts. They owned the big buildings with marble pillars outside and oodles of cash stashed in vaults inside. They had the word "Bank" in their titles. They were major players of the financial markets of the circular flow. They diverted household income into loans for business investment. In recent years, cloud computing has grown considerably and services offered increasingly better, this development will not stop. Expanded areas where most is the bank has expanded greatly in this area because it offered many advantages as a customer. The advantages are: cost saving, using cloud servers and applications and platforms made available instead of using personal servers and software purchased from specialty companies in banking will save a lot of money But unfortunately like any tool it has drawbacks, the most common drawback in cloud computing is security and downtime.

Index Terms- Financial Institutions .

I. INTRODUCTION

A bank is a financial institution licensed to receive deposits and make loans. Banks may also provide financial services, such as wealth management, currency exchange and safe deposit boxes. There are two types of banks: commercial/retail banks and investment banks.

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1.1 Cloud Banking

Cloud offers a scalable, manageable technology model that reduces IT hardware, maintenance and development costs, which makes it the ideal deployment choice for a Model Bank.

New entrant banks are not generally burdened by complicated IT systems, and do not wish to be. By deploying core banking in the cloud, start-up banks are able to remain customer and market focused, while entrusting technology partners with IT service delivery. The ability to outsource the delivery of banking technology as a cloud-based service means new entrant banks have access to a highly secure, always-on, industry-leading core banking technology, without the need for significant internal IT resources and expensive infrastructure of their own.

1.2 Traditional Banking

Traditional banks are classified as either "national" or "state" depending on the level of government that does the chartering. National banks are chartered by the Comptroller of the Currency at the federal level. State banks are chartered by one of the fifty state corporation commissions. All traditional banks are subject to regulations by the Federal Reserve System and the Federal Deposit Insurance Corporation.

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II MERITS OF TRADITIONAL BANKING

Although using a traditional bank might seem old-school or too conventional, there are certain advantages unique to banking with a financial institution that has brick-and-mortar branches. Knowing some of the benefits of using a traditional bank can help you decide if it's a good solution for keeping and handling your money:

- More options: Whether you want a personal savings or checking account, trust fund, certificate of deposit, Roth IRA, or business checking account, most major financial institutions can provide all these services in one place. Many traditional banks offer wealth management and investment services, too.
- Convenience: The leading banks, like Chase, Wells Fargo and Bank of America, have brick-and-mortar locations and ATMs — which are free to customers — all over the country.
- Best of both worlds: Many banks offer customers the flexibility of being able to walk into a branch to deposit cash or to transfer money via a smartphone. Chase Bank, for example, offers QuickPay — a free online service to send or receive money by email — which competes with fintech apps like Venmo and Square Cash. With online banks, you only have the electronic transfer option.
- Cash deposits: Despite all the progress that fintech has made, the industry still has to contend with a traditional form of currency: cash. For banking customers who deal with cash frequently, a traditional bank is an attractive and convenient option.

2.1 Demerits of Traditional Banking

1. Banks can offer critical conveniences but are not without their flaws. To help you decide if a traditional bank is the right solution for your financial needs, review some of the drawbacks to banking at a larger institution:
2. Low or no interest rates: Brick-and-mortar banks are notorious for their lower interest rates on savings accounts, compared with online banks. In fact, in a recent survey by GOBankingRates, the best savings accounts were all with online banks: MySavingsDirect, Ally Bank, Barclays, iGOBanking and CIT offered the top five highest interest rates.
3. Wide range of fees: When you think of a traditional bank, you might also think of bank fees. Bank of America, for example, charges a \$35 nonsufficient funds fee, whereas Alliant Credit Union — one of the largest credit unions open to the public — charges just \$25 for an NSF fee.
4. Poor customer service: A 2015 study by Consumer Reports suggested that one of the major downfalls of big banks is that they don't understand customers' needs or don't provide personalized service. According to the survey, the four mega banks — Bank of America, Chase, Citibank and Wells Fargo — which hold approximately 40 percent of all U.S. commercial bank assets, landed in the bottom fifth of the customer satisfaction rankings. Smaller financial institutions have a smaller demographic, but this seems to help them gain insight into who's banking with them and what those customers want.

III MERITS OF CLOUD BANKING

One of the most widely growing phenomenon on the internet Cloud computing a revolutionary concept that is being considered by many banks and financial industries. The interesting concept of Cloud computing involves several computers that are connected to the internet or through any other real time communication network. This concept allows for a program to run on all of the connected computers simultaneously. With Cloud computing large banks as well as many other financial industries can expect many enormous benefits. Here are some of the great benefits of Cloud computing for banks and financial industries.

Economical

With Cloud computing, unnecessary capital expenditures as well as large upfront costs of the infrastructure can be avoided as banks and financial industries can focus on all of the important businesses and projects. The Cloud computing system does not require banks and financial industries to purchase budget shortening hardware.

Improved Manageability

With the help of Cloud computing, banks and large financial industries can make rapid adjustments to their resources for all the unpredictable and fluctuating business requests as well as quickly have their applications uploaded online in no time due to the vastly improved management of Cloud computing that does not require much maintenance.

Resiliency

The systems present in the Cloud computing are extremely useful for banks and financial industries due the ability of creating a wide enough enterprise availability that is greatly helpful for the continuity of a business venture which is an important part for banks and financial industries.

Scalability

Large acquisitions and mergers are very frequent in the banks and the financial industries which is why easy integrations as well as good scalability are important. The Cloud computing, works as a very affordable concept that can scale the IT operations according to the needs of the company.

Accessibility

With Cloud computing the limitations of client server environments are not applied as accessing data and applications from any other computer is achievable anytime, everywhere.

Security

The Cloud computing system provides a very high level of data protection, especially for sensitive data that includes customer information. The data is kept in a centralized data storage that can only be accessed through strict authentication methods. The security of data is of top priority for Cloud computing, which is why it is beneficial for banks and the financial industry.

3.1 Demerits of Cloud Banking

1) Downtime

Downtime is often cited as one of the biggest disadvantages of cloud computing. Since cloud computing systems are internet-based, service outages are always an unfortunate possibility and can occur for any reason.

2) Security and Privacy

Any discussion involving data must address security and privacy, especially when it comes to managing sensitive data. Understand the shared responsibility model of your cloud provider.

- Implement security at every level of your deployment.
- Know who is supposed to have access to each resource and service and limit access to least privilege.
- Make sure your team's skills are up to the task: Solid security skills for your cloud teams are one of the best ways to mitigate security and privacy concerns in the cloud.
- Take a risk-based approach to securing assets used in the cloud. Extend security to the device.
- Implement multi-factor authentication for all accounts accessing sensitive data or systems.

3) Vulnerability to Attack

In cloud computing, every component is online, which exposes potential vulnerabilities. Even the best teams suffer severe attacks and security breaches from time to time. Since cloud computing is built as a public service, it's easy to run before you learn to walk. After all, no one at a cloud vendor checks your administration skills before granting you an account: all it takes to get started is generally a valid credit card.

Best practices to help you reduce cloud attacks:

- Make security a core aspect of all IT operations.
- Keep ALL your teams up to date with cloud security best practices.
- Ensure security policies and procedures are regularly checked and reviewed.
- Proactively classify information and apply access control.
- Use cloud services such as AWS Inspector, AWS CloudWatch, AWS CloudTrail, and AWS Config to automate compliance controls.
- Prevent data exfiltration.
- Integrate prevention and response strategies into security operations.
- Discover rogue projects with audits.
- Remove password access from accounts that do not need to log in to services.
- Review and rotate access keys and access credentials.
- Follow security blogs and announcements to be aware of known attacks.
- Apply security best practices for any open source software that you are using.

4) Limited control and flexibility

To varying degrees (depending on the particular service), cloud users may find they have less control over the function and execution of services within cloud-hosted infrastructure.

- Consider using a cloud provider partner to help with implementing, running, and supporting cloud services.
- Understanding your responsibilities and the responsibilities of the cloud vendor in the shared responsibility model will reduce the chance of omission or error.
- Make time to understand your cloud service provider's basic level of support. Will this service level meet your support requirements? Most cloud providers offer additional support tiers over and above the basic support for an additional cost.
- Make sure you understand the service level agreement (SLA) concerning the infrastructure and services that you're going to use and how that will impact your agreements with your customers.

5) Vendor Lock-In

Vendor lock-in is another perceived disadvantage of cloud computing. Differences between vendor platforms may create difficulties in migrating from one cloud platform to another, which could equate to additional costs and configuration complexities. Gaps or compromises made during a migration could also expose your data to additional security and privacy vulnerabilities.

Best practices to decrease dependency:

6) Costs

- Try not to over-provision, instead of looking into using auto-scaling services
- Scale DOWN as well as UP
- Pre-pay if you have a known minimum usage
- Stop your instances when they are not being used
- Create alerts to track cloud spending

IV CONCLUSION:

In recent years, cloud computing has grown considerably and services offered increasingly better, this development will not stop. Expanded areas where most is the bank has expanded greatly in this area because it offered many advantages as a customer. The advantages are: cost saving, using cloud servers and applications and platforms made available instead of using personal servers and software purchased from specialty companies in banking will save a lot of money But unfortunately like any tool it has drawbacks, the most common drawback in cloud computing is security and downtime. Considering the fact that we are in the 21st century nothing is safe as long as it is in a database, it can be broken easily by people specialized in IT, cloud computing has therefore created a model , private cloud, especially for banking institutions to avoid problems with security. And about the downtime this is very difficult to avoid because not only refers to the banking system but in all market areas by using a network. Cloud computing and cloud infrastructure have become a great ally for some areas, very popular after market, these areas are the banking and mobile networks as well as that of small and medium enterprises.

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