



Digitization Of Banking Services In Rural India: Issues And Policy Implications

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Abstract:

Digitization plays a vital role in improving the service quality dimension which is very important in today's world of cut throat competition. The process is crucial for banking sector, through this, banks can provide better and enhanced services to its customers. Digitization means converting of information into digital format with the adoption of technology. This provides convenience to customers and time conserving in nature. Currently, people have round-the-clock access to banks due to online banking. Managing large amounts of cash has also become easier through digitization as it reduces human error and builds customer loyalty. Digitalization has also benefitted customers by facilitating cashless transactions. Customers need not store and carry cash anymore and can make transactions at any place and time. Digitization helps in offering quality services to customers through electronic and interactive communication channels. Customers can handle their account and perform transactions directly with the bank and there is no need to personally visit the bank branch. Banking services are offered to customers without any extra cost and customers are more attracted to the convenience and safety of transactions. Infact, many prefer to pay their utility bills online, saving lot of time and energy. In turn it potentially reduces the operating cost for the banks too as digitization helps them to offer service to more number of customers without establishing physical branches. Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. Availability of interest is the pre-requisite for implementation of digitization of banking services. People will be meticulous when it comes to financial matters. However, the daunting task is to provide these e-banking services in rural areas, where majority of population lives. There are plenty of impediments and challenges, which are encountered in the process of providing these banking services without proper availability of internet. This paper attempts to list those challenges and suggests measures to deal with it.

Key words: Digitisation, Improved banking services, Virtual banking, Policy measures.

Introduction:

Banks play a vital role in facilitating the circular flow of money in an economy. It is one of the most important service sectors. Availability of qualitative banking services is significant for the well-being of the economy. In addition to the normal roles, banks also perform certain value added functions which could not be thought of a few decades ago. Digitalisation in banking largely entails the shift to offering online and digital services, as well as the massive number of backend changes required to support this transformation. This is a big initial investment, but it will save money in the long run as it improves customer satisfaction, frees up staff for value-added activities such as relationship building and eventually saves time by automating processes. The main target of banks has shifted from customer acquisition to customer retention. Various customer-oriented products like internet banking, ATM services, tele-banking and electronic payment have reduced the work load of customers. The power of internet banking enables a customer to access and operate his account without actually visiting the bank premises. Banking services such as Account Summary, Overdraft Details, Transactions Details, Online Requests, Funds Transfer between accounts, Adding of account in beneficiary list, Standing Instructions, E-Payment facility, Checking the status of a cheque, details about TDS etc., are being provided to customers instantly. Most of the banks have already adopted complete digitisation, as these facilities are beneficial for both i.e. banks also as well as for customers too. Thus, there is a paradigm shift from the seller's market to buyer's market within the industry and eventually it has affected at the bankers' level to vary their approach from "conventional banking to convenience banking" and "mass banking to class banking".

India is one such country, where majority of the population lives in villages. India lives in numerous villages, scattered throughout the country. Rural areas constitute nearly 69 percent of India's population and have historically accounted for more than half of Indian consumption. As per population census report of India, 2011, Indian villages accommodate 833 million population, which amount of 69% of the total population. Though many of them do not use banking services, those who use also, are more comfortable with traditional banking services. According to RBI, by the end of March 2016, there are about 48,000 public sector bank branches in India of which over 63 per cent are in semi-urban and rural areas. With the stepping in of data technology within the banking sector, the working strategy of the banking sector has undergone with revolutionary changes. In addition to the normal roles, banks also perform certain new age functions which couldn't be thought of a few decades ago. Therefore, creating awareness about the virtues of e-banking services and enabling them to use such services is definitely a herculean task. As per the RBI Report of 2016-17, there are 2,22,475 Automated Teller Machines (ATMs) and 25,29,141 Point of Sale devices (POS). Implementation of electronic payment system like NEFT (National Electronic Fund Transfer), ECS (Electronic Clearing Service), RTGS (Real Time Gross Settlement), Cheque Truncation System, Mobile banking industry, Debit cards, Credit Cards, Prepaid cards have all gained wide acceptance in Indian banks. These are all remarkable landmarks within the digital revolution within the banking sector. Online banking has changed the face of banking and has achieved an important change in banking operations.

Benefits of digitisation:

- **Better decisions based on data:** Having more digital services offers clearer insight in customer demand, which can improve decision making and accelerate growth.
- **Better user experience:** Financial institutions will be able to cater to every want and need of the user by personalizing the customer experience based on collected data. This fosters loyalty and thus increases customer retention.
- **More customers:** The emergence of Fintech and competition has brought more consumers to the financial sector.
- **Processes are quicker and more efficient:** The use of AI and ML will speed up processes through automation, adding more value to the user experience.
- **Cost reduction:** Developing efficiency through automation will allow banks to cut operational costs. E-banking has resulted in reducing costs drastically and has helped generate revenue through various channels. Various steps and initiatives had been adopted by the RBI and National Payment Corporation of India in strengthening the Payment and Settlement Systems in banks just like the launch of United Payments Interface (UPI) and Bharat Interface for Money. It is due to such initiatives and platforms, customers now don't have to store or carry cash alongside them anymore, they will now make transactions anywhere at any time.

Some of the challenges encountered in offering e-banking services to rural customers are:

- Lack of awareness about e-banking facilities among rural customers.
- Banks aren't ready to disseminate proper information about the utilization, benefits and facility of internet banking.
- Less awareness of latest technologies and their benefits is among one among the foremost barrier within the development of e-banking.
- High installation charges also one among the essential problems in providing e-banking services.
- Conventional banking is preferred by the purchasers due to lack of trust on the web security. They need a perception that online transaction is risky thanks to which frauds can happen.
- The risk of exposing private information and fear of fraud is one among the main factors that inhibit the purchasers while choosing internet banking services.
- The problem associated with the safety has become one among the main concerns for banks. A large group of consumers refuses to choose e-banking facilities thanks to uncertainty and security concerns.
- The knowledge and availability of internet is still a one of the biggest challenges that prevails in India. So the penetration of internet and knowledge related to internet are major hurdles.

OBJECTIVES OF THE STUDY:

- To understand the digitisation of banking services in India.
- To analyse the importance of digitisation of service to rural customers.
- To find out the problems associated with offering e-banking services in rural areas.
- To offer suggestions for the improvement of e-banking services in rural areas.

Research Methodology: This is a descriptive research.

Source of data collection: It is a desk report. Therefore, it is prepared based on secondary data only, which was collected through Internet, Magazines and newspapers.

Challenges of digitizing the banking services in rural areas:

Risk related to safety and security: Most of the customers do not prefer to use online banking services such as online transfer of money from their account to some one's else account because of uncertainty and security concerns. Due to extensive media coverage, they are aware of difficulties faced by others which transferring their money online. Hoax calls received and online frauds, which are taking place at a rapid rate. Therefore, they prefer to transact in traditional way, rather than adopting the modern approach of banking.

Competition: The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks like product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this technique must be managed, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power to be utilized and result oriented targeted staff are going to be appointed.

Privacy risk: The risk of disclosing private information & fear of identity theft is one of the major factors that inhibits the consumers while opting for internet banking services. Most of the consumers believe that using online banking services make them vulnerable to identity theft. Consumers often worry about their privacy and feel that bank may invade their privacy by utilizing their information for marketing and other secondary purposes without the consent of consumers.

Awareness Level: Awareness among consumers about the online banking facilities and procedures is very less. Banks are not ready to disseminate proper information about the utilization, benefits and facility of internet banking. Less awareness of latest technologies and their benefits is among one the important barrier.

Credibility: Trust is that the biggest hurdle to online banking for many of the purchasers. Conventional banking is preferred by the purchasers due to lack of trust on the web security. They are of the opinion that online transaction is risky because frauds will happen. While using e-banking facilities lot of questions arises within the minds of consumers such as: Did transaction undergo? Did customer push the transfer button once or twice? Trust is amongst many factors which influences the customer willingness to interact during a transaction with web merchants.

Availability of Personnel services: In present times, banks provide several services like social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc. Therefore, banks must be able to provide complete personnel service to the customers come with expectations.

Non- Performing Assets (NPA): Non-performing assets are another challenge to the banking sector. Vehicle loans and unsecured loans increases NPA, which terms 50% of banks retail portfolio was also hit, thanks to upward movement in interest rates, restrictions on collection practices and soaring land prices.

Handling Technology: Developing or acquiring the proper technology, deploying it optimally then leveraging it to the utmost extent is important to realize and maintain high service and efficiency standards, while remaining cost effective and delivering sustainable return to shareholders. Early adopters of technology acquire significant competitive advances. Managing technology is therefore, a key challenge for the Indian banking sector.

Suggestions to improve Banking Services in rural areas:

- Efforts should be taken for opening and operating more ATMs in Villages.
- Bankers should create awareness about Electronic Fund Transfer, International Debit Card, RTGS.
- Transferring of funds requires IFSC Code and Branch address. So banks should make necessary arrangements to inform the same to the customers. So that with internet facilities in their banks so that customers can access their IFSC code and address.
- Conducting workshops and training programs to rural customers regarding how do operate in internet banking.
- A system should be developed in such a way that a customer can use his ATM cards and ATM PIN for transactions.
- Authentication in a transaction through the internet. The changes in banking and financial sectors.
- It requires a fundamental shift in skills required for dealing with online banking services.
- Proper Technical training to staff must be provided to handle crisis situations.
- Youth people are using more internet banking services, than the aged and uneducated people so banks have to create awareness among those people
- Make their sites more users friendly customer should be motivated to use e-banking facilities more.
- Provide a platform from where the customers can access their different accounts at single timewithout extra charge.
- Create a trust in the mind of customers towards security of online banking services
- Banks should develop their services in villages and should install more and more ATM's.
- There must be severe punishment for those, who try to steal password or hack someone's elseaccount. This must be a lesson for others not to endeavour such attempts.
- Instant alerts on registered mobile phone numbers is the pre-requisite for the effective functioning ofthe system. However, some banks have failed in this. This must be rectified.

Conclusion

Banks facilitates circular flow of money in an economy by accepting excess savings from people and accumulating the savings to lend it to the needed. Thereby bridging the gap between, those who have excess money and those who are in need of it. Banking Industry is the backbone of the financial system of a country. Internet banking provides alternatives improve the delivery of banking services. Most of the banks have already implemented the e-banking facilities, as these facilities are beneficial to both i.e. banks also as customers. The banks face many challenges and lots of issues while offering e-banking services to rural customers. Finally, it has affected at the bankers level to vary their approach from “conventional banking to convenience banking” and “mass banking to class banking”. Awareness is that the main problem of E-Banking in Rural areas. Therefore, it is concluded that Government and Bankers should focus for educating the agricultural customers for e-banking also as open more number of banks in country.

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