



E- BANKING IN RURAL AREAS-NEED OF THE CURRENT SCENARIO

Neena Brar

Assistant Professor, Guru Nanak College, Budhlada (PB) India.

ABSTRACT

Banking in India originated in the last decades of the 18th century. The IT revolution had an immense impact on the Indian banking system. The use of computers led to the introduction of online banking in India. The use of innovative techniques and computerisation of the banking sector of India has increased manifold after the economic liberalisation in 1991 as the country's banking sector has been exposed to the world's market. The Indian banks were unable to compete with the international banks in terms of the customer service in rural areas without the use of the information technology and computers. Internet banking as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. In the context of this background, the objective of this paper is to examine the perceived usefulness of Internet Banking in rural areas. The study endeavours to analyse the level of awareness of internet banking among customers of rural areas and to examine the risk that is associated with Internet Banking.

Key words: revolution, online banking, innovation, liberalisation, rural areas, e- Banking, Internet banking, etc.

1. Introduction

The twenty-first century is characterised by the use of information technology, which has revolutionized not only our working patterns but our style of living also. A new era of banking, coined “Internet banking” has come into existence, where customers can perform their financial transactions electronically over the internet through their personal computer or laptop at a time

convenient and suitable to them, without visiting concerned bank and thus, in this manner they can save their precious time and utilize in other crucial tasks. Furthermore, the customer is expected to perform at least one of the following transactions online, namely viewing account balance and transaction histories, paying bills, transferring funds between accounts, ordering cheques, managing investments and stock trading.

"Online Banking" is the new name given to E- Banking through which customers can access their account or credit card details via the internet and much more! Internet banking as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is progressing in India as more and more banks entering the fray. India can be said to be on the threshold of a major banking revolution with net banking having already been unveiled. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. E-banking has been recognized as a big revolution in the progress of the banking industry. For instance, twenty years ago, 70 percent of all consumer financial transactions went through a bank office with brick and mortar structures in the banking industry of emerging nations throughout the world. In India, ICICI bank was the first bank which offered this delivery channel, by kicking off its online services in 1996. Other private sector banks like Citibank, IndusInd Bank and HDFC and Times bank (now part of HDFC bank) started offering internet services in 1999. State bank of India launched its services in July 2001.

In India there are 6, 40,867 villages and 68.84% of population resides in rural areas that offer a huge potential to the economy (Census 2011). An estimated eight million rural Indians who own mobile phones do not have access to banks. Full-scale commercial implementation of rural m-banking is complex. The purpose of the study is to gain an understanding of the acceptance of ebanking in an Indian market where the 70 percent population reside in rural areas and 30 percent population reside in urban areas of the country.

Role of e-banking in an Indian economy

The main benefit from the bank customers' point of view is significant saving of time by the automation of banking services processing and introduction of an easy maintenance tools for managing customer's money. E-banking plays a vital role in an economy and is enumerated as follows:

- Reduced costs in accessing and using the banking services.
- Increased comfort and time saving - transactions can be made 24 hours a day, without requiring the physical interaction with the bank.
- Quick and continuous access to information- Corporations will have easier access to information as, they can check on multiple accounts at the click of a button.
- Better cash management- E-banking facilities speed up cash cycle and increases efficiency of business processes as large variety of cash management instruments are available on Internet sites of Estonian banks.
- Speedy and Convenient- All the banking transactions can be performed from the comfort of the home or office or from the place a customer wants to.
- Funds management- Customers can download their history of different accounts and do a “what-if” analysis on their own PC before affecting any transaction on the web. This will lead to better funds management.

2. Review of Literature

Komal & Vandna (2012) explored the various ways of doing banking electronically. Paper is concerned with the customer aspect of banking searching for customer satisfaction level. This is a comparative study of Public sector banks, Private sector Indian banks and Private sector foreign banks. The study is analytical and exploratory in nature. The primary data is collected with the help of pre-tested E-banking scenario is analyzed regarding four major e-banking products i.e. ATMs, Internet Banking, Mobile Banking and Credit Cards in terms of customer satisfaction level on the basis of various variables like length of the use of service, information about change, frequency of complaints.

Sharma (2012) attempts to explore different factors that might be interrupting the burgeoning development of e-banking in rural areas. The study is based upon the primary data collected regarding 17 variables which are expected to affect the satisfaction level of e-banking users. The data has been tested through Cronbach Alpha, Kaiser-Meyer-Olkin measure, Bartlett’s test and correlation among different variables. It has further been analyzed through factor analysis, regression analysis and ANOVA. The study suggested to enhance the level of overall satisfaction of rural customers and resultant rise in the propensity to use e-banking as a primary channel of banking. The objective of the study is to analyse the overall satisfaction and factors that influence

rural customers' satisfaction from e-banking. To identify the primary obstacles hindering the wide acceptability and propensity to use e-banking as a primary banking channel in rural areas. To summarise different qualitative factors that may assist to enhance satisfaction level of rural customers from e-banking. To test the strength of relationship of rural customer's satisfaction with different factors identified as major determinant affecting adaptability and satisfaction from e-banking. In the end he concluded that to enhance the propensity to use e-banking channels in rural areas the use of regional languages during transactions should be promoted as well as publicised.

Geetha & Malarvizhi (2012) investigated the factors which were affecting the acceptance of e-banking services among the customers and also indicated level of concern regarding security and privacy issues in Indian context. Primary data was collected from respondents through a structured questionnaire. Descriptive statistics was used to explain demographic profile of respondents and Factor and Regression analyses were used to know the factors affecting e-banking services among customers in India. The finding exhibited numerous factors like security and privacy and awareness level increased the acceptance of e-banking services among Indian customers. It was concluded that if banks provide them necessary guidance and ensure safety of the accounts of customers then were willing to adopt e-banking.

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Parmar, Ranpura, Patel & Pate (2013) gathered information from private and public sector banks of Gujrat and found the different age group of rural customers using Internet banking and their awareness related to internet banking facilities provided by the banks. Further the study identified the relation between demographic factors like Gender, occupation, education, income

and choice of internet banking among rural consumers. The research examined the factor affecting rural consumer behavior while selecting internet banking.

Ndlovu & Ndlovu (2013) had comprised the research to various banks, agents of mobile operators, rural residents including farmers from irrigation schemes in Gwanda District. The majority of small scale rural business people were influenced to bank with banks which used advanced and modern banking technologies and were partnering with mobile network operators due to convenient service and the reduction of trips made to urban centres for banking purposes. A lot of credit was given by rural dwellers to the Ecocash product of ECONET which enabled small scale rural business people to undertake many low value money transfers as well as payments for their business activities. The study concluded that mobile banking has potential in reducing poverty by bringing into mainstream economic activity the previously excluded rural communities.

Jayshree (2013) explored the concept of E-banking in detail. The primary objective of the research paper is to get the full acquaintance of the internet banking and its benefits. He has used the secondary data to analyse the internet banking in india. This paper discusses some challenges and Benefits of e banking in an emerging economy. In the end he concluded that banking industry has been a leader in the e-business world in recent years. The e-banking revolution has fundamentally changed the business of banking by scaling borders and bringing about new opportunities. In India, it has strongly impacted the strategic business considerations for banks by significantly cutting down costs of delivery and transactions. Banks should provide their customers with convenience, meaning offering service through several distribution channels (ATM, Internet, physical branches) and have more functions available online.

Sikdar &Makkad (2013) investigated the concept of internet banking and highlighted the benefits it provides from the point of view of bank's customers as well the banking organization. The objectives of the study is to analyse the concept of internet banking and inherent benefits accruing from the adoption of internet banking, both from the view point of commercial banks and the banking customers.

3. Objectives of the Study

The objectives of the study are illustrated as:

1. To know the level of awareness among rural customers.

2. To examine the risks associated with E-banking.

4. Research Methodology:

4.1 Scope of the study: The scope of the study is restricted to Sangrur District of Punjab. For the collection of the primary data, the study is confined to rural areas of Sangrur District of Punjab state only.

4.2 Research Design: The study being undertaken is descriptive in nature. The major purpose of descriptive research is a description of the state of affairs as it exists at present, While analyzing the research problem, scientific method is followed.

4.3 Sampling Unit: In the current study, the sampling unit is the respondents of Sangrur District of Punjab.

4.4 Sample Size: The total sample size is restricted to 225 respondents.

4.5 Sampling Design: Keeping in mind the nature of the data required for the study, random sampling technique has been used. The respondents for the survey has been selected from the selected rural areas of the Sangrur Region of Punjab; like Uppli, Benra, Lakhmirwala, chullah, lehal kallan and the selection is done by taking one village from each subdivision such as Malerkotla, Sangrur, Dhuri, Sunam, Moonak, Lehra.

4.6 Data Collection

The data was collected by administering structured questionnaire to the people who had a bank account. Percentage method has been used for the analysis of the data and to draw a meaningful conclusion there from.

4.7 Limitations of the study:

1. The present study is based on the data collected from a sample of Sangrur district of Punjab state only and the result may vary from other District, States or the national average.
2. The results of the study, exhibit that perceived ease of usefulness, reach of Internet Banking, the risks associated and customers' attitude are the important determinants of online banking adoption.
3. Most of the respondents due to lack of awareness and security factor fear to use e-banking, so fair conclusion is not done as per the responses of few ones only. So there is a scope for further investigation on a larger scale & by considering more respondents who use e-banking.

5. Data analysis

Table 5.1 exhibits the classification of respondents in sample by age group. 20 % respondents were in the age group of 18-35 years, 33.33 % respondents were in the age group of 36-45 years and 22.67 % respondents were in the age group of 46-55 years. In the senior category 17.78 % respondents were in the age group of 56-65 years and 6.22 % respondents were above 65 years.

Table 5.1 Demographic Profile of the respondents

	Category	Nos.	Percentage
Age	18 to 35 years	45	20 %
	36 to 45 years	75	33.33 %
	46 to 55 years	51	22.67 %
	56 to 65 years	40	17.78 %
	Above 65 years	14	6.22 %
	Total		225
Educational Qualification	Under Matric	67	29.77 %
	Matric	99	44 %
	Graduate	45	20 %
	Post Graduate/Professional	14	6.22 %
	Total		225
Income	Below Rs. 50,000	14	6.62 %
	Rs. 50,000-Rs. 1,00,00	50	22.22 %
	Rs. 1,00,000-Rs. 2,00,000	112	49.78 %
	Rs. 2,00,000-Rs. 5,00,000	44	19.56 %
	Above Rs. 5,00,000	5	2.22 %
	Total		225

Source: Author's own work

As per education level classification, out of these 29.77 % respondents were Under Matric, 44 % respondents were Matric, 20 % respondents were Graduate and 6.22 % respondents were from Post Graduate.

Out of these 225 respondents in the sample, 6.62 % respondents had income below Rs. 50,000 per annum, 49.78 % respondents had income between Rs. 1,00,00-Rs. 2,00,000 per annum,

19.56 % respondents had Rs. 2,00,000-Rs. 5,00,000 per annum and 2.22 % respondents fell in the category of above Rs. 5,00,000 per annum.

6. Findings of the study

- 6.1.1** 40% of the respondents viewed that they have never heard about e-banking, 33.33% of the respondents demonstrated that they don't have time to open an account and 26.67% of the respondents opined that they don't see any real value of having such account.
- 6.1.2** The table elucidates that 33% of the respondents use e-banking and 67% of the respondents don't use internet banking.
- 6.1.3** 70% of the respondents from the 33% replied that they are using e-Banking for the last one year , 20% of the respondents opined that they used e-banking from last 6 to 12 months and only 10 % of the respondents of the study were using it for the last 0-3 months.
- 6.1.4** 15 % of the respondents agreed that they face few problems while using IB, 75% of the respondents agreed that it is simple & easy to operate & they don't face any problems while using EB.
- 6.1.5** 80% respondents consider e-banking is safe & secure for their financial transactions, 20% respondents consider the risk factor always exists while using e-banking and they don't find it secure.
- 6.1.6** 40% of the respondents agreed to provide credit card & purchase information over the internet when this information is encrypted, 60% of the respondents refused to give credit card & purchase information over the internet when this information is encrypted.
- 6.1.7** 67.45 % respondents agreed to provide credit card information and personal information over the Internet to a Web vendor who is well known and reliable, 32.55 % of the respondents refused to provide credit card information and personal information over the Internet to a web vendor who is well known and reliable.
- 6.1.8** 65% of the respondents don't feel any kind of risk by using EB services as compared to traditional banking, 35% of respondents feel that various risks are associated like fraud in their transactions, manipulation of their accounts, etc.

7. Conclusions & Implications of the study

7.1 Conclusions of the study

While investigating all the variables and the responses by consumers, the study reveals that the e-banking, being a need of the current scenario, is a strong catalyst for the economic development and in order to enhance the propensity to use e-banking as a primary channel, it must be tailored to the need of the customers. The availability of bio-metric and voice-call system for making transactions through e-banking like while using ATM may have magnifying results in securing the patronage of rural customers particularly that of illiterate section. Perception of the rural consumers can be changed and can be made positive by awareness program, friendly usage, fewer charges, proper security, and the best response to the services offered. In case of the consumers who don't use Internet banking services, having all facilities at their disposal, technology was not the biggest issue. Primarily, all bankers should concern about is the requirement of awareness. So if a consumer sees most of his colleagues or friends who surround him/her using e-banking then it may influence his/her decision to follow Internet banking option.

7.2 Implications of the study

7.2.1 The security of their funds is the main factor due to which people fear to open an Internet Bank Account. Thus, by giving them assurance that their funds are secured even if they resort to Internet Banking could assist Banks to increase their customer's percentage.

7.2.2 Banks must emphasize the convenience that online banking can provide to people, such as avoiding long queue, in order to motivate them to use it.

7.2.3 Banks must emphasize the cost saving that online Banking can provide to people, such as reduced transaction cost with the use of online banking.

7.2.4 Banks should give a discount on the transactions done online and communicate the same to the rural people.

7.2.5 If banks arrange workshops in Financial Institutions & other places, where knowledge about the benefits of Internet Banking & training is imparted to use Internet Banking & also open Internet Bank Accounts simultaneously then this will act as a boon for Banks.

7.2.6 By making Internet Banking operations more easy, the Banks can enhance the level of users & can also give more satisfaction to existing ones as they face numerous problems while using Internet Banking.

7.2.7 The Government can also play a vital role in the promotion of Internet Banking by making strict rules & regulations in case any fraud arises. No doubt IT Act plays an indispensable role, but there is a need of more Government enrollment because it is good for the Indian economy to accelerate their growth rate.

7.2.8 If people associate themselves with technology & its upcoming features ,they can avail lots of benefits of new technology and it can play critical role in the promotion of Internet Banking. It is well proven that activities in which people show keen interest, they use those activities at their best as compared to those where pumping is done to do so.

7.2.9 The instructions to use Internet Banking services should be made available in different languages to make it more convenient for the customers to use Internet Banking services.

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