

Prospects and challenges of e-banking services in rural areas- A study

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Abstract - Electronic banking (e-banking) is the automated delivery of new and traditional banking products and services to customers directly via electronic, interactive communication channels. E-banking refers to the systems that allow financial institutions, customers, individuals, or businesses to access accounts, conduct transactions, or obtain information on financial products and services via a public or private network, such as the Internet. Internet banking, on-line banking, and PC banking are all terms used to describe e-banking. ATMs, wire transfers, telephone banking, electronic funds transfers, and mobile transfers using various banking apps and credit cards are all examples of e-banking. Nowadays, internet banking sites handle customer service inquiries, allow transfers from one account to another, accept loan applications, and open new accounts, among other things. Aside from the rapid adoption of electronic bank branches, an entire financial community has emerged, offering a wide range of financial services. Customers are increasingly using ATMs, home banking terminals, and the internet to conduct financial transactions instead of visiting banks. It is backed up by the speed of telecommunications, powerful, low-cost computers, and secure encryption. This change to the internet is increasing the number of market competitors. ATMs and internet banking, for example, have introduced new methods of delivering banking to customers. (Sanjeev Pradhan, 2019). Technology has succeeded in making many aspects of life easier for today's societies (Rust & Oliver, 1994). More importantly, it has become a critical component in improving the overall quality of services, particularly E-Banking services (Joseph & Stone, 2003). E-banking is said to rely on the exchange of information between customers and providers via technological means rather than face-to-face interaction (Darwish & Lakhtaria, 2011). Most developed countries' banking sectors pioneered the field of e-services and have been actively involved in its continuous improvement. The goal was to try to meet modern clients' ever-changing needs and lifestyles. Commercial banks provide primary, secondary, and agency functions/ services to its customers over various modes of banking. After going through the numerous banking services offered by the

banks, major services in the retail banking were selected for the study. The selected services were withdrawing cash, depositing cash, managing debit/credit cards, payment of utility bills, request for account balance/ statement/cheque book, fund transfer, shopping at physical store/online store, brokerage and agency services and all other services offered by banks were grouped as 'other e-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.

Index Terms - Banks, E-banking service, Customer satisfaction, Rural area, Digitization of services.

INTRODUCTION

Banking sector is one of the most important service sectors in India. Availability of quality 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 of decades ago. 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 workload of banking staff. The power of internet banking enables a consumer 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., 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”.

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. 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. 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 of decades ago. As per population census report of India, 2011, Indian villages accommodates 833 million population, which amount of 69% of the total population. Though many of them do not use banking services, those who uses also, are more comfortable with traditional banking services. Therefore, creating awareness about the virtues of e-banking services and enabling them to use such services is definitely a herculean task.

REVIEW OF LITERATURE

Aborampah Amoah-Mensah, (2010): The study compares customer perceptions of bank service quality in Ghana and Spain. A total of 1400 people from 24 communities in both countries were polled. A SERVPERF questionnaire with five dimensions was given. To reduce the initial 21 SERVPRF items, Factor Analysis' principal components were used. 1. Factor Analysis identified four dimensions: reliability, convenience, tangibles, and empathy. 2. In Ghana, reliability, convenience, and tangibles explained customer satisfaction, whereas in Spain, only reliability did. 3. Customers in both countries were generally dissatisfied with bank services and products. The researcher advised Ghanaian and Spanish banks to work together to gain customers’ confidence and trust. Internet banking and ATMs should be widely

promoted in Ghana. Ghana and Spain customers should be prioritised.

Himani Sharma, (2011): The study examines bankers' views on e-banking. The e-banking sector seeks to understand the global banking sector through strategic statistical tools. It discusses the impact of e-banking and various promotional tools used by bankers to promote e-banking. The data was gathered using a survey questionnaire that included 192 bankers' attitudes towards e-banking in northern India. This study used primary and secondary data collected from 192 bankers in northern India from public, private, and foreign banks. The data gathered shows that bank customers use e-banking services persuaded by bankers. The respondents' demographics are used to learn about the relationship between bankers and customers. As a result of the use of ATMs and smart cards, bank account holders are required to visit various branch offices. Smart cards, or plastic cards with embedded microprocessors, have revolutionised commerce. Randomly selected respondents aged 30-50 years use e-banking heavily. Males use e-banking more than females. The most desired e-banking service is business class. The researcher concluded that media must support e-banking.

Sarita Bahl (2012): While E-banking provides enormous benefits to consumers in terms of convenience and cost, it also poses many challenges in terms of regulating and supervising the financial sector, as well as designing and implementing economic policy. The research aims to highlight the challenges of E-Banking and suggest policy implications to make E-Banking more effective. As a result of the research, many major banks have discussed the development and implementation of several important earlier e-banking applications so that their customers can pay utility bills, transfer money between accounts, check account history, download statement information, and computerise their check books online. The researcher concluded that while some countries have made significant progress in adapting banking and supervision regulations, ongoing monitoring and revisions will be required as the scope of e-banking expands.

Nester Kawamala, (2013): E-banking and customer satisfaction in Tanzanian banks: the case of Azania

Bank LTD. The researcher studied the factors influencing the adoption of Ebanking in Tanzania. The researcher discussed the rise, impact on e-banking, and customer satisfaction in the said country. In this study, 58.5 percent of men and 41.5 percent of women filled out questionnaires. With e-banking services, 60% of customers are satisfied. The researcher also discussed customer risks such as operational, legal, reputational, and security code control. In conclusion, the researcher found that the people studied preferred e-banking and ATM services. The researcher also discussed the usernames and passwords used to protect the customers' interests. E-banking products typically operate in under 5 minutes.

Basavarajappa M.T (2014): Innovative banking is the new name for today's banking, which focuses on various bank products and services in the banking and financial industries, keeping the customer centric. With the support of online banking, electronic funds transfer, and other similar products and services, traditional banking services help in no time with the support of internet and interconnection of security problems based on confidentiality and privacy of account holders in e-banking. The researcher discussed the current global market developments presenting many opportunities for banking services. In today's competitive banking world, daily improvements in customer satisfaction are the most important weapon for growth and development. The banking company offers many ways to access their services. Finally, the researcher discussed the existing regulatory framework and how banks overcame it, as well as how E-banking services were extended. It covered topics such as technology, security, and legal and regulatory issues.

OBJECTIVES OF THE STUDY

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

Research Methodology: This is 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.

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.

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.

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.

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.

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.

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 deal with problems associated and to improve service offering 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 time without 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 else account. 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 of the system. However, some banks have failed in this. This must be rectified.

CONCLUSION

Banking Industry is the backbone of the financial system of a country. Internet banking provides alternatives for faster delivery of banking services to a wider range of customers. 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 Banker should focus for educating the agricultural customers for e-banking also as open more number of banks in country.

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