
THE TRANSFORMATIVE IMPACT OF E-BANKING ON RURAL INDIA

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ABSTRACT

E-banking is characterized as the provision of technology-driven financial services available 24/7 to customers. The evolving worldwide landscape is prompting the banking sector to embrace this new technology. Banks are likewise keen to provide value-added services using innovative electronic and telecommunications technology. Our nation possesses a comprehensive network of bank branches in rural regions. A significant number of these institutions are commercial banks, with the primary objective of this enormous proliferation of bank branches in rural India being financial inclusion. The rural regions of India cannot be overlooked, as regional imbalance constitutes a significant negative of the Indian economy. The rural banking system is evidently more inclusive of low-income families than the services offered by commercial banks. Rural banks in India remain in an evolutionary phase within the banking sector. This study elucidates the concept and expansion of online banking in rural regions. The primary aim of the research is to examine the role of e-banking in rural areas.

Keywords: E-Banking, Rural Banking, Customers, Regional Disparity.

1. INTRODUCTION

India is predominantly rural, with over 70 percent of its population deriving their livelihoods from villages, which account for half of the nation's consumption. Currently, rising urbanization and migration have drawn rural inhabitants to vibrant cities; it is anticipated that 63 percent of India's population may reside in rural areas by 2025. Consequently, we cannot overlook the significance of the rural economy, as rural areas will persist in being vital to the Indian economy. As per the 2011 census, India comprises 640,867 villages, with around 850 million individuals residing in these villages out of a total population of 1.3 billion. Currently, clients are regarded as the celebrities of any business organization.

Consumers possess awareness of their rights. Rural users are likewise affected by this issue. The rural markets possess the capacity to attain \$500 billion by 2020. E-banking is progressively supplanting the conventional branch banking system and is incorporating innovative technology. Customer awareness is a crucial element for achieving significant success in the banking business and for enhancing market share. E-banking is characterized as the provision of technology-driven financial services available 24/7 to customers. The evolving global landscape is prompting the banking sector to embrace this cutting-edge technology. Banks are likewise keen to provide value-added services using innovative electronic and telecommunications technology. Our nation possesses a comprehensive network of bank branches in rural regions. Numerous institutions are commercial banks, and the primary objective of the substantial expansion of bank branches in rural India is financial inclusion. The rural regions of India must not be overlooked, as regional imbalance constitutes a significant negative of the Indian economy. The rural banking system is evidently more inclusive of low-income families than the services offered by commercial banks.

2. WHAT IS E- BANKING?

Electronic banking is characterized as “the automated provision of both new and traditional banking products and services directly to customers via interactive communication channels.” E-banking is progressively supplanting the conventional branch banking structure. Every bank endeavors to fulfill consumer needs, as they are pivotal to achieving maximum performance and financial returns. Customer awareness has emerged as a critical factor, even in rural areas. When rural consumers are educated and encouraged to adopt the latest technologies, the aspiration for a cashless economy can be realized. This development enables any bank to discern the critical success characteristics necessary for thriving in fierce competition and augmenting market share. Currently, the notion of electronic banking has actualized the possibility of banking 'anytime and anywhere.'

I. Services Included in E-Banking.

The services encompassed by E-banking are as follows:

1. Automated Teller Machines
2. Credit Cards,
3. Debit Cards,
4. Smart Cards
5. Electronic Funds Transfer System

6. Mobile Banking
7. Internet Banking
8. Telephone banking.

All banks are increasingly utilizing e-banking services to deliver superior service and to contend with intense global competition. The proliferation of E-banking significantly benefits the average rural clientele.

Benefits of E-Banking:

E-banking provides a range of appealing services for both banks and customers. E-banking has significantly simplified life and expedited banking processes for both customers and financial institutions.

1. conserves time allocated to banking activities.
2. It offers methods for international banking.
3. It offers financial services year-round, 24/7, from any location with internet connectivity.
4. It offers structured cash management for online optimization.
5. It offers convenience regarding capital, labor, time, and other resources necessary for executing a transaction.
6. By leveraging integrated banking services, banks can enter new markets, acquire new clients, and expand their market share.
7. It offers enhanced security and privacy to customers through the utilization of advanced encryption and security technology.

3. OBJECTIVES

Electronic banking has gained significant popularity worldwide. It has provided users with more convenient, expedited, and accessible banking services. Customers are indeed highly interested in utilizing E-banking services. The fundamental purpose of the research is to ascertain the advantages of e-banking for rural populations.

The primary aims of the article are:

1. To comprehend the concept of e-banking
2. To evaluate the significance of ICT in the Indian banking industry
3. To understand the function of banking technology in rural India

4. METHODOLOGY

The study mostly consists of a literature evaluation based on secondary data. The secondary data sources comprise RBI reports from the separate banks and additional pertinent material released by the banks, journals, and various online sites. The study indicates that electronic banking practices benefit not just the banking sector but also enable banks to conduct operations at reduced costs in rural regions.

5. BANKING TECHNOLOGY AND RURAL ECONOMY

The Indian banking sector has undergone a comprehensive overhaul in its operations and service offering. Today, technology serves as the primary catalyst for sustaining consumer loyalty and recruiting new clientele. Technology has empowered banking customers to obtain comprehensive information from banks regarding all matters. The advancement of technology, characterized by extensive internet usage, mobile devices, and online bill payments, has transformed the banking sector in India significantly.

Transforming Rural India: Driving Banking Development and Financial Inclusion

The banking sector has experienced significant expansion in both volume and complexity during the past few decades. Despite substantial advancements in financial viability, profitability, and competitiveness, concerns persist that banks have failed to incorporate a significant portion of the population, particularly the underprivileged, into basic banking services.

A positive association exists between technological advancement and banking development in rural regions. The development of branches in rural areas, together with technological advancements such as ATMs, online banking, mobile banking, NEFT, and RTGS, significantly influences the productivity of banking facilities and the transparency of services for clients.

Rural banking presents a significant opportunity that will be seized by those who eliminate the existing obstacles to profitable expansion. A disproportionate distribution of bank branches is evident among demographic groupings, with 6,000 residents per branch in urban regions and 24,000 in rural areas. Of the 640,000 villages, bank branches offering comprehensive services are present in only 34,000 villages, while an additional 73,000 villages have lately been included under the Business Correspondent concept. Over 500,000 communities remain unbanked due to structural and operational challenges, including infrastructure, distance, prices, and viability. Despite comprising 830 million of

the nation's population, rural India accounts for a mere 9% of total deposits and 8% of advances, which is significantly lower than its urban equivalent. The lack of banking services in villages leads to the proliferation of informal financial markets, which are plagued by numerous deficiencies, including exorbitant credit costs under exploitative conditions, the risk of losing valuable savings due to unscrupulous operators, and excessive delays in fund transfers and account settlements. Consequently, financial exclusion not only exacerbates the 'Rich-Poor split' but also results in 'Social Exclusion'.

Digital Banking Revolution in Rural India: Bridging the Financial Gap

Individuals residing in rural areas often find it challenging to visit branches situated in remote locations due to constraints of time, money, and opportunity. Consequently, it has prompted banks to engage customers via various technology-driven delivery channels, including Micro ATMs, Biometric ATMs, Mobile ATMs, and Smart Cards, as these options are more cost-effective than traditional banking structures. The introduction of ATMs has significantly transformed the Indian banking sector, resulting in a marked enhancement in the delivery of banking services, and within a few period, the number of ATMs has surpassed that of conventional branches.

1. Micro ATMs: Despite significant advancements in the ATM network, the availability of ATMs in rural regions remains severely restricted. Banks are reluctant to construct ATMs in rural and semi-urban areas due to substantial investment costs and low transaction volumes. To ensure the viability of ATMs at these sites, it is essential to implement low-cost ATMs equipped with fundamental functionalities, including cash withdrawal and balance inquiry. It is convenient and cost-effective for customers compared to visiting the nearest bank branch.

2. Biometric ATMs: The deployment of ATMs in rural regions may not achieve its intended objective unless utilized by illiterate or semi-literate individuals, who are predominantly found in unbanked areas. The current ATMs are not utilized effectively by rural residents due to complications linked to PINs and passwords. The introduction of biometric ATMs facilitates seamless services, as these devices operate via thumbprints and understand voice commands in local languages.

Mobile ATMs are vehicles equipped with ATMs that travel to designated locations at scheduled intervals to offer doorstep banking services. This latest generation of ATMs incorporates biometric authentication methods such as fingerprint verification and voice-guided animated screens with touch-enabled transactions. Mobile ATMs can facilitate account openings, providing significant advantages to residents of unbanked areas.

The Reserve Bank of India and the Government have recently initiated measures to legalize white-label ATMs, enabling third-party service providers to establish additional ATMs in off-premises locations such as residential complexes, hospitals, tourist attractions, bus terminals, and railway stations. These ATMs will not be affiliated with any specific bank but will be owned and managed by independent service providers. This program would allow marginalized groups to access ATM services, as the bulk of ATMs are now limited to urban and metropolitan areas. Nevertheless, service provider levy charges are to be borne either by the Bank or the consumer.

4. Smart cards : State governments are currently exploring the utilization of smart cards linked to bank accounts for pension payments and disbursements under the Rural Employment Generation Program. The smart card offers biometric authentication, which aids in mitigating fraud and verifying client identity. To promote the use of smart cards, all short-term agricultural loans and disbursements of social security systems would be conducted via smart cards.

M-wallet is an advanced iteration of Mobile Banking, functioning as a prepaid account managed via a mobile device, utilized for minor transactions, remittances, bill settlements, and cash withdrawals. Telecommunications companies are significantly advancing this concept through strategic partnerships with banks, serving both as service providers and business correspondents. The new study indicates that cost-effectiveness is a primary advantage of mobile banking, with mobile transactions costing approximately 2% of branch banking, 10% of ATM transactions, and 50% of internet banking costs.

4. T-Banking: Nowadays, it is uncommon to find a household devoid of a television. It has emerged as one of the most economical means of disseminating information and providing pleasure to the public. Banks may utilize the existing cable network to expand banking services to a large proportion through this non-branch service delivery method.

Rural banks in India remain in an evolutionary phase within the banking sector. This study elucidates the concept and expansion of online banking in rural regions. The primary aim of the research is to examine the role of online banking in rural areas.

6. LIMITATIONS

The researcher has identified the following constraints.

1. The research investigation has been conducted using selective secondary materials.

2. Only certain journals, papers, and articles have been employed.
3. It possesses certain temporal limitations.
4. This research report may be subject to further updates in the future.

7. CONCLUSION

The rural populace plays a vital part in the development of the nation's economy. Consequently, banks are increasingly offering banking services to rural regions, which constitute 61.35 percent of India's total population. A robust banking system in these areas will enhance and elevate the Indian economy from its foundational level, while also enabling the rural populace to engage and contribute to the nation's economic development.

The emphasis of banks has transitioned from well-structured urban centers to rural banking platforms, as the majority of banks have become technology-enabled. Additionally, various banking committees have mandated that all Indian banks establish at least one-fourth of their new branches in rural areas. The significant increase in operational expenses for public sector banks has created substantial challenges in establishing and maintaining viable rural banking operations.

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