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E-Banking Facility And Its Impact On Rural Segments-India

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ABSTRACT:

E-banking is viewed as bringing technology-based banking services for 24x7 to its clients. The changing global situation is encouraging banking sector to adopt this latest technology. Banks are also concerned to bring value-based services with the help of innovative electronic and telecommunication technology. Our country has a wide-ranging network of bank branches in rural zones. Many of them are commercial banks, the main aim of this widespread growth of bank branches in rural India is financial inclusion. We cannot overlook rural parts of India because regional discrepancy is also one of the weaknesses of Indian economy. The rural banking system is undoubtedly more inclusive of low-income families than those provided by the commercial banks. Even today, rural banks are at evolutionary stage in banking system in India. This paper clearly deliberates the concept and growth of net banking in rural segments. The main objective of research is to study the role of e-banking in rural areas.

KEYWORDS: e-Banking, Rural Banking, Clients, Financial inclusion, Regional Discrepancy.

INTRODUCTION:

As we know India exists in villages, nearly 70 percent of India's residents has found their living in villages and people in this area have half of Indian consumption. Now a days increasing urbanization and migration have attracted ruralists to colourful cities, it is predicted that 63 percent of India's population may live in rural areas by 2025. Thus, we cannot overlook the importance of rural economy. Rural areas will continue to remain important to the Indian economy. According to the 2020 census, there are 6,40,867 villages in India and about 85 crores of Indian population live in these villages among 140 crores of total population. Today, customers are considered as the celebrities for any economic organisation.

Even Consumer has awareness to workout his/her rights. Even rural customers are also not free from this. The rural markets have the possibility to reach 500 billion by 2020. E-banking is increasingly replacing the old-style branch banking system and is presenting advanced technology. Customer awareness is key element to bring the success to banking sector and also to increase the market share.

WHAT IS E- BANKING?

Electronic banking is defined as "the automated delivery of new and traditional banking products and services directly to customers through collaborating communication channels". E-banking which is progressively replacing the traditional branch banking system. Each bank attempts to satisfy customers because they are vital for optimal performance and financial returns. Even in rural segments customer awareness has become the crucial point. If rural customers are informed and encouraged to use latest technology the dream of cashless economy becomes true. With this initiation any bank can identify the key

success factors to survive in intense competition and increase the market share. Today, the idea of electronic banking has made 'anywhere and anytime' banking a truth.

Services Covered Under E-Banking

- 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 making better use of E-banking facilities to provide superlative service and to face cut throat competition at entire globe. The spread of E-banking is also significantly helping the normal rural customers.

Advantages of E-Banking:

E banking provides various attractive services for banks and customers. E-banking has made lives much easier and banking much quicker for both customers and banks.

- It saves time spared at banks
- It provides ways for global banking.
- It provides banking throughout the year 24/7 days from any place having internet access.
- It provides efficient cash management
- It provides convenience in terms of capital, labour, time and all the resources needed to make a transaction.
- Taking advantage of integrated banking services, banks may compete in new markets, can get new customers and grow their market share.
- It provides some security and privacy to customers, by using state-of-the-art encryption and security technologies.

OBJECTIVES:

E banking has become very much popular throughout the world. It has given customers easier, quicker and more reachable banking services. However, customers are also very much interested to practice E-banking offers. The main objective of the research is to know the benefits of e-banking to rural public.

Following are the main objectives of the paper

- To recognize the meaning of e-banking.
- To analyse the importance of Information & Communication Technology in Indian banking sector.
- To know the impact of banking technology in rural India.

METHODOLOGY:

The study mainly contains literature review from secondary data. The secondary data sources include RBI reports of the respective banks and other comparative information published in the journals and other internet sites. The study reveals that electronic banking practices are useful not only for the banking sector but also helps banks to run their business at lesser cost in rural areas.

BANKING TECHNOLOGY AND RURAL ECONOMY

Indian banking segment has regarded a complete transformation both in its operational and delivery of services. Today technology being the chief driving force for maintaining customer base and for attracting new customers, technology has allowed banking customers to get complete information from banks for anything and everything. As the improvement of technology has taken place with massive use of internet, mobiles and online bill payments banking sector in India has got a new surface altogether.

A. Banking Development in Rural India:

The banking industry has observed tremendous growth in volume and complexity during the last few years. In spite of making significant improvements in the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to reach and bring vast segment of the population, especially the deprived sections of the society into the pleat of basic banking services.

Group	Population (Crore)	Branches (in '000)	Per Branch Population	Share of Deposits	Share of Advances
Rural	83 (68)	34 (37)	24	9%	8%
Urban	38 (32)	59 (63)	6	91%	92%
Total	121	93	13	100	100

Source: Census 2020 and RBI Banking Statistics–Handout Dec`20

There is a constructive correlation between technology advancement and banking development in rural areas. Branch enhancement in rural areas and technology advancements such as ATMs, internet banking, mobile banking, NEFT, RTGS etc together play key role in determining the improvement of efficiency in banking centres and transparent services for customers.

Rural Banking is now a great chance and will be captured those who remove the current barriers of profitable scale. Skewed distribution of bank branches is observed across population groups with 6000 per branch in urban areas and 24000 in rural areas. Out of 6.4 lakh villages, the presence of bank branches with full-fledged services is available only in 34000 villages and recently another 73000 villages are covered under BC model. Still more than 5 lakh villages remain unbanked due to structural and operational issues such as infrastructure, distance, costs, viability etc. Though, rural India constitutes 83 crores of country's population, its share to total deposits (9%) and an advance (8%) is abysmally low compared to urban counterpart. Absence of banking services in villages is the cause to flourish informal financial markets which suffer from several inadequacies such as high cost of credit at exploitative terms, loss of precious savings on account of fly-by-night operators, inordinate delays in effecting transfer of funds and settlement of accounts. Thus, the financial exclusion not only enlarges the 'Rich-Poor divide' but also leads to 'Social Exclusion'.

B. Technology Based Banks in Rural India:

The people who stay in rural areas, many times are not able to pay or visit to branches located at distant places due to time, cost and opportunity. Therefore, it has initiated banks to reach out customers through a variety of technology driven conveyance channels such as Micro ATMs, Bio-metric ATMs, Mobile ATMs, and Smart Cards etc., because they are most cost effective as compared to traditional banking structure. ATM has brought considerable changes in Indian banking space with significant qualitative improvement in delivery of banking services and within short span the presence of ATMs outnumbered the physical branch network.

Micro ATMs: Though there is considerable improvement in ATM network, the presence of ATMs in rural areas is very limited. Banks are not keen to install ATMs at Rural/Semi Urban centres on account of high investment and low transaction volume. In order to make the ATMs viable at these centres, there is a need to deploy low-cost ATMs with basic features such as cash withdrawal and balance enquiry etc. It is

convenient and cost effective to the customers compared to pay visit to the bank branch located at nearby centre.

Biometric ATMs: The penetration of ATMs into Rural areas may not serve the envisaged purpose unless it is put to use by illiterates/semi-literates whose presence is predominant in unbanked areas. The existing ATMs are not put to use optimally by rural folk on account of PIN/Password related issues. Introduction of Biometric ATMs enable them to avail hassle-free services as these devices function on thumb print and recognize voice commands in vernacular language.

Mobile ATMs-In this model, ATM is installed in a vehicle, which would move to the pre-determined places at regular intervals to provide Door-step banking. These new breeds of ATMs also have biometric authentication mechanisms like fingerprint verification and voice guided animated screens with touch enabled transactions. Mobile ATMs can undertake opening of accounts, which has immense benefit to the residents of unbanked centres.

White Label ATMs-The recent initiatives of the RBI and the Government is to allow white-label ATMs, permitting third-party service providers to set up more ATMs in off-premises areas, which include residential complexes, hospitals, tourist destinations, bus stops and railway stations. These ATMs would not belong to any bank in particular but will be owned as well as maintained by independent service providers. This initiative will enable the excluded segments to avail ATM services as at present majority ATMs are confined to Urban/Metro areas only. However, service provider levy charges which are to be either bear by the Bank or the customer.

Smart Cards: State Governments are actively looking at making pension payments and disbursals under Rural Employment Generation Program using smart cards linked bank accounts. Smart card provides biometric authentication, which would help in reducing frauds and ensure identity of customers. In order to popularize smart cards, all agriculture short term loans and payment of social security schemes are to be dispensed through Smart Cards.

M-wallet is the further extension of Mobile Banking and it acts like a pre-paid account functioned through a mobile phone which can be used for small purchases, remittances, bill payments and cash withdrawals. Telecom players are playing significant role in taking this concept forward with strategic tie-ups with banks as service provider as well as business correspondents. As per the recent study, the cost effectiveness is one of the major advantages of the Mobile Banking, as the mobile based transaction cost is about 2% of branch banking, 10% of ATM and 50% of the Internet banking.

T-Banking: Today, we hardly come across a house without Television. It has become one of the cost-effective means to publicize information and to provide entertainment to the public. Banks may make use of the existing cable network to extend banking services to wide segment using this mode as non-branch service delivery channel.

Even today, rural banks are at evolutionary stage in banking system in India. This paper clearly discusses concept and growth of internet banking in rural areas. The main objective of research is to analyse the role internet banking in rural area.

LIMITATIONS

- 1 The research study has been done from selective secondary materials.
- 2 Only selective journals, papers and articles are been utilised.
- 3 It has some time constraints
- 4 There is the possibility of further updating of this research paper because of updates in future.

CONCLUSION:

As we know that the rural masses play a very crucial and significant role in building up the country's economy. Thus, banks are willingly providing more and more banking facilities to rural areas which comprise 61.35 percent of the total population of India. The presence of a robust banking system in the rural segments will not only improve and upthrow the Indian economy from its grass-roots level but also the rural population will have choice to participate and contribute in the country's economic growth.

Now the focus of banks has been moved from well-structured cities to rural banking platform as most of the banks have become technology enabled and different banking committees have made essential for all Indian banks to open at least one-fourth of their new branches in the rural areas. As the operational expenses of the public sector banks have shot up expansively, it has become a huge problem for the public sector banks to open and run them, making the rural banking profitable.

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