

DIGITAL BANKING IN RURAL INDIA: A CHANGING PARADIGM

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Abstract

The Indian banking sector has experienced significant transformations over the years, adapting its products and services to meet evolving needs. Digitalization has brought about numerous benefits for customers, enhancing convenience, cost savings, and income generation through various methods. In essence: Convenience of Cashless Transactions, Cost Savings, Income Generation Opportunities, Access to Financial Services, Personalized Financial Management and Efficient and Transparent Transactions. Digitalization has significantly improved the customer experience by making cashless transactions more convenient, contributing to cost savings, creating income opportunities, and providing enhanced access to financial services and personalized financial management tools. Digitization plays a key role in delivering high-quality services to customers by utilizing electronic and interactive communication channels. In simpler terms: Quality Services, Electronic Communication Channels, Interactive Engagement, Personalization, Efficient Transactions, Accessibility Anytime, Anywhere and Real-time Updates and Notifications. This research focuses on few factors affecting rural India in digital banking such as awareness about the digitalization of banking among rural people, availability of different services to be provided to the rural people and perception of people in adapting and surviving in digital world.

Keywords: digitalization, financial services, financial management, quality services, cashless transactions.

INTRODUCTION

The banking landscape in India has undergone a significant transformation with the government's push towards creating a cashless economy. The advent of revolutionary digital technologies and innovative ideas has paved the way for a new era in banking, with digital banking emerging as the new paradigm. This shift brings forth numerous advantages for the banking industry in India. Our contemporary world is defined by the pervasive influence of "Digitalization." The Indian government has taken a significant step towards this with the introduction of the Digital India Program, aiming to metamorphose the country into a digitally empowered society and knowledge economy. This digital wave has a profound impact across various sectors of the economy, and the banking sector is no exception.

The shift towards digital banking in India represents a positive evolution, bringing about greater efficiency, accessibility, and innovation in the banking sector while aligning with the government's vision for a cashless economy. Traditional banking requires substantial investment in physical branches, leading to high infrastructure and operational costs. On the other hand, digital banking operates electronically, cutting down on these expenses and making transactions more cost-efficient for both banks and customers. Transitioning to a cashless economy decreases reliance on paper currency, promoting environmental sustainability. Digital transactions, with their smaller ecological footprint, are more environmentally friendly compared to the manufacturing and disposal processes associated with physical currency.

Digital banking offers customers the flexibility to manage their finances anytime, anywhere, leveraging the convenience of smart phones and internet banking. This eliminates the necessity for physical visits to a bank branch, providing a seamless and accessible way for individuals to handle their accounts and conduct financial transactions. It is also an instrument in promoting financial inclusion by extending banking services to remote and underserved areas. With the accessibility of mobile banking and digital wallets, individuals who were previously excluded from traditional banking now have the opportunity to engage with the formal financial system. It also encourages innovation, enabling banks to unveil new and tailor-made financial products and services. This encompasses personalized budgeting tools, investment platforms, and additional services that address the varied needs of customers. When we talk about transfer of money or transactions among the

accounts, digital transactions are faster compared to traditional methods, facilitating quicker and more efficient financial operations. This is especially advantageous for businesses and individuals in need of swift and seamless fund transfers.

Customer awareness and satisfaction play a pivotal role in the success of any bank. With minimal distinctions in the financial services provided by banks and rapid advancements in new-age banking services, customer attitudes become crucial. The competitive landscape is characterized by both national and international players striving to match and surpass each other's offerings in the financial sector. In essence, customer perceptions and satisfaction are key determinants influencing the competitive positioning of banks in a rapidly evolving market.

REVIEW OF LITERATURE

Vivek Kumar Sindhi, (2023) in his study has focused on how banking system adopted digitalization from traditional practices to modern system. He also discussed about the accessibility of services, efficiency and innovation in banking services being provided by the banks to every individual.

Kusuma K.M, (2020) in her research has explained the concept of digitalization and the program initiated by the Government of India i.e. Digital India Program with a vision to make India digitally empowered.

Amudhan, S., Banerjee, S., & Poornima, J. has emphasised on information technology by banks reflects a strategic move to enhance customer service and has also focused on the banking services or bank related work through different forms by saving time, digitally doing the transaction.

Shanmugapriya, M. B., & Lakshmirani, A. (2021) in their paper has focused on modern activities besides their traditional business activities, banks now also fulfill economic obligations, contributing to the competitiveness of the industry. Economic growth and reforms have intensified this competition, leading to the offering of diverse products and services to customers. Increased awareness among customers correlates with a rise in their preferences. Banks cater to the needs of various sectors, including agriculture, industry, and trade, thereby fueling a country's economic growth.

Kaur, S. J., Ali, L., Hassan, M. K., & Al-Emran, M., (2021) in their study has focused on the communication with customers and providing them with the information about digital banking and its services. They also focused to fill the gap and create a bridge so that customers accept digitalization and can avail services regarding the same.

Resmi B Dr. R Sathyadevi, (2018) in their research has discussed about banking sector that has undergone a transformative shift towards e-banking due to technological advancements, leading to challenges and opportunities. E-banking enables customers to access services electronically, reducing reliance on physical branches and paper transactions. Electronic Fund Transfer (EFT) utilizes computer and internet technology, allowing customers to manage accounts through cards or codes. The study focuses on assessing the awareness of e-banking in Palakkad city, considering the evolving landscape of electronic transactions and the shift away from traditional banking methods.

RESEARCH OBJECTIVES

1. To study the level of awareness about digital banking in rural India.
2. To measure the perception of people regarding digital services provided by banks.

RESEARCH METHODOLOGY

The research study is based on secondary data from journals, articles, and online data. The primary goal of the current study is to identify the factors that shape customers' preferences for digital banking services as opposed to traditional banking methods. In simpler terms, the study seeks to understand what influences customers to choose digital banking over traditional alternatives.

DISCUSSION AND CONCLUSION

E-banking, or electronic banking, has indeed evolved into a global phenomenon with far-reaching implications for the financial industry. Its significance is evident in various aspects, contributing to progress, growth, modernization, and fostering competition. Here's a breakdown of how e-banking plays a crucial role in these areas:

E-banking marks a substantial advancement in the evolution of banking services, propelled by ongoing technological progress that brings forth innovative features, enhanced security measures, and improved user experiences.

The banking sector has undergone a significant transformation over the years, with technology playing a dominant role. In the past, customers had to physically visit the bank, enduring long queues, to perform basic transactions such as withdrawing cash, requesting a statement of account, or transferring funds. Recognizing the challenges faced by customers, banks have taken proactive steps to alleviate these difficulties by embracing new technologies and introducing digital banking services.

The advent of digital banking has revolutionized the way customers interact with their banks, offering a more convenient and efficient alternative to traditional banking methods. This shift is characterized by several key changes:

Customers can now conduct a wide range of transactions from the comfort of their homes or offices. The need for physical visits to the bank has been significantly reduced, saving time and effort for customers. Digital banking services are available round the clock, providing customers with unprecedented access to their accounts and financial services at any time. The introduction of mobile and online banking applications allows customers to manage their accounts using smart phones and computers. This flexibility empowers users to check balances, transfer funds, and perform various transactions on the go. The widespread deployment of ATMs facilitates cash withdrawals and other basic transactions without the need for a visit to the bank branch.

Digital banking promotes paperless transactions, reducing the environmental impact and streamlining processes for both customers and banks. Banks have invested in advanced security measures to protect customer data and ensure secure online transactions, building trust in digital banking services. The integration of technology has allowed banks to introduce innovative financial products and services, catering to the evolving needs of customers. Digital banking has proven to be cost-effective for both customers and banks, reducing operational costs associated with traditional brick-and-mortar branches. Customers receive real-time updates on their account activities, enhancing transparency and providing greater control over their finances. The adoption of digital banking empowers customers, giving them more autonomy and control over their financial transactions. The shift towards digital banking services represents a paradigmatic change in the banking sector. It not only addresses the challenges customers faced in the past but also aligns with the broader technological trends, offering a more efficient, accessible, and customer-centric banking experience. This evolution is a testament to the banking industry's commitment to leveraging technology for the benefit of its customers.

In essence, it's not just about making customers aware of the existence of digital banking services, but rather about fostering a comprehensive understanding of the benefits, security measures, and user-friendly aspects of these services. The following points elaborate on this perspective:

Merely creating awareness about digital banking is not enough to encourage customer adoption. Successful implementation relies on making substantial changes in the operational processes. The key to success in this transformation lies in the clear and transparent communication of technological advancements to customers. In simpler terms, informing customers about digital banking is just the first step; the real shift happens when the implementation process is restructured to align with customer needs and expectations. This involves not only introducing digital services but also ensuring that customers understand and trust the new technologies being implemented. Effective communication becomes the bridge between technological advancements and customer acceptance, making the transition smoother and more successful.

Different factors are affecting the awareness of digital banking among people.

Level of Education and literacy

People with higher levels of education and literacy are more likely to be aware of and adopt digital banking services. This correlation arises from the fact that individuals with advanced education tend to possess the skills and understanding necessary to engage with digital financial tools. The inclination to adopt these tools is higher among those who are well-versed in technology and have the ability to comprehend the benefits and functionalities of digital banking. In simpler terms, education serves as a facilitator for increased awareness and adoption of digital banking services, highlighting the role of literacy in navigating the complexities of modern financial technology.

Access to technology

The level of awareness about digital banking services is significantly influenced by the availability and access to technology, specifically smart phones, computers, and the internet. Regions or areas with limited access to these technological resources may experience lower awareness levels because residents lack exposure to digital banking services. In essence, the degree to which people can access and use digital devices and the internet plays a crucial role in shaping their awareness and understanding of digital banking options. Limited access to technology often translates to a reduced familiarity with and utilization of digital financial services.

Income level

Individuals with higher income levels are more likely to be aware of digital banking services because they possess greater financial resources, enabling them to access digital devices and explore a wider range of financial services. In simpler terms, a higher income correlates with increased awareness of digital banking, as those with more financial means are better positioned to afford and utilize the technology required for digital financial interactions. This relationship emphasizes the role of economic factors in influencing the level of awareness and adoption of digital banking services.

Age demographics

Younger generations generally exhibit higher levels of digital literacy and a greater openness to adopting digital services. In contrast, older demographics may be less familiar with technology, leading to lower awareness of digital banking options. Essentially, the age factor plays a significant role in shaping individuals' comfort and familiarity with digital technologies, influencing their awareness and likelihood of embracing digital banking services. The younger population's inherent digital fluency contributes to a more natural acceptance and utilization of digital financial tools compared to their older counterparts.

Promotional Efforts by Financial Institutions

The success of digital banking awareness is heavily influenced by the marketing and promotional strategies implemented by financial institutions. Effective communication and outreach campaigns play a pivotal role in improving public understanding of digital banking options. In simpler terms, how well financial institutions convey information about their digital services directly affects the level of awareness among the public. Clear, targeted, and well-executed marketing efforts contribute significantly to enhancing the understanding and recognition of available digital banking options.

Word of mouth and social influence

Word of mouth recommendations from friends, family, or community members have a significant impact on raising awareness about digital banking. Positive experiences shared through informal communication channels contribute to building trust and generating interest in digital banking services. In essence, when individuals receive positive feedback from their social circle regarding digital banking, it fosters a sense of trust and curiosity, influencing their awareness and willingness to explore and adopt these financial services.

E-banking, or electronic banking, plays a pivotal role in advancing financial inclusion by reaching out to a broader population, particularly in remote or underserved areas. This digital approach enables financial institutions to offer a variety of financial products and services through electronic channels, acting as a catalyst for expanding their customer base and driving overall growth. By leveraging technology, banks can overcome geographical barriers and provide convenient access to banking services, empowering individuals who may have been previously excluded from traditional banking systems. This not only enhances the reach of financial services but also contributes to economic development by fostering a more inclusive and accessible financial landscape. In essence, e-banking serves as a powerful tool for promoting financial inclusivity and driving the expansion of banking services to diverse segments of the population.

E-banking has become a transformative force in the global financial landscape, bringing about progress, fostering growth, driving modernization, and intensifying competition. As technology continues to advance, the role of e-banking is likely to expand, shaping the future of how financial services are delivered and consumed.

CONCLUSION

In conclusion, the Indian banking sector has undergone substantial transformations, leveraging digitalization to offer enhanced services to customers. The benefits include the convenience of cashless transactions, cost savings, income generation opportunities, improved access to financial services, personalized financial management, and efficient, transparent transactions. The digitization efforts have significantly elevated the overall customer experience by emphasizing quality services through electronic communication channels, interactive engagement, personalization, efficient transactions, and accessibility anytime, anywhere with real-time updates and notifications.

However, this research specifically addresses the unique challenges faced by rural India in embracing digital banking. It focuses on key factors such as the level of awareness about digitalization among rural populations, the availability of diverse services tailored for rural needs, and the perceptions of people regarding adaptation and survival in the digital world. Understanding these factors is crucial for crafting strategies that effectively cater to the specific needs and challenges of rural communities in the context of digital banking.

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