

Challenges of E-Banking System In Reaching Rural Customers

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ABSTRACT

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). Banking sector being the forefront of the economy has ventured into many innovative services to cater the need of these non-urban residents and e-banking is one of the most splendid offers in this context. Because of the advent of information technology there is a change in the banking sector which has paved way for the introduction of retail electronic payment system and has progressed in the recent years in various countries and India has left no way behind. Implementation of internet in banking system has modernized the banks. E-banking has alchemized the conventional way of banking through providing countless benefits to its users. But the adaptability of e-banking in rural areas is not in consensus with the proliferate growth of e-banking observed in other areas. In this context the present paper attempts to explore different factors that might be interrupting the burgeoning development of e-banking in rural areas.

The objective of the paper is to examine and analyse the progress made by the internet banking in India. The paper details the challenges faced by e-banking system in reach out the rural people, and attempts to give some suggestions 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.

1. Introduction

During current decade 2001-11 the growth rate of population in India as a whole as well as in rural declined as compared to the last decade 1991-2001. However in urban area the same has shown the upward trend. One of the primary reasons for such a trend is migration from rural to urban areas (Census 2011). The urbanization is primarily due to the non-availability of basic (including financial) facilities in these areas. Regulatory authorities of India have initiated many steps to mitigate the problem and provision of click banking services is one of the most dynamic expedient in this direction.

2. The cashless economy and its impact in rural India

Reserve Bank of India (RBI) report (2016) on branch authorization policy classified 93% of rural centres in India as unbanked, with the population dependent on roving banking correspondents and on distant urban or semi-urban branches. Access to the internet is equally patchy, with only 3% of households in underdeveloped rural areas reporting access to internet in a 2016 consumer economy survey. India is said to be the world's fastest growing major economy. India in terms of per capital GDP (Gross Domestic Production) is higher ranks in the inclusiveness index. But this growth rate alone is not sufficient to ensure that the dividends of development reach the masses. Most of the economists suggest that by implementing cashless economy effects agricultural growth in the country which will hurt small industry and it will hurt all those people who are in the informal sectors of the economy. 90 per cent of our people work in the informal sector, 55 per cent of our workers in agricultural and oriented industries are reeling in distress. The co-operative banking system, which serves large number of people in the rural areas, is non-functional and has

been prevented from handling cash. All these measures indicate that there is a management failure for implementation of cashless economy.

Cashless economy in India is immense. One, it will save a huge amount of money that is spend annually in printing and maintaining currency. Most importantly it will help the Government achieve its objective of inclusive growth (through financial inclusion) and make public utilities more efficient. However, to move towards a cashless economy, the important role of network effect and creation of a critical mass cannot be ignored. Therefore, at least in the initial stages, steps have to be taken to help build the critical network size. The current draft indicates some of those steps.

E-banking has alchemized the conventional way of banking. It provides countless benefits to its users like 24x7 availability, better accessibility, saving in transaction cost saving, quick operations etc. Undoubtedly e-banking 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 suiting to the need of the customers. According to a recent study, it is found that rural customers are quite satisfied with the provisions of updating, accuracy of transactions and convenience. However, they were not found to be much satisfied with the regulatory mechanism and compensation given in case of fraudulent attack by unauthorized person or error by bank. Further they expect better services should be provided for differently able persons. As per the last census it is found that more than 60% of surveyed rural population comprises of non-graduates and approximately 72% feel uncomfortable in transacting with e-banking because of

language problem. Most of them were also not aware of multi-language provision in e-banking.

E-Banking: E-Banking is knowledge based and mostly scientific in using the electronic devices of the computer resolution through the extensive use of IT without direct resources to the bank by the customers. IT refers to performing basic banking transactions by the customers round the clock globally through electronic media by sitting at their office or at homes through PC or LAPTOP. The customers can access the banks website for viewing their account details and perform the transactions on account as per their requirement. Modern banking is more information based speedy & boundary less due to the impact of E-Revolution. Electronic banking, also known as electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash.

Evolution Of E-Banking in India: Internet banking, both 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. India can be said to be on the threshold of a major banking revolution with net banking having already been unveiled.

3. Problems of providing financial services in rural India

Providing financial services to rural India is very expensive and complex as distance, limited roads, poverty and literacy comes as obstacle in between. Non-availability and inadequate communication have limited the number of people who have access to and use formal financial services, especially those who are very poor or live in rural or remote areas, have been clearly left out of the formal banking system or financial service. Under the circumstances, many rural folks fall in the trap of local money-lenders and get exploited.

In rural India people are poor and literacy rate is very low, how can we expect person to operate a website and remember their Username and Password and keep them confidential. In India where 700 million people live in 6,00,000+ villages it is really costly to set up IT infrastructure in every village to support e-banking and more over it is really difficult to explain them usage of e-banking as they don't have much money to deposit and whatever they earn they are getting it in cash. Moreover in the village area where per capital income sometimes is as low as Rs50/- per day, which they are getting in cash, how it is to be delivered to them. In case we try and place one or two ATM machines there, they will be of little use for them, as whole processing or interaction is in English language and only literate people can do this. Moreover bank employee in the rural area is not so confident with the computer. So more training should be given to the bank employees of the rural area. But they are not ready to accept the change and think that training is not very useful. Also network connectivity (availability of internet) is major problem in these CBS (Core Banking Solutions) branches. Moreover people in rural areas are very anxious about validity of such transactions, while using these facilities, because they have so many questions related to security in their mind like loss of money, privacy of information and frauds etc.

Innovation is the answer to reduce cost and security aspect between sustainability and reaching the rural India. Now it is the time when we have to think how innovations in information and communications technology can contribute to expand the frontiers of formal financial services.

4. Challenges in adoption of e-banking in rural areas

- E-banking is covering following challenges in the banking industry of rural areas.
- E-banking are facing challenges of Illiteracy and lack of computer knowledge and lack of internet confidence.
- E-banking are facing challenges of limited trained employees and improper use of technology.
- E-banking are covering challenges of trust, because the rural customers are not habitual, they want to have banking receipt.
- There is a lack of poor communication infrastructure, weak telecommunication; weak internet signals are the major challenges in the rural areas.
- Legal and security is the most crucial part of E-banking lacking security measures, lack of rules, regulations and cyber law.
- In E-banking mode of communication is only English, English language is the main hurdle to accept new things particularly in rural regions.
- E-banking is concern of economical mode, but in India average income per person is low so not able to achieve good communication equipment, because they needed heavy investment for develop infrastructure of internet services.
- E-banking faces service threat, that risk factor are associated with the part of client and host.

5. Resolving Measures

To use internet banking, it is very important or initial requirement that people should have knowledge about internet technology so that they can easily adopt the internet banking services for that purpose the following efforts could be taken by the concerned agencies.

Providing Financial and Computer Literacy:

Financial literacy and education play a crucial role in financial inclusion, and inclusive growth. A study reported that there is significant impact of financial literacy on use of internet banking, If rural customers are financially educated they will be able to use new online services and change their traditional way of banking.

Various government institutions like RBI, SEBI, IRDA, and BANKS should take more efficient initiatives on financial and computer education in the rural areas.

Providing for infrastructure and development:

Government could make huge investments for developing network and information infrastructure for promotion of e-banking in rural areas. More attention should be given on appropriate network information infrastructure facility. And arranging for adequate no of ATM centres and consumer

grievance redressal centres. And should provide for telecommunication; strong internet signals in the rural areas.

Arranging for tutorial and training programmes :

To mitigate the fear of losing the money due to phishing or any other type of fraudulent attempt by unauthorized person better knowledge may be provided to them through training programmes. And may establish an innovative consumer support solutions for e-banking and train branch staff to guide the rural customers in using internet banking. And may provide knowledge through seminar and workshops on the usage of e-banking especially for those who are computer illiterate, to boost up the e-banking.

Advertisement & Public awareness campaigns:

E-banking should create and attract consumer attention to internet services through better marketing and advertisement. Inform the rural consumer about features advantages and benefits of internet banking especially its convenience. Providing consumer reassurance and information regarding trust of e-banking activities improve application security and privacy of the e-banking.

Encourage the banking agencies:

The government may encourage the public and private sector banking companies to establish their branches and facilitate the rural customers, by providing subsidies, incentives and tax benefits.

Removing the fear of insecurity in internet banking:

We should remove the fear of insecurity in using internet banking by assist the rural consumers in developing secure internet banking practices and risk management procedures so that enhancing the e-banking security measures. And to assist and reduce the difficult streamline set up procedures and provided set up support to promote e-banking facilities in village areas.

Eradicate the communication barriers:

In order 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 publicized. Further through using good interpersonal relation with customers and proper answering to their doubts, banks can motivate them to use e-banking as their primary banking channel.

Providing for more facilitating equipment:

The availability of bio-metric and voice-call system for making transactions through e-banking like while using ATM may have magnifying results for securing patronage of rural customers particularly that of illiterate section. And can provide new mobile applications for making easy bank transaction.

6. Conclusion

In this study, I reached and believed that the e-banking is an essential tool for transparency, accountability, reduction of fraud and more importantly economic growth and development. In India Government has taken more initiatives to build-up use of the roadmap of e-banking. The utility of smart phones, personnel computers, laptops and internet connection are tremendously increasing it indicates people are using online services. Most of the banks have their mobile apps and people handling most of their transactions through online services, it reveals that as the scope of e-banking are enhanced. In the coming year, e-banking will not only be acceptable mode of banking but will be compulsory preferred mode of banking. At the same time to achieve this, it is suggested that in order to face the challenges in terms of e-banking services in rural areas, the government and the banking system should take measures to increase awareness about the adoption of safe and secure e-banking.

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