

A Literature Review on Impact of Digitalization on Indian Rural Banking System and Rural Economy

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ABSTRACT

The main objective of this paper is to review and summarize various studies which were made by different researcher of different location across India on the Impact of digitalization on rural banking system of India. The impact includes the awareness about banking system among rural people, their perception towards banking system and how this digitalization in banking improves the rural life. Indian Government took a mission to transform society and make a new digitalized society. Digitalization is having an impact on Indian economy and as well as rural banking sector. The main focus of this review paper is to analyze the studies and outcomes of researches done by different researcher on how digitally empowered economy make impacts on rural banking system and as well as rural economy of India.

1. Introduction

This literature review will provide a overall picture of gradually development of banking awareness among rural people of India and with the introduction of digital banking how much it is impactful on the daily life of rural people and a important part of rural development. It will be helpful for further study about the related matter. The review of past researches in the related area gives finding to the researchers and they concluded how they can carry out the study further in that particular area. Digital banking and digitalization is having a contribution towards banking product and service related issues of the customer. As India is moving towards a cashless economy after demonetization and digitalization, emphasis on e-banking transactions provide substantial benefits to the consumers. Review presented below includes literature related to perception of customers about digital banking and their awareness and Rural development after digitalization of the country.

2. Objectives of Literature Review

Primary objectives of this review paper are as follows:

1. Analysis of the study, research, observation and outcomes made by different researcher in their research papers across India about the impact of digitalization on rural banking sector.
2. To understand the opinion of researcher in their various reports about efficiency of rural banks and banking habits of rural customers post digitalization.
3. To identify the role of digitalization on rural economy through banking.

3. Digitalization and Banking

Digitalization is nothing but computerization of physical data used for various tasks for better handling of jobs in less time. Digitalization gives a sense of development and integration of technology into day to day life. Banking is a part of daily life of society. Digitalization in banking is to convert physical data in to digital form and make banking more convenient for people. Digital Banking therefore can be viewed

as changes in internal operations by adopting technologies to maintain external relationships by providing customer services efficiently [1][2].

4. Review of Literature on the studies that satisfy the stated Objectives of the Paper

1. Perception of Digital Banking System & Banking habits in Rural India

1.1. In 2013, Dr. Chilumuri Srinivasa Rao conducted a study about awareness of consumers in rural India with special reference SBI e-banking services. By providing basic banking services and facilities bank like SBI can be successful and more profitable. Author suggested Bank should prioritize the protection of rural customers by strengthen security mechanism. They should introduce transparent fee structure of e-banking services for better understanding of the consumers [3].

1.2. In 2015, Dr. A Vinayagamoorthy, M Ganesan conducted a study on rural consumers of Salem district to understand their perception about internet banking. Internet banking is a useful tool for more effective customer service and their satisfaction. In their study Authors suggested that as Men are much aware than women and awareness are more among young educated people so bank officials must create awareness among Women, aged people and less educated people. They also concluded that with the change of the industry and technology Bank must keep them updated to avoid any major consequences [4].

1.3. In 2015, P.Vidyapriya and M.Mohanasundari conducted a study about responsiveness of rural customers about products related to banking technology in rural south India. With the new development in technology banking industry come up with new banking products, banking services and delivery channels. Author concluded that adaption of banking services in rural India still not very open wide. They suggested to get rid of this issue bank can develop websites to address security and trust factor.

Awareness about technology products can change the scenario of rural India [5].

1.4. In 2016, Dr. B. Maheswari conducted a study to find customer perceptions in rural area about banking habits. Customer's demographic and socio economic status influences the banking habits and their perception about banking service parameters. It was found from study that maximum percentage of people is having relationship with nationalized bank. They rarely do any transaction with bank but max people are more interested in dealing with bank through ATM [6].

1.5. In 2017, Dr. KA Rajanna conducted a study to understand the perception of rural costumers about online banking. Evolution in online banking started with ATM, direct bill payment, EFT etc which makes banking faster and more convenient for the customers. He concluded in his study that rural customers used to face problem while using online banking due to lack of awareness and fear of theft of their personal details. Author suggested that before introducing online banking in rural area banks should mentally prepare rural customers for Online banking by providing proper guidance and training to them [7].

1.6. In 2017, Panda, S. K. and Dr. Misra, D. P conducted a study in selected districts of Odisha about customer perception about e-banking. E-banking is the use of internet as a channel of banking services from customer convenient place. It reduces long banking hours of the customers. Now e-banking has been adopted by the Gramin banks to provide services to the rural customers. Author stated that this is a era of IT revolution and rural banks and gramin banks adopted e-banking facility to maximize customer satisfaction which is a win-win situation for rural customers as well as rural banks[8].

1.7. In 2018, Dr. K.A Rajanna conducted a study about perception and customer awareness towards cashless transaction. Cashless economy is such an economy where financial transactions are made without physical currencies. Only 5 % transactions are made electronically which is relatively low. Author found that socio economic conditions are major factor for cashless transactions. Literacy rate, occupation, income of the family is directly related to this. He suggested that government should encourage alternate rural banking models for cashless economy. Conclusion made from the research that people also wants cashless economy to fight against social problems like corruption, terrorism etc. but government to make sure about internet security to fight against online fraud [9].

1.8. In 2018, Dr. S. Yuvaraj, Sheila Eveline. N conducted a study about perception of consumer about cashless transaction IT security of digital economy. In economy like India, Physical currency is the king of the economy. Soon the scenario will be changed with the rapid increase of cashless transactions and digital payment. But digital payment also having a risk factor of online fraud and financial information disclosure to unauthorized person. Author stated that usage of smart phones and internet access had mad cashless transactions simpler. He

concluded that usage of debit/credit card is more among users. Mobile wallets are also becoming popular for cashless transactions. Government provided Digishala which is user guide for digital transactions and spread awareness on IT security while doing cashless transactions [10].

1.9. In 2018, V.Rengarajan & V.Vijayanand , Dr.N.Kogila, M.Velavan, M.Arthi & M.Chandramouli conducted a comparative study about usage of digital payments between private and public sector bank customers. Authors found from the study that most of the respondents belongs to urban area whereas rural and semi urban people are less aware about the fact. They also found that demographic and socio-economic is a common factor. Private employees are more responsive and salaried people are much more aware than business persons. They concluded that private banks play an important role in digital payments introduction to the citizens [11].

2. Impact of digitalization on rural banking sector

2.1. In 2018, Raghavendra Nayak conducted a study to find issues and challenges in rural India after digitalization in banking. Author in his study found that there are multiple issues in the way of implementation of digitalization in rural India like literacy, infrastructural issues, less uses of smart phone by rural people, banking habits of rural people, customer perception towards technology based banking etc [12].

2.2. In 2017, Tukesh Kumar, Shwati Prdhi and Abhay Bisen conducted a study about the role of digital India in Rural part of country. Digital India has introduced various schemes to enhance rural industry.CSC (Common service Centres), MUDRA yojana etc. are these kind of schemes. Author concluded that High speed internet facility, Financial inclusion, e-banking, e-governance, digital locker system, e-education, e-health etc, are the outcome of digital India [13].

2.3. In 2017, S. MD. SHAKIR ALI, MD. WASIM AKHTAR, S. K. SAFIUDDIN conducted a study about challenges of digital payments implementation in rural India. Many digital wallets like paytm, payzap, BHIM; UPI has been introduced to rural India as a part of digitalization. Authors concluded that though digital payments having huge opportunity in rural India economy but still there are multiple issues persist like Trust factor among rural people, rural people yet to adopt digital transactions instead of physical cash, cost of digital transactions etc [14].

2.4. In 2016, Surabhi Singh conducted a study on how impactful digital marketing is on Banking of rural India. Author has concluded that digital marketing makes bank automated and more technology based with a capacity of providing more efficient customer service but it has no such impact on rural people. Rural India is still very much comfortable with traditional banking. Usage of internet is quite less and awareness about digital marketing in rural banking is quite low [15].

2.5. In 2016, Dr. K. Priyadarsini, Dr. N. Vijayaratnam conducted a study about with digitalization how smart villages are in making of smart India. To make a city or a county smart a village need to be smart first. Indian villages are in real need of basic infrastructure like sanity, healthcare, education etc. A village containing all the basic facilities can be a smart village [16].

2.6. In 2015, Neeru Gupta Kawaldeep Arora conducted a study about Digital India is a road map for rural India development. Mobile applications, cloud computing are a part of digital technologies. Government take initiative to connect Indian rural economy to a technology based world. They concluded that with this digital India mission India will be a powerful digital economy where all government services will be available to the customers and more employment opportunities will arise. They concluded internet facility in village area can be a start point of making smart villages. Government made rural people understand the necessity of modernization [17].

2.7. In 2012, Laila Memdani conducted a study about overview of digitalization in rural India and its impact on rural economy. Being an agricultural country India is going towards technological development at a very fast rate. Author stated that evolution in ICTs (Information and communication technology) many of Indian small sector companies are enjoying the benefits. Cisco and BT established telephone based helpline to provide advice and guidance to the rural farmers about farming. Author concluded that though digitalization having lots of issues and challenges, rural people are ready to accept technological advancement [18].

3. Role of digital banking for rural economic development

3.1. In 2017, Dr. Ravi CS conducted a study about how digital payment system leads rural India towards cashless economy. As rural India is the most of the country's population so it is very obvious that it will have a significant impact on economic development of country. In villages people prefer fingerprints other than any security features while doing transactions. Author found that through this financial literacy increases among rural people. All government welfare activities linked to savings account is the most strategic step for rural development [19].

3.2. In 2017, Sheetal Thomas & G. Krishnamurthi conducted a study about whether a cashless economy in rural India is a reality or a dream. Author stated that agriculture primary income source of Rural India and this sector contributes the most for country's economic development. They suggested that cashless economy can be a reality if benefits of public distribution system can be received through electronic payment methods via bank account. Also if rural people getting receivables in cashless form through bank account they will use cashless instruments. They concluded that rural India has enormous opportunity as people are ready to accept changes. If one person start getting benefits through digital banking the other will follow soon [20].

3.3. In 2017, Ms. Priyanka Tanwar conducted a study to find that if financial inclusion happened through digitalization then it will be one step towards digital economy of India. Author stated that through financial inclusion bank wants to deliver banking services to weaker section and rural people of the society. She concluded that digital India is such a project through which Government can remodel the country and the society will be digitally connected and government will deliver programs and services through digital banking to the citizens. Through this transformation will happen in Indian economy and people will live a better life [21].

3.4. In 2016, Utpala Vanmali conducted a study about digital banking which can be a roadway to success. Banking has changed a lot from traditional banking methods through advanced technology and providing e-banking facilities to citizens of the society. Author stated that digital banking is reshaping the banking industry and e-banking penetration in rural area is increasing rapidly. Thus financial facilities are increasing among rural people day by day [22].

3.5. In 2016, Dr V. Basil Hans conducted a study about the initiatives taken during financial inclusion and its impact in India. Financial inclusion is an agenda for achieving inclusive growth in India. Through financial inclusion banking services can be delivered to low income group and rural people at an affordable cost. Author concluded that financial literacy played an important role in economic empowerment of rural people and low income group masses. He suggested strengthening the microfinance revolution to improve financial literacy and sustainability of masses [23].

3.6. In 2015, Gomathy M conducted a study about financial inclusion and its impact on rural development in India. Inclusive growth is not possible without financial inclusion in India. Accesses to banking services enable rural poor people to undertake financial activities and grow with economic empowerment. Rural people need financial services for purchasing agricultural inputs, veterinary services, make and receive payments, basic food, shelter, health, education etc. Author concluded that through RRB, co-operative banks financial services are now available with rural poor people. Banking progress in rural India providing opportunities to the banks to grow their business as well as bringing prosperity to the rural people [24].

3.7. In 2015, Gurpreet Kaur conducted a study the relationship between financial Inclusion, rural development and digital India. Through financial inclusion banking services are available with poor rural people at a low cost. Digital India is a step towards providing government services digitally to all the citizens. Through this banking habits will be increased within low income people. With minimum charges of banking services they will avail all government financial facilities which will in turn develop rural economy. Author concluded that digital India mission will fulfill the aim of financial inclusion [25].

5. Conclusion

So far various studies made by various researchers from different zone of the country has been discussed and rural banking habits, their perception about online banking or digital payment mode is being understood. Impact of digitalization and rural development through this has been discussed. Digital banking is having enormous potential to change the landscape of financial inclusion. With the features as low cost, easy of use digital banking can accelerate the integration of unbanked economy to the mainstream.

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