

Opportunities and Difficulties faced by Users in E-Banking: With Special Reference to Rural Areas of India

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ABSTRACT

The Indian Banking sector has undergone significant transformations in recent years, driven by advances in technology and growing demand for convenient and accessible banking services. The rural Indian landscape presents a paradoxical scenario, as 70% of the country's population is still away from e-banking. However, the advent of e-banking has opened up new avenues for rural Indians to access financial services and transform their lives. Fostering financial inclusion and bridges the gap between urban and rural India. E-banking offers rural users the opportunity to perform banking transactions from the comfort of their homes, access a range of financial products and services, and participate in the formal economy. The RBI also plays a crucial role in promoting and regulating e-banking services in the rural sector of India by setting guidelines, promoting digital literacy initiatives, overseeing security standards and encouraging banks to expand their digital reach to rural areas.

In rural India, where traditional banking services are often limited, e-banking has the potential to bridge the financial inclusion gap and empower millions of unbanked and underbanked individuals, thereby contributing to the overall socio-economic development of rural India. However, despite these opportunities, rural users face numerous challenges in accessing and using e-banking services, like limited digital literacy, inadequate infrastructure, security concerns, language barriers and trust issues, etc. This study aims to understand the opportunities and challenges faced by rural consumers in e-banking and also highlight the financial services which are being provided by e-banking to users living in rural India.

Keywords: E-banking, Rural India, RBI, E-Banking services, opportunities and Challenges.

INTRODUCTION

Digitalization has turned the world upside down. With the constant up-gradation of technology, all sectors have been benefited, the banking sector is no exception. E-banking has dramatically transformed the approach to finance and banking. As of FY 2023-2024, India has witnessed 18,737 crore digital transactions, making e-banking a cornerstone of India's financial ecosystem.

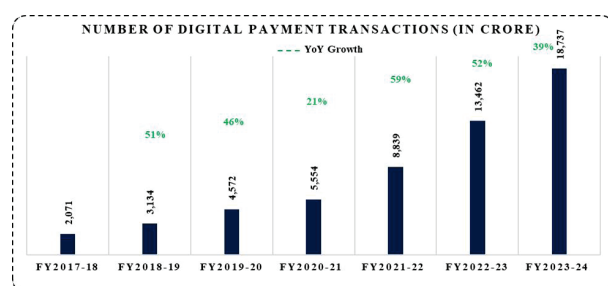


Figure 1.1

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The rural Indian economy has witnessed a significant transformation with the advent of e-banking, driven by advancements in technology. Traditional banking methods are limited by geographical constraints, inadequate infrastructure, restricted operating hours, limited access to financial services. The advent of technologies in banking has enabled rural inhabitants to utilise banking services from any location and at any moment.

E-banking: An overview

E-banking is a digital system, also referred to as online or internet banking and it delivers banking services and products remotely through digital platform, including the internet, mobile devices, and ATMs. The traditional way of banking has evolved due to the advent of internet, technological evolution, and competitive forces.

India's e-banking journey has been a remarkable success story, with the history marked by significant milestones, rapid development and technology innovation, transforming the way people bank and access financial services. The journey began in the 1980s, when RBI used the banking industry, laying the foundation for electronic banking. In the 1990s, ICICI Bank pioneered internet banking in India, launching its online banking platform in 1996. This groundbreaking

development paved the way for new chapter in Indian banking sector, with other banks soon following the path. The dawn of 2000s witnessed the emergence of mobile banking, with banks launching SMS-based banking services. In 2005, the National Electronic Funds Transfer (NEFT) system was introduced which further accelerated the growth of e-banking, enabling customers to transfer funds electronically. The implementation of the Real-Time Gross Settlement system made the settlement of large value transactions easier in 2004. While the form of digital payments was changed in 2016 with the subsequent launch of UPI which allowed customers to make payments and transfer funds using their mobile phones.

Today, with millions of consumers using mobile phones and the internet to access banking services, e-banking has become a crucial component of the Indian banking sector. Programs initiative of the Indian government like the Jan-Dhan Yojana and Digital India , have further accelerated the growth and development of e-banking, driving financial inclusion and knowledge of digital banking nationwide.

LITERATURE REVIEW

Dr. S. Kamalasaravanam and Akhil Fairooze (2023) did research on the effects of online banking in Malappuram district's rural areas. The purpose of this study was to examine the advantage and disadvantages of online banking in rural India. The impact of e-banking on rural areas in Malappuram district has been studied. Researchers looked at the opportunities, challenges and significant variables influencing rural citizens' usage of e-banking services, the benefits of online banking in rural regions and their adaption to it. According to this survey, ATMs are more commonly used in rural regions since they are convenient and save time.

Bhavesh J. Parmar et al. (2013) this paper examined and investigated the growth of online banking and its application among rural communities in rural regions. This study sought to explore the feasibility of internet banking in modern rural areas and concentrate on tendency in the landscape of rural banking. In this study, researchers compared the traditional banking with E- banking, found that majority of respondents were content with e-banking which offered diverse facilities and features with ease to use.

Archana Jaiswal and Roushan Roy (2024) This study examined the extensive impact of e-banking on rural communities, with a particular emphasis on its

adoption trends, financial inclusion strategies and resultant socio-economic transformations. It explored and collected data from rural e-banking services, customers, institutions and technology infrastructure providers through a mixed- methods approach, combining qualitative and quantitative techniques to gain a deeper understanding.

Dr. V. Dheenadhayalan and A. Yogalakshmi (2020) This paper, titled "Modern Banking Services in Rural Area", explored the awareness and adoption of modern banking services in rural areas. This paper found that

awareness about modern banking services like NEFT, Online and Mobile Banking, credit and debit card was relatively low among rural customers but only few services like ATM was popular among the rural consumers, the adoption rate of the same was relatively high. The authors identified various factors as significant influencers of adoption, but ease and convenience was the most influential factor. The study highlighted the challenges faced by rural consumers, including limited infrastructure, digital literacy, and security concerns. The researchers found that the vast majority of customers encountered security issues.

B. Radhika (2023) conducted a study to examine the digital transformation of Indian banking sector, which focused on its significance for countryside users. The researcher found that banks face several hurdles to provide e-banking services to rural communities, amongst which lack of awareness is the major concern among rural users. This study recommended that the government and banking sector should concentrate on financial literacy among farmers.

RESEARCH OBJECTIVES:

1. To identify the different types of digital banking services offered.
2. To understand the opportunities of e-banking for rural users.
3. To recognize the difficulties encountered by rural communities in utilizing e-banking services.

RESEARCH METHODOLOGY:

This study has been conducted only on secondary data.

For this research paper, data was collected from secondary sources, including websites, online journals, articles, and other online resources etc.

Role of RBI in E-banking

The Reserve Bank of India, as the top authority and leader of all nationalised banks in the country, established a 'Working Group on Internet Banking' to explore a facet of Electronic Banking (E-banking). The group has concentrated on three primary aspects of e-banking, namely technology and security concerns, legal matters, and regulatory and supervisory issues. As a result, the following guidelines are provided for banks to implement.

- **Technology and Security Concerns:** As the Group's report suggests, banks should appoint a network and database administrator with well-defined responsibilities. The Board of Directors should approve a bank's security policy. There should be a segregation of duties between the Security Officer, responsible for information system security, and the Information Technology Division, responsible for putting computer systems into place. Additionally, banks should educate their customers about new e-banking technologies and develop and implement new security check-up practices. Banks should also prioritize staying up-to-date with the latest security measures.
- **Legal Matters:** Banks have a fiduciary duty to maintain accurate and up-to-date records of their customers' transactions and accounts, both manually and electronically. To prevent legal risks, banks must ensure that customers provide comprehensive identification documents and undergo in-person verification during online account opening. Legally, the law should recognize and accept banks' security procedures for authenticating customers as a substitute for traditional signatures. Banks must have clear guidelines in place for customer stop-payment instructions. Additionally, banks are required to clearly outline the circumstances under which they will accept customer stop-payment requests.
- **Regulatory and Supervisory Issues:** Banks operating in India must obtain a license and undergo regulatory supervision to provide online banking services to Indian residents. Only account holders should have access to the bank's products and services, and account holders from other jurisdictions should not be able to use them. Indian banks operating overseas should be allowed to provide internet banking services, but it is necessary to designate a supervisory or regulatory authority to help prevent any illicit transactions.

E-Banking Services

Many types of services are covered under the umbrella of e-banking. Some of them are mentioned below:

Internet Banking:

Through the bank's websites, internet banking enables its customers to transact and carry out other financial operations. To make and receive payments and use a bank's online banking website, a reliable internet connection is necessary. Today, the majority of banks have started offering internet banking services. It is now among the most widely used online payment methods. Internet banking is accessible through all Indian payment gateways. Here, some popular ways to use online banking services include:

- NEFT (National Electronic Funds Transfer)
- RTGS (Real-Time Gross Settlement)
- IMPS (Immediate Payment Services)

Wireless Banking:

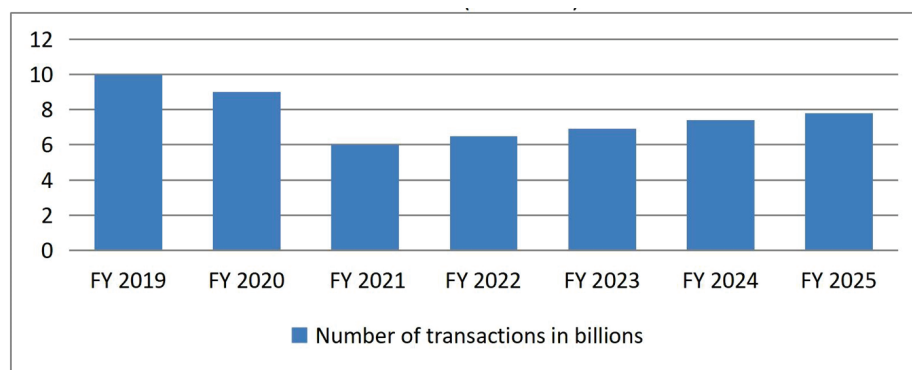
The term wireless banking describes using mobile devices to conduct transactions and other activities, usually via a bank's mobile application. It is also known as m-banking. Nowadays, a significant number of banks offer mobile banking applications that are accessible on portable electronics like smartphones and tablets, as well as occasionally on PCs.

The future of banking is here, and it's mobile. Wireless banking is also known as mobile banking. With its comfort, facility, and speed, wireless banking is transforming the banking sector. Wireless banking provides a comprehensive category of services, like digital payments, investments, bill payments, etc., all accessible via wireless banking channels under one hub. The banks incentivise customers to manage digital banking so that their banking processes become more convenient and streamlined.

ATM (Automated Teller Machines):

In the realm of e-banking, ATMs (Automated Teller Machines) play a vital role in providing users with easy, comfortable, and secure access to their own bank accounts. With e-banking, ATMs have evolved to offer a range of services beyond just cash withdrawals, including depositing cash and cheques, transferring funds, and more. In rural India, ATMs play a vital role in promoting e-banking services, particularly in areas where internet penetration and digital literacy are limited. With the government's push for digitalization and financial inclusion, ATMs have become an essential channel for delivering e-banking services to rural India, bridging the gap between rural and urban banking services and promoting economic development in these areas. According to Statista data, the number of ATM transactions across India from 2019 to 2023 is estimated to be over six billion transactions in the financial year, with the transaction volume expected to rise further in the coming years.

Fig:1.2 No. of ATM transactions across India from financial year 2019 to 2023, with estimates until 2025 (in billions)



Sources: Statista

Electronic Fund Transfer (EFT):

EFT is a pivotal service in e-banking, enabling users to make electronic payments between accounts. In India, Electronic Fund Transfer (EFT) has a history dating back to the 1970s, when India's first Electronic Funds Transfer (EFT) was launched by the RBI through its pioneering system. However, it was in the 1990s that EFT gained momentum, with the launch of the National Electronic Fund Transfer (NEFT) system, which enabled electronic transfer of funds across the country. Since then, EFT has undergone significant transformations, with the introduction of new technologies and payment systems, (RTGS) system and Immediate Payment Service (IMPS). Today, EFT is a widely accepted payment method in India, with millions of transactions taking place every day. Government programs encouraging digital payments and financial inclusion have significantly boosted the uptake of EFT, with the Unified Payments Interface (UPI) becoming a popular platform for instant payments. With the growing use of smartphones and digital wallets, India's payment landscape will likely continue to rely heavily on EFT, which will play a crucial role in shaping the country's future payment ecosystem.

Opportunities of E-banking for Rural Users in India

Financial Inclusion Benefits: E-banking can significantly improve financial inclusion by providing banking services to people in remote areas who might not have easy access to traditional banks, and promoting economic empowerment. Through e-banking, rural residents can now open bank accounts, deposit and withdraw money, transfer funds, and access credit facilities, all from the comfort of their own villages. Additionally, mobile banking services, such as USSD and UPI, have enabled rural residents to access banking services using their mobile phones, even in areas with limited internet connectivity.

Accessibility 24/7: Digital banking has revolutionized the way rural users utilize banking services, providing 24/7 accessibility. Moreover, e-banking has enabled rural users to access banking services during holidays and after banking hours, providing them with greater flexibility and convenience. Overall, with the advent of e-banking, 24/7 accessibility has revolutionized the banking landscape for rural customers, offering them a more convenient, effective, and accessible banking experience.

Small Transactions: Rural residents can easily make small transactions through mobile banking, which can be crucial for daily needs. In India, small transactions in e-banking have gained significant traction among rural users. With the advent of mobile banking apps, USSD-based services, and online banking platforms, rural users can now easily perform low-value financial transactions, such as:

- Small fund transfers (e.g., 100-500 rupees)
- Bill payments (e.g., electricity, water, or mobile phone bills)
- Micro-payments (e.g., 10-50 rupees)
- Small savings deposits or withdrawals

Microfinance Access: Microfinance access in e-banking has revolutionized the lives of farmers and other rural occupation holders in India, providing them with easy access to financial services. It has been facilitated through various digital platforms, enabling rural users to access small loans, savings accounts, insurance products, and remittance services. Overall, microfinance access in e-banking has bridged the financial gap for rural Indians, enabling them to improve their livelihoods, increase their income, and achieve financial stability.

Challenges for Rural Users in E-banking

Limited Internet Access and Poor Connectivity: Limited internet access and poor network remain a significant challenge for rural Indians seeking to use digital banking services. Despite the growing penetration of mobile phones and digital banking platforms, slow and unreliable internet connections create barriers in accessing online banking, conducting transactions and effectively managing their accounts in rural regions. The lack of connectivity also leads to frequent transaction failures, delayed payments, and increased frustration among rural users. Furthermore, the limited availability of internet-enabled devices and the high cost of data plans exacerbate the problem, making it even more challenging for rural users to access e-banking services.

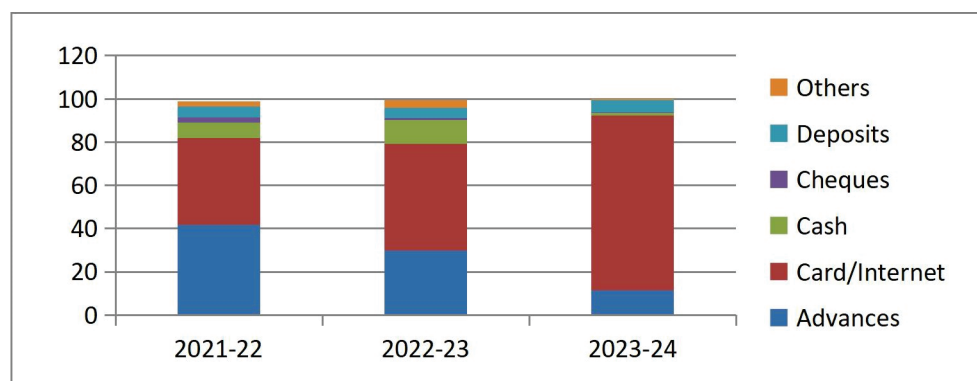
Awareness and Trust Issues: Many rural users lack awareness about the benefits, features, and security of e-banking services, leading to scepticism and mistrust. Key issues include:

- Limited knowledge about e-banking services and benefits.
- Concerns about online security, privacy, and fraud.
- Fear of technology and limited awareness of cybersecurity.
- Limited trust in digital banking systems.
- Perceptions of e-banking being complex and difficult to use.
- Lack of awareness about customer support and grievance redressal mechanisms.

Low Digital Literacy: It poses significant challenge for consumers in banking, particularly in rural and underserved areas. Many individuals lack basic computer skills and knowledge required to navigate channels of internet banking, wireless banking applications, and modern payment systems. This digital divide prevents them from fully utilizing banking services, leading to exclusion from the financial system. Furthermore, the complexity of electronic banking platforms, coupled with a lack of familiarity with digital terminology, exacerbates the problem. As a result, consumers struggle to manage their accounts, conduct transactions, and achieve economic advancement, which limits their ability to access critical banking services, thereby hindering their financial integration.

Security Concerns: Security concerns are a significant hurdle in the digital banking journey in rural India. Rural users are vulnerable to various types of cyber threats, including phishing, identity theft, malware, and ransomware attacks. The lack of digital literacy and awareness about online security best practices exacerbates the problem. Furthermore, insufficient use of two-factor authentication, unsecured mobile banking apps, and unsecured public Wi-Fi networks put users' financial information and transactions at risk. Additionally, the risks of ATM and card skimming, cyber frauds, and data breaches are higher in rural areas, although these risks are not limited to rural areas and are also prevalent in urban India.

Fig:1.3, Frauds in Various banking Operations based on the date of Reporting
(No. of percentage)



Source: RBI.

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