

Digital Banking and its Impact in Rural India

**Prof Suresh Misra
Dr Mamta Pathania**

Introduction

India is on the progressive path of development and its rural population is an integral part of this growth trajectory. As India gears up for an era of increased digitalization, the issue of holistic and inclusive economic growth remains a pivotal concern. While India is one of the world's fastest-developing economy, equitable growth remains a critical imperative. The rural population today constitutes above 45 percent of the national income. In 2050, despite urbanisation, over half of India's population will still be rural. Prime Minister, Narendra Modi has prioritised radical digitalisation to induce economic inclusiveness through a host of initiatives. Digital India', Make in India' and Skill India' provide for impetus and opportunity to rural citizens, to ensure they are equal participants in India's growth story. In a country which was predominantly a cash-based economy doing cashless transactions was a farfetched dream. But a rather disruptive move of Demonetization changed the face of the game for the whole banking system and a new era of Digital Banking beacons. Though there were a few initial hurdles for the commercial banks to transform their conventional transaction processes through digital mode, they took it as a challenge to move towards the goal of Digital India which required rapid transformation rather than the dated incremental approach to cope with the huge number of potential transactions. Today, digitization is not just a need of the towns and big cities but has become a necessity across all regions and strata of the country including the Rural India. This gave rise to the concept called Digital Village. A village where most of the day to day transactions happen in a cashless mode with services like, Mobile Wallets, Credit/Debit cards and Internet Banking etc.

There have been coordinated efforts by the banks to develop new service capabilities for streamlined adoption to Digitalization and all banks have taken up various initiatives to make all their branches in all parts of the country including rural and urban India digitally equipped. A recent example like UPI (Unified Payment Interface) which became a widely used and accepted payment interface with interoperability across all banks be it a PSU or a Private Bank. The demand for PoS (Point of Sale) machines has risen in the wake of demonetization more and more people are using their Credit/Debit cards for transactions but even where there is no provision of PoS Machine people can still use various E-wallets which are readily available across various platforms on their smart phones. This has helped smaller business owners to a great extent cutting costs of buying a standalone PoS machine. Conforming with the Government's Vision of Digital India and as a part of company's corporate social responsibility, Bank of India which is one of the leading state-owned banks with one of the largest rural branch network decided to transform its branches situated in rural villages into Digital Villages through the implementation of digital programme

Digitization can facilitate some of the key needs of rural India including e-governance services, banking and financial services, educational and healthcare services, mobile/DTH recharge, e-ticketing services, online shopping, etc. The reports of National Commission for Applied Economic Research clearly reveal that the rural growth rates have already outpaced urban ones and will continue to do so through the next decade. Rural India accounts for more than 50 percent of the GDP. Out of a total of 62.97 million households in India barring 54 percent whose yearly income exceed Rs.5 lakhs, the remaining 28.68 million households (46 percent) live in represent the rural consumer population. Due to rising rural prosperity the taste, preferences and consumption pattern of the rural consumers is undergoing a change. The demand for products and services is increasing in the rural areas. Rural consumers also tend to buy products that were earlier a lifestyle statement for the urban

consumers. Since rural households have irregular income and expenditure patterns, the banks have high Non-performing loans in rural areas. The issue is compounded by the dependence of the rural economy on hob-nob of monsoons. The average ticket size of both a deposit transaction and a credit transaction in villages is small, which means the banks need more customers per branch or channel to break-even. Since many rural folks are not literate and so not comfortable using technology-driven channels like ATMs, phone banking or internet banking, hence mostly dependent on bank branches, leading to banks' high cost to serve.

Keeping this in mind, the research study tried to evaluate and ascertain the level of awareness on digital banking services and its security norms among rural consumers. It tries to evaluate and understand the convenience level of the rural customers in using digital banking services. Therefore, the focus of the present research was to examine the fulfillment of government's motive to make rural India a cashless economy in order to identify the opportunities and challenges that exist in making a cashless rural economy in different parts of rural India and to draw conclusions suggest measures for better protection of rural consumers.

The study was sponsored by Department of Consumer Affairs, Government of India. It was undertaken by Prof Suresh Misra and Dr Mamta Pathania, CCS, IIPA to understand the role of digital banking in providing last mile connectivity in rural areas to deliver banking services. It also tried to examine the rural consumers' knowledge, attitude, behavior and practices towards digital banking in order to assess the level of awareness among rural consumers on digital banking services and its security norms. It also tried to evaluate consumers perspective towards satisfaction on digital banking services with respect to internet & mobile banking in order to examine the rural consumers' knowledge, attitudes, behavior and practices while purchasing goods or availing services.

This was done through primary surveys by using structured questionnaire among rural consumers. Since India is a very heterogeneous country and having diverse geographic, socio — cultural and economic characteristic, a stratified random sampling could reflect the characteristics of the population as a whole. Firstly, 6 states from six mentioned regions of India were selected for the study. These states were selected in a way that they can best represent the entire geographical regions of the country and at least one state represents one region. These states were: **Jharkhand** from East, **Maharashtra** from West, **Karnataka** from South West, **Uttarakhand** from North, **Pondicherry** from South and **Tripura** from Northeast. From each state two districts were selected randomly for field study. A total sample of 1260 respondents was taken for investigation. The data so collected was analyzed and tabulated. Appropriate statistical methods were applied to classify and analyze the data, collected on the subject.

The major findings of the study were:

The survey results clearly showed that out of the total respondents surveyed, 59.1 per cent of the respondents were males and 40.9 per cent females. 82.2 per cent of the respondents had a bank account. 80 per cent of them had maintained a bank account with public sector banks, 7.6 per cent with private banks and 12.3 per cent with co-operative banks. As far as purpose of having an account is concerned 59.6 per cent had it for savings, 19 per cent for transfer of funds by government, 7.9 per cent had it as a salary/pension account. The respondents shared that distance of bank from residence of the respondents was a major issue as far as accessibility is concerned. 34.9 per cent had to travel more than 10 kms to 32.8 per cent travelled more than 5-10 kms, 27.3 per cent of the respondents the bank was situated between 2-5 kms. For that very reason, 58.2 per cent of the respondents visited the bank as and when required, 23.4 per cent visited once a month, 15.3 per cent visited once fortnightly and 5.7 per cent visited the bank once a week. 52.7 per cent of the respondents use digital banking services.

Only 14.9 per cent of the respondents are aware of the benefits of digital banking to a large extent. While 32 per cent are not at all aware of the benefits of digital banking. 67.9 per cent use ATM services, 23.4 per cent use online/internet banking, 78 per cent use phone banking/smart phone applications and 25.5 per cent use the service of customer service representatives/bank mitra/ agents. 78.2 per cent use digital banking as it is convenient, 77.1 per cent use it because of speed, 79.5 per cent say its transparent, 59.2 per cent say it's safe and secure. 46.1 per cent said they use it because of low service charges and 63.3 per centsaid it's easy to maintain bank transactions.

As far reasons for not using digital banking services, 42.3 per cent of the respondents had never heard of digital banking, 63.8 per cent are concerned about security, 73.9 per cent find it too technical and cumbersome and for 68.2 per cent it relates to privacy issue. 67.7 per cent said digital financial literary plays a role in accessing banking services, 26.8 per cent said it does to some extent. 60.2 per cent of the respondents in the rural areas said internet speed is a big problem.82.2 per cent of the respondents said that digital banking services should not be charged. 72.7 per cent said there should be a single window system for all digital banking services .66.3 per cent of the respondents were not aware of the ways to secure transactions.67.6 per cent of the respondents are aware that digital banking frauds take place.

However only 15.4 per cent of the respondents have filed a complaint against digital fraud. 89.9 per cent filed the complaint with the complaint grievance cell of the company/branch. As regards the reasons that are hampering the growth of digital banking in rural areas, 81.6 per cent said it was due to poor internet connectivity, 72.7 per cent said it was due to lack of electricity supply, 75.6 per cent feel it was due to lack of awareness and 73.3 per cent said it was due to education while 60.1 per centsaid rural people prefer conventional banking because it's simple and easy touse. As far as respondents level of satisfaction with digital banking in rural areas is concerned 51.6 per cent are satisfied with the services provided by their banks.50.9 per cent are dissatisfied with availability of ATM's in their area, 73.2 per cent are dissatisfied with non-availability of cash in ATMs, 44.6 per cent are dissatisfied with internet banking services. The overall satisfaction of the respondents with digital banking services is just 36 per cent.

Thus keeping in mind the survey findings the following recommendations were given:

The rural infrastructure to promote digital banking needs to be strengthened. Particularly the internet infrastructure needs to be upgraded with high speed broadband connectivity in the rural areas along with electricity connectivity. There is a great digital divide in terms of awareness and education. Rural people need to be made aware about the advantages of digital banking. Digital financial literacy is imperative to spread awareness. Only awareness and familiarity with technology will enhance trust in digital transactions. Efforts are to be made to promote financial literacy through frontline staff and agents of the banks to help customers with digital payment services. Apart from the Governments, banks must focus on digital financial literacy. The paying capacity of rural consumers is low.

Therefore the transaction charges should not be levied. This will help the growth of digital banking in the rural areas. The access to ATM's must be increased in the rural areas. Moreover rural consumers should be able to draw cash from these ATM's. Failing which their faith in digital banking will get eroded. Women organizations at the low level should be involved to educate women and also work as Bank Mitra as this will enhance the confidence of rural women. This will also help the banks reach the unreached. There are number of unfounded fears among the rural people which are a resultof lack of knowledge about computers and use of internet. Media campaigns, pamphlets and brochures should be distributed highlighting the advantages of digital banking. Banks should move beyond FAQ's to chatbots and interactive content. Integration of voice banking may be one of the

good ideas to be developed by banks to improve customer experience. Most of the digital transactions have English as a medium of transactions which makes it difficult for the rural consumers to comfortably use the internet banking or mobile banking services. Thus, efforts should be made to have a bilingual (English and Hindi) mode, if not in regional languages. Digitalization of rural banking requires usage of smart phones while women and elderly don't prefer to use smart phones. Therefore, awareness regarding the benefits of the usage of various app platforms for digital banking service is also required to be done.

Provision of adequate training to the staff who are handling the digital transactions and proper awareness among rural consumers about the digital schemes/platforms and their usage is need of the hour. More point of sale terminals are required for carrying out easy and effective digital transactions in villages. More BHIM Aadhar Pay may be promoted to allow users without mobile phone to make digital payments for their Aadhar enabled bank accounts.

All Regional Rural Banks should be brought under the ambit of UPI for better outreach of digital services. Merchants in rural areas should support and adopt at least one digital mode like Bharat QR, BHIM, UPI QR or Cards etc. for increasing the acceptance and outreach of digital payments. A dispute resolution system may be promoted to keep a track of the frauds in all the digital transactions in rural areas. These recommendations if adhered to in letter and spirit would foster an environment of trust in the rural consumers and hence would be a win-win situation for implementing Government's vision of Digital India.