

DIGITAL ASPECTS OF BANKING PROGRESS AND WAY FORWARD WITH SPECIAL REFERENCE TO A RURAL AREAS IN ANDHRA PRADESH

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Abstract *The banking industry has changed drastically over the years and nowadays, a majority of customers prefer to conduct basic financial transactions online, leading to the popularity of digital banking. Digital banking offers more convenience, for both the banks and its customers. While customers can save time and enjoy hassle-free convenient banking transactions that can be conducted on-the-go, banks save money on physical infrastructure and hiring costs by moving a part of their transactions online. Today, most banks with physical branches also offer online banking or Internet banking, which enables customers to access their account information online, and also make transfers or set up automatic payments. A digital bank takes the transition to the Internet a step forward, by eliminating the need for physical branches completely. A recent innovation in the Indian banking industry, the formation of Small Finance Banks (SFBs) and Payment Banks, has started to penetrate the rural areas, to satisfy people who did not have access to financial services earlier. The paper attempts to know how far the rural and urban population are influenced by digital banking, level of customer satisfaction in digital banking, and further progress in digital banking. The study was conducted in Gudivada, Krishna District, Andhra Pradesh, with a sample size of 300, both from urban (150) and rural (150) areas. Through a structured questionnaire data were collected by following a convenient quota sampling. It is statistically proved that people are satisfied with digital banking and expect a separate centre for grievance settlement, thereby improving customer satisfaction and leading to the attainment of a Digital India.*

Keywords: *Digital Payment, Networking, Internet Banking, Customer Satisfaction, Safety Measures*

INTRODUCTION

The banking industry has changed drastically over the years. While customers regularly walked into a branch to withdraw money, transfer funds, or seek information about products for the past 50 years, today, a majority of customers prefer to conduct basic financial transactions online, leading to the popularity of digital banking. The arrival of the Internet is synonymous with the rise in digital banking, fuelled by the advent of ATMs and debit cards in the 1960s. Today, due to the Internet and higher penetration of mobile devices, banks have been able to introduce multiple channels of engagement for their customers. Digital banking offers more convenience for both the banks and its customers. While customers can save time and enjoy hassle-free convenient banking transactions that can be conducted on-the-go, banks save money on physical infrastructure and hiring costs by moving a part of their transactions online. With the advent of

the Internet, financial institutions were able to overcome the location barrier to some extent by creating an active Internet presence. Demonetisation of Rs 500 and Rs 1,000 currency notes was one of the most crucial events in the year 2016, which made the whole world glare at us and wonder how the Government of India was going to handle the situation. It was this digital banking which paved the way, to a great extent, to solve the crises. Digital payment system is having a remarkable momentum, particularly in removing black money from the Indian economic system. The Government of India is taking various steps for efficient utilisation of digital payment platforms, to wipe out corruption, and only 60% of the transactions in India are taking place through digital platforms. The Government of India has initiated several measures to promote and encourage digital payments in the country. 'Digital India' campaign aims to create a 'digitally empowered' economy that is 'Faceless, Paperless, and Cashless'. There are various types and modes of digital payments. Some of these include the use of debit/credit cards,

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Internet banking, mobile wallets, digital payment apps, Unified Payments Interface (UPI) service, Unstructured Supplementary Service Data (USSD), bank prepaid cards, mobile banking, and so on. The banking system now moved into a different transformation of the digital world, with fewer employees, automatic modes, and working electronically as one part, and tapping the unutilised, under-utilised financial services in the rural and urban areas as the other part. Now, because of diverging the wings of digital technology by the banks, they started to manipulate income via charges on every service they provide. The reforms were made in the banking sector, which introduced payment banks or small finance banks. With the above transformation for the betterment of customers and the national economy, the level of customer satisfaction needs to be assessed.

IMPORTANCE AND RELEVANCE OF THE STUDY

Today's Information and Communications Technologies (ICT) are far more efficient than those in the earlier years. More people have access to a smart mobile phone, which has led to the process of exponential growth with the generation of global data. As a fallout, increasingly, individuals, businesses, and governments are making the best possible use of networks and applications. For India to achieve advanced levels of digitisation, there is a requirement for mass adoption of connected digital technologies and applications in the economy. The urgent need is to make programmes and plans that focus on the widespread adoption and use of technology as the thrust area. That includes digitisation at the national level, along with scheduling, tracking the adopted efforts, developing sector governance mechanisms, and taking on a systems approach for inclusive growth. Before dwelling further into this topic, it is proposed to conduct an exploratory study through the review of existing literature and practices to identify issues and challenges in moving towards a cashless digital economy.

PROGRESS/PROSPECTS OF A DIGITAL ECONOMY

Happiest Minds Technologies Pvt. Ltd. (2014) examined the prospects of an Omni-channel strategy in the banking sector in India. The study highlights that it is time for the sector to renovate the banking experience for consumers. They opined that various banking channels are working in silos without attempting to integrate their functions. The Reserve Bank of India (2017) highlighted the impact of Fintech on global as well as Indian financial services; the report focused on the emerging regulatory and supervisory issues ensuing with

the advent of Fintech and also provided a tentative roadmap for various stakeholders, like regulators, supervisors, banks, NBFCs, insurance companies, and consumers. Again, the current readiness of the Indian population was ignored. Shendge and Shelar (2017) observed that India is gradually transitioning from a cash-centric to a cashless economy, and e-payment services are gaining momentum with time. Bansal and Jain (2018) revealed that there had been significant increase in the volume as well as value of digital transactions post demonetisation.

ISSUES AND CHALLENGES

Wu, Jayawardhena, and Hamilton (2014) examined the relationship between perceptions on the usefulness of using Internet banking, with adoption of Internet banking practices, among various users of digital banking platforms. Al-Dalaïen (2017) identified the challenges ahead for a cashless economy. The study attempted to test the null hypothesis, that is, there is no significant benefit of going towards a cashless economy for the general public and the results of the study also substantiated the null hypothesis. CS Ravi (2017) identified that rural India is not free from electricity problems; people residing in Indian villages may not own smart phones or laptops, ATMs are not located within close proximity, and villagers also lack awareness about performing cash transactions online and may need the necessary training. This study identified the need for mass scale propagation of the Digital India campaign to increase awareness among the Indian masses. Sinha, Joshi, and Kamani (2017) put forth the idea that speed of operation and ease of operation were two major reasons why consumers preferred cashless transactions in Vadodhara. Garg and Panchal (2017) identified that high illiteracy rate, cyber frauds, and lack of transparency and efficiency in digital payment systems could be major hindrances on the path towards digitalisation.

RESEARCH GAP

The tremendous transformation in digital banking not only satisfies the customers, it also increases the income of the banker. During the pandemic, it played a great role in the 'stay at home, pay digitally' concept, which reduced cash transactions (paper transactions); this helped in reducing the transmission of the virus through touching paper money. However, why are people still not utilising the digital platform fully? Is social marketing by the local SHGs, for popularising the concept of digital and cashless banking economy, effective? On the other hand, bank fraud has increased, as described by Nataraj in his research work. What factors make people satisfied with digital banking, and

how can it be improved further? These need to be assessed.

RESEARCH QUESTIONS OF THE STUDY

Marketing is the art of identifying the needs of the consumers and fulfilling them. Social marketing, on the other hand, is the process of marketing concepts or ideas for social good or to bring about reforms in the society. Social marketing is also regarded as cause-related marketing, as its primary aim is to bring about social change. According to Kotler and Zaltman (1971), social marketing is the process of formulating, implementing, and controlling programmes, with the goal of influencing the acceptance of ideas that are social by nature. It basically tries to bring social change for social benefit. In rural India, due to limited exposure of the rural citizens towards the latest happenings in the country, changing the mindset of the consumers in favour of the movement towards digital and cashless banking economy is quite challenging. Further, it is surmised that services of the local SHGs for popularising the concept of digital and cashless banking economy at the bottom of the pyramid may be explored in a positive way. Based on factual information, the following research questions have been framed.

- How does social marketing influence the public with digital banking?
- In what way do the customers benefit?
- What makes the people shy away from digital banking?
- Are there any drawbacks to digital banking in the current scenario?
- How can the bottleneck, if any, which hinders the growth of digital banking be overcome?

REVIEW OF RELATED RESEARCH WORKS

The researchers conducted an extensive review of existing literature from two broad perspectives. The first perspective looked at studies focusing on the prospects and progress towards a digital economy, whereas the second perspective tried to examine studies related to implementation and sustenance issues of a digital/cashless economy in India.

Sikdar and Makkad (2013) discussed Internet banking in India, the benefits and challenges involved, and suggested that commercial banking activities over the long haul can be significantly streamlined by limiting the branch-based connections with the customers, empowering the banks to coordinate offerings and different exercises requiring higher spotlight with respect to commercial banks.

Trivedi and Remedios (2014) explained the impact of Internet banking on customer retention; they demonstrated

that Internet banking holds customers. On the off chance that banks intend to expand the customer base of Internet banking, they should concentrate more on service quality, responsiveness, protection and security, affirmation, and dependability elements of Internet banking. However, Manivannan (2017) identified that using digital banking and customer-centric banking, and different digital applications, customers are still on the verge of confusion and vague in understanding the application. Further, the perceived risks emanating from cybercrime are equally as important in the world of growing digitisation, as clients face the risk of losing money through fraudulent transactions and misusing personal information, as explained by Nataraj and Ashwani (2018).

RESEARCH METHODOLOGY

Formulation of Research

Customer satisfaction is one of the factors for long-term success in any organisation. Customer support is most important for any transformation in the industry. Customer's essential needs have to be identified and every organisation should try to satisfy the needs by developing new strategies. Customer demands and expectations are a threat to financial services in banking; at the same time, these days, consumers are increasingly developing relationships with multiple providers. Competitors from adjacent industries and financial technology startups are now flooding the market with innovative, technology-driven deviations from the traditional banking mode. Digital modernisation is giving traditional banks a second chance to deepen customer satisfaction and loyalty, driving long-term relationships and profitability. Digital banking channels improve customers' access, facilitate more services, attract new customers, provide services offered by competitors, and reduce customer attrition. Therefore, digital transactions are the most needed in banking services in the business world to attract the customers. The purpose of this study is to analyse the impact of digital banking services and reasons for choosing Internet banking, the satisfaction of customers towards digital banking, and to find out the problems encountered by the customers, if any. The study focused on analysing the level of accessibility, adaptability, affordability, accuracy, reliability, and efficiency in the use of various digital banking services.

Scope of this Research

Recent digital banking innovative services are electronic banking, mobile banking, Automated Teller Machines

(ATM), Electronic Clearing Services, National Automated Clearing House, Credit and Debit Cards, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), Prepaid Payment Instruments (PPIS), Unified Payments Interface (UPI), and Social Media Banking. With these numerous technological developments, the business world required critical evaluation and examination of digital banking services, with respect to customer satisfaction, and to find new strategies to adopt or develop the technology and systems. In the Digital India Program that the government is initiating, digital services in banking are being introduced, like ACH, online transfers, wire transfers, and mobile money transfer. The local SHGs are also taking the initiative in popularising the concept of digital and cashless banking economy. Therefore, this study is most essential for improving services of the banking sector. It is proposed to undertake in-depth research in terms of level of accessibility, adaptability, affordability, and efficiency in the use of digital banking services from the customers' perspective. This study will also focus on digital banking – a technology-driven banking that involves e-banking, digital wallets like PayPal, mobile banking, ATMs, RTGS, and POS terminals that influence customer satisfaction, which is a measure of how a customer responds after having used digital banking platforms, which makes them remain loyal to the bank, or leads to an increase in the number of customers using the various digital channels. Technology-enabled banking services are facing numerous developments, like cloud computing, mobile computing, IoTs, and financial analytics. Therefore, research in technology, based on banking services, has a major scope in business research.

Research Objectives

- To analyse the factors influencing the use of digital technology in banking services.
- To study the current perception of the common people towards digitalisation and cashless transactions.
- To know the present status with respect to penetration of digital transaction in the daily life of the urban/rural population.
- To explore the scope of social marketing in creating a positive environment towards digital and cashless banking.
- To explore the scope of using SHGs for promoting cashless banking to the illiterates in the rural areas, and building mechanisms, for improving the same.

- To identify and analyse the impact of digital technology in banking services, in terms of accessibility, adaptability, affordability, efficiency, convenience, and reliability from the customer perspective.

Research Design

The study uses both exploratory and descriptive research. A structured questionnaire is used to collect data for analysis. The questionnaire contains demographic variables and other variables, which is used to identify customer satisfaction level in terms of accessibility, adaptability, affordability, and efficiency in banking services. Simple random sampling is used to collect the data. The sample size is 300. Judgment sampling technique is applied to select the sample. The study was conducted in Gudivada, Krishna District, Andhra Pradesh, as it was convenient to the researcher to collect the data. About 300 customers from urban (150) and rural (150) areas were selected using simple random sampling method. The questionnaire had nine sections.

Section A gathered demographic data, such as gender, age, academic qualification, monthly income, and so on; Section B gathered data on speed of transaction; Section C on accessibility; Section D on adaptability; Section E on affordability; Section F on efficiency; Section G on ease and convenience of banking; Section H on accuracy; and Section I on reliability. Descriptive data analysis entailed counts, percentages, cross tabulations, and measures of central tendencies. T-test and ANOVA were used to analyse the relationship among variables.

Research Hypothesis

Null Hypothesis: There is no significant effect of using digital banking, with respect to visiting the bank, from the perspective of customers.

Alternate Hypothesis: There is no significant effect of using digital banking, with respect to visiting the bank, from the perspective of customers.

Limitations of the Study

The study has the following limitations:

- The study is limited to a three-month-period.
- Samples are collected from the area of Gudivada, Krishna District, Andhra Pradesh.
- The study deals with the perspective of digital banking alone.

DATA ANALYSIS

Results and Discussion

Socio-Economic Status of Consumers

The socio-economic status of consumers was examined and the results are shown in Table 1. The results reveal that 57.67% of consumers are male, while 42.33% are female. Around 34.33% belong to the age group 26 to 35 years, followed by 26.33% belonging to 36 to 45 years, and 8% are above 55.

Table 1: Socio-Economic Status of Consumers

Socio-Economic Status	Number of Consumers	Percentage
Gender	300	100
Male	173	57.67
Female	127	42.33
Age Group	300	100
Less than 25years	62	20.67
26 – 35 years	103	34.33
36 – 45 years	79	26.33
46 – 55 years	32	10.67
More than 55	24	8.00
Educational Qualification	300	100
Secondary and below	60	20.00
Higher Secondary	77	25.67
Graduation	109	36.33
Post-Graduation	54	18.00
Occupation	300	100
Government Employees	72	24.00
Private Employees	132	44.00
Businessmen	42	14.00
Others	54	18.00
Monthly Income	300	100
Less than 2.5 lakhs	46	15.33
2.5 – 5 lakhs	43	14.33
5 – 7.5 lakhs	69	23.00
Above 7.5 lakhs	142	47.34
Marital Status	300	100
Married	229	76.33
Unmarried	71	23.67
Level of Perception towards Digital Payment	300	100
Low	87	29.00
Moderate	149	49.67
High	64	21.33

Perception of the Respondent towards Digital Payment, based on Socio-Economic Conditions

The distribution of consumers on the basis of their perception towards digital payment is shown in Table 3. The level of perception about digital payment is divided into low, moderate, and high, respectively, based on Mean \pm Standard Deviation. The mean value is 38.57 and the standard deviation is 4.62. The results illustrate that 49.67% of consumers perceived that the level of perception towards digital payment is moderate, followed by low (29.00%), and then high level (21.33%). To examine the difference between socio-economic conditions of consumers and their perception towards digital payment, the t-test and ANOVA (Analysis of Variance) tests were conducted, and the results are shown in Table 2.

Table 2: Statistical Computation of t-test and ANOVA

Particulars	t-Value/ F-Value	Sig
Perception of the respondent towards digital payment, based on gender	17.426**	0.000
Perception of the respondent towards digital payment, based on age group	22.864**	.000
Perception of the respondent towards digital payment, based on qualification	20.910**	.000
Perception of the respondent towards digital payment, based on occupation	21.295**	.000
Perception of the respondent towards digital payment, based on monthly income	23.508**	.000
Perception of the respondent towards digital payment, based on marital status	19.352** t-value	.000

** Significant at 1% level.

The t-values and F-values are significant at one per cent level; this reveals that there is a significant difference between perception towards digital payment and socio-economic conditions of the consumers.

Influence of Digital Payment System on Customers

The customers were identified from rural and urban area with quota sampling method; that is, 50% from urban and

50% from rural population. Their perception and attitude towards digital payment is identified as the research variable, and analysed as an influence of digital payment system on customers in Table 3.

Table 3: Research Variables as Influence of Digital Payment on Customers

	Rural		Urban		Total (300)	%	% of Rural of Total %
Usage of Net Banking	%	150	%	150			
Yes	63.8	96	87.7	132	227	76	32
No	36.2	54	12.3	18	73	24	18
		150		150	300	100	50
Reason for avoiding digital payments							
Not available	38.5	58	7.7	12	69	23	19
No proper security	20.4	31	84.6	127	158	53	10
New to them	26.9	40	7.7	12	52	17	13
Not heard	14.2	21	0	0	21	7	7
		150		150	300	100	50
Frequency of usage of digital payment							
Regular user	14	21	26.3	39	60	20	7
Weekly user	36	54	40.4	61	115	38	18
Twice in a month	17	26	26.3	39	65	22	9
Never use it	33	50	7.0	11	60	20	17
		150		150	300	100	50
Frequency of usage of Internet							
Less than 1 year	48.9	73	24.6	37	110	37	24
1 – 3 years	10.6	16	26.4	40	56	18	5
More than 3 years	40.5	61	49	74	134	45	20
		150		150	300	100	50
Obstacle in using digital payment							
Complicated	46.9	70	7	11	81	27	23
Afraid of losing money	23.4	35	15.8	24	59	20	12
Security and Internet connectivity	19.1	29	52.6	79	108	36	10
Time consuming	10.6	16	24.6	37	53	18	5
		150		150	300	100	50
Reason for using online facilities in future							
Better service	31.9	48	36.9	55	103	34	16
Free transactions	10.6	16	22.8	34	50	17	5
High security	31.9	48	26.3	39	87	29	16
Rewards	10.6	16	8.8	13	29	10	5
Easy to use	8.5	13	3.4	5	18	6	4
Paper-free service	6.5	10	1.8	3	12	4	3
		150		150			

Of the total respondents, non-users of Internet banking is 24%, out of which 18% are under the rural population. A majority of the respondents (53%) feel that there is no proper security for their money. Around 23% of the respondents say that digital payment is not available in their locality, out of which 19% belong to the rural areas. Weekly users

of digital payment are more in number (38%), compared to daily or monthly users, of which 18% are from rural areas; demonitisation made people engage in digital payments. Around 45% were forced to use digital payment, and 37% new users were there in one year because of COVID-19, of which 24% are from rural areas. Reasons against digital

payment that the rural population list includes the fact that it is complicated (46.9%) and they are afraid of losing their money (23.4%); these are the major constraints, compared to the urban population, which feels that Internet connectivity is a major problem (52.6%). Both the population feel that digital payment is secure and provides better service, compared to other factors, which motivates them towards digital payments.

SUGGESTIONS

It is clear, and statistically proved, that the digital economy is flourishing more in urban areas rather than in rural areas, in all aspects of connectivity, serviceability, accessibility, and convenience.

A major threat to the non-usage of digital economy is security for their hard earned money. The media often focuses on defalcation money, money laundering, and so on. More security measures need to be implemented for money transactions.

Some of the views of people are as follows.

Internet connectivity is a major problem; in the middle of transactions, the Internet is disconnected, creating panic, especially in cases where it is the last day for payment, and the account does not have sufficient balance after the failed transaction causes the money to be debited, without crediting it to the recipient account.

For any query on digital payment, the urban population finds easy solutions, compared to the rural population. Therefore, sufficient help centres need to be established in rural areas.

A few elderly people expressed their wish that the OTP which they receive may be accompanied by a message stating the purpose of the OTP, along with information about the sender of the OTP.

CONCLUSION

Digital transformation certainly helps the nation flourish. The main fulcrum behind digital transformation is digital banking. Digital banking induces more transactions, reduces the cost of printing currency, increases revenue to the banker, acts as a shield during COVID-19, helps customers reduce visits to banks, helps customers make payments at their convenience, and is cost effective and cheaper in many ways; it is truly accepted by both the urban and rural population. Taking the above merits and the satisfaction of the customers

into consideration, the banking sector has to move forward to the next level of revolution. It is important to establish a grievance redressal centre in rural areas to solve problems of the native people. Implementing this will satisfy them, whereby the objective of the Digital India Campaign of the central government will be attained.

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