



Awareness and Perceptions of Rural People Regarding Role of Public Sector Banks through E-Banking Services-A Case Study of Danapur Area in Patna District, Bihar

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Abstract : *It has been well recognized that the contribution of technology in the field of business, health and of course, banking are growing day by day. There are several major challenges and issues faced in the growth of E-banking. Present research describes an empirical study of investigating recent trends and developments of the application of E-Banking in rural areas and the customer's awareness and perceptions regarding it. Internet banking has never been important to our society than it is today in the banking fraternity. It plays a very important role in lending, investing and*

transferring funds throughout the country. And that too in a developing country like India it could be a fate decider for the banking system. Internet banking is such a technological innovation resulting from banking technology which has opened new avenues in "convenience banking". It has also led to reduction in transaction cost for banks to about a tenth of branch banking. Providing this service is increasingly becoming a 'need to have' than 'a nice to have' service. The net banking thus now is more of a norm rather than an exception in many developing countries like India due to the fact that it is the cheapest way of providing banking services. Now- a- days, e-banking has experienced phenomenal growth and has become one of the main avenues for banks to deliver their products and services. According to a survey, today 'one in four web users bank online everyday. Thus, the evolution of e-banking has fundamentally transformed the way banks traditionally operate their businesses and the ways in which customers perform their banking activities.

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Introduction:

In banking industry, e-services are revolutionizing the way business is conducted. Electronic based business models are replacing conventional banking system. E-banking is one of the truly wide spread avatars of e-commerce the world over. It provides enormous benefits to the customers in terms of ease and cost of transactions as they do not have to wait in long queues in front of banks to get their simple jobs done. It is convenient as well as time saving to conduct banking transactions using online banking services. ATMs, tele banking, credit cards, and debit cards have all emerged as an effective delivery channels for traditional banking products and services. In India, the banking sector woke up to the world of technology in early 1990s which marked the era of globalization and opening up of the economy due to which many new private and foreign banks started operating. This brought new technology with them and in that competitive environment the ICICI Bank was the first which kicked off online banking in 1996 which in turn increased the level of competition among banks offering internet banking services and also enhanced the performance of public sector banks in this field of technology.

"Liberalisation and Globalisation are quite responsible to fastly change the entire financial sector, particularly, banking sector. The process of globalisation has enveloped every aspect of life where technology has become the forerunner of change. In this changing scenario, banking sector is not an exception. Banking sector is passing through a crucial transformation stage where all vistas of working are going to change at a fast pace and technology is the most dominating factor which helped the banks to have a mix of knowledge with innovative products or services to win in the competitive market. Before this electronic era, the whole business was done manually and little bit through computers but now-a-days, every

transaction is done electronically through various e-channels like, ATMs, Credit Cards, Smart Cards, Internet-Banking, Mobile Banking, Tele Banking, EFTs etc., which is also known as e-banking. These e-channels are becoming popular among all the banks world over." (Uppal *et al* 2007:161-162).

Online banking has become an accepted norm of monetary transactions for millions in India over the past decade. The ease with which a customer can check his account, make payments online and transfer money between accounts has made this mode of banking hugely popular among Indians who are perpetually short of time to visit the bank physically. It also provides a host of non transactional features which are handy to the customer. Thus, the emergence of e-banking has become a necessary tool in today's organizations and due to which branch banking in the brick and mortar mode has been transformed into click and order channel mode.

"The system provides customer specific information in the form of account balance, transaction details and statement of accounts. The information is still largely of the 'read only' format. Identification and authentication of the customer is through password." (Janki 2010:85)

Compared to banks abroad, Indian banks offering online services still have a long way to go. For online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place. Though various security options like line encryption, branch connection encryption, firewalls, digital certificates, automatic sign-offs, random pop-ups and disaster recovery sites are in place or are being looked at, there is as yet no Certification Authority in India offering Public Key Infrastructure which is absolutely necessary for online banking. "E-banking has the potential to be a very rich and pleasant experience and may provide more opportunities for banks to develop mutually satisfying, tailor made services to enrich

relationship with the customers. As technology evolves, the opportunities to extend the relationship beyond what is possible in the physical world continue to grow and will only be limited by a bank's ability to innovate or commitment to e-banking." (Bose 2006)

Objectives:

- To study the various services provided by the banks through E-banking.
- To study the benefits that is provided to the individuals under E-banking.
- To study the attitude and perceptions of the customers about E-banking.
- To examine the awareness of E-banking in rural areas.

Hypotheses:

- Customers are satisfied with the efficiency of internet banking services by banking sector.
- From the point of view of customers, e-banking brings higher advantages than any other banking services.
- E-banking leads to the increase in the volume of transactions in the country.
- Non-existence of enough knowledge has led to the decrease in the use of e-banking services in rural areas.

Methodology :

- (a) Area of study :- Danapur, Patna, Bihar.
- (b) Universe :- Six public sector banks in the area of Danapur namely State Bank of India, United Bank of India, Punjab National Bank, Syndicate Bank, Canara Bank and Allahabad Bank and also 60 respondents of the same area.
- (c) Sample method :- The research design is based on 'Purposive incidental sampling method'.

(d) Tools and techniques of data collection:-

- Interviews:- Interviews of various bank authorities of the selected public sector banks in Danapur area.
- Questionnaire :- filling up of questionnaire by both the bank authorities and the selected respondents.

(e) Data analysis:-

- Primary data: - we have collected primary data by methods like interviews, questionnaire and observations.
- Secondary data :-we have collected secondary data from magazines, books, newspapers and through net surfing

(f) Methods of data analysis :-

- Tables
- Pie charts
- Bar diagrams

Key Benefits of Internet Banking:

There are plenty of perks offered by banks to customers who adopt internet banking over the traditional visit physically to the nearest branch office. Some of them are:

1. Convenience :- This is the single most important benefit that outweighs any shortcoming of internet banking. Banking within the comfort of home or office at the click of a button without even having to step out is a facility none would like to forego. Keeping a track of accounts through the internet is much faster and convenient as compared to going to the bank for the same.

2. Better rates :- The banks stand to gain significantly by the use of internet banking as it implies lesser physical effort from their end. The need to acquire larger spaces for offices and

employ more staff to deal with the customers is significantly reduced making it financially beneficial to the banks.

3. Services :- Technology has made it extremely convenient for the bank as well as the customer to access a host of wonderful services by simply logging in. These services include financial planning capabilities, functional budgeting and forecasting tools, loan calculators, trading platforms which are available as simple applications on the bank's website.

4. Mobility :- Internet banking has gone a step further in the last few years in the form of mobile internet banking which accords unlimited mobility to the customer who can now handle financial transactions even while on the move.

5. Monitoring :- The main advantage that e-banking provides to its users is the ability to have an extensive history of purchases and transactions. This prevents people from having to balance checkbooks and allows them the ability to keep track of transactions.

Types of Risks Associated with Internet Banking:

"Risk is inherent in any commercial activity and banking is no exception to this rule. Rising global competition, increasing deregulation, introduction of innovative products and delivery channels have pushed risk management to the forefront of today's financial landscape. Ability to gauge the risks and take appropriate position will be the key to success. It can be said that **risk takers will survive, effective risk managers will prosper and risk averse are likely to perish.**" (Uppal et al 2007). A major driving force behind the rapid spread of I-banking all over the world is its acceptance as an extremely cost effective delivery channel of banking services as compared to other existing channels. However, Internet is not an unmixed blessing to the banking sector. Along with reduction in cost of transactions, it has also brought

about a new orientation to risks which are summarized below:-

1. Operational risk:- Operational risk, also referred to as transactional risk is the most common form of risk associated with e-banking. It takes the form of inaccurate processing of transactions, non enforceability of contracts, compromises in data integrity, data privacy and confidentiality, unauthorized access / intrusion to banks systems and transactions etc.

2. Security risk:- Internet is a public network of computers which facilitates flow of data / information and to which there is unrestricted access. Banks using this medium for financial transactions must, therefore, have proper technology and systems in place to build a secured environment for such transactions. Security risk arises on account of unauthorized access to banks critical information stores like accounting system, risk management system, portfolio management system, etc.

3. Reputational risk :- Reputational risk is the risk of getting significant negative public opinion, which may result in a critical loss of funding or customers. Such risks arise from actions which cause major loss of the public confidence in the banks' ability to perform critical functions or impair bank-customer relationship.

4. Legal risk :- Legal risk arises from violation of laws, rules, regulations, or prescribed practices, or when the legal rights and obligations of parties to a transaction are not well established. Given the relatively new nature of internet banking, rights and obligations in some cases are uncertain and applicability of laws and rules is uncertain or ambiguous, thus causing legal risk.

5. Other risks :- Adequacy of tele-communication infrastructure is also necessary. The electronic banking needs large scale wide area network connectivity. India does not have that yet. In fact, the huge disparity between national and the international bandwidth is primarily

responsible for poor internet spread and reliability in the country.

Trends and Future Prospects of E- Banking in India:

India has a great prospect to leverage the potential of e- banking and build a cash-light economy. In addition to IT edge and relatively dense population, the Government of India is clearly determined to achieve financial inclusion and is taking aggressive steps to see this happen. Rendering financial services to the un-served or poor through a market-led approach is important for the sustainability of financial inclusion. While this is evident across many countries and so does in India which has seen many pilot projects that are still not sustainable. It is not only difficult to predict the future, but some educated guesses can be made using the past and current experiences. "The field of banking has made considerable progress and the use of Internet technology has become a very powerful force changing the very core of traditional banking. Without doubt, technology is the single biggest strategic issue in banking that has also created challenges for the regulatory framework of E-banking" (Uppal 2012:28).

In our view, the next developments in e-banking will involve new products and services that were not feasible in traditional banking models. This could involve enabling instant payments using mobile devices, or tools to help people manage their multi-bank financial portfolio, simultaneously. Banking only through Internet may also become more viable as the functionality of e-banking systems grows and customers adapt to the new ways of conducting their financial activities. International banking might become a reality for ordinary customers as banking payments systems are increasingly harmonized across borders. E-banking has the potential to be a very rich and pleasant experience and may provide more opportunities for banks to develop mutually satisfying, tailor made services to enrich

relationship with the customers. As technology evolves, the opportunities to extend the relationship beyond what is possible in the physical world continue to grow and will only be limited by a bank's ability to innovate or by the degree of its commitment to e-banking.

Empirical Studies :

E-banking is an alternative to the conventional banking. It is a technological breakthrough in the modern world and it will not be wrong to say that it is on the verge of becoming the part and parcel of the Indian society. And this trend is ever increasing. We always relate internet banking with modernism, technology, innovation, growth etc. but are we ready to connect it with rural parts of this country? Yes, it is an emerging revolution for a country like ours but is its importance scattered all over the country in equity? This was what took us to Danapur area, Patna , Bihar where we covered most of the public sector banks present in the above mentioned area namely State Bank of India, Syndicate Bank, Canara Bank, United Bank of India, Punjab National Bank, Allahabad Bank. And, to understand the level of customer's satisfaction we surveyed about 60 respondents of the same area. Here is the interpretation of some of the data that we collected from the bank's authorities as well as the customers in the form of results and discussion given below:

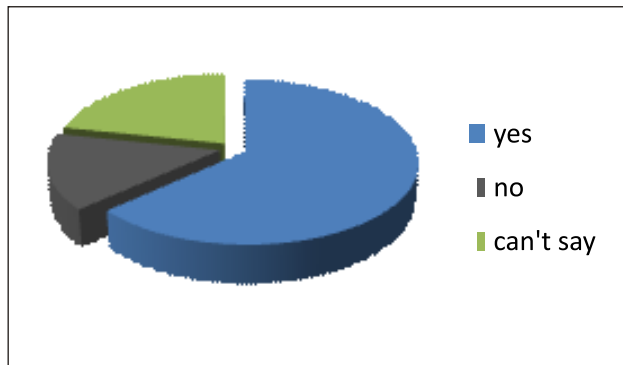
Results and Discussion :

The obtained results were discussed under the following headings:-

1. Opinion regarding internet banking being a convenient, economical as well as a time saving option.
2. Awareness about the most popular instrument of e-banking.
3. Opinion regarding Public Sector Banks being better than Private Sector Banks or not.

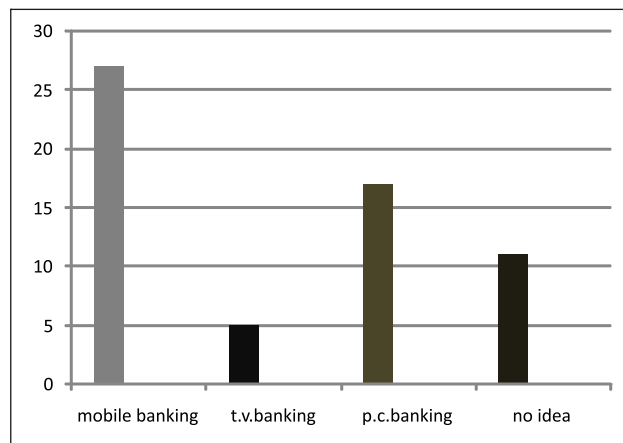
These findings are presented through graphical representation as –

Fig.1 : Opinion regarding internet banking being a convenient, economical as well as a time saving option



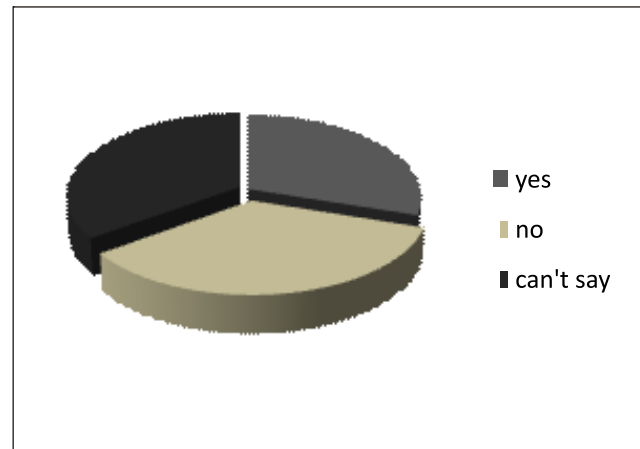
The above figure explains that the majority of people believe that e-banking is a convenient, economical as well as a time saving option for them and help them a lot in carrying out their banking transactions.

Fig.2 : Awareness about the most popular instrument of e-banking



The above figure implies that mobile banking that includes SMS alerts is the most user friendly online service that e-banking offers, followed by P.C banking and T.V banking while some of the surveyed population had no idea about it.

Fig.3 : Opinion regarding Public Sector Banks being better than Private Sector Banks or not



The above data revealed very interesting facts about the perception among people related to the functioning of the banks. The majority of people believed that the public sector banks are better than private sector banks in terms of e-banking facilities that they provide.

Suggestions :

- Banks should create awareness among people about e-banking products and services. Customers should be made literate about the use of e-banking products and services.
- Special arrangements should be made by banks to ensure full security of customer funds. Technical defaults should be avoided by employing well trained and expert technicians in field of computers, so that loss of data can be avoided.
- Employees of banks should be given special technical training for the use of e-banking so that they can further encourage customers to use the same.
- Seminars and workshops should be organized on the healthy usage of e-

banking especially for those who are ATM or computer illiterate.

- E-banking services should be customized on basis of age, gender, occupation etc so that needs and requirements of people are met accordingly.
- Government should make huge investments for building the infrastructure.

Conclusions :

The banking industry has been a leader in the Internet application in recent years. E -banking has thus become a hot topic in the related literature. Some key issues addressed in the recent literature about the e-banking include: customer acceptance and satisfaction, services rendered, value added for both the banks as well as the customers, privacy concerns, profitability, operational risks, and competition from non-banking institutions. Electronic banking is one of the most amazing sample, demonstrating the hugeness of technology, technology in all the spheres have not only reduced the man's labour but also his problems. In this era of technology it is next to impossible to visualize one's life without the impact of technology. We can not just overlook it by observing a backward area. Even such areas are not untouched by technology; instead they are adopting it very fast, almost at pace with the modernized areas. More people in backward areas today hold a bank account and are using ATM cards. We agree that the use and penetration of internet is very low that directly affects the rate of Internet banking usage, yet people are slowly getting aware of it. All the banks we visited in Danapur have large number of Internet banking users and the number of people visiting bank branches has been reduced considerably. And this fulfills our objectives of conducting the present study and also satisfies the hypotheses which we undertook for the same.

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