

# A STUDY ON USE OF DIGITAL BANKING SERVICES BY CONSUMERS IN BANGALORE RURAL DISTRICT

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## **ABSTRACT:**

As India is country with majority of people leaving in rural areas. with announcement of digital India program by the government of India, all the sectors operating in the country started adopting technological innovations in their operations. Banking industry was not an exception to this. Digitalization of banking services has reduced the transaction gap and enhanced the availability of financial services to both rural and urban, inspite of the many efforts by the government, banks and Fintech companies, rural population is still hesitate to adopt the digital banking completely. This paper discuss the use pattern, acceptance and issues faced by the rural customers focusing on some emerging trends in rural banking.

**Key words:** digital banking, rural banking, rural consumers, fin- tech companies

## **1. Introduction:**

Banks are the back bone of every economy whether developed or developing or underdeveloped. As they design and implement the economic reforms of all kind to support the growth of a nation. Indian banks have witnessed drastic changes from conventional banking to digital banking. The buzzing word in the Indian economy is creating a cashless economy as it will reduce the creation of black money and helps to eliminate the mishandling of cash as well as reduce the corruption. The concept of digital banking was brought in to the industry as the traditional banking was slow, higher transaction cost and was creating a barrier to economic development.

Digital banking is all about development of banking services and delivering products through electronic channels such as ATM's, telephone, internet and mobile phones. the changes in the computer word such as cloud computing, grid computing, mobile computing, IoT's, machine learning and artificial technologies has made it possible for the banks to offer the basic banking services to the customers conveniently and economically to their customers. A digital banking service enables the financial institutions to bring the unbanked population to avail the banking services particularly the people in rural and remote areas. The prospect for digital banking is customers, here the main focus is on the rural population as India is country with majority of the people belongs to rural areas.

## **2. Importance of the study**

Currently banking industry is witnessing healthy competition in the adoption of new technology. With drastic developments in the information technology and its adoption by the banking industry provision of banking services has become more electronic and online. Digital banking is gaining acceptance from customers and is fast catching up in India. Customers are realizing the comfort of accessing banking services from there convenient places as a result large number of customers have already accepted the concept of digital banking. But at the same time they are facing many risk associated with the digital banking. The current study focus on the extent to which the people in rural areas have accepted the digital banking and the issues they are facing during availing of digital banking services so the that the current study may offer some valuable suggestion to the banks to overcome the barriers and offer better services to the customers

## **3. Objectives of the study.**

1. To ascertain the awareness level of customers about digital banking.
2. To study the factors affecting the usage of digital banking services among the sampled respondents.
3. To ascertain the major limitations faced by the respondents in availing the digital banking services.

#### 4. Research methodology:

In order to achieve the research objectives data was mainly collected through primary sources by circulating a structured questionnaire through Google form. sample respondents were selected by convenient sampling method. Data is collected from 129 respondents in Bangalore rural district of Karnataka. Secondary data was also taken from journals, books, internet etc. the data was analyzed by using descriptive statistical tools such as counts, tables, percentages and charts and graphs.

#### 5. DATA ANALYSIS AND INTERPRETATION

The data collected from primary source is analyzed as below.

**Table 1- Demographic profile of the respondents:**

| DESCRIPTION     | VARIABLE       | NO. OF RESPONDENTS | PERCENTAGE    |
|-----------------|----------------|--------------------|---------------|
| GENDER          | Male           | 72                 | 55.81         |
|                 | Female         | 57                 | 44.19         |
|                 | <b>TOTAL</b>   | <b>129</b>         | <b>100.00</b> |
| AGE             | 20-30          | 78                 | 60.47         |
|                 | 31-40          | 33                 | 25.58         |
|                 | 41-50          | 18                 | 13.95         |
|                 | 51 & Above     | 0                  | 0.00          |
|                 | <b>TOTAL</b>   | <b>129</b>         | <b>100.00</b> |
| OCCUPATION      | Students       | 48                 | 37.21         |
|                 | Salaried       | 53                 | 41.09         |
|                 | Farmers        | 18                 | 13.95         |
|                 | Others         | 10                 | 7.75          |
|                 | <b>TOTAL</b>   | <b>129</b>         | <b>100.00</b> |
| EDUCATION LEVEL | SSLC/PUC       | 18                 | 13.95         |
|                 | Graduates      | 81                 | 62.79         |
|                 | Post graduates | 23                 | 17.83         |
|                 | Un educated    | 7                  | 5.43          |
|                 | <b>TOTAL</b>   | <b>129</b>         | <b>100.00</b> |
| MONTHLY INCOME  | <10000         | 5                  | 3.88          |
|                 | 10001-20000    | 34                 | 26.36         |
|                 | 20001-30000    | 65                 | 50.39         |
|                 | 30001 & Above  | 25                 | 19.38         |
|                 | <b>TOTAL</b>   | <b>129</b>         | <b>100.00</b> |

Source: Primary data

Demographic profile of the respondents reveals that majority of them belongs to the age group of 20-30 years( 60.47%), most of them are male(55.81),41.09% of the respondents are salaried having monthly income of 20001-30000.

##### 5.1 Access to bank account

In order to find out the usage rate and issues faced in availing the digital banking services, it is important to ascertain the respondents association in the banking sector. The study reveals that all the respondents have an active bank account, mere having a bank account does not mean the respondents are using digital financial services but it states that respondents are financially included and have an opportunity to avail the digital banking services. Table- shows that 58.14% of the respondents have accounts with public sector banks and 41.86% with private sector banks.

**Table-2: Access to bank account**

| DESCRIPTION          | NO.OF RESPONDENTS | PERCENTAGE    |
|----------------------|-------------------|---------------|
| Public sector banks  | 75                | 58.14         |
| Private sector banks | 54                | 41.86         |
| <b>TOTAL</b>         | <b>129</b>        | <b>100.00</b> |

Source: Primary data

##### 5.2 Awareness about digital banking services among respondents.

Table 3 shows that all the people participated in the study are aware about the digital banking services.

**Table -3: Awareness among respondents about digital banking**

| DESCRIPTION | NO. OF RESPONDENTS | PERCENTAGE |
|-------------|--------------------|------------|
|-------------|--------------------|------------|

|              |            |               |
|--------------|------------|---------------|
| Aware        | 129        | 100.00        |
| Not aware    | 0          | 0.00          |
| <b>TOTAL</b> | <b>129</b> | <b>100.00</b> |

Source: Primary data

### 5.3 Usage of digital banking products & services;

Now a day's financial institutions offering large many types of attractive and innovative digital products and services to their customer which enable individuals to make financial transaction easily. Effective use of digital services helps customers to great extent. Table 4 shows different type of digital services used by the respondents. Due to the wide spread awareness and connivance of UPI payments 78 respondents are using UPI, 16 are using mobile wallets and 21 are using debit card. In this study area UPI system is very popular.

**Table -4: Usage of digital banking services**

| DESCRIPTION        | NO.OF RESPODENTS |
|--------------------|------------------|
| Debit/ credit card | 21               |
| Internet banking   | 8                |
| NEFT/RTGS          | 5                |
| Mobile wallets     | 16               |
| UPI                | 78               |
| <b>TOTAL</b>       | <b>128</b>       |

Source: Primary data

### 5.4 Purpose of using digital banking services.

In this days financial institutions provide different digital banking services and different services can be used for different purposes. The purpose of using digital banking services among the respondents is discussed below.

**Table -5: Purpose of using digital banking services**

| DESCRIPTION                | NO. OF RESPODENTS |
|----------------------------|-------------------|
| Online shopping & payments | 49                |
| Fund transfer              | 24                |
| Utility payment            | 48                |
| Others                     | 8                 |
| <b>TOTAL</b>               | <b>129</b>        |

Source: Primary data

Digitalization of banking system offering varied services to its customers. In the study it was observed that most of the young people in rural areas are using digital banking for online shopping & payments(i.e. 49 respondents) and for utility payments like electricity bill, water bill, telephone bill/mobile recharge etc.

### 5.5 Use frequency of digital banking services.

Even today large many people including youngsters do not how to fill an bank application form/ withdrawal/deposit slips but due to the development in technology people are preferring to use digital banking system instead of traditional banking might because of ease of use, connivance or reduced transaction cost.

**Table -6: Use frequency of digital banking services**

| DESCRIPTION     | NO OF RESPODENTS | PERCENTAGE |
|-----------------|------------------|------------|
| Frequently      | 97               | 75.19      |
| Once in a week  | 19               | 14.73      |
| Once in a month | 9                | 6.98       |
| Very rarely     | 4                | 3.10       |
| <b>TOTAL</b>    | <b>129</b>       | <b>100</b> |

Source: Primary data

In this study it was found that around 75% of the respondents are using the digital banking service very frequently for one or the other purpose, most of them reported that they are using unified payment interface (UPI) as digital banking service.

### 5.6 Issues in digital banking services:

Digital banking made it convenient for the individuals to access to banking services without visiting the bank physically. Even though the digital banking offering many benefits to the individuals, many will refuse to accept the digital banking completely for several issues faced by them.

**Table -6: Issues in digital banking services:**

| DESCRIPTION   | NO OF RESPONDENTS | PERCENTAGE |
|---------------|-------------------|------------|
| Security risk | 33                | 25.58      |

|                   |            |            |
|-------------------|------------|------------|
| Lack of knowledge | 12         | 9.30       |
| Technical issues  | 62         | 48.06      |
| Threat to privacy | 22         | 17.06      |
| <b>Total</b>      | <b>129</b> | <b>100</b> |

Source: Primary data

The study reveals that around 48% of the people are facing technical issues while availing the digital banking services. And security risk is another prime concern for the individuals in using the digital services as online banking frauds and incidents of loss of personal data are increasing nowadays. And very few reported that they are lacking in knowledge of using digital banking services.

#### Conclusions:

Over the last few years with development in technology and the educational level of people the concept of digital banking is very popular even in rural areas. with the continuous efforts of the government in promoting digital banking in the country like demonetization, introduction of UPI system and many other programs have lead to increase in the digital transactions especially after COVID-19 pandemic the number of digital transactions are increased in large scale and helping the country to become a cash less economy. In this study it was absorbed that majority of the rural population are aware of the digital banking and are using the same for only few purposes or to transact in very small amount because of the reasons of security risk, privacy threat and technical issues in rural areas. The concerned authority should take proper measures to overcome the fraudulent activities that the customers are facing.

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