



E-BANKING SERVICES TO RURAL CUSTOMERS – A STUDY WITH SPECIAL REFERENCE TO THIRUPUR DISTRICT

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Abstract:

Banks act as the backbone of economic development. They inculcate the habit of saving. The share of banking and insurance within the service industry is very significant. The latest development in information and communication technology, internet has become indispensable tool for today business. Every business organization sings it in some way or another these days. It has emerged as the leading medium, and innovative distribution channel for businesses. In India, there are 6, 40,867 villages and about 83.3 crores of Indian population lives in these villages. For economic development Indian Government and RBI realized that rural development is the key for country's development. RBI guides the banks to start their branches in villages those which are not having their banks. After the central Government efforts of demonetization the usage of payments via electronics is getting more. Therefore this study aims to analyse the banking opportunities to rural customers.

Key Words: E-Banking, ATM, Rural Customers & Services

Introduction:

A sound progressive and dynamic banking system is a fundamental requirement for economic development. They inculcate the habit of saving. The Indian banking is an essential component of the service industry. The share of banking and insurance within the service industry is very significant. The Internet has become the fastest growing marketplace in the world, due to the rapid advances in telecommunication and computer technology development in the past decade. The impact of Internet usage influenced not only in business organization even service sector including banking sector also. Internet banking has provided an improvement in services in the banking industry, with the attendant provision of the advantages for both customers and the bank.

In India, there are 6, 40,867 villages and about 83.3 crores of Indian population lives in these villages among 121 crores of total population as per 2011 census. The rural population in India comprises the core of Indian society and represents the real India. For economic development Indian Government and RBI realized that rural development is the key for country's development. RBI guides the banks to start their branches in villages those which are not having their banks. After demonetization the usage of payments via electronics is getting more. Therefore this study aims to analyse the banking opportunities to rural customers.

Statement of the Problem:

Banking system plays a very significant role in the economy of a country. It is central to a nation's economy as it caters to the needs of credit for all the sections of the society. India is not only the world's largest independent democracy, but also an emerging economic giant. Without a sound and effective banking system, no country can have a healthy economy. India lives in numerous villages, scattered throughout the country. Rural areas are form to nearly 70 percent of India's population and have historically accounted for more than half of Indian consumption.

Even with increasing urbanization and migration, it is estimated that 63 percent of India's population will continue to live in rural areas by 2025. In terms of economic output, rural India accounts for 48 percent of the country's economy and the rural markets have the potential to reach \$500 billion by 2020. Thus rural areas will continue to remain vitally important to the Indian economy. . For the past three decades, India's banking system has several outstanding achievements to its credit. It is no longer confined to only the metropolitans, but has reached even to the remote corners of the country. This is one of the reasons of India's growth process. In rural areas banks were consider as a mediator for implementing the Government policies and Programmes.

Now the central Government execute their development activity through Pradhan Mantri Jan Dhan Yojana (PMJDY) with the motive of “Bank Account For All” the Key objective of such plan is to increase the accessibility of financial services such as bank accounts, insurance, pension, credit facilities, etc. mostly to the

low income groups. Under the programme, by November 2015, 192.7 million new accounts have been opened and around USD4412 million has been deposited with the banks under this scheme.

With the stepping in of information technology in the banking sector, the working strategy of the banking sector has been revolutionary changes. In the modern-day economy where people have not time to make these payments by standing in queue, the services provided by banks are commendable. For retaining their customers banks provide various services through Internet, Mobile, ATM etc., Hence this study aims to analyse the e- banking services to rural customers.

Scope and Significance of the Study:

The study has been undertaken from the point of view of the rural people who resides in Tirupur District and are having account in Bank. The present study aims to identify the E-B anking facilities available in rural areas of Tirupur District. The result of the study may be useful for the Government, Public and Private sector Bankers in order to improve their services in such a way that to attract more number of rural customers, their satisfaction and Country's economic development.

Objectives of the Study:

- ✓ To study about rural banking in India.
- ✓ To analyse the importance of e-banking services to rural customers in Tirupur District.
- ✓ To find out the problems of e-banking in rural areas.
- ✓ To offer suggestions for the improvement of e-banking services in rural areas.

Limitations of the Study:

- ✓ This study confined to Tirupur district only.
- ✓ It covers only the rural customers.

Research Design:

Research design briefly gives details about the method of data collection, pilot study and analysis of data. This study is descriptive in nature. This study entirely based on secondary data which collected from various sources like Books, Magazines, Journals and websites.

Review of Literature:

Manoj. P. K (2016) pointed out that, Fast proliferation of Information and Communication Technology (ICT) has brought about radical improvements in the field of banking at all levels, right from marketing of products, delivery of services, and making day to day transactions with customers. In the ongoing era of banking sector reforms in India, there has been fast adoption of ICT by banks as is reflected by the ever growing network of ATMs, large number of delivery channels especially technology-based services like online banking, e-commerce etc.

M. Jegadeeshwaran and P. Ananthan (2015) pointed out that service industry like banking; customers would continue to be the principal factor and customer service would be one of the factors for improving profitability. Customer service is complex in nature and dynamic in action and approach.

Vidyapriya. P and Mohanasundari. M (2015), said that Indian Banks have effectively leveraged technology and introduced several variants of traditional products and new e-based services. While ATM has become popular for cash withdrawals, other services like mobile banking and internet banking are suboptimally used. Customers are still not using the full range of services available in ATMs.

Vikas Chauhan and Vipin Choudhary (2015), attempt a study and pointed out that with the time, the way banks used to operate has changed due to advent of internet in banking institutions. The implementation of internet in banking organizations has modernized the banks. Implementing the internet banking approach has benefited the both i.e. consumers as well as banks. Considering the benefits, the banks all over the globe have implemented the internet banking and banking organizations in India are no exception. Still the concept of internet banking is a fairly new one to Indian consumers as compared to its developed counterparts.

Kathirvel. N and Karpagavalli.K (2014), reveals that the Indian banking is an essential component of the service industry. The share of banking and insurance within the service industry is very significant. Customer services have been widely debated as organizations/institutions increasingly attempting to measure them. Customer services can be experienced in a variety of situations and connected to both products and services.

Vijayaragavan. T (2014), rightly said that the banking industry is on a major technological up gradation drive after having successfully introduced international standards in their operating norms. It is commonly perceived that technology is important to enhance the quality of customer service and to make it customer friendly. Banking industry is fast growing with the use of technology in the form of ATMs, on-line banking, Telephone banking, Mobile banking etc., plastic card is one of the banking products that cater to the needs of retail segment has seen its number grow in geometric progression in recent years. Today, the concept of core banking has made 'Any Where and any time' banking a reality. Along with technology, banking services have also evolved and the delivery of various banking products are carried out through the medium of high technology at a fraction of the cost to the customer.

Apurva Singh (2013), conducted a study and indicated that gender, age, qualification, income and tenure of accounts holding in the bank are the deciding factors for the customer to determine the frequency of usage of e-banking, type of e-banking services to be used, and finally the satisfaction and benefits arising from using the respective services and forms the drivers of promoting e-banking among customers.

Ms. Linda Mary Simon (2012) made a study and found that private sector banks are providing better services to its customer than public sector banks. It is evident that public sector banks have a strong presence in the market but in recent times they are facing stiff competition from private sector banks in the range and quality of services offered.

Maya B. Lohani, & Kamlesh Kumar Shukia (2011) both attempted a comparative study between Bank of Baroda (BOB) and ICICI in Lucknow and found that the younger customers are interested to use internet related services(ATM,NEFT,RTGS etc).most of the respondents preferred NEFT(National Exchange Fund Transfer) followed by ATM and Mobile banking. They are more inclined towards services provided by private sector bank than the public sector bank. They concluded that the perceived quality of services provided by private sector bank (ICICI) is better than public sector bank (Bank of Baroda) in Lucknow city region.

Rural Banking in India:

Agriculture in India has a significant history and it is demographically the broadest economic sector and plays a significant role in the overall socio-economic fabric of India. Finance in agriculture is an important as development of technologies. A dynamic and growing agricultural sector needs adequate finance through banks to accelerate overall growth. Most of the credit-related schemes of the government to uplift the poorer and the under-privileged sections have been implemented through the banking sector.

With the passing of the Reserve Bank of India Act 1934, there were improvements in agricultural credit. Earlier, the co-operative banks were the main institutional agencies providing finance to agriculture. But after nationalization of 14 major commercial banks, it was mandatory for them to provide finance to agriculture as a priority sector. Thus, agricultural credit acquired multi-agency dimension.

The Government has allocated `10000 crore to the National Bank for Agriculture and Rural Development (NABARD) for refinancing Regional Rural Banks (RRBs) to disburse short term crop loans to small and marginal farmers. The short-term crop loans scheme offers credit to farmers at 7 per cent interest rate. Besides, in order to reduce post-harvest losses, farmers are eligible to get post-harvest loans up to six months at 4 per cent interest rate provided they keep their produce in warehouses.

The rural sector in a country like India can growth only if cheaper credit is available to the farmers for their short-and medium-term loans. In addition, the farmers get loans for purchase of electric motors with pump, tractors and other machinery, digging wells or boring wells, purchase of dairy animals and for many other allied enterprises.

E-Banking Services for Rural Customers:

Today, the banking sector is one of the biggest service sectors in India. Availability of quality services is vital for the well-being of the economy. In addition to the traditional roles, banks also perform certain new age functions which could not be thought of a couple of decades ago. The focus of banks has shifted from customer acquisition to customer retention. Various customer-oriented products like internet banking, ATM services, telebanking and electronic payment have lessened the workload of customers.

The facility of internet banking enables a consumer to access and operate his bank account without actually visiting the bank premises. The facility of ATMs and credit/debit cards has revolutionized the choices available with the customers. Banks also serve as alternative gateways for making payments on account of income-tax and online payment of various bills like the telephone, electricity and tax.

- ✓ According to RBI, there are about 48,000 public sector bank branches in India of which over 63 per cent are in semi-urban and rural areas. Though over 70 per cent of the branches have attained 100 per cent computerization.
- ✓ Majority of banks in India has made their indigenous apps available on smart phones for safe, secure and faster transfer from anywhere in the country.
- ✓ Total number of ATMs in India has increased to 189,189 by the end of August'15 and is further expected to double over the next few years, thereby taking the number of ATMs per million populations from 105 in 2012, to about 300 in 2017 rising rural penetration.
- ✓ As of March 2015, 56 regional rural banks are functioning in the country.
- ✓ In 2015, with the Financial Inclusion Plan, 390387 villages were covered with 14207 branches. In April 2014, after 12 years of its last issuance of bank license, RBI granted in-principle licenses to IDFC and Bandhan Microfinance to promote rural expansion.
- ✓ Under the PMJDY programme, by November 2015, 192.7 million new accounts have been opened and around USD4412 million has been deposited with the banks under this scheme.
- ✓ 157.4 million 'Rupay' debit cards has been provided to the users till September, 2015 Wide usability of RTGS and NEFT

- ✓ Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) are being implemented by Indian banks for fund transaction
- ✓ Securities Exchange Board of India (SEBI) has included NEFT and RTGS payment system to the existing list of methods that a company can use for payment of dividend or other cash benefits to their shareholders and investors Know Your Client
- ✓ RBI mandated the Know Your Customer (KYC) Standards, wherein all banks are required to put in place a comprehensive policy framework in order to avoid money laundering activities
- ✓ The KYC policy is now mandatory for opening an account or making any investment such as mutual funds.
- ✓ For State Bank of India (SBI), the average size of a banking transaction on its mobile platform has jumped fivefold since the bank introduced two applications for its corporate customers.
- ✓ SBI unveiled State Bank Anywhere-Saral for the SME sector (small and medium enterprises) in May and State Bank Anywhere -Corporate for its larger corporate customers in October, leading to an increase in the average transaction value.
- ✓ Axis Bank Ltd, which introduced two mobile applications for its customers.
- ✓ The number of mobile banking transactions has risen from 16.8 million in December 2014 to 39.5 million in December 2015, according to RBI data.

Rural Banking in Tiruppur District:

Tiruppur is also known as the knitwear capital of India, accounting for 90% of India's cotton knitwear export. It has spurred up the textile industry in India for the past three decades. It contributes to a huge amount of foreign exchange in India. The city provides employment to around 400,000 workers, with the average salary per worker being around ₹ 9,000 per month.

Tiruppur district though an industrial district plays important role in Agriculture also. The food production required to be enhanced to provide food and nutritional security do the growing district population. The Tiruppur more than 80% of the farmers belongs to small and marginal category and they play a key role in overall development in Agriculture. The total area of cultivation is around 2,28,556 hectare, mainly food and commercial crops. The chief food crops are paddy, millets and pulses. The non food or commercial crops in the district are cotton, oil seeds and coconut. The population statistics are listed below.

Table 1: Population in Tiruppur District (As per 2011 census)

Male	Female	Total
12,46,159	12,32,893	24,79,052
Urban	Rural	Total
15,21,111	9,57,941	24,79,052

Source: Population census, 2011.

Tiruppur District had 3 revenue divisions namely Tiruppur, Dharapuram and Udumalpet. It has 9 Taluks, 350 Revenue Villages, 13 Panchayat unions and 265 village panchayats. The below table shows the Village Panchayats.

Table 2: Village Panchayats in Tiruppur District

S.No	Name of Panchayat Union	No. of Village Panchayats
1.	Avinashi	31
2.	Gudimangalam	23
3.	Madathukulam	11
4.	Palladam	20
5.	Pongalur	16
6.	Tiruppur	13
7.	Udumalpet	38
8.	Dharapuram	16
9.	Kangayam	15
10.	Kundadam	24
11.	Mulanur	12
12.	Uthukuli	37
13.	Vellakoil	9
	Total	265

Source: District hand book

As per 2015 statistics Tiruppur district had 186 public sector banks of India. They are listed below.

Table 3: Banks in Tiruppur District (As per 2015 Statistics)

Name of the Bank	Number of Branches
SBI and it's associates	45

Allahabad bank	1
Andhra banks	2
Bank of India	5
Bank of Baroda	10
Bank of Maharashtra	1
Canara bank	42
Central bank of India	6
Indian overseas bank	18
Orential Bank of Commerce	1
Punjab & Sindh Bank	1
Punjab National Bank	4
Syndicate bank	11
UCO bank	3
Union bank of India	6
United bank of India	1
Vijaya bank	2
IDBI	7

Source: RBI Report, 2015.

Problems of E-Banking in Rural Areas:

- ✓ Lack of awareness about e-banking facilities among rural customers. Banks are not able to disseminate proper information about the use, benefits and facility of internet banking. Less awareness of new technologies and their benefits is among one of the most ranked barrier in the development of e-banking
- ✓ High Installation charges also one of the basic problems in providing e- banking services.
- ✓ Conventional banking is preferred by the customers because of lack of trust on the online security. They have a perception that online transaction is risky due to which frauds can take place.
- ✓ The risk of disclosing private information and fear of identity theft is one of the major factors that inhibit the customers while opting for internet banking services.
- ✓ The problem related to the security has become one of the major concerns for banks. A large group of customers refuses to opt for e-banking facilities due to uncertainty and security concerns
- ✓ The knowledge and availability of internet is still a one of the biggest challenges that prevails in Indian context. According to the report of IAMAI around 22% of internet users do not have knowledge about transferring online. So the penetration of internet and knowledge related to internet are major hurdles.

Suggestions:

- ✓ Statistics reveals that even 60 villages in Tiruppur district do not have ATMs. So efforts should be taken for operating more ATMs in these Villages.
- ✓ Bankers should create awareness about Electronic Fund Transfer, International Debit Card, RTGS system. Some customers are facing lot of problems while transferring funds through Electronic Fund Transfer as they need IFSC Code and Branch address. So banks should make necessary arrangements with internet facilities in their banks so that customers can access their IFSC code and address.
- ✓ Conducting workshops and training programmes to rural consumers regarding how do operate in internet banking.
- ✓ A system should be developed in such a way that a customer can use his ATM cards and ATM PIN for authentication in a transaction through the internet. The changes in banking and financial sectors require a fundamental shift in skills required for banking.
- ✓ Proper Technical training to staff must be provided to handle crisis situations.

Conclusion:

Internet banking has got attention in the Indian context. Most of the banks have already implemented the e-banking facilities, as these facilities are beneficial to both i.e. banks as well as customers. The banks are facing many challenges and many opportunities are available with the banks. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". Awareness is the main problem of E-Banking in Rural areas. Therefore it is concluded that Government and Banker should focus for educating the rural customers for e-banking as well as open more number of banks in rural areas.

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