

Impact of E-Banking on Traditional Banking Services in the State of Telangana Rural Areas

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ABSTRACT - Today's technology is changing the way business is done. E-Banking is changing the banking sector, having the major effects on banking relationships with rural area people. In true E-Banking facilitates "Anytime banking" to its customers in rural areas. Customers want to access the E-Banking services as it is convenient and time not consuming in rural areas. Customers using E-Banking are not only from the urban areas but also from the rural areas. Where E-Banking offers relief to the customers at the same time it provides cost cutting to the banks by removing physical documentation. This research publication has provided that the E-Banking is gaining popularity among customers due to its various benefits like ease and convenience, fast and better services, user friendly approach, easy to manage accounts of the customers etc. all such positive features has put a partially negative impact on the use of traditional banking services in rural areas. This paper aimed to explore the factors affecting the E-Banking acceptance in rural India and how the explored factors, perceived value, ease of use, trust, perceived security and self-efficacy impact the customer loyalty through customer satisfaction in the state of telangana rural areas.

Keywords –E- Banking, Traditional Banking, Anytime Banking, Rural Areas, Urban Areas.

I. INTRODUCTION

The improvement in information technology provides a lot of benefits as well as challenges to the banking industry and its customers in rural areas. Previously customers in order to complete banking transactions need to visit branch personally but with the aid of E-banking now customers can complete their banking transactions without making personal visit to the branch in rural areas. All public and private banks are now using websites in order to display the list of product and services which are provided to its customers in rural areas also. E-Banking offers a variety of services to the customers like accessing account details, funds transfer, and interbank transfers to accounts with other banks, request for opening a bank account, credit card bills, mobile bills, utility bill payments etc. It is a proposal that facilitates the customers to carry out their banking activities from their desktop and mobiles, supported by the power and ease of the Internet connection Today the E-banking is not only popular in big cities or urban areas but also becoming famous in the rural areas.

The surprising benefits which E-banking is providing to its customers force them to shift from traditional banking services to the modern banking services like E-banking, mobile banking, ATM's etc in rural areas. E-Banking has not helped the customers to avail banking services by just sitting in their homes, offices or anywhere else where the

facility of computer and internet is available to them but also it is cost advantageous, comfortable and time saving process even in rural areas. In such a way E-banking is emerged as borderless services enables anytime, anywhere and anyhow banking (Vyas, 2005) in rural areas.

E-BANKING

E-banking is the term that signifies and surrounding the entire sphere of technology initiatives that have taken place in the banking industry public and private sector. E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products in public and private sector. E-banking has broken the barriers of branch banking.

CURRENT STATUS OF E-BANKING IN INDIA

E-Banking has become an integral part of banking system in India rural areas. The concept of E-Banking is of fairly recent origin in India. Till the early 90's traditional model of banking i.e. branch based banking was prevalent, but after that non-branch banking services were started. The credit of launching E-Banking in India goes to public and private banks followed with E-Banking services in 1999. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and

reviewing the legal and other requirements of E-Banking on a continuous basis to ensure that E-Banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability

To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and E-Banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector banks and foreign banks are leaders in the adoption of E-Banking. Indian banks offer to their customers following e-banking products and services:

- Automated Teller Machines (ATMs)
- Internet Banking
- Mobile Banking
- Phone Banking
- Tele banking
- Smart Cards

To sustain in the growing competition, all public and private banks in India have provided several initiatives to improve banking services and to gain competitive advantage. The few of the initiatives taken by Indian banks for E- Banking are mentioned below:

All public and private banks recently launched its card-less cash withdrawal service. This facility helps customers to send money to anyone using E- banking or by using ATM, with the help of receiver's mobile number.

The Business Transformation Program is being implemented by the Bank of Baroda which will provide its customer convenience banking on a 24 X 7 basis in India and abroad with integrated delivery channels like Internet, Phone, Mobile, and others.

A number of Indian public and private banks have implemented Online Tax Accounting System (OLTAS) for collection of taxes on behalf of Central Board of Direct Taxes, Government of India.

All public and private banks launched 24x7 electronic branches, which is a one-stop shop for all banking transactions. It offers facilities such as cheque deposit machine and an electronic kiosk through which customers can be accessed E- Banking services. Almost all banks are also introduced E-Locker for its customers. It is a virtual locker, which can be accessed through all banks E-banking which facilitates customer to store soft copy of their important documents safely such as legal documents, agreements, policies and various important certificates. All banks are offering various gifts to customers for start to use E- banking for the first time.

OBJECTIVES OF THE STUDY

The study has been conducted with the following objectives:

To study the impact of e-banking on the traditional banking services in rural areas.

To study the reasons of E-Banking adoption among the customers in rural areas.

To study the challenges faced in E-banking.

To study the opportunities available in E-banking.

LIMITATIONS OF THE STUDY

The present study is based upon the results of survey conducted on rural areas. The results of the study are subject to the limitations of sample size, regional territory, psychological, financial and emotional characteristics of surveyed population in rural areas. Due to such limitations the study cannot be generalized.

II. RESEARCH METHODOLOGY

DATA COLLECTION

This research is based upon the primary as well as secondary study. The primary data was collected from 159 respondents in the state telangana rural areas. In order to arrive at the sample size, non-probability method has been used. For the primary data collection the structured pre tested questionnaire is used to record the response of various respondents in rural areas. Data is collected from respondents for the purpose of determining the impact of E-banking on the traditional banking services in rural areas. The sources used for secondary data collection includes research papers, articles, websites of banks, data published by RBI.

DATA ANALYSIS

The reliability of data has been tested through Cronbach Alpha. The analysis of primary data was carried out using Statistical Package for the Social Sciences (SPSS). For the hypothesis development for the study null hypothesis has been developed which provides that the E-banking has no significant impact on the traditional banking services in rural areas.

IMPACT OF INTERNET BANKING ON TRADITIONAL BANKING SERVICES IN THE STATE OF TELANGANA RURAL AREAS

The introduction of the LPG in the Indian economy during 1991 has transformed the economy in the positive sense. The banking industry has also attained a recommendable growth after this period and this industry has undergone a remarkable renovation. The entry of private sector and

foreign banks has made this service sector more competitive. To support the hypothesis of this research publication the following factors are taken into consideration which will clear the fact that the E- Banking has adversely affected the traditional banking services in rural areas.

EASE AND COMFORT

E- Banking facilitates to complete banking transactions successfully without visiting branch of bank personally. E-Banking provides “anytime” banking to its customers. A customer only has to open the bank website of which he is the customer and after successful login can complete his transaction. E-Banking is also very much interesting because customers enjoys while completing their transactions with the help of E-banking (Davis, 1989). When a bank provides a good website with easy language and better contents then it will become more easy and convenient for a customer to use it. Adequate explanations should also be provided by the all banks on their website in order to encourage the customers to complete their transactions with no problem (Saha, 2005).

FACILITATES ANY TIME ANY WHERE BANKING

The fixed time limit of working of all banks also promotes the use of E- Banking among the customers. With the use of E-Banking a customer can access his bank account details any time and also from anywhere. This facility has adversely affected the traditional banking services in rural areas. A customer now not needs to interrupt his busy schedule for making personal visit to the bank just for a simple knowledge of collecting account details. Bank staff has been replaced by the machines to perform the basic functions by the customers like withdrawal of cash, transfer of cash, request for various banking services etc. and also all this provides that the demand of customers is also increasing in the machines reliability as compared to human resource reliability (Munusamy, 2010).

FASTER AND BETTER SERVICES

E-Banking facilitates 24/7 banking as it overcame the problems of physical banks which are working for 5 or 6 days a week in the limited timeframe. Now with the help of E-banking a customer can access his account and make transactions even if there is a bank holiday as well as during the non-working hours of the banks in a better way. A person just sitting in his office or home or from anywhere can enjoy the E-banking services by using bank website with the help of internet. Now a person can avail fast and better service to pay his electricity bill and other utility bills, pay taxes, transfer funds, pay credit card bills, and enjoy online shopping etc. The processing time to complete the transaction is also reduced because a

customer now not needs to stand up in long queues and to wait for his turn (Deitel, 2001).

HELPING CUSTOMERS TO MANAGE ACCOUNTS

E- Banking enables a customer to manage his personal accounts easily and effectively. This facility is available with the customer 24/7 at any place with the least possible cost (Ping, Sukhi, 2012). A secure and safe website helps a customer to manage all financial transactions effectively with a few clicks in rural areas. They can manage their accounts with the help of personal secret information in form of their personal password, address and other important information in rural areas (Adams,Lampthey, 2009).

REGULAR UPDATED INFORMAIION

A customer after competing transaction in a bank get sure about its completion or non-completion but this facility is available in case of E-Banking because in the meantime an updated information about the status of transaction that whether it is completed or not is received by the customer by means of SMS alert or from the web page of the bank. The frequent updated information also ensures security to the customer which is highly demanded by the customer while using E-Banking. As a result the risks involved in the transaction also get minimized.

In this way communication between the bank and the customer is also improved (Wang, 2006).

USER FRIENDLINESS OR CUSTOMIZATION

E- Banking is playing a strong role in the development of banking sector and this concept is gaining popularity at a high rate in the bank customers in rural areas. One of the reasons of increased popularity of internet banking among people is the user friendly services which E-Banking is offering to its customers. The use of multi languages during transactions and use of biometric and voice mail system especially in the rural areas for the illiterate section proves the user friendly approach provided by the banks to their internet banking customers (Sharma, 2012). Regularly up-to-date services with innovative features are provided to the customers who are using E-Banking. In this way a bank is able to retain their old customers and also tries to attract the new ones.

LOW COST STRUCTURE

The cost involved in the internet banking operations is also least as compared to traditional banking services in rural areas. As E- Banking provide its customers to complete their banking transactions from anywhere and anytime without making personal visit to the bank. So on the one hand transactions are going on in the brick and mortar bank and on the other side by the customers using E-

Banking without help of banking staff. So the transaction rate has increased which has a positive impact on the operating performance of the banks. The banks also have to incur onetime cost to set up the E-Banking system and enjoy long term benefit from this cost. From the customer point of view, a customer just with the help of an internet connection and desktop computer or laptop or smart phones can go for his banking transaction without incurring expenses of transportation etc. for reaching the branch. So in this way E-Banking is useful for the both banks and customers from the cost point of view (Hassan, 2012).

ENVIRONMENT FRIENDLY APPROACH

E-Banking avoids the use of paper documents which are very important in case you are completing your transaction in a physical branch of bank. So E-Banking helps to save papers which in turn help in saving environment. As a customer using E- Banking can directly or indirectly participate in the environment protection scheme.

III. RESULTS AND DISCUSSIONS

The results show that from the total only 70% respondents are using E- Banking and others 30% are not in rural areas.

The results prove that the income of the respondents is independents to the usage of E-banking .in rural areas

The profession of maximum users of E-Banking in this study are in service and after this student in rural areas.

Education has a positive role in the adoption of E-Banking of the customers as the maximum users are either graduate or post graduate in rural areas.

Most of the internet users i.e. 65% are strongly agreed that E-Banking helps them to complete their banking transactions without visiting branch personally. 30% agreed to the same statement. Only 5% respondents are disagreeing and strongly disagree to the statement. As a result the majority of the respondents are in favor of the statement in rural areas.

Maximum respondent i.e. 88% are strongly agree with the statement that E- Banking provides “anywhere, anytime banking” to them in rural areas.

72% respondents are strongly agreed and 26% are agreeing that they enjoy banking services with the help of E-Banking without disturbing their busy schedules in rural areas.

Only 33% respondents are strongly agree that bank staff has been replaced by the machines to perform the basic functions. But 40% are also agreeing with the same. 12% have neutral response and also 11.9% are disagreeing with

the statement. Only 2.3% respondent is strongly disagreed with the same in rural areas.

35% respondents are strongly agreed and 40.6% are only agreeing that the demand of customers is also increasing in the machines reliability as compared to human resource reliability. 20.4% respondents have no opinion i.e. they are neutral on the statement in rural areas.

Most of the respondents are admitting that E-Banking facilitates 24/7 banking. These respondents include 72.8% who are strongly agreed and 18.2% who are agreeing in rural areas.

60.5% respondents are showing that they are strongly agree with the point that problem of stand up in long queues is solved due to E-Banking. 38.5 % are also agreeing with the same in rural areas.

From the total 62.9% respondents strongly agrees that they are availing fast and better services due to E-banking. 32.1% respondents are also agreeing with the same in rural areas.

62.9% respondents are strongly agreed and 32.1% are only agreeing with the statement E- Banking enables them to manage his personal accounts easily and effectively in rural areas.

50.5% of the respondents are strongly agreed that a secure and safe website helps a customer to manage all financial transactions effectively with a few clicks. 41.5% respondents are also supporting the same fact in rural areas.

58.1% respondents from total strongly agreed that they get updated information about the status of the transaction whether it is completed or not and 36.7 % are agreed to this fact in rural areas.

59.1% respondents from total strongly agreed that frequent updated information to the customers is provided by the bank with the help of internet banking and 36.7 % are also agreed to this fact in rural areas.

From the total respondents 58.5% are strongly agreed that regular updated information helps in providing security to the customer and 29.6% are agreed to the same in rural areas.

48.6% respondents are strongly agreed with the statement that communication between bank and the customer is improved due to E-Banking. The respondents who only agreed to the statement are 37.7%. Only 7.7 % are neutral, 5.9% are disagreed and strongly disagreed with the fact in rural areas.

41.2% of the total respondents are strongly agreed and 40.5% are agreed with the research question that user

friendly services are provided to the customers with the help of E-Banking. But the response of 12.9% respondents is neutral and 2.6% are strongly agreed to this research question in rural areas.

Only 39.1% respondents are strongly agreed and 34.3% are only agreed that multi language facility is provided to the customers in E-Banking. 13.3% respondents are neither agree nor disagree to the statement and 8.5% are disagreed and 4.9% are strongly disagreed. This is one of the question on which least positive response is collected in this study from respondents in rural areas.

Only 32% respondents are strongly agreed and 27.2% are only agreed that bio metric and voice mail services are provided to the illiterate people in E-banking. 22.4% respondents are neither agree nor disagree to the statement and 11.8% are disagreed and 6.6% are strongly disagreed. This is the question on which least positive response is collected in this study from respondents as compared to other research questions in rural areas.

From the total 46.2% are strongly agreed and 52% are only agreed to the research question that regularly up-to-date services with innovative features are provided to the customers who are using E-Banking in rural areas.

The study shows with the response of 42.8% strongly agreed respondents and 40.5% agreed respondents that a bank is able to retain their old customers with the help of internet banking. But 14.2% respondents are also neutral to this fact in rural areas.

E-Banking is used as medium to attract new customers as per the 46.8% respondents who are strongly agreed to this and 24.8% who are only agreed to this. 13.3% respondents are neutral, 5.8% are disagreed and 2.4% are strongly disagreed to this in rural areas.

55.8% respondents are strongly agreed that E- banking transactions are cheaper than branch transactions and 30% respondents are also supporting this statement by giving agreed response. 9.6% respondents are also neutral to the same in rural areas.

From the total 53.4% are strongly agreed and 27.6% are agreed to the research question that the transaction rate has increased due to internet banking. 11.8% respondents are neutral, 4.8% are disagreed and 2.3% are strongly disagreed to this in rural areas.

The study shows with the response of 64.3% strongly agreed respondents and 23.8% agreed respondents that a bank is able to retain their old customers with the help of internet banking. But 2.4% respondents are also neutral and 7.1% are disagreed to this fact in rural areas.

Maximum respondents are agreed with the research question that internet banking also helps in environment protection as wastage of papers is avoided. 73.9 % respondents are strongly agreed with this question in rural areas.

58.5% respondents are strongly agreed that internet banking provides customers a wide variety of choice and 36.7% respondents are also supporting this statement by giving agreed response in rural areas.

Reliability was examined on all items in this study and as test of reliability Cronbach's Alpha was adopted to represent internal consistency. Shows the positive reliability test. Hence it can be concluded that the items reliably measure the defined constructs in rural areas.

Which prove that E- Banking has a significant impact on the traditional banking services in rural areas.

IV. FINDINGS OF THE STUDY

E- Banking is a banking of modern banking. It adversely affects the use of traditional banking services in rural areas. Customers find it convenient and easy to use E-Banking for availing various banking services instead of going personally in the bank in rural areas. A study also reveals that the transaction cost is also a main factor which encourages customers to use E- banking as compared to traditional banking services (Huang, 2002). With the help of this paper we analyzed the following reasons for the increasing use of E-Banking among customers and its impact on the traditional banking services in rural areas:

The convenient and easy use of E- Banking is a motivating factor for the customers to avail banking services in rural areas.

A customer need not to face hassles of sitting in queue and to wait for his turn as he can now use the banking services with the help of internet anytime and anywhere in rural areas.

E- Banking helps the customer to avoid the time which was utilized in reaching bank branch in order to avail banking services. So E-banking helps to save the time of the customer in rural areas

E-Banking helps customer to avail banking services 24/7 in rural areas.

The transaction rate has been increased and E-Banking also ensures faster and better services as compared to traditional banking services in rural areas.

A customer can manage his accounts in most efficient manner as per his own choice in rural areas.

Customer gets timely and updated information from the bank after the completion of the services in rural banks. This information is provided in the form of SMS or by displaying a message on the web page regarding the status of the completion of service i.e. whether it is successfully completed or not even in rural banks.

E- Banking enables user friendly approach as a customer himself customize his account and select services which he wants personally in rural banks.

E-Banking is cost advantageous technique both for the bank and the customer. Per transaction cost is least in the case of E-Banking in rural areas.

E- Banking also helps in environment protection as wastage of papers is avoided which in turn helps to save environment in rural areas.

The respondents who are not using E-Banking explains reasons behind the no adoption of E-banking and these reasons includes slow working of their internet connection, feeling of insecurity while doing transaction on internet, unawareness of E-banking among them and the facility is too new for them and they like to see how it works before opening an E-Banking account in rural areas.

V. CONCLUSIONS

This publication provides that the continuous and most use of E-banking has put a partially negative impact on the use of traditional banking services by the customers in rural areas Due to the convenience, ease, fast, better, user friendly approach, cost advantageous, environment friendly approach, regular up to date information in E-Banking, banking practice of making online system maximum secure with chip, 24/7 service, hassle free services, time saving etc. are the motivating factors which are promoting the usage rate of E-banking customers in rural areas and to use more and more E-Banking for their regular banking services in rural areas whether these services involves basic banking services like checking of account or to request for various banking facilities and also value added services like fund transfer, mobile bills, electricity bills, movie ticket bookings, mobile number to mobile number transfer, UPI transfers, online shopping, payment of utility bills, payment of credit card bills etc. due to all such features in E-Banking is becoming a substitute of various traditional banking services in rural areas. The hypothesis developed in this paper is accepted that E-Banking in rural areas banking has a partially negative impact on the traditional banking services.

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