

# India's Online Banking Adoption: A Critical Analysis of Rural and Urban Scenarios

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**ABSTRACT:** *In India, online banking has completely changed the retail banking landscape. Banks are responding to the technological shift by launching online and mobile banking services. With the rise in internet and smartphone penetration, Internet banking is becoming more popular. However, whether this flexibility varies between banking clients in urban and rural regions is a major issue, and the goal of this research was to see whether there is a variation in patterns of Internet banking use between the two groups. The research also looks at consumer perceptions of digital banking and highlights the important variables influencing internet banking usage and uptake. The research is carried out on a selected sample of 200 consumers in Jaipur and Meerut, as well as surrounding rural regions, using a predetermined set of questions. The study's findings show that there is a disparity in internet banking use between rural and urban regions, with reasons such as language hurdles, education level, and a lack of technological expertise to blame. However, the research shows that consumers in both regions have a favourable view of online banking services, implying that banks may boost use in both areas by raising awareness and providing better service to clients.*

**KEYWORDS:** *Consumer, Education, Online Banking, Rural, Urban.*

## 1. INTRODUCTION

Consumer's lifestyles have altered as a result of the introduction of personal laptops and internet technologies [1]. Consumers today expect convenience, innovation, and services that save them time. The need for Internet banking has been fueled by a number of reasons, including increased literacy, increasing affluence, expanding technological adoption, and widespread internet access. The need for new levels of services from tech-savvy consumers has compelled banks to utilize technology to provide the anticipated services to customers. To offer branchless banking to consumers, banks have developed numerous technical advancements such as on-the-spot transactions, ATMs, online banking, mobile banking, and so on during the past two decades. In bank's digital transformation strategy, online banking has evolved as the most important emphasis area. In India, Internet banking accounts for more than thirty percent of all electronic transactions. With increased internet and smartphone penetration, there is a large potential for consumer migration to online banking[2].

The launch of ATM (Automated Teller Machines) by HSBC in 1987 was the first significant technological advance in banking service[3]. Additional distribution methods, like as Automated Teller Machines, were added to the conventional branch model of providing service to clients (ATM). The goal was to provide consumers access to banking services at any time for their comfort, as well as to move customers away from conventional banking channels and toward alternative channels. Then, as the internet's prevalence grew, banks began to provide online banking[4]. ICICI Bank was the first to provide online banking to its clients. Internet banking (IB) is a revolutionary technology advancement that has the potential to transform the financial industry's structure and character. Under the recent development of electronic commerce and business, even more bankers are transitioning from their conventional "bricks

and mortar" strategy to a "clicks and mortar" approach to maintain commercial competitiveness [5].

In India, the shift from physical to online began with the development of information technology in the 1990s. Further, the Rangarjan committee proposed that banks in India be mechanized. However, until the 1990s, the Indian financial industry is characterised by public sector banks, which were plagued by inefficiency, declining productivity, rising non-performing assets (NPAs), and terrible customer service, and were unable to handle the challenges of rising demand and a competitive market. Due to many roadblocks, they were unable to implement much automation. The government established a committee on banking system, chaired by former RBI governor, to enhance the efficiency and competency of the Indian banking sector. The committee's proposals included, among other things, the unrestricted entrance of private sector or foreign banks. These private-sector banks brought cutting-edge innovation and technology with them, and they used it to disrupt conventional banking practices. Furthermore, the IT revolution in the 1990s gained traction with the introduction of the Internet and personal computers, resulting in an increase in the usage of IT in the financial industry. Private banks' use of technology pushed Indian banking institutions to adhere to technological advancements in order to remain competitive and retain customers. By late 2000, the public sector banks had chosen to go for full automation. The adoption of a core banking system has provided banks with a solid platform from which to provide a variety of services through alternative channels such as ATMs, the internet, mobile phones, kiosks, and call centres.

The transition to online banking is being fueled by India's shifting dynamics. India's average age would be 30 years old by 2020, and this youthful customer base is internet aware and demands real-time online information. As a result, Indian banks must aim high and work toward adopting world-class online banking capabilities. According to an EY study, urban regions had 200 million web users in November 2013, representing a forty percent year-on-year increase, while rural India had 68 million users, representing a 58 percent year-on-year increase. The number of homes with internet access has risen due to the growth of the middle class, which has boosted cell phone penetration to almost 85% [2].

The phrase online banking is increasingly synonymous with new era banking. Online banking is described as the use of the Internet to conduct banking transactions such as money transfers, bill payments, checking current and savings account balances, mortgage payments, and the purchase of financial products and certificates of deposit. Online banking, e-payment, and e-banking are all terms used to describe Internet banking. Internet banking allows customers to conduct financial activities through the bank's webpage. This is referred to as virtual banking. It has altered the conventional banking model. Customers who use online banking need not visit banks and may conduct all financial activities from anywhere. The transmission of information between the client and service provider is quicker, which distinguishes Internet-enabled electronic banking from conventional banking [6]. Customers in India are embracing technology, and digital banking is becoming more integrated into people's daily lives. Simple to use, easy supervision of payments, 24-hour availability, quicker than conventional banking, highly user friendly, provides new features and services, and handy are some of the potential advantages mentioned by Khare et al. [7].

Furthermore, the government and the Reserve Bank of India have lately made numerous efforts to enhance India's digital development. RBI has taken a number of steps to promote electronic

payments, including establishing the RTGS/NEFT platform, establishing the National Payments Corporation of India (NPCI) as an umbrella organization for digital banking, passing the Payment and Settlement Act to monitor and control e-payments, and promoting pre-paid forms of payment. By expanding internet connection and digitally enabling its inhabitants, the government has launched the Digital India initiative, which aims to offer all government services to people online. To promote financial inclusion in India, the RBI has established small payment banks with a mandatory deployment of a technology-focused marketing strategy.

## 2. LITRATURE REVIEW

Various academics have performed the following previous studies in the subject of consumer attitudes toward online banking users. An evaluation of these papers will allow us to identify research gaps and decide the best course of action for future study. From the customer's viewpoint, Addai et al. highlighted the different functions, kinds, benefits, and limits of Internet banking [8]. It looked at the effect of the development and acceptance of online banking on conventional banking services and found that, although traditional banks are struggling to keep up with new technology, they are working hard to offer new services to their clients. Gaikwad discussed the evolution and acceptance of internet banking in India [9]. Customers must follow a certain procedure in order to use e-banking services, according to the research. It also looked at the main benefits and drawbacks of internet banking vs conventional "brick and mortar" banks. It highlighted that internet banking reduces the usage of paper, which is why it is referred to as Paperless Banking.

Jayshree investigated the state of internet-based financial services growth in India, citing time savings, fast accessing of resources, convenience, and speed as advantages of IB [10]. He highlighted a number of barriers to IB adoption in developing countries, including a lack of infrastructure, a lack of public acceptance, a perception of risk, security, and regulatory issues. He came to the conclusion that, in comparison to industrialized nations, developing countries have many obstacles that impede the effective implementation of e-banking projects. Sapna investigated the consumer's viewpoint on the adoption of online banking [11]. According to the findings, perceived utility and simplicity of use have a favourable impact on IB usage, while perceived danger has a negative impact. Despite the fact that IB offers flexibility and is quick and simple to use, many are still hesitant to utilize it because of the danger involved. Because the research was performed on such a limited scale, the results cannot be generalized. Mattila et al. (2003) investigated if age had a factor in differences in Internet banking adoption. The author discovered that senior consumers over the age of 65 are slow to embrace Internet banking. The most important obstacles to IB adoption among older consumers were found to be a lack of personal service, computer and internet problems, and security concerns.

A study of 80 individuals was performed by a researcher to determine how consumers felt about different online applications connected to Internet banking. He discovered that utility requests, security, utility transactions, ticket booking, and money transfers are all essential IB applications that lead to adoption. The majority of respondents felt that IB is easy and flexible, as well as having transactional advantages. Kumar et al. identified the psychographic variables that influence youth's decision to use a certain banking channel [12]. Customers aged 18 to 40 were included in the research, which was performed in four areas of Karnataka. It was discovered that channel convenience, channel control, and channel security are the most significant factors in channel choosing. It was discovered that individuals are still clinging to

branch banking and are unwilling to alter their ways. Tele banking is not popular since it is not regarded as secure and convenient.

Christabell examined how rural consumers utilize online banking [13]. Data was gathered from 200 people who use internet banking in rural regions of north Gujarat. The research looked at the relationship between demographic characteristics and different aspects of online banking, such as user friendliness, security, speed, time savings, and trustworthiness, and discovered that they are substantially unrelated. Only trustworthiness was found to be age-related. According to the research, rural consumers only use basic services such as balance inquiries, while sophisticated services such as online banking are seldom used. A researcher further investigated consumer perceptions of online banking and variables that influence customer perceptions. The author performed a large study of 500 consumers and discovered that several demographic variables such as education, gender, and income had an effect on online banking usage. Convenience, trust, security, affordability, awareness, and the surrounding environment are all factors in IB adoption. Customers' perceptions may be influenced by awareness campaigns, friendlier use, lower costs, appropriate security, and better reactions to services provided, according to the research. Sethuraman et al. looked at consumer channel preferences in both urban and rural areas [4]. Customers are given a variety of alternative channels across geographies, however the research found that the reach of such channels is region dependant. According to the research, the most favoured channel in rural regions is the branch, whereas the most desired channel in urban areas is the ATM. There was a significant gap in knowledge and use of different channels across all client groups, allowing banks to rethink their marketing tactics and turn awareness into usage.

### 3. METHODOLOGY

The research looks at the variables that influence consumer perceptions and uptake of online banking. The research is exploratory in character, and it is focused on raw data gathered through questionnaire. The Government of India defines a rural region as one that fulfils the following criteria:

- a. It has a population of fewer than five thousand people.
- b. Population density is fewer than 400 people per square kilometre.
- c. Agricultural activities are pursued by more than a quarter of the male population.

The information was gathered from random consumers who visited different bank locations. Data again urban area was gathered in the cities of Delhi and Noida. The perception and acceptance of online banking were studied using a sample of 200 consumers.

The questionnaire has been written in two languages, English and Hindi, to ensure that everyone can comprehend it. In all, 15 questions were asked, with the goal of keeping the questionnaire as short as possible so that responders could give accurate responses. The questionnaire is divided into three sections: the first section contains questions about the respondent's demographic characteristics such as gender, age, education level, annual payment, place of residence, banking channel, online banking usage, and so on; the second section contains questions about the customer's thoughts and opinions on various aspects of online banking; and the third section contains questions about the customer's feelings and views on various aspects of internet banking. A five-point scale was utilized for this, ranging from Strongly Agree to Strongly Disagree. Cronbach's Alpha was computed to verify the

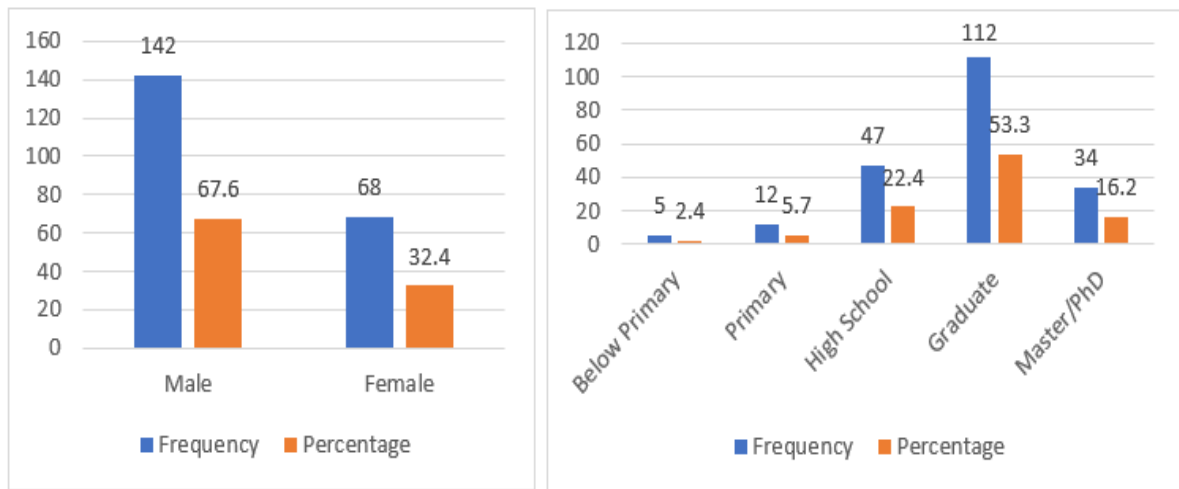
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dependability of the questions, and the result was determined to be satisfactory. To evaluate the main data, frequency graphs, percentage graphs, and the Chi-square test were used.

#### 4. RESULTS AND DISCUSSION

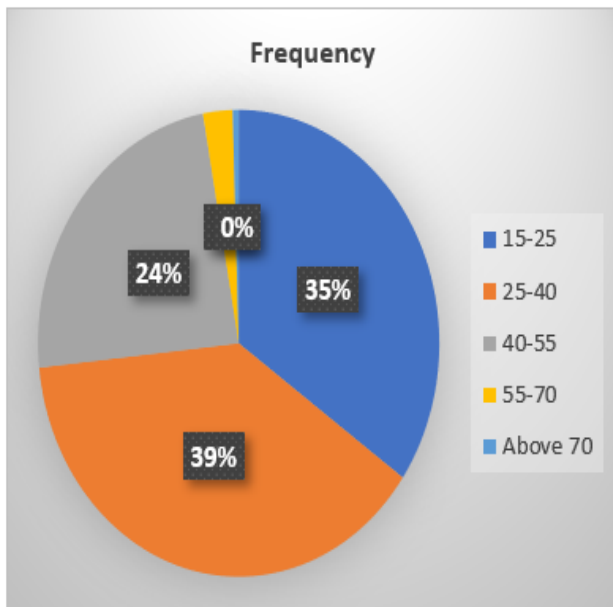
Now we'll take a look at some of the results of different statistical assessment of data from the survey. First and foremost, the following is a summary of the frequency distribution investigation of basic aspects as depicted in Fig. 1. Participants were inquired about their preferred payment method, and they were given the option of choose any of the choices available to them, including conventional branch visit, internet, ATM machine, and mobile banking. The branch visit is the most popular banking method, with more than 67 percent of all respondents using it. The ATM is the second most popular method, with 62 percent of individuals using it. Internet banking is utilized by 46% of individuals, while m-banking is used only by 37% of people.

In total, 58 percent of urban respondents use online banking and 41 percent do not, while just 32 percent of rural respondents use online banking services and 68 percent do not, indicating that there is a significant disparity in internet banking use between rural and urban regions. In addition, the Chi square test was used to determine the connection between living area and online banking use.

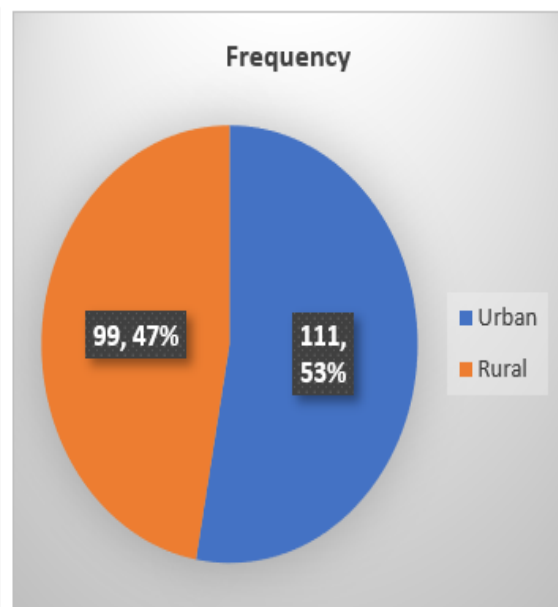


(a)

(b)



(c)



(d)

**Fig. 1: A total of 200 individuals were polled, with (a) 67 percent of men and 32 percent of females. (b) 2.4 percent are in elementary school, 5.7 percent have completed primary school, 22.4 percent have completed high school, 53.3 percent have graduated, and 16.2 percent have completed a Masters (c) 34.8 percent of the population is between the ages of 15 and 25, 38.6 percent is between the ages of 25 and 40, 23.8 percent is between the ages of 40 and 55, 2.4 percent is between the ages of 55 and 70, and 0.5 percent is above 70. (d) The urban population is 52.9 percent, while the rural population is 47.1 percent.**

Individuals who use online banking have been asked why they use it, while those who do not were questioned why they do not use it. This question enabled interviewees to have more than

one answer. A total of 100 people has used online banking, as well as the grounds for doing so are listed in Table 1.

**Table 1: Illustrates the frequency and percentage of individuals with the reasons for using or not using the internet banking facility.**

Reasons	Frequency	Percent
<b>Reasons for using online banking</b>		
Save time	78	80.41
24 hours availability	79	81.44
Banking transactions are easy	60	61.86
Technology friendly	46	47.42
Ensure safety & Security	43	44.33
More convenient	55	56.70
<b>Reasons for not using online banking</b>		
The fear of making an incorrect operation and no support in case of breakdown	56	26.67%
Lack of technical knowledge about internet banking	88	41.90%
Not safe & secure	42	20%
loss of personal relation	21	10%
lack of internet connectivity and erratic power supply	30	14.29%
language barriers	55	26.19%

From a total of 100 customers, eighty-one percent believe it is accessible round the clock a day, eighty percent believe it takes less time, more than sixty percent believe transfers are simple, approximately fifty-seven percent believe it is convenient, 47 percent believe it is technology friendly, and 44 percent believe it guarantees protection and reliability. The most significant aspect of online banking is that it saves time and is available 24 hours a day, seven days a week. Respondents who don't even utilize online banking were asked to answer this question in order to find out why. Participants were given the option of selecting several options. Lack of technical expertise was cited as the most common reason for not utilizing online banking by forty-one percent of the total respondents. Fear of doing an improper procedure and language difficulties were the next most popular factors. We may discover the causes for differences in adoption of internet banking in remote and metropolitan regions by analysing this table further based on the explanations provided by individuals living in metropolitan and remote areas individually.

## 5. CONCLUSION

The connection between location of residence and online banking use was investigated in this research. The vast majority of consumers are aware of and agree on the many advantages of online banking over traditional banking channels. They agreed that it saves time, is accessible 24 hours a day, and is easy to use. According to the study's findings, online banking is more popular in India's cities than in rural regions. Language difficulties, education levels, and a lack of technical expertise have all been identified as causes. In India, the majority of consumers still prefer branch banking, although ATMs are becoming more widely accepted. Banks may host a variety of digital training sessions for rural clients to familiarize them with how Internet banking works. People are also using Internet banking, albeit at a sluggish rate. Clients are dissatisfied with the quality of service given by bank employees when it comes to Internet banking, therefore Indian banks must improve in this area and provide more training and expertise to their employees so that they can provide acceptable service to their customers. Furthermore, as previously said, language hurdles are one reason that impedes the use of internet banking in India. If banks begin offering online banking facilities in indigenous languages such as Hindi, the acceptance of online financial services in India would skyrocket.

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