



ISSUES AND CHALLENGES OF DIGITALIZATION OF BANKING IN RURAL AREAS

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Abstract:

Now a days the moderation is taking place which is we are living in the modern era called "Digitalization". Government of India is also announced that digital India programs with a view to achieve the digital society empowerment and to gain the knowledge about the economy digitalization are playing a very important role in the banking area and various sectors. Digitalization is an important in banking system, it plays a major role in promote the financial services and it helps to give a better services to customers with a view that to gain the opportunities to satisfy the customer needs in future. Banking sectors is attaining the enormous growth in the current year, by motivating for generating more capital formation, because of digitization of banking. Now a day's India banking system is growing towards moderation. This are also has the various issues and challenges in the rural area.

Key words: Digitalization, Rural, Banking, Growth, issues.

Introduction:

India is a developing country, so the digitalization is play a important role in the various sector of the country. In this twenty first century the world is full of digitalization. This digitalization is important part for developing country not only country but also for the human life: we cannot not accept without this digitalization the present world is depends on digitalization in various sectors but the banking sector is not carrying to it.

The country banking system is system of development in various sectors for the monetary helping hand, bank will provides to supplementary sectors and to motivate for money arrangements. Now days our country is one of the rapidly development counties in the globe but it is straggly back for the application of digitalization to banking sector. If the digital is taken place it will lead a revolution in the economy but the bank have to take some important steps for the digit in rural area there is a some population not having the banks account even through the some implementation of

programs by the central government. Digital is very important for rendering the quality of service to the rural areas which are not having monetary assistance. This paper is told about the issues and challenges of digitalization in rural areas.

Digital banking sector

There are various digital banking services which are provided by the banks to its customers some of them are- National Electronic Fund Transfer, Real Time Gross Settlement, Debit and Credit Cards, Mobile Banking, Inter Bank Mobile Payment System etc., Implementing these services in rural areas of India are not that easy from banks perspective as there are various issues and challenges needed to be addressed.

Importance of Digitalization of rural banking

Digitalization of rural banking is very helpful in financial inclusion and helps the economy to grow faster with the development of all other sectors. Some of the significances of digitalizing rural banking are-

1. Increases efficiency: Digitalization of banking increases the efficiency which should banks and also the transaction will be easy.
2. Fast and furious: Digitalization helps in reduces the time for the purpose of transaction and also helps to increase flow of funds
3. Huge scope: Digitalization of banking has a huge scope in the way of people coverage.
4. Improves the quality: Digitalization will improve the quality of service of the banking sector
Compared to traditional banking
5. Less human error: Digitalization of banking maintains proper records of transactions and thereby reduces the human error.
6. Environment friendly: As digitalization of banking saves paper and trees it is more of environment friendly
7. Increases Investment: Digitalization of banking leads to quick and easy access to various banking services and thereby increases the investment activities in the country.

Issues and challenges in Digitalization of rural banking

1. The literacy rate is low in rural India compared to urban India:

For the use of digital banking service needs education the rural population has lack of literacy of which is the greatest challenge in implementation of digitalization to rural banking.

2. Lack of infrastructural facilities:

Digitalization of rural banking sector has also includes the infrastructure development. In this they concentrated on the infrastructure, electricity and communication and network

Less number of people using smart phones:

The number of people in rural area using smart phone is very less which is the big hindrance in implementation of digitalization of rural banking

3. Lack of banking habits among rural people:

Majority of the people in rural area do not have access to banking because of the lack

of banking awareness and lack of financial literacy.

4. Network issues in rural areas:

There is a problem of communication networks because of which there is lesser digital payments in rural areas which needs to be addressed.

5. Lack of financial literacy:

The financial literacy among rural people is very less, because of which people are not aware of different kinds of making payments

6. Cash economy:

Rural India mainly depends on cash than digital cash to meet their daily need as the transaction happens mainly with help of cash or barter form.

7. Volume of transaction:

The volume of transaction in rural area is very less because of lesser demand for the goods and low level of income.

8. Customer resistance to new technology:

The rural people do not change so easily in the case of usage of technology, as lack of awareness on usage of digital banking services

9. Cost of financial services:

The cost of providing financial service is too high in rural area because of lack of infrastructural facilities and low volume of transaction in rural area.

Objectives

1. To analyze various issues and challenges in implementation of digitalization in rural banking.
2. To analyze the factors influencing the Digitalization of rural banking- such as Communication networks, education, occupation, income, gender, socio-economic status.
3. To analyze what needs to be done and what has been done in digitalization of rural banking

To analyze probable areas which need to be focused for implementing digitalization of rural banking and helping in making India a digital India.

Methodology:

The present paper study is based on the secondary data which is collected by books, articles and journals. This paper is based on the theoretical background

Review of literature:

Raghavendra Nayak (2018) their study entitled “A conceptual study on Digitalization of banking issues and challenges in rural India” in this article the expressed about the issues and challenges faced by the rural population because of the digitalization in the banking sector. The main objective of this paper is to analyze the needs to be done in digitalization in rural banking and also to analyze the factors influencing the digitalization of rural banking such as communication, network, education, occupation, income, gender, socio-economic status. By implementation of digitalization in rural banking helps proper collection of tax. Shubhangi sudrashan zende (2021) their study entitled “Digitalization in India prospect and challenges” in this article the author says about Digitalization, digital India and the social impacts. The data is collected in descriptive qualitative and support by literature, data collective used interview and observation, in this study mentioned about the digitalization project in India which is introduced by the government that is digital locker facility BHIM app, MY GOVT, e- sign, e- hospital. The banking sector development is national scholarship portal, Bharat generation and the GOVT has made many apps to make digital India. Frances and zabala aguay and beata slusauzyk (2020) their study entitled “Risk of banking services digitalization: The practice of diversification and sustainable development goals”. They expressed about the global banking eco system, operational risk and also the diversification of risk, creating the banking platform to increase the customer they need the social factors and the development of new digital information technologies. It has made to attract the investment and electronic banking service. J. Shifa .Fathima (2019) their study entitled “ digitalization revolution in the Indian banking sector ”, in this article the main research objective to study the evolution of digitalization in Indian banking and about the scope and progress, and also what the digitalization e was adopted in this study is ATM, Tele

banking, ECS, EFT. The reasons for banks adopting Digitalization is for the development of new technologies, the change of customer expectation and challenges involved is rural banking is attaining APP perfection, cyber crime, technology's upgrading, spearheading with innovation and delivering quality at speed.

Discussion:

This conceptual paper highlights mainly on the implementation of digital banking in rural India and various issues and challenges need to be faced in implementing. This paper also stresses the importance of usage of digital banking services in rural area and thereby contributing to the growth of the country. Digitalization of banking is very important for the development of the country and for financial inclusion. Capital formation depends mainly on the savings of the people and investment activities. Because of lack of awareness among rural people on the digital banking services and lack of required facilities for the usage of digital banking services the saving rate is less and because of lesser saving habits the investment activity also reduced which is the main reason for the backwardness of rural India.

As the majority of the rural people are not literate in case of handling and usage of tools such as basic internet or computer programs, so it is difficult to teach and make them understand. So there is more need of creating awareness among the students who are the future of rural India. The banking sector must reach out to the schools and colleges where the students can understand it easily and convey it to their family members like making payment of electricity bills, transferring funds and different kinds of online payments and thereby helpful in implementing the digitalization to rural banking.

Conclusion:

With the implementation of digitalization to rural banking we can bridge the gap between rural and urban area as it promotes higher level of investment activities. Digitalization helps in maintaining the records of transactions

which can be easily accessed by the customer and banker. It is also helpful for the government in implementing various plans and reaching out to the people, the best example for this is DBT (Direct Benefit Transfer) through bank accounts, which reduces the leakage of government funds. The implementation of a secure Digital India will need to adopt an end to end approach like never before. As a nation, we shouldn't let security concerns undermine the growth potential of India. Digitalization is helpful in taking India towards corruption free country in the world and also helps in anti-money laundering and proper collection of taxes. This Digitalization process will ensure transparency in the Government and at the same time will curb the menace of corruption, which is the road block in the progress of the country. The Government should make extra efforts to literate the citizens and make aware of the benefits and uses of Digitalization.

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