

## Online Banking Experience of Rural Banking Customers: An Empirical Study

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### Abstract

Technology has transformed the way of banking and has brought a new dimension in the banking industry. Internet banking has gained popularity due to its convenience and flexibility. This concept and technology are relatively new to rural consumers, with most people adopting it in the past year. Among the various services offered by banks through internet banking, balance inquiries are the most commonly used. Other services like term loans, online fixed deposits, and demand draft facilities are not as widely used, possibly due to the underdeveloped awareness of these features. Consumers have certain expectations from internet banking. They want it to be time-saving, user-friendly, and highly secure. The main reasons for using internet banking facilities include having a traditional account with the same bank and being impressed by the excellent services provided by that bank. A sample of 329 respondents was collected from Rural banking customer. The factors that identify the online banking experience of rural banking customers are Accessibility, Security & Trust, Support and Assistance and Mobile banking.

**Key words:** Digitisation, Virtual banking, Internet Banking, Rural banking, rural consumers

Internet banking or online banking is of the highest growth of technology which is getting crucial in everyday life of an individual. Online banking is crucial as it has made customer do banking transactions without even visiting bank branches physically. Banks have increasingly focused on serving rural markets by offering a wide range of services tailored to the unique needs of their rural customers. They have also placed a strong emphasis on providing top-notch security options for their customers, despite which, several factors can dissuade individuals from opening an internet bank account. To attract more customers, banks have even started providing free internet banking services. Notably, the majority of internet bank account holders are males, young people, and those in the service industry. To enhance the customer experience, banks should offer clear and helpful guidance to assist customers in opening accounts. Additionally, they should make their website more user-friendly, ensuring that first-time customers can easily and confidently create and access their accounts (**Gowthaman, Manikantan, & Sujatha, 2021**). Circular flow of money is facilitated by banks in an economy by accepting surplus savings from customers and accumulation of that saving to lend it to ones who require it. Thus, by bridging up the gap between those who have surplus money and those who require it. The backbone of financial system of any nation is its banking industry. Internet banking offers alternative ways to enhance the delivery of banking services. Many banks have already integrated e-banking features, which prove advantageous for both the banks and their customers. However, when it comes to extending e-banking services to rural areas, banks encounter several challenges and numerous issues. The primary challenge lies in raising awareness about e-banking in these rural regions. Therefore, it is imperative that the government and financial institutions prioritize educating agricultural customers about e-banking and consider expanding the presence of banks in the countryside (**Radhika, 2023**). The system of rural banking is precisely inclusive of families with low-income group instead of those provided by commercial banks. Still rural banking system have been considered as the step-child of India's banking system. In today's rapidly evolving financial landscape, banks are consistently seeking avenues to enhance their profitability. In the midst of the 21st-century global economy, banks are undergoing substantial transformations in their service delivery methods to harness the benefits offered by cutting-edge technologies (**Parmar et al. 2013**). Factors that make impact customers in the acceptance and adoption of online banking of financial services are ease of use, connectivity of network, cyber security, processing time, and compatibility. These are some of the important elements that assist customers in the adoption of online banking system for financial activities. Respondents express a consensus that the utilization of digital banking services offers them numerous advantages. Clients firmly believe that engaging with online banking results in time and cost savings. A mere click is all that's needed to facilitate fund transfers. For many individuals, the physical presence of a traditional bank has become irrelevant, given the convenience and efficiency of internet banking. The trajectory of digital banking suggests that it is not merely a future prospect, as it grants access to routine banking activities through computers or mobile devices and facilitates cashless transactions at an extensive array of establishments (**Sarkar & Sen 2022**). The development of technology in the past some years and improved literacy of people, the concept of online banking has got popular even in rural regions of India.

Constant efforts of Indian government in promotion of online banking such using UPI payments, demonetization, and many others have increased the usage of online banking system. Online banking is been recognized by customers as they have now realized the comfort and benefits of online banking system which they can access from convenient places without visiting the branch physically. With all such benefits major number of populations have adopted online banking system (**Umesh, Divya & Prakash, 2022**). The advantages associated with the utilization of digital media hinge on how customers perceive the use of information technology. Embracing information technology when purchasing banking products can pave the way for a promising business future in India. To achieve sustained growth in the industry, the Indian government should bolster the rate of technology adoption. It is imperative to establish a sustainable digital marketing model to ensure the continued development of rural banking in India. Furthermore, research can be conducted to investigate the factors in digital marketing that hinder rural consumers from embracing technology (**Singh, 2016**).

## Literature Review

**Amudhan, Banerjee, & Poornima (2022)** stated that moving to online banking system from traditional banking is important aspect of digital transformation. There is a notable transformation occurring in the way banks and financial institutions gather insights about customer engagement and how to meet their needs. Every sector and company have its unique approach to embracing digital transformation, which involves incorporating digital technology into every facet of their operations. Consequently, it can be inferred that customers are increasingly favouring digital banking services. There are four important parts of online banking system such as software, technology, organizational reorganization, and data. Banks play vital role in the Indian banking system. They manage finances and investment of public of India and help to expand their trades and businesses.

**Vivekanantham & Mekala (2021)** found that Indian economy is highly dependent on rural regions. Therefore, the bankers of rural regions are more focused on customers of rural side. In this age of information and communication, bankers are diligently expanding their online services, particularly in rural branch locations, with the invaluable assistance of Information and Communication Technology (ICT). Bankers are committed to assuring rural customers of the positive effects these advancements will bring, while rural branch establishments are gaining a better understanding of customer preferences and expectations. Commercial banks are placing a strong emphasis on enhancing the quality of customer service provided to their rural clientele. They are uneducated and expect accurate information from banks. India being a developing country must focus more on rural regions.

**Ravi (2018)** revealed that with time, the concept of online banking has been recognized and accepted. Majority of Indian banks have already adopted and implemented the facilities of online banking as it is beneficial for banks and customers both. There are many banks who are facing issues and challenges but there are many opportunities as well that are available. There are many financial innovations that took place such as RTGS, ATMs, mobile banking, credit cards, debit cards, etc. all these innovative changes have changed the Indian banking system completely. A paradigm shift has occurred within the industry, transitioning from a seller's market to a buyer's market. This transformation has subsequently influenced bankers to shift their approach from "conventional banking" to "convenience banking" and from "mass banking" to "class banking." This shift has significantly enhanced the accessibility of the common man to various banking services to meet their diverse needs and requirements. Looking ahead, e-banking is poised to become not only an accepted but also the preferred mode of banking.

**Vinayagamoorthy & Ganesan (2015)** stated that digital banking is on the rise. Looking at it as another channel of banking, the modest are its benefits and convenience it provides. However, its integration with other channels, it becomes a strong tool that improves satisfaction level of customers as well as increases the opportunity of cross-selling. At the same time, banking system must keep in mind that all digital channels of banking include internet connections along with its shortfalls that can create critical situations. In order to stay competitive in the constantly evolving banking industry and adapt to the latest advancements in internet technology, banks must ensure that they are well-prepared. While there are abundant opportunities in this digital age, it is crucial not to overlook or sideline traditional transactions. This is because there are many aspects of banking that electronic impulses cannot currently address.

**Singh & Malik (2019)** highlighted the main purpose of digitalization of rural banking system that include protection of customers in payment market. Putting it differently, customers should not bear the consequences of losses resulting from unlawful transactions or system malfunctions. Furthermore, Self-Help Groups (SHGs) could play a pivotal role in promoting the adoption of digital banking systems in rural areas. There is immense potential for the rural economy in India to transition to a cashless one. Another approach is to raise awareness about digital transactions and enhance financial literacy among rural populations through collaborations with various educational institutions and non-governmental organizations (NGOs). This can also involve the development of multilingual online payment platforms, such as mobile applications in regional languages, to facilitate convenient transactions.

**Ramrakhiani & Gupta (2021)** revealed that the gap between urban and rural banking can be filled with the introduction and implementation of digitalization of banking system because it encourages higher level of investment activities. Digitalization of the system helps in preserving records of transactions between customers and banker that can be easily accessible when required. Introducing various government initiatives, such as the Direct Benefit Transfer (DBT) via bank accounts, serves as a prime illustration of the advantages this approach offers in curbing the leakage of government funds. The process of digitalization plays a pivotal role in positioning India as a corruption-free nation on the global stage, while also aiding in combating money laundering and enabling effective tax collection. The shift toward a cashless economy in India has the potential to extend to rural areas, opening up substantial opportunities for financial inclusion. Another avenue to explore involves raising awareness and promoting digital transactions and financial literacy among rural populations through partnerships with educational institutions and non-governmental organizations (NGOs).

**Rajesham & Mahesh (2021)** found that online banking system as a deliberate resource to achieve high level of efficacy, operational control, productivity, and bank's profitability along with its realization of customer's dream of "anywhere, anytime, anyway" banking. The acceptance and adoption of online system of banking is facing significant transformation and its growth cannot be ignored in rural regions of India. Digital inclusion holds a special place in India, where a multitude of schemes and projects, fostering innovation and creativity, and embracing technology, serve as the cornerstones of digital empowerment. For rural areas to fully benefit, it's crucial to ensure that standards, infrastructure, regulations, and strategies align effectively. To promote mobile banking adoption among rural customers, the creation of a user-friendly mobile banking learning website and applications (apps) is essential.

**Ramachandran & Kelkar (2018)** highlighted that recently, Indian customers have begun availing online system of banking. The trend of online banking is spreading rapidly in every nation. Online banking services are provided by banks to its customers. Online system of banking is cost effective and the processing method is also speedy. The soundness and effectiveness of the financial system hinge on the strength of the banking system. A well-functioning banking system allocates its savings to productive sectors and ensures the security of depositor funds. In the pursuit of economic advancement, banking serves as a pivotal element. Notably, in recent times, the banking sector has been evolving rapidly, especially with the integration of information technology, making banking more convenient and efficient than in the past. However, there is another side of reality also. With improvement in banking system, Indian population have begun accepting technological facilities of banks.

**Jeevitha & Viji (2022)** highlighted that online banking has made the life convenient and for banks as well as customers. Advancement of technology has made banks in enhancement of its operations with cost effectively and efficiently for handling of everyday banking activities through digital banking channels. Many customers are increasingly benefiting from the reduced need to visit physical bank branches, as they now conduct their transactions through E-banking services. Current research endeavours aim to examine the efficacy of E-banking in rural and semi-rural regions. A significant number of banks have introduced E-banking features that offer advantages to both financial institutions and their clientele. Although there are numerous factors contributing to the successful implementation of E-banking systems in India, the future of E-banking appears promising. The adoption of technologies such as ATMs, debit and credit cards, and mobile banking has not only promoted the use of information technology but has also paved the way for digitalization.

## Objective

To study the Online Banking Experience of Rural Banking Customers.

## Methodology

This study considered a sample of 329 respondents was collected from at different educational level. Random sampling method was used for collection of data, and scrutinized by "Explanatory Factor Analysis" for outcome.

## Study's findings

Below table is about general details of respondents which shows that 59.88%, and 40.12% are female participants. Regarding age of the respondents, 37.38% are between 25 to 30 years, 31.91% are 30 to 35 years, and 30.71% are above 35 years of age. About Regions, Rural regions are 29.48%, Semi-urban regions are 35.56%, and urban regions are 35.56%.

### Details of Participants

Variable	Participants	% age
<b>Gender</b>		
Male	197	59.88
Female	132	40.12
<b>Total</b>	<b>329</b>	<b>100</b>
<b>Age in years</b>		
25 to 30	123	37.38
30 to 35	105	31.91
Above 35	101	30.71
<b>Total</b>	<b>329</b>	<b>100</b>
<b>Regions</b>		
Rural regions	97	29.48
Semi-urban regions	117	35.56
Urban regions	115	34.96
<b>Total</b>	<b>329</b>	<b>100</b>

### “Factor Analysis”

#### “KMO and Bartlett's Test”

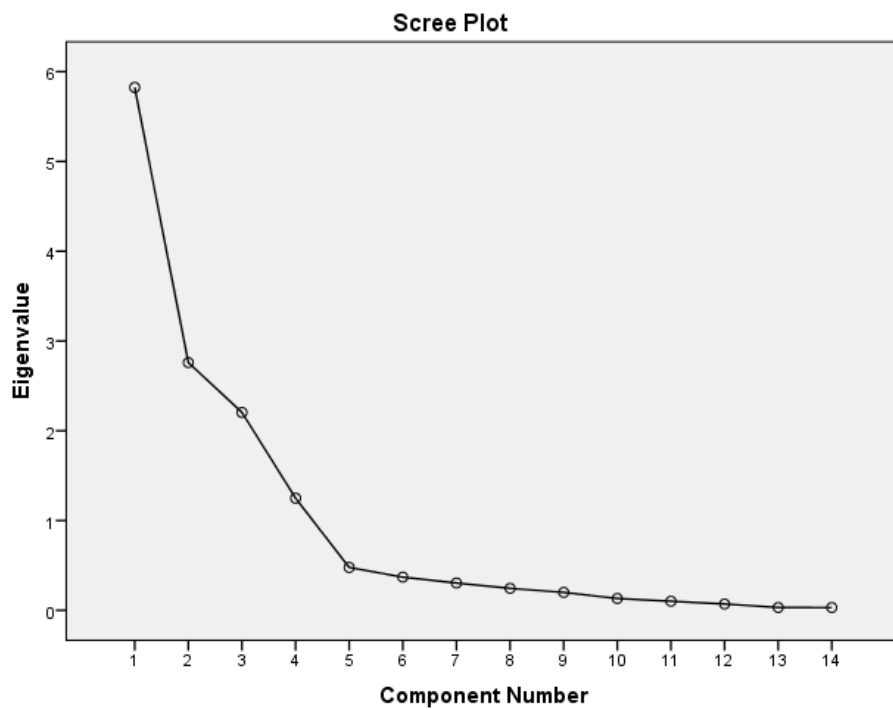
“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		.805
“Bartlett's Test of Sphericity”	“Approx. Chi-Square”	5169.395
	df	91
	Significance	.000

In above table “KMO and Bartlett's Test” above, KMO value found is .805

**“Total Variance Explained”**

“Component”	“Initial Eigenvalues”			“Rotation Sums of Squared Loadings”		
	“Total”	“% Of Variance”	Cumulative %	“Total”	“% Of Variance”	Cumulative %
1	5.824	41.603	41.603	<b>3.756</b>	26.831	26.831
2	2.760	19.715	61.318	<b>3.580</b>	25.573	52.404
3	2.204	15.745	77.063	<b>2.362</b>	16.871	69.275
4	1.249	8.919	85.982	<b>2.339</b>	16.708	<b>85.982</b>
5	.478	3.411	89.394			
6	.370	2.640	92.033			
7	.304	2.172	94.205			
8	.245	1.747	95.952			
9	.200	1.425	97.378			
10	.132	.941	98.319			
11	.101	.721	99.040			
12	.071	.509	99.550			
13	.032	.228	99.778			
14	.031	.222	100.000			

All four factors making contribution in explaining total 85.982% of variance. The variance explained by Accessibility is 26.831%, Security & Trust is 25.573%, Support and Assistance is 16.871%, and Mobile Banking is 16.708%.



**ScreePlot**

**“Rotated Component Matrix”**

S. No.	Statements	Factor Loading	Factor Reliability
	<b>Accessibility</b>		<b>.976</b>
1.	It provides accessibility as rural customers might travel long distance for banking	.958	
2.	It provides convenience by accessing accounts, and making online transactions	.944	
3.	Accessibility to mobile banking and ATM plays important role	.934	
4.	Internet banking has increased the degree of accessibility of common man	.927	
	<b>Security &amp; Trust</b>		<b>.957</b>
1.	Rural customers place high value on security of online transactions	.969	
2.	Building of trust is important by banking industry by strong security measures	.938	
3.	Trust and security both are important for give positive experience of internet banking	.916	
4.	Both are important for customer to have safer experience	.862	
	<b>Support and Assistance</b>		<b>.878</b>
1.	Rural customers require more support and assistance with regards to internet banking	.862	
2.	For positive experience online helpline and customer support is vital	.831	
3.	More of this is needed due to lack of knowledge and literacy in rural regions	.817	
	<b>Mobile Banking</b>		<b>.847</b>
1.	Mobile banking is popular even in rural regions and giving positive experience	.906	
2.	Mobile banking is an easy way of checking balance and making payments	.841	

3.	It has enhanced the experience of online banking among rural customers	.827	
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### Factors and associated variables

The factor of the study is Accessibility, the variables included under this factor are It provides accessibility as rural customers might travel long distance for banking, It provides convenience by accessing accounts, and making online transactions, Accessibility to mobile banking and ATM plays important role, and Internet banking has increased the degree of accessibility of common man. Security & Trust is the second factor, the variables it includes are Rural customers place high value on security of online transactions, building of trust is important by banking industry by strong security measures, Trust and security both are important for give positive experience of internet banking, and Both are important for customer to have safer experience. The third factor is Support and Assistance, it has variables like Rural customers require more support and assistance with regards to internet banking, for positive experience online helpline and customer support is vital, and more of this is needed due to lack of knowledge and literacy in rural regions. Last and fourth factor is Mobile Banking, the variables under this factor are Mobile banking is popular even in rural regions and giving positive experience, Mobile banking is an easy way of checking balance and making payments, and It has enhanced the experience of online banking among rural customers.

### “Reliability Statistics”

“Cronbach's Alpha”	“Number of Items”
.884	14

Total reliability of 14 items including variables for Online Banking Experience of Rural Banking Customers is 0.884.

### Conclusion

RBI has been instrumental in developing rural areas along with urban areas since independence. It is committed to provide overall, all-encompassing financial growth of people at large. Following its directives, various banks are actively contributing towards rural development. It has been rightly said that India lies in its villages, so including rural area residents in ambit of financial development is of utmost importance for overall development of economy and its people. Internet banking is a very important tool to reach far and away villages as well as urban areas where physical banking is not easily accessible. The internet banking is appropriate one of the highest on the increase of technologies that are going on a vital utility in the everyday life of an individual. Internet banking and mobile banking made it suitable for customers to do their banking from geographically remaining in diverse places. Banks also sharpened their focus on rural markets and introduced a multiplicity of services geared to the special needs of their rural customers. The factors that identify the online banking experience of rural banking customers are Accessibility, Security & Trust, Support and Assistance and Mobile banking.

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