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E-Banking in Indian Commercial Banks: A Study in Urban and Rural Areas of Andhra Pradesh

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Abstract

Anytime, anywhere banking is now utilising by the Indian banking customers through various channels of e-banking i.e., Automated Teller Machine (ATM), internet/online banking, mobile banking etc. The customers of both public and private sector banks in urban and rural areas are having ATM cards issued by the banks. But there are no ATMs in many rural centres. So the rural customers are not able to get 24*7 hours banking till today in their respective areas. The private sector banks like ICICI, HDFC, etc., are providing ATM Cards with PIN, Net Banking, and Mobile Banking instantly without any delay or they send by post or Mail to the customers quickly whereas public sector banks like SBI and others, they are far behind in this regard. Particularly in rural areas due to lack of awareness and availability of ATMs they are not using e-channels at an appropriate level. In urban areas also the ATM are overcrowded due to shortage in number and they demand for more ATMs and Cash Deposit Machines (CDMs) instead of more branches.

Keywords: ATM, PIN, CDM, e-banking

1. Introduction

In India the commercial banking has achieved a tremendous progress and crossed many milestones before and after financial sector reforms which took place in the year 1991. Expansion of banking to the unbanked and under banked areas and also promoting so many advanced technological facilities at the doorsteps of Indian banking customers both at urban and rural areas of India. The Information Technology (IT) plays a crucial role in promoting the new technological developments in banking and also breaking the boundaries of traditional banking. The revolutionary changes that have taken place in IT have a greater impact on banking industry in term of e-banking.

Anytime, anywhere banking is now utilising by the Indian banking customers through various channels of e-banking i.e., Automated Teller Machine (ATM), internet/online banking, mobile banking etc. No doubt, most of the banks in India are computerised their branches and almost they are under the cluster of Core Banking Solutions (CBS). CBS helps to overcome all the limitations which are in traditional banking and also it paves a way to operate multiple bank accounts at a single step through e-banking. We can transfer funds elsewhere in the globe and we can purchase any product/ service from anywhere in the world using a debit/credit card with a single click on personal computer or mobile phone. All these highlights are on one side of the coin and on the other side there are many hidden things to see. If we go into deep about the practical problems faced by the Indian banking customers, we can understand where we are in the implementation of e-banking.

2. Objectives

The main objectives of the study are:

- To analyse that the computerisation of bank branches and e-banking channels reduces the customer's transaction time or not?
- To study that the e-banking facilities are providing by the public and private sector banks are at equal level or not?
- To identify that the e- banking channels are properly utilised by the Indian customers in urban and rural areas or not?
- To evaluate that the e-banking transaction costs are transparent in banks or not?

3. Methodology

The study is conducted through a sample survey in urban and rural areas of Andhra Pradesh. A structured schedule is prepared and used to collect primary data from the customers. A multi stage sampling technique is adopted to collect data. The selection of banks (public/private) in the first stage, selection of branches (urban/rural) in the second stage and the selection of customers (employee, business, agriculture, etc.) by using stratified random sampling in the third stage. The study covered Chittoor, Anantapur, SPSR Nellore and Guntur districts of Andhra Pradesh and it also covers SBI and Andhra Bank in public sector and ICICI and HDFC banks in private sector. A sample of 160 customers i.e. 40 from each bank is collected both in urban and rural areas.

4. Findings

The findings of the empirical study are analysed here under.

Socio Economic Profile of Sample Customers

The study covered many aspects of socio economic status of sample customers like Gender, Location, Age, Education, Occupation and Income levels and presented in Table 1.

Table 1: Socio Economic Profile of Sample Customers

Customers Profile	No. of Respondents	Percentage
Gender		
Male	130	81.25
Female	30	18.75
Total	160	100.00
Location		
Urban	100	62.5
Rural	60	37.5
Total	160	100.00
Age Group		
Up To 25 Years	08	5.0
25-40 Years	120	75.0
40-55 Years	22	13.75
Above 55 Years	10	6.25
Total	160	100.00
Education		
Below Graduation	40	25.0
Graduation	84	52.5
Post-Graduation	36	22.5
Total	160	100.0
Occupation		
Student	04	2.5
Employee	84	52.5
Business	24	15.0
Agriculture	32	20.0
Self Employed	16	10.0
Total	160	100.00
Annual Income(Rs)		
Up To Rs. 50000	12	7.50
50000-100000	26	16.25
100000-300000	83	51.87
Above 300000	39	24.38
Total	160	100.00

Source: compiled from sample data

Out of 160 total sample 81.25 per cent are male and 18.75 per cent are female customers. Urban customers occupy 62.5 per cent whereas in rural 37.5 per cent are covered. It is observed that the private sector banks have no branches in rural areas. The major age group in the sample is 25-40 years with 75 per cent whereas it is only 5 per cent those who are below 25 years age. It is noticed that the middle age group i.e., 25-40 years is using e-banking facilities more when compared to other age groups.

It is observed that the graduated customers are using more e-banking facility because they are aware of with the technical knowledge and their needs also demand to use e-banking regularly. 52.5 per cent of the sample of customers is graduates, 25 per cent are below graduates and 22.5 per cent are Post Graduates.

The majority of the sample group is employees i.e. 52.5 per cent both public and private sector banks. Most of the rural customers are agriculturists. In the total sample businessmen and self-employed occupy 15 and 10 per cent respectively. The majority of the e-banking customers are in the Annul Income Level of 1 lac to 3 lacs with 51.87 per cent whereas high income group i.e., above 3 lacs income is around 24.38 per cent in the sample.

Transaction Time through e-banking

Majority of the customers opined that the transaction time is not reduced due to automation of branches. It is observed that there a0re huge crowd in bank branches in the initial hours of banking and the time taken for a transaction is also above the standard time norm specified by the banks. Some of the banks they implemented token system to avoid inconvenience to the customers. They stated that the delay is caused due to semiskilled staff and sometimes they are not following the time norms i.e. delay in opening of cash counters, delay in booting the system ready for transactions, etc. The transa0ction time through e-banking is presented in Table 2.

Table 2: Transaction Time through e-banking

Location of the Bank	Transaction time			
	Fast	Moderate	Slow	Total
Urban	18 (18.0)	57 (57.0)	25 (25.0)	100 (100.00)
Rural	05 (8.33)	27 (45.0)	28 (46.67)	60 (100.00)
Total	23 (14.37)	84 (52.50)	53 (33.13)	160 (100.00)

Source: compiled from sample data.

The Table 2 clearly indicates that 33.13 per cent of the sample customers opined that their transactions in bank are slow even e-banking channels are in use and branches are fully computerised. In urban areas 57 per cent stated that their transaction time is moderate where as in rural areas only 45 per cent stated moderate time. It is critically analysed that only 14.37 per cent of the total sample agree that their transactions in banks are fast due to e-banking. Some of the customers stated that occasionally due to network failure they waited in the branches hours together and nobody is in a position to say when the network will works. Fully skilled and work minded staff is to be placed in the bank counters to reduce the transaction time to greater extent.

Availability of e-banking facilities

The different e-banking facilities providing by banks in urban and rural areas are presented in Table-3.

Table 3: Availability of e-banking Facility

Location of the Bank	e-banking facility			
	ATM	Online Banking	Mobile Banking	Credit Card and Others
Urban	92	32	22	24
Rural	19	02	01	03

Source: compiled from sample data.

The Table 3 shows that the e-banking facilities are more in urban areas when compared to rural areas. Out of 100 sample customers from urban area, 92 are having ATM cards, 32 are having online banking, 22 are having mobile banking facility and 24 customers are having credit cards, etc. Each one customer is having multiple option of e-channel facility in urban areas whereas in rural areas these facilities are very limited. Out of 60 sample customers from rural area, only 19 are having ATM Cards, 2 have online banking, one customer is having mobile banking facility and 3 customers are having Credit Card facilities.

The customers of both public and private sector banks in urban and rural areas are having ATM cards issued by the banks. But there are no ATMs in many rural centres. So the rural customers are not able to get 24*7 hours banking till today in their respective areas. They have to go to the urban areas to operate their ATM cards. Customers stated that the ATMs are overcrowded and many times they experienced like ‘out of order’, ‘no cash’ ‘visit other ATM’ ‘no statement’ ‘only 500/1000s’ and so on. Some of the customers pointed out that the public sector banks are not issuing ATM cards and PIN number immediately after opening of accounts whereas private banks they instantly provide all e-banking channels like ATM, Net banking, Mobile Banking to the customers.

Majority of the customers opined that the e-banking facilities providing by the private sector banks are more appropriate and they are well in advance in providing e-banking to the customers. It is observed that the private sector banks like ICICI, HDFC, etc., are providing ATM Cards with PIN, Net Banking, and Mobile Banking instantly without any delay or they send by post or Mail to the customers quickly whereas public sector banks like SBI and others, they are far behind in this regard. The SBI customers are getting ATM PIN only in the bank that to customer will personally go to the bank to collect it. It is somewhat inconvenience to the customers in the present busy world to collect PIN in person. It is suggested to send ATM PIN to mobile or e-mail which is registered in the bank account. There is a clear cut demarcation in many aspects between urban and rural e-banking facilities. Issue of ATM cards without installing ATMs is enough to say how the rural customers are utilising the e-banking in India.

Usage of e-banking facility

The usage of e-banking facilities like ATM, Online banking, Mobile banking and others by the urban and rural area customers providing by public and private sector banks are presented in Table-4.

Table 4: Usage of e-banking Facility

e-banking Facility	Public Sector		Private Sector		Total
	Urban	Rural	Urban	Rural	
ATM Cards	40	12	52	07	111
Online Banking	13	-	21	-	34
Mobile Banking	07	-	15	01	23
Credit Cards and Others	07	02	17	01	27

Source: compiled from sample data.

The Table 4 exposes that the majority of the urban customers are using ATM cards (92), On-line banking (34), Mobile banking (22) and Credit cards (24) whereas these e-channels usage in rural areas is at a very minimum level. The rural area customers are not at all using online banking and only one customer is using mobile banking. In rural areas the illiterate customers are not aware of how to use ATM cards and it causes for many thefts and malpractices of e-banking. Bio-metric method is more useful to the rural customers instead of PIN to operate ATM card. Majority of the customers in rural areas they don’t know how to use internet banking, mobile banking and even ATM; Whereas in developed countries irrespective of areas all the citizens they use e-banking as a part of their regular life. They use cards to book ticket for travelling, to purchase grocery, movie ticket, on line shopping and for all other day to day activities regularly. Our Prime Minister Sri Narendra Modi dreams that every citizen of Indian must have bank account and they must aware of, how to operate a bank account. Subsequently, crores of bank accounts are opened under ‘Jan Dhan Yojana’ but how many are in operation is a million dollar question.

Even today after completion of around 70 years of independence, how many private sector banks are operating their branches in rural and remote areas? We can count them in fingers. It is the social responsibility of public sector banks and also it is one of the primary objectives of nationalisation of banks in India to promote banking facility to the unbanked and under banked rural areas for the upliftment of rural poor. The study revealed that the urban customers are more aware of e-banking and they are using all the e-channels i.e. ATMs, Net Banking, Mobile Banking, etc, to a greater extent when compared to rural customers. They pointed out that some the banks they are disallowing customers to enter in to branches for transacting smaller amounts and forced them to go for Cash Deposit Machines.

The number of Cash Deposit Machines (CDM) are very limited and more number of CDMs should be installed to avoid long ques in front of CDMs. Majority of the customers stated that these CDMs are always out of order due to full off cash. The infrastructure facilities in rural branches are not up to the mark and it is sympathetic that the illiterate customers are ill-treated by the bankers. They don’t know how to fill up the specific forms for cash deposits and withdraw and in few banks it is observed that ‘May I Help You’ board with the security guard without providing any help to the illiterate customers. It is also observed that the urban branches are so moderate with the ‘state of art’, fully air conditioned, good seating and sanitary whereas we never find such facilities in rural branches.

Transaction cost in e-banking

The transaction costs of e-banking are not exactly known to customers because they are variable in nature and different type’s charges are collecting from customers without prior

intimation or permission. Majority of the customers both in urban and rural areas expressed that they are not aware of e-banking transaction costs. But, they felt that the e-transaction costs are higher in private sector banks when compared to public sector banks. The transaction cost is very high in CDMs of ICICI when compared to SBI. ATM card annual maintenance charges as well as user charges with other ATMs are also high in private sector banks. They further stated that the ATM user charges are also high in private sector banks when compared to public sector banks. They opined that the charges on credit cards are very high when compared to the charges on online banking and mobile banking in private sector banks.

5. Conclusion

The e-banking in Indian commercial banks has a greater impact on providing banking facilities to the customers both in urban and rural areas. Even then there are many challengers before banks to further strengthen the existing e-banking facilities. Particularly in rural areas due to lack of awareness and availability of ATMs they are not using e-channels at an appropriate level. In urban areas also the ATM are overcrowded due to shortage in number and they demand for more ATMs (CDMs also) instead of more branches. The transaction Costs should be rationalised and they should be equal in all banks with transparently. The bank personnel should be courteous and cooperative with the customers both in urban and rural areas and guide properly the illiterate rural customers in their e-banking transactions.

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