



## Impact of Digital Transformation of Banking Sector in Selected Rural Areas of Prayagraj District in Uttar Pradesh

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### ORIGINAL ARTICLE



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### ABSTRACT

The use of digital technology in order to improve the present processes or introduce new methods of conducting company operations, which improves the customer experience and leads to better currency exchange rates for the firm, is referred to as digitalization. The major objective of the present study is to analyse the socioeconomic characteristics of sample respondents selected from the area of study. The four major components of digital transformation are technology, software, data, and organizational reorganization. The Indian banking system play a critical role in managing public finances and investing it for the expansion of business and trade. Banks' stability is vital since they act as trustees of public funds, mobilizers, and funders of various operations at the regional and international levels. The banking business has grown from a basic middleman to a vast commercial enterprise. The present study is based on survey method where data is collected through structured questionnaire from 150 respondents in selected rural areas of Prayagraj District in Uttar Pradesh. The present study concluded that the impact of the digital banking services on rural customers is significant.

### KEY WORDS

Digitalization, ICT, Rural Area, Banking Sector, Bank Transformation.

### Prologue

The banking business is passing through a critical transition period in which all working systems are rapidly changing, and technology is the most powerful force, allowing banks to compete by combining knowledge with new goods or services. The use of

ATMs and the internet is becoming more common. The biggest issue facing banks is how to protect their diminishing profitability as a result of competition. The technological progress is critical not only for improving services but also for maintaining a robust client base. It has changed the way people promote, advertise, distribute, price, finance, and save money by using electronic channels and items.

## **Review of Bank Transformation in Rural Area**

Modernization and technological improvement were stressed in the second wave of banking reforms. The passage of the Information Systems Act of 2000 has hastened the adoption of e-banking. E-banking has grown into a global phenomenon. It is an important and visible tool for significant progress, growth, modernization, and enticing competitions. Indian banking is facing a fork in the road in the post-reform period. The various internal and external factors have influenced the bank's decision.

**Rajeshwari (2019)** explored that the current need for banking is anytime, everywhere banking, which necessitates innovative, secure, and ready-to-use solutions to satisfy the demands of empowered and tech-savvy customers. The role of digitization in Indian banking, variables influencing the scope of digital banking in India, digital banking trends in India, and technological milestones in Indian banks are all discussed in this article. The data used in this investigation is secondary. According to the survey, digital banking has significantly lowered bank operating costs. Banks have been able to charge reduced service costs and offer higher interest rates on deposits as a result of this. Bank earnings have increased as operational costs have decreased.

## **Future of Digital Transformation in India's Banking Sector**

The banking business in the future will be extremely adaptive. According to **Deloitte**, the rise of digital banking is putting customers at the center of every digital strategy, which institutions must undertake now in order to integrate successfully by 2030. With the passage of times the financial institutions will be required to profile their consumers methodically and precisely in order to meet legal requirements while also delivering new services that benefit customers. Artificial intelligence, augmented reality, distributed ledgers, and automation will all help to customize the banking experience even more. To summarize, the future of banking is digital change in almost every vertical, and the sooner banks react, the better.

## **Need and Importance for Digital Transformation in the Banking Sector**

The digital revolution in banking has drastically changed how banks function and service their customers. It will also continue to evolve and become more individualized over time, as previously mentioned. Traditional banking procedures are quickly becoming obsolete. They take a long time to complete and require a lot of labour. It takes a long time to complete a process. This demonstrates the importance of digital transformation in accelerating and simplifying tasks. The future generation will be early Internet adopters and will be a part of a digital society that already exists. As a result, banks must begin their digital transformation today in order to serve them in the future. It has been observed that , private banks in India are continuously striving towards introduction of new value added services, hence bank must embrace digital transformation in order to stay competitive. All of these elements point to a strong future for India's banking sector. Banks that go through this process should expect lower expenses and more streamlined processes. This connection also makes it easier for customers to have a more pleasant and engaging experience.

## **Digital Payment Process in Rural India's**

By integrating more than half a million volunteers, also known as banking correspondents, job seekers in various rural programmes have achieved a new goal. By delivering excellent training based on cashless transactions, the new goal is to enroll shops and people in the e-economy. However, every village business is being offered a incentive for achieving any kind of payment over a digital platform, but this is a daunting undertaking for BCs across India. Furthermore, it has been estimated that around 2.5 million people in India's rural areas have signed up for cashless transactions, and around 55,000 merchants have switched to a digital payment network (Purmal, Alam 2013).

## The Paytm Method in Rural India

Basic infrastructure, such as transportation, education, and internet access, is lacking in these areas. Paytm, India's largest digital payments provider, has taken advantage of demonetization and expanded its services into rural India. Paytm offered merchants the ability to use their gateway and app to send money to farmers' bank accounts when they sold their produce as part of a pilot. Paytm has also worked with a number of agricultural businesses to integrate their payment systems with their own platform. Payment options can also be changed based on the borrower's income pattern, and range from quarterly to daily payments:

1. **Digital Illiteracy:** Rural people are less familiar with the digital world and computers/Smartphones. They don't even have a fundamental understanding of how to use a Smartphone or a computer.
2. **Vulnerable System and Mistrust:** It is a common misconception that if money is parked at a bank, it might be cheated or withheld, making people even more apprehensive of digital transactions. Furthermore, the frauds that occur aggravate the situation.
3. **Inadequate Infrastructure:** Smartphone adoption, internet access, electricity, and banking services are all lacking. Even India's largest nationalized banks are struggling to deliver basic banking services to the rural people. The Jan Dhan Yojana increased financial inclusion, yet most of the accounts opened under the scheme are dormant, with little or no activity.
4. **Rural Economy:** Because most of the demands of rural people are met through cash transactions, introducing the concept of digital payments is a difficult issue. Because the rural economy is generally informal or unstructured, cash serves better than digital transactions.

## Statement of the Problem

Banking has offered customers more control over their banking habits. In this competitive market, developing a deep understanding between staff and customers is critical. It's crucial to comprehend how bank staff and customers feel about the transition from traditional to digital banking. Whether they'll be able to adapt to the new approach is a significant question mark. As a result, it's critical to comprehend their perspectives on the transition and assess the challenges that arise as a result of the modifications. In this context, it's important to make an attempt to study on the impact of digital transformation of banking sector in Rural Areas.

## Research Objectives

1. To study the socio-economic characteristics of the sample respondents selected from the study area
2. To investigate the influence of the digital revolution on rural banking.

## Research Methodology

The study is indented to comprehend the impact of the digital banking on the rural customers. For which, 150 rural customers accessing digital banking were selected in the rural areas of Prayagraj District in Uttar Pradesh were selected using judgemental sampling technique. The primary data were collected through well structured schedule .

## Findings

The rural bank customers have different attitude and behaviour as compared to the urban customers. They also face some difficulties in their rural area due to availability of branches and services. 150 sample respondents have selected for the study and their four factors are considered for analysis i.e., age, number of family members (for considering their size of the family), annual income and their experience with their banks. The details are as follows:

**Table No 1:** Socio-Economic characteristics of the sample respondents

Characteristics	Mean	Standard Deviation	N
Gender	16.79	31.23	150
Age	17.89	11.56	150
Annual Income	45.37	72.34	150
Nature of Family	3.60	4.69	150
Size of family	5.34	2.34	150
Experience in using digital banking	7.69	3.52	150

The Table 1 indicates that average of the sample respondents is 31.23, number of family members is 4.49, annual income is Rs.45.37, nature of family is 3.6, size of family is 5.34 and average experience with their banks is 7.69. Further, various digital services of the banks and the preference of the customers are analyzed as below.

**Table 2:** Benefits of the Digital Banking

Digital banking services	Mean	Std. Deviation
Account-to-account payments	4.00	1.274
Personal Finance Management	3.64	0.899
Intuitive loan applications	3.41	0.851
Valuable loyalty benefits	3.02	1.124
Convenient account opening in minutes	2.80	1.460
Timely notifications	3.35	1.157
Personal digital card management	3.26	1.067
Straightforward digital insurance	3.09	1.276
Anytime banking	4.30	1.045
Trustworthy security	3.61	0.891

There are various digital services which are being introduced by the bankers from time to time. The development of ICT in the banking sector is adding more services to their customers. Based on the previous studies, top ten services of the digital banking are considered for the study. The Table 2 reveals that availability of anytime banking service through the digital banking is priority given by the rural customers (4.30). The rural customers need more effort and time to utilize the physical banking services. The digital banking services help them to avail the banking services at any time. Digital payment method is also (4.00) preferred by the rural customers most. The payment system is made easy through the digital banking. Thirdly, the personal financial management is made simple and effective through the digital banking (3.64). The digital banking also helps to apply for loan through e-form. It is also preferred by the rural customers (3.41).

### The Impact of Digital Banking on Rural Customers

The digital banking is preferred by the customers in the modern era. The technology development improves the services in different folds. The usage of the digital banking services are ranking in the above table. The mean of the services of the digital banking shows the customers prefer all the services (The means are more than 2.5). In order to find the impact of the digital banking in the rural customers, the influence of the nature of the customers on the digital banking services is measured with the help of the regression analysis. The educational level, awareness about the digital banking, talent and skill required, gender, etc., are some of the factors could influence on the preferring digital banking services. In the present study, only these four (Age, family size, annual income and experience) factors are considered. The overall score from the 10 statements are computed and summed up for measuring the preference of the digital banking services. The result is given below:

Variable	N	Mean	Std Dev
Digital banking	150	34.47	5.54

## Model Summary

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	Std. Error of the Estimate
1	0.369	0.137	0.125	5.1874

The R value is 0.369 and R square is 0.137. The adjusted R square value is 0.137. It is understood from the value that the dependent variable digital banking services is explained in its variance by the independent variables only at 13.7%. It shows that the influence of other factors is more on the preference over the digital banking services. The overall model is tested with the help of ANOVA as below.

**Table 5: ANOVA**

Model		Sum of square	df	Mean square	f	Sig
1	Regression	631	4	157.75	5.77	0.000
	Residual	3970	145	27.30		
	Total	4601	149			
a. Dependent Variable: Digital banking						
b. Predictors: (Constant), Experience, Number of family members, age, Annual income						

The influence of the constant and other predictors on the digital banking services is found significant from the ANOVA test. The F -value (5.77) for 4 df is significant at 1% level ( $p < 0.000 < 0.01$ ).

**Table 6: Regression coefficients**

1	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	95.0% Confidence Interval for B	
		B	Std Error	Beta			Lower Bound	Upper Bound
	Constant	30.622	1.449	21.130	21.130	0.0000	27.77	33.474
	Age	-0.066	0.028	-0.129	-2.339	0.020	-0.121	-0.010
	No Of family Members	0.839	0.244	0.190	3.446	0.001	0.360	1.318
	Annual Income	0.00001	0.000	0.153	2.704	0.007	0.0000	0.000
	Experience	0.230	0.059	0.214	3.910	0.000	0.114	0.347
a. Dependent Variable: Digital banking services								

The regression coefficient values from the Table 6 indicate that the role of constant is more than the predictors. The Age is negatively influencing (-0.066) on the preference of the digital banking services. It shows that the young customers prefer most than the old aged customers. Number of members in the family, annual income of the customers and experience have positive influence on the preference of the digital banking services. The calculated **t values** are for the age (-2.339), number of family members (3.446), annual income (2.704) and experience (3.910) are found significant. The probability values are less than 5%. Hence, it is concluded that the impact of the digital banking services on the rural customers is significant.

## CONCLUSION

The Banking sector reforms has enforced the Indian banks to place greater emphasis on information technology in order to improve their customer service. Customers have conducted their banking related work through various forms of digital, saving time and money, even in the tough scenario of lockdown. However, the banking sector has several obstacles, such as a lack of networking facilities, poverty, economic backwardness, and the country's enormous population. Transforming from traditional banking to a digital world is only one aspect of digital transformation. It's a significant shift in how banks and other financial institutions learn about client engagement and how to please them. The integration of digital technology into all

aspects of business. Hence, it is concluded that an overall preference of the customers towards the digital banking services is good. As the digitization of banking industry evolves, it would be ideal to construct acceptable measures in common throughout the entire financial system, and which are applied openly to the market.

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