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# ADOPTION OF DIGITAL BANKING AMONG RURAL CUSTOMERS: AN EMPIRICAL ANALYSIS

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## ABSTRACT

*Financial inclusion has drawn more attention recently since it is essential to economic growth and equality, company expansion, and the sustainability of the banking and financial institutions. The study attempts to comprehend the factors that lead to the adoption of digital banking among the rural peoples in order to learn how technology is effective for financial inclusion. The present piece of work used the UTAUT Model together with the additional elements of relative benefits and relative risks to investigate these elements. A self-administered questionnaire was designed and distributed in the rural areas of Davangere. The SPSS software was then used to evaluate the results. The findings demonstrate that the outcomes have a substantial impact on rural customers' intentions to utilise digital banking, including performance expectations, effort expectancies, social influence, and facilitating conditions. Unexpectedly, relative risks were determined to be inconsequential.*

*Keywords: Digital Banking, Rural Customers, Financial Inclusion etc.*

## 1. INTRODUCTION

Any innovation's ability to be adopted and used effectively by a big enough population of regular people is key to its success. In recent years, both the online and offline modes of the Indian banking sector have undergone significant transformation. Online banking, mobile banking, and other names for this innovation have all been used. There are public sector banks, private sector banks, and foreign banks in India's highly organised banking industry. The fact that there are more ATMs popping up every day in India is a clear indication that more and more average citizens are using financial advances, which raises their standard of living and spending. Today, even the average person uses debit and credit cards on a regular basis.

Undisputedly, the development of the nation as a whole depends on a sophisticated and modern banking culture. People's lifestyles and spending patterns, particularly those of the young and middle-aged, have already been impacted by this culture of electronic banking. It is unquestionably a good development since it improves the comfort and convenience of ordinary people's lives and, most crucially, because it significantly reduces the risk associated with handling actual currency. The goal of the government's new digital India policy is to increase these financial transactions. The banking industry's employees benefit as well because there are less people visiting banks thanks to the advent of banking technology. Additionally, the advances allow clients to start financial transactions on their own without. The innovations also make it possible for customers to start financial transactions on their own, without the assistance of bank staff.

Any technology or invention's success can be measured by the advantages it offers to everyone, regardless of their social or economic status. It is difficult to consider an electronic banking facility to be totally beneficial to society if it is only used by a small group of people. The objective of this paper is to comprehend the factors that influence rural consumers' acceptance of digital banking services.

### **1.1 PROBLEM STATEMENT**

Offering customers, a service while also boosting earnings is one of every financial institution's primary objective. Therefore, banks must extend their customer base regardless of their geographic location in order to expand their services and earn profits. Service and profit maximisation will remain an unreachable goal if just a small portion of consumers use the bank's facilities, particularly the E-banking services. This study provides a broad overview of how rural people are utilising digital banking services.

### **1.2 NEED AND SIGNIFICANCE OF THE STUDY**

Electronic banking is not a radical concept in the present world because it is well-known to the vast majority of people. However, this majority calculation is largely restricted to the urban area. To accurately evaluate the true prevalence of E-banking in the rural sector, it is crucial to examine the extent of rural peoples' understanding of the technology. District of Davangere includes the study area.

Davangere is one of district of Karnataka in India. There are 6 Taluks, 923 villages and 9 towns in Davangere district. In 2011, Davangere had population of 19,45,497. As per 2011 census, 67.67% population of Davangere districts lives in rural areas of villages. The total population of Davangere district living in rural areas is 13,16,487.

The current study examines elements that influence whether potential users will accept and use mobile banking as smartphones may be the most widely available technology in existence today. The objective of this study is to understand the factors that influence rural customers opt for digital banking.

## **2. LITERATURE REVIEW**

Tan & Teo (2000), investigated the variables influencing Singaporean consumers' adoption of internet banking. Their major findings showed that behavioural control perceptions and attitudes both had a substantial impact on individuals' intentions to use internet banking.

An exploratory study was done by Polatoglu& Ekin (2001) to evaluate client acceptance of internet banking services in a Turkish bank. According to their research, customers' trust in internet banking services tends to grow over time as they continue to utilise the services.

According to Sohali & Shanmugham (2003), a few factors influence how often clients use electronic banking services. It comprises proper internet connection accessibility, knowledge of electronic banking, and client reluctance.

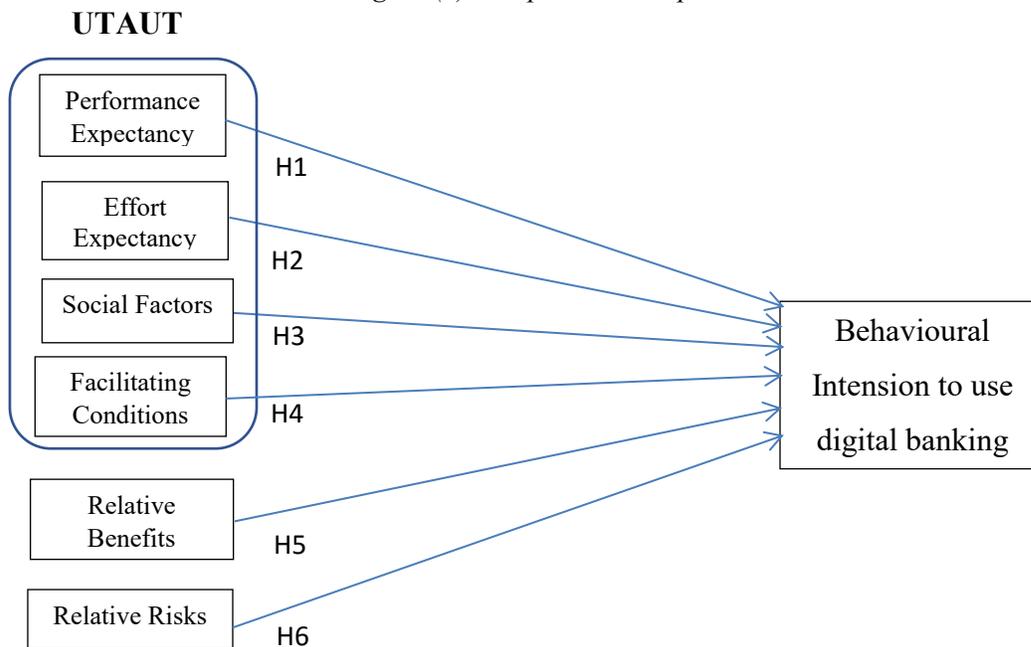
According to Rajeshwari (2019), to meet the demands of empowered and tech-savvy clients, there is a present need for anytime, everywhere banking, which calls for innovative, safe, and read y-to-use solutions. Digital transformation has just just begun with the shift from conventional banking to a digital environment. The way banks and other financial institutions learn regarding their customers and interact with them about the various services offered by the SBI in rural areas has undergone a considerable change. It has been shown that SBI customers are less knowledgeable about the bank's rural E-banking offerings. The majority of customers are unaware of the different goods and services that banks offer. Lack of client understanding of internet banking, outdated security-related technology, and challenging procedures for using internet banking in rural areas were the main weaknesses of SBI.

### 3. RESEARCH METHODOLOGY

The study is the combination of both qualitative and quantitative in nature. Targeted respondents of this study were adults who owned smart phones, with a bank account, who resided in rural areas of Davangere District. A structured questionnaire measured on a 5-point Likert scale was administered to the customers of different banks located in 7 taluks of Davangere. The non-probability-convenient sampling is used; Total samples collected were 210. SPSS 21.0 was used for data analysis.

The aim is to check all variables that have a significant influence on another variable. From few variables of the UTAUT model and the additional of perceived trust, a structure is designed as the bedrock for this paper. The two constructs of UTAUT are A, B and C while trust and cost are the additional construct that is included in this study. Normality of data, reliableness and validation of the variables were checked to ensure the validity of the variables. In this research, the considered variables are performance expectancy (A), effort expectancy (B), social factors (C), facilitating conditions(D), relative benefits (E), relative risks (F) and behavioral intention to use digital banking (BI). Figure (a) indicates the proposed conceptual model for this research.

*Figure (a): Proposed Conceptual Model*



#### 4. RESEARCH HYPOTHESIS

1. **H<sub>1</sub>:** *Performance expectancy has a positive significant relationship towards adoption of digital banking.*
2. **H<sub>2</sub>:** *Effort expectancy has a positive significant relationship towards adoption of digital banking.*
3. **H<sub>3</sub>:** *Social factors has a positive significant relationship towards adoption of digital banking.*
4. **H<sub>4</sub>:** *Facilitating Conditions has a positive significant relationship towards adoption of digital banking.*
5. **H<sub>5</sub>:** *Relative Benefits has a positive significant relationship towards adoption of digital banking.*
6. **H<sub>6</sub>:** *Relative risk has a positive significant relationship towards adoption of digital banking.*

#### 5. RESULTS AND DISCUSSION

##### 5.1 Reliability Test:

For a scale of higher than 0.7, Cronbach's Alpha coefficient is considered optimum. As a result, all of the reliability values in this research were greater than 0.7, which is higher than the permitted level. Table 1 displays the Cronbach's Alpha for all variables.

*Table 1: Standardized Item Loadings and Cronbach's Alpha*

<b>Construct</b>	<b>Description</b>	<b>Items</b>	<b>Loading</b>	<b>Cronbach's alpha</b>
Performance Expectancy (A)	<i>The degree to which a person thinks using a digital banking service would improve his or her ability to succeed at work</i>	A1	.911	0.705
		A2	.790	
		A3	.839	
Effort Expectancy (B)	<i>The degree to which a person thinks using a digital banking service will be simple</i>	B1	.700	0.759
		B2	.879	
		B3	.841	
Social Factors (C)	<i>The degree to which a user believes that influential individuals drive</i>	C1	.865	0.943
		C2	.812	

	<i>people to use technology improvements</i>	C3	.812	
Facilitating Conditions (D)	<i>The degree to which an individual is convinced that a technological and organisational framework is in place to facilitate the use of the system</i>	D1	.916	0.899
		D2	.739	
		D3	.957	
Relative Benefits (E)	<i>The identified merits of using a digital banking service</i>	E1	.402	0.708
		E2	.832	
Relative risks (F)	<i>Risks and costs about the outcome of the use of the innovation</i>	F1	.880	0.862
		F2	.886	
Behavioural Intension (BI)	<i>The degree to which a person intends to engage in a particular behaviour</i>	BI1	.957	0.798
		BI2	.680	

### 5.2 Normality Test of Data:

If the value of skewness and kurtosis is in between -2 and +2, and -7 and +7 respectively, the data is deemed normal (Hair, 2010). Table 2 shows that all of the factors' skewness and kurtosis values are within an accepted level, with values of skewness varies from -1.710 to 0.032 and values of kurtosis varies from -0.936 to 2.001 for the variables. These findings suggest that all of the items of the variables are appropriate with the study's sample.

Table 2: Normality Test

	A	B	C	D	E	F	BI
<b>N</b>	210	210	210	210	210	210	210
<b>Kurtosis</b>	-0.783	1.160	0.884	-0.805	2.001	-0.655	-0.936
<b>Std. Error of Kurtosis</b>	0.334						
<b>Skewness</b>	0.032	-0.746	-0.990	-0.0381	-1.710	-0.294	-0.470
<b>Std. Error of Skewness</b>	0.168						

Source: Primary Data

### 5.3 Validity Test:

According to the guidelines, KMO value should be more than 0.7. The value of KMO, which is 0.794, satisfies the acceptability criteria of sampling for factor analysis, as shown in Table 3. Likewise, Bartlett's test of sphericity was found to have significant with a  $p < 0.001$ , representing that the variables were sufficiently correlated.

*Table 3: Results of Validity test*

Kaiser-Meyer-Olkin Measure of Sampling Acceptance		0.794
Bartlett's Test of Sphericity	Apprx. chi. -square	956.515
	Df	21
	Sig.	.000

Source: Primary Data

## 5.4 Testing of Hypothesis

The analysis of Pearson's correlation was carried to test the significance between the independent and dependent variables. Table 4 shows that, the path coefficients of hypotheses 1, 2, 3, 4 and 5 were significant at a level of significance,  $p < 0.01$ . But, path coefficient of hypothesis 6 was not supported.

*Table 4: hypothesis result*

Hypothesis	Path	Pearson Correlation	Sig. (2-tailed)	Comment
H1	BI -----> A	.336**	.000	Supported
H2	BI -----> B	.612**	.000	Supported
H3	BI -----> C	.590**	.000	Supported
H4	BI -----> D	.922**	.000	Supported
H5	BI -----> E	.506**	.000	Supported
H6	BI -----> F	-.030	.000	Not Supported
** . Correlation is significant @ 0.01 levels (2-tailed).				

**Interpretation:** The above findings shows that there is a positive association between Performance Expectancy & Behavior Intention, effort expectancy & BI, Social factors & BI, facilitating conditions & BI and also between Relative benefits & BI to use digital banking. But, there is a negative significance between relative risks associated with digital banking and behavioral intention to use digital banking services.

## 6. FINDINGS

1. From the study, it was found that rural customers' performance expectancy, effort expectancy, social factors, facilitating conditions and relative benefits in digital

banking has a significant effect on forming the favourable intentions towards usage of digital banking service.

2. It was found that, relative risks involved in digital banking has a negative significant effect on forming the favourable intention of rural customers towards usage of digital banking services.

## **7. CONCLUSION**

In fact, mobile banking is a very effective tool for providing the desperately needed financial services to the unbanked masses in rural areas, as service providers can take advantage of the high mobile penetration in these areas for quick financial inclusion of the unbanked Davangere rural communities. According to the results, the expanded UTAT can forecast a customer's propensity to utilise digital banking. In particular, user behaviour is significantly influenced by performance expectations, effort expectations, social factors, and relative advantages, which in turn affect users' intentions toward digital banking. However, associated risks discouraged users from using the service. Thus, this study has provided valuable information to banks, MNEs, service developers, and software engineers to enhance digital banking system adoption among rural customers for financial inclusion by considering influencing factors.

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