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## **Digital Banking and Rural Entrepreneurship: Issues and Concerns**

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### **ABSTRACT**

The financial system of a country plays an important role in promoting economic growth not only by channelizing savings into investment but also by improving efficiency of resources. The banking system plays a major role in representing the financial system in India. India is one of the fastest digitally growing economy which has witnessed the wave of digitalisation through Digital India initiative by transforming industry and lives in multi-dimensional ways. Rural enterprises are considered as the backbone of large scale enterprises in India. Recently, due to Covid 19 pandemic digital banking is playing a vital role in making financial transactions of any enterprise and also in banking transactions of rural enterprises. Digital Banking has not only improving the speed of banking services but also increasing customer satisfaction through 24X7 customer services through various digital platforms saving time and cost of banks and customers as well as enabling customers to perform banking activities from the comfort of their homes. Even though rural entrepreneurs have many opportunities and benefits through digital banking they are facing several challenges in the adoption and managing their financial transactions and other related services through digital platforms. Hence, it is intended to examine the impact of digital banking on rural entrepreneurs and digital banking practices of the rural entrepreneurs in Sagarataluk of Shivamogga district, Karnataka state. The study is carried out with the sample size of 80 respondents using simple random sampling method using a well-structured questionnaire. The study results revealed that more number male rural entrepreneurs have undertaken micro business activities in the service sector and are mainly using mobile phones for digital banking

transactions. It was observed that respondents preferred debit card and UPI payment applications as their digital banking methods and are facing the issues of digital illiteracy, low internet access, lack of awareness about digital payment modes and poor electricity. It is suggested to create awareness and motivate the rural entrepreneurs to go for digital banking technology and its proper implementation helps to overcome such challenges enhancing their contribution to the economy.

**Key Terms:** Benefits, Challenges, Digital Banking, Payment Modes, Rural Entrepreneurship

## 1 Introduction

Banking sector plays a major role in the economic development of any nation. Due to the developments in the field of technology, every sector of the economy including banking needs to adopt the technological advancements to enhance their business transactions in local and global markets. In India, technological and digital advancements have greatly influenced banking business especially after Government of India's Digital India initiative and as a result, has gone digital through digital banking services and digital payment methods. With the Indian Government's vision of a cashless economy and rapid development in improving internet throughout the nation, the country has recorded over 48.6 billion real-time transactions in 2021 (the highest in the world) exceeding China as per the research by ACI Worldwide Network.

Digital Banking is not only improving the speed of banking services but also enhancing customer satisfaction by providing 24X7 rapid and faster customer services through different digital platforms saving time and cost of both banks and customers as well enabling customers to perform banking activities from the comfort of their homes. Banks have to adopt innovative

and attractive strategies to attract new customers and retain existing ones to increase usage rate of digital banking. Now days in the digital era of business, digital banking has become important in case of entrepreneurship also and preferred by all types of entrepreneurs and are using digital banking services and payment methods for easier, faster, efficient and smooth business transactions.

Rural Entrepreneurs are using digital platforms in their daily business transactions through various digital payment methods and applications gaining knowledge and skills of using digital banking tools which have helped them to make easier and faster transactions at home and work place encouraging them to deal with their customers, dealers, suppliers of different places. Apart from such advantages, rural entrepreneurs are facing certain challenges in adopting digital banking system like network issues, lack of knowledge of handling digital applications etc. Therefore, it is essential for the government and banking sector to provide knowledge and impart skills among rural entrepreneurs in adopting digital banking system.

## **Digital Banking- An Overview**

Earlier, doing banking transactions was a time consuming process. But, with the gradual improvement in technology banks have adopted digital banking system which has transformed the way things are done. Moreover, going digital allows the customers the perfect opportunity to enjoy paperless transactions without any need to keep track of our transactions or banking history through physical documents by providing services with higher speed, ease and convenience. Digital banking started taking shape in India during the late 1990s. With increased transparency and cost efficiency, digital banking has paved the way for safer and faster financial transactions. This entails the digitalization of marketing, customer onboarding, service channels, processes, products and features such as savings and deposits, loan management, bill payments and also facilitating digital lifestyle services such as ride hailing, e-health, edtech, telecoms, media etc. through eco system orchestration and partnerships and open APIs.

Digital banking provides the luxury of freely accessing and performing all traditional banking activities instead of a bank branch visit and can be done either

through a laptop, tablet or mobile phone. Digital Banking has benefited every part of the financial system like financial institutions, banks, governments and business entities. It provides benefits like efficiency and convenience, improved usability, cost saving, more collaborations with banks, personalized services and variety of features.

## **Concept of Rural Entrepreneurship**

In simple, an entrepreneurship emerging in rural areas is called as rural entrepreneurship. Rural entrepreneurship is important not only as a means of generating employment opportunities in the rural areas with low capital cost and rising real income of the people, but also due to its contribution to the development of agriculture and urban industries.

According to the Khadi and Village Industries Commission (KVIC) “Village industry or rural industry means any industry located in rural area, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees”.

## 2 Review of Literature

**Suresh and Mamta (2023)** stated that as India gears up for an era of increasing digitalization, the issue of holistic and inclusive economic growth remaining a pivotal concern. They observed that digitalization gave rise to the concept of digital village, where most transactions happen in a cashless mode and found that 52.7% entrepreneurs use digital banking services. It is recommended that the rural infrastructure and promote digital banking should be strengthened; particularly the internet infrastructure needs to be upgraded in rural areas.

**Amudhan et.al., (2022)** observed that digital technology have introduced new methods of operations which improves customer services and experiences. It is stated that banks play a critical role in managing public finance and investing in the expansion of business and trade. It is found that in rural areas adoption of digital banking is influenced by various factors like education, awareness about digital banking talent, skills etc. and also the impact of digital banking services on rural customers is significant.

**Elisa et.al., (2022)** opined that digital banking plays a significant role as an enabler of cashless transactions in the economic crisis caused by covid -19 pandemic. They investigated the

challenges. technology and future research agenda of digital banking and found that technology, organization, people, process, environment, customers, security and risk become the challenges for digital banking innovation.

**Ashoket.al., (2022)**, stated that by Digital India program, all sectors of the economy have been greatly influenced by the idea of digitalization including banking. They analyzed the issues and challenges in the area of digitalization of rural banking and suggested that banking sector should take measures to create knowledge and awareness of digitalization among rural children who will lead rural India in future.

**Anirbanand Ahana (2022)** investigated the factors considered by rural bank customers while using digital banking services. It is revealed that less processing time, ease of use, network connectivity, cyber security and compatibility are the key factors which motivate the users to adopt digital banking and suggested that better marketing and publicity strategy are required for digital banking services.

**Shahabas and Sreeju (2020)** stated that the shift from traditional forms of banking to digital banking has brought significant changes in the life styles if

Indian citizens. They examined the benefits and opportunities of digital banking system in India and also identified the hurdles and challenges of digital banking. It is suggested that the opportunities can be availed efficiently and the challenges can be easily counter balanced by adopting more innovative solutions and technological security measures.

**Sheikh et.al., (2020)** opined that passing from traditional banking to e-banking new strategies have become necessary to attract new customers and retain the existing customers. It is found that e-banking is safe and secure in Indian banking system but the usage rate of e-banking by agricultural entrepreneurs is very low. They suggested that Indian banking industry should organize demos and events to motivate agricultural entrepreneurs for usage of e-banking in rural areas.

**Ashwin and Priti (2019)** studied customer perception and consciousness of digital payment techniques and found that awareness of digital literacy, adequate infrastructure, rate of customer involvement in cashless transactions have powerful relationship with digital payment techniques. It is suggested that government should embrace a distinct

approach of educating non literate people about the digital payment techniques.

**Renu Singh and Garima (2019)** mentioned that from brick and mortar model to launching BHIM and UPI application, digitalization has become a buzz word in today's era. They attempted to study the opportunities and challenges emerging in rural banking sector with special emphasis on digitalization which provides the insights to the ways and technology adopted by banking in rural India and the perception of rural customers towards these services.

**Navena and Irudaya (2019)** proposed a theoretical model for examining the factors influencing entrepreneurs to adopt mobile payment in rural areas and found that service providers and the organizations providing mobile payment applications to the end users play a major role in mobile payment adoption. Also found that the users will adopt the changes only when they are comfortable to handle themas hailing from rural areas they have less awareness of the various technologies available.

### **3 Significance of the Study**

India's success story in digital payments is exemplary. Until 2015, while efforts were underway to bring about a shift, the

digital payment landscape in India was nascent, subsequently there have been drastic transformation and so far in 2023, over 91 billion digital payment truncations have been recorded.

India has started moving towards digitalization and cashless economy over three decades ago with the introduction of online banking. After Government of India's Digital India initiation, almost all sectors of the economy moved towards digitalization and in the banking sector tremendous changes have taken place and traditional banking has gone digital which has prominence in all types of business including entrepreneurship. They no need to visit the bank far away from their places, standing in long que for single transaction. On the other hand, through digital payment methods and applications like phone pay, Google pay, debit cards, credit cards and net banking facilities they are making their business transactions from their homes or workplaces facilitating them to make business transactions with their customers, suppliers, dealers and other business related parties either in the local or international markets. Apart from this, rural entrepreneurs are also facing problems in operating digital banking system like network issues, digital illiteracy, lack of knowledge of digital payment applications, cyber frauds etc.

which have made them to avoid its usage. Therefore, present study intends to examine the problems of digital banking on rural entrepreneurship and their prospects in Sagara taluk of Shivamogga district.

So, having proper digital awareness and motivation among rural entrepreneurs in banking is highly essential through proper guidance, awareness and digital skill development programmes.

#### **4 Objectives of the Study**

- ❖ To examine the benefits and challenges of digital banking in rural entrepreneurship
- ❖ To explore the modes of payments of digital banking for rural entrepreneurship in Sagara taluk

#### **5 Study Scope**

The study covers digital banking payment modes, their benefits and challenges among rural entrepreneurs operating in Sagara Taluk, Shivamogga district.

#### **6 Data Sources**

Primary data have been collected from the selected categories of rural entrepreneurs through a survey in SagaraTaluk, Shivamogga district and

Secondary data through relevant journal articles, books and online sources.

### Sample Plan

With the population of 126 rural entrepreneurs in Sagara Taluk (registered as per the records of District Industries Centre, Shivamogga district, Karnataka) for 2023-24, 80 respondents (40 male and 40 female) are contacted for the purpose of the study using simple random sampling method.

### Survey

For the collection of data well-structured questionnaire is used with a set of questions related to demographic details of rural entrepreneurs, digital

banking modes adopted, benefits of digital banking and major challenges faced by them in using digital banking system.

### Statistical tools

For the purpose of statistical analysis, percentage analysis is used to measure the responses towards each question and is presented in the form of appropriate tables.

### 7 Data Analysis

The study conducted from rural entrepreneurs spread in Sagara Taluk were recorded and analyzed below by using appropriate tables.

**Table -1 Socio- Economic and Business details of Respondents**

Socio- Economic and Business Details		Respondents	Percentage
Gender	Male	44	55
	Female	36	45
	<b>Total</b>	<b>80</b>	<b>100</b>
Age Group	Age (in Years)	Respondents	Percentage
	18-25	17	21.25
	25-40	26	32.5
	40-60	29	36.25
	Above 60	08	10
	<b>Total</b>	<b>80</b>	<b>100</b>
Education	SSLC	18	22.5
	PUC	25	31.25
	Graduation	19	23.75



Background	Post-graduation	11	13.75
	Others	07	8.75
	<b>Total</b>	<b>80</b>	<b>100</b>
Type of Enterprise	Micro	44	55
	Small	28	35
	Medium	08	10
	<b>Total</b>	<b>80</b>	<b>100</b>
Nature of Business	Manufacturing	31	38.75
	Service	49	61.25
	<b>Total</b>	<b>80</b>	<b>100</b>
Annual Turnover of the Enterprise	Up to ₹5 Lakhs	37	46.25
	₹5 lakh to ₹10 lakhs	24	30
	₹10 lakh to ₹20 lakhs	12	15
	More than ₹20 lakhs	07	8.75
	<b>Total</b>	<b>80</b>	<b>100</b>
Number of Working Employees	Less than 3	25	31.25
	3-8	31	38.75
	8-13	18	22.5
	Above 13	06	7.5
	<b>Total</b>	<b>80</b>	<b>100</b>
Source of Capital	Own capital	23	28.75
	Loan from friends and relatives	09	11.25
	Loan from commercial banks	13	16.25
	Government schemes	26	32.5
	Loan from private micro financial institutions	09	11.25
	<b>Total</b>	<b>80</b>	<b>100</b>
	Digital banking	Mobile Phones	59
Personal computers		21	26.25

device	<b>Total</b>	<b>80</b>	<b>100</b>
Period of access to digital banking	Less than 2 years	24	30
	2 to 5 years	42	52.5
	More than 5 years	14	17.5
	<b>Total</b>	<b>80</b>	<b>100</b>

Source: Field Survey

As per observation, more than 50% are male, around 70% are from the age group of 25-60 years and have above SSLC qualification, 90% are from micro and small enterprises category, service activities are conducted by more than 60% respondents, more than 75% respondents have monthly turnover of ₹5-10 lakhs, only 7.5% enterprises have

more than 13 employees and funds from government schemes is the source of capital followed by own sources for the enterprises, more than 70% respondents use mobile phones for transaction purpose and very few respondents have digital banking access for more than five years.

**Table-2 Digital Banking Modes of Rural Entrepreneurs**

Digital Banking Mode	Opinion		
	High Preference	Preference	No preference
Debit Card	41	37	02
Credit Card	25	33	22
Internet Banking	31	36	13
Mobile Banking	44	31	05
UPI (phone pe, google pay, paytm)	46	31	03
Bharat Interface for Money(BHIM)	33	38	09
Point of Sale (PoS)	34	31	15
<b>Statement</b>	Response	No. of Respondents	Percentage
Satisfaction on using digital	Highly Satisfied	41	51.25

payment modes	Moderately Satisfied	32	40
	Not Satisfied	07	8.75
	<b>Total</b>	<b>80</b>	<b>100</b>

Source: Field Survey

From the table it is clear that, more than 97% respondents preferred debit cards followed by UPI payments for banking transactions, more than 90% respondents are satisfied with the digital banking methods and 40% are moderately satisfied.

**Table-3 Challenges of Digital Banking to Rural Entrepreneurs**

Problem	Opinion		
	Strongly agree	Agree	Disagree
Poor internet access	43	29	08
Security issues	33	35	12
Lack of electricity	30	39	11
Lack of awareness	29	37	14
Digital illiteracy	37	34	09

Source: Field Survey

As observed, 90% respondents identified poor internet connectivity as the major challenge in adopting digital banking, followed by digital illiteracy as another major problem as agreed by nearly 89% respondents. Lack of awareness about digital banking modes is highly disagreed by around 18% respondents.

**Table-4 Digital Banking Benefits of Rural Entrepreneurs**

Opportunities/Prospects	Opinion		
	Strongly Agree	Agree	Disagree
24*7 Banking	49	31	00
Easy tracking of transactions	38	33	09
Investment opportunities	30	36	14
World wide access	41	34	05
Time saving	32	45	03
Control the cost	31	39	10

Zero paperwork ensures productivity	32	34	14
Easy payments	46	29	05
Enhanced security	29	36	15
Fraud alerts	28	41	11
Get account related services online	39	35	06
Statement	Response	No. of respondents	Percentage
Digital Banking benefits influence the growth and success of rural enterprises	Yes	52	65
	No	28	35

Source: Field Survey

It is observed that all respondents agreed that digital banking provides 24\*7 banking services followed by saving of time (96.25%) and easy payments 93.75% responses. High level of disagreement can be observed towards the statement that digital banking provides investment opportunities and zero paper work ensures productivity as per 17.5% respondents each.

## 8 Survey Findings

- ❖ More than 35% respondents belong to the middle age group, very few ( 13.5% ) post graduates, more than half of the respondents are running micro enterprises in service oriented business with less than 3 employees, about 46.25% respondent's annual turnover is up to 5 lakh rupees, maximum of 32.5% respondents starting their business with funds provided by government schemes.
- ❖ Mobile phones is identified as the most preferred mode of digital banking (Out of 80, maximum of 59 responses) with more than 50% respondents accessing digital banking system with two to five years.
- ❖ Acceptance of debit card as the best digital banking tool due to saving of time and cost as well as requires less knowledge of digital platforms and also agreed that using digital payment methods will also increase their satisfaction level in making transactions.
- ❖ Low internet access and lack of digital literacy making difficult to handle digital banking transactions are the major problems as identified by more than 90% respondents in each case
- ❖ Digital banking providing round the clock service facilitates easy

payments and is a very good opportunity to the entrepreneurs as agreed upon by all respondents

- ❖ Most of the respondents agreed digital banking will save the time of the entrepreneurs as digital transactions can be made within a minute followed by a disagreement that digital banking will provide investment opportunities and less paper work enhancing productivity
- ❖ Majority 65% respondents strongly agree that digital banking opportunities influence the growth and success of rural enterprises

### **Suggestions**

- ❖ As India is transforming into a digitally empowered society there is a need to motivate rural educated youths about digital banking system with proper digital education and skills needed to adopt digital technology in making banking transactions.
- ❖ As majority of the sample entrepreneurs have undertaken service activities, there is a need to motivate and also train them to undertake manufacturing activities also
- ❖ Most of the entrepreneurs running micro enterprises leading to generate limited income and the need to

improve the status of rural entrepreneurs by providing government support are highlighted in the form of arranging regular awareness programmes to inculcate digital banking knowledge with available opportunities.

- ❖ Upgrading rural entrepreneurs with the modern digital banking methods, tools and technological up gradation especially after Covid 19, they have to essentially depend on digital banking platforms and proper awareness of modern and suitable digital platforms is highly stressed
- ❖ Most of the rural entrepreneurs are facing the issue of poor internet availability which should be tackled immediately by the government because without proper network connection it is highly impossible for them to make digital transactions.
- ❖ Most of the rural entrepreneurs do not prefer to use credit cards to make banking transactions this may be due to lack of knowledge about the availability and features of credit cards in the rural areas. It is highly essential for the banks to provide essential features details of credit cards.

## 9 Conclusion

In this digital era, every sector of the economy needs to adopt those changes and banking sector is no exception. Digital banking plays a vital role in any enterprise not only to make their financial transactions but also to avail various services like bill payments, getting life insurance policies, online ticket booking, recharges, and transfer of money at any time. Rural entrepreneurs also have started recognizing the importance of digital banking for their business transactions. Many rural entrepreneurs have adopted digital banking methods. But, many are still following traditional banking system. As world is going cashless with digital transactions it is very essential for rural entrepreneurs to adopt those changes and the failure to go with digital changes will pose difficulties for them to compete in this digital world. Banking sector along with Government of India has to conduct awareness programmes under digital India initiative to enhance banking and digital literacy of rural entrepreneurs and have to improve the network facilities in rural areas. It is very important to provide encouragement and motivation to the rural entrepreneurs to adopt digital banking system in their daily business

transactions. Having proper digital banking knowledge is very essential to realize the opportunities and overcome the problems to improve the performance of the rural enterprise as a whole.

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