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A study on a digital transaction between the rural and urban area in Bihar

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Abstract

A cashless society is one in which financial transactions can be carried out without the use of physical banknotes or coins. Rather than through the transmission of digital data (in most cases, a digital depiction of money) between the parties involved in the transaction it is a cashless society. Barter and other forms of exchange have existed in the past. Cashless transactions and currency conversion have also become popular these days. The use of digital currency such as bitcoin has made this possible. The government of India has undertaken a campaign to make India cashless. As the honorable prime minister, Narendra Modi wants to minimize India's reliance on foreign aid. To bring hoards of stashed black money lying unused into the banking system money that has been sitting in the financial system for a long time. The country began the shift to a cashless society.

Keywords: Cashless, Transaction, Digital, Bitcoins

Introduction

In India, modern banking began during the last decade of the 18th century with the opening of the Bank of Hindustan in 1770 and its liquidation in 1829-1832. The General Bank of India was established in 1786 and failed in 1791.

The State Bank of India (SBI) is India's largest and oldest bank that is still operational. In mid-June 1806 it was founded and began operations as the Bank of Calcutta. It was called the Bank of Bengal in 1809. The other two were the Bank of Bombay in 1840 and the Bank of Madras in 1843, all of which were formed by a presidential government. The three banks amalgamated in 1921 to become the Imperial Bank of India, which became the State Bank of India in 1955 after India's independence. The presidential banks, as well as their predecessors, served as quasi-central banks for many years until the Reserve Bank of India was founded in 1935 under the Reserve Bank of India Act, 1934.

The Indian banking sector is divided into two types: scheduled and non-scheduled banks. The scheduled banks are those included in the Reserve Bank of India Act, 1934's in 2nd Schedule. Nationalized banks, State Bank of India and its subsidiaries, Regional Rural Banks (RRBs), foreign banks, and other Indian private sector banks are among the scheduled banks.

Between 1906 and 1911, the Swadeshi movement influenced the founding of banks. The Swadeshi movement urged local merchants and politicians to build banks for and by the Indian community Catholic Syrian Bank, The South Indian Bank, Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank, and the Central Bank of India are among the banks that have survived to the present.

➤ A scenario of the banking sector in pre-independence -

The Indian government took steps to play a more active part in the country's economic life, and the government's Industrial Policy Resolution of 1948 envisioned a mixed economy. As a result, the government has become more involved in various sectors of the economy, including banking and finance. The following were the significant steps taken to regulate banking:

The Reserve Bank of India, India's central banking authority, was founded in April 1935, but under the Reserve Bank of India (Transfer to Public Ownership) Act, 1948, it was nationalized on January 1, 1949.

The Banking Regulation Act of 1949 gave the Reserve Bank of India (RBI) the authority to regulate, oversee, and inspect Indian banks.

➤ A scenario of the banking sector in post-independence -

Post-independence, India's financial system evolved in much the same way as it had before. Under the Banking Regulation Act of 1949, the Indian government chose to nationalize banks in 1969. The Reserve Bank of India was one of the 14 banks nationalized (RBI).

The Indian government recognized in 1975 that some groups were financially disadvantaged. In response to the expansion of financial services in India, it established banking institutions with specialized functions between 1982 and 1990

- National Bank for Agriculture and Rural Development (NABARD) was established in 1982 to boost agricultural activity.
- EXIM (Export-Import bank of India) was established in 1982 to boost export and import.
- To finance housing projects, the National Housing Board was established.
- SIDBI — Small-Scale Industries Development Bank of India

➤ The Liberalization, Privatization, and Globalization (LPG) policy 1991-

The Indian economy underwent a significant transformation beginning in 1991. Private investors were invited to invest in India by the government. In India, foreign banks such as Citibank, Hongkong and Shanghai Banking Corporation (HSBC), and Bank of America have opened branches. The process of nationalizing banks has come to a halt.

Banks in the public and private sectors were treated equally by the RBI and the government. Payments banks were established. Small finance banks were permitted to open branches all over India. Banks began digitizing transactions and other banking processes in the early 2000s.

➤ Why does the government opt to nationalize policy?

- To have a better sense of the impact on the banking industry and the general public.
- To Energize Priority Sectors:-
Banks were crumbling at an alarming rate — 361 banks failed between 1947 and 1955, a rate of around 40 per year! Customers' deposits were lost and there was no way to get them back.
- The Agricultural Sector Has Been Neglected:-

Banks have favored large industries and corporations while ignoring the rural sector. Nationalization was accompanied by a promise to help the agriculture industry.

- Branches Expansion:-

Nationalization facilitated the opening of new branches, allowing banks to provide maximum coverage across the country.

- Savings Mobilization:-

Nationalizing banks would provide individuals more access to banks and encourage them to save, bringing more money into an already cash-strapped economy.

- Economic and Political Factors:-

The two world wars of 1962 and 1965 had wreaked havoc on the economy.

Literature Review

A literature review summarises what has been stated, who the important writers are, what the dominant theories are, and what issues have been raised. As a result, it is not primary research in and of itself, but rather a report on other findings.

- Panch(2018) -This study found that while digitization offers many advantages, it is critical to raise knowledge about it before deploying the system. It is a common occurrence for people in rural areas to refuse to do financial transactions with banks. One of the most critical factors is the lack of bank branches; if this is not possible, banks should develop alternative distribution channels.
 - Nayak(2018) -This article aimed to shed light on the concerns and obstacles surrounding rural banking's digitalization, as well as provide a fresh viewpoint on the subject. Even though the Indian banking system is heading towards digitalization, there are several challenges. There are several concerns and obstacles to be addressed, particularly in rural banking.
 - National Bank for Agriculture and Rural Development (NABARD) -This website provided all of the statistics.
 - According to a report published in December 2019 by the Indian Internet and Mobile Association, only 16% of rural areas used the internet for digital transactions, compared to 45% of metropolitan areas.
- Objectives

The following are the study's objectives:

1. Research the conceptual framework of digital transactions.
2. To determine the difference in digital transaction utilization between rural and urban residents.
3. To investigate the demographic aspects that influence people's perceptions of digital transactions in both urban and rural areas.
4. Determine the level of consumer satisfaction with digital transactions among rural and urban customers.
5. Analyze the acquired data and present the research study's conclusions and recommendation

Methodology

This descriptive research throws the light on current issues or problems by the process of data collection and enables them to describe situations effectively

Data Sources: This information was gathered from secondary sources.

Secondary Data: The following sources are used to acquire secondary data:

- Articles in Print
- Journal
- Thesis
- Articles
- Data from the internet

➤ Uses of digital transaction in India

Following the government's aspirations to turn the economy into a digital one, as well as a slew of new private businesses the field of electronic transaction solutions Mobile app solutions, for example, are similar to E-Wallets. Unified Payments Interface (UPI) are payment bank licenses issued by the Federal Reserve. It is critical, according to the RBI, that the market is open. preparing for a more transparent and open future. According to recent studies, there has been substantial progress in the area of digital payments.

The following are some of the main and impacting aspects that support digital transaction processes:

In comparison to previous trends, the process of mobile banking, Immediate Payment Service (IMPS) solutions, and other associated improvements has improved in the current context simplified. Another important factor pushing digital transaction solutions is the growing number of eCommerce enterprises that offer their services in rural areas.

Government measures, both direct and indirect, to improve banking convenience, compliance requirements, and other aspects play a major role in the process.

Several key efforts, such as the issuance of "RuPay cards," are linked with the large opening of Jan Dhan accounts (zero balance accounts), the issuance of Kisan Credit cards to farmers, and the push to enable point of sales (PoS) solutions for rural merchants, among other things, a foundation has been laid for the growth of digital payments in the rural segment. Aadhar Enabled Payment System (AEPS) is a bank-driven architecture that allows for online interoperable monetary incorporation exchange. Any bank that accepts Aadhaar as proof of identity. This has aided in monetary terms consideration. The four Aadhaar numbers gave people access to basic services. The following are the banking exchanges: -

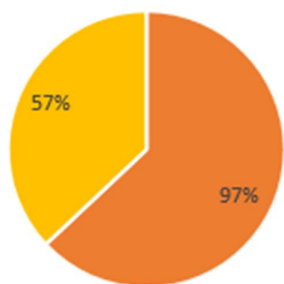
1. Enquiry into the Balance
2. Withdrawal of funds
3. Make a cash deposit
4. Funds Transfer from Aadhaar to Aadhaar

➤ Challenges of Digital Transactions in Rural Markets:

One of the main reasons individuals in some parts of the country rely on cash for most of their transactions is a lack of adequate banking infrastructures, such as banks and ATMs. People in rural India still prefer cash for a variety of reasons, including the need to travel long distances to reach a bank, the absence of a reliable internet connection, and a lack of digital knowledge. For instance, while purchasing a local market (HAAT), for example, the seller may not have digital payment options like Unified Payments Interface (UPI), quick response (QR) codes, Aadhaar Enabled Payment System (AePs), or even a smartphone, making the system more reliant on cash. The majority of Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders (66%) obtained a RuPay debit card in an addition to their PMJDY account opening.

Evaluation of the RuPay Card's Impact on Weaker and Marginalized Sections 7 Those who were not given the card, either did not take it or did not accept it. They do so on purpose because they are uninformed about its advantages, or they're concerned that it will be abused. A few people also stated that they were being required to pay to obtain the card RuPay card. In a few circumstances, individuals refused to take the cards from the deck banks. The majority (97%) of those who know about the use of the RuPay Card (1287) 57% know that it is used for withdrawing money only. The overdraft facility in the PMJDY account is significantly low as 88% of people are unknown about overdraft facilities. As 19% of respondents find it difficult to use the RuPay Card, 76 percent have no idea how to use the card. Cash availability, CSP working hours, network troubles, payment of additional fees, and CSP personnel non-cooperation are only a few of the issues that are preventing people from using the Customer Service Points (CSPs).

Thirty percent of those unsatisfied with CSP services said there is an issue with cash availability in the CSP, and 39 percent said there is a problem with cash availability in the CSP. In their village, 70% of respondents said there are no shops with point-of-sale machines.



➤ Challenges of Digital Transactions in Urban Markets:

According to a December 2019 study by the Indian Internet and Mobile Association, only 16% of rural areas used the internet for digital transactions, compared to 45% of urban areas. However, in the urban market segment, where cash reigned supreme, digital payments were used by only a few retail shops, and consumers were apprehensive of adopting such practices. Even though such tendencies are changing as a result of the widespread adoption of ICT, the volume of digital payments has - increased dramatically since the demonetization period.

Many mobile wallet businesses, point-of-sale service providers, eCommerce players, and government efforts have all been concentrating on enhancing digital payment options. However, certain key problems are obstructing and propelling the required progress for both rural and urban society in Bihar.

The component of trust is one of the most important. Digital payments face several obstacles as they rise in popularity in the agricultural sector. Regardless of whether it is due to the emergence of information security obstacles, or a lack of understanding of the situation, consumers continue to face difficulties in acquiring access to information. Consumer trust is one of the most significant difficulties that mobile wallets, digital transaction service providers such as banks, fin-tech companies, and other businesses face.

Second, the cost of transactions that are imposed on customers is a key source of worry. Some businesses, for example, charge consumers the transaction cost for every debit card transaction, which is an added hardship. Such transaction fees must be avoided to ensure that debit and credit cards are widely utilized.

Although mobile wallet providers have made the transaction procedure considerably easier for clients, the charges associated with moving money from wallet to bank accounts remain a major worry. Because mobile wallet companies charge ranging from 1% to 4% for bank transactions.

Conclusion

India has one of the world's fastest-growing economies. one of the world's most powerful economies. For long-term development and expansion, certain types of jobs will be created as a result of the strong economic growth, important aspects such as improved corporate governance, and transparency limiting the parallel cash-based economy. In light of the magnitude of market opportunities that are arising, if the dynamics of digital payments aren't favorable, the issues that have been raised are handled that would be beneficial. In terms of UPIs, we've upgraded our solutions. Digital transactions and mobile wallets are easier to use and more secure features, transactions and lower management costs, digital payments may lead to more. Possible developments and assistance in better digital payment conditions, processing in remote areas. The rest of the town will quickly follow the one receiving benefits. The government can plan for the introduction of fundamental support systems such as rewarding the use of the internet through free data and smartphones and distributing computers to students pursuing higher education in surrounding towns, keeping consumption patterns and recent trends in mind. Sound infrastructure should enable uninterrupted internet connectivity and improved POS availability.

Recommendation for the Study

According to the research, the chosen regions have made reasonable decisions. To ensure that the benefits of financial inclusion are realized, progress must be made toward financial inclusion. development is dispersed equitably, particularly for the poor and the most vulnerable sectors of the population. However, this is still a developing society. Even nevertheless, the road to total financial inclusion is long and winding, and the momentum created by Pradhan Mantri Jan-Dhan Yojana (PMJDY), agent-based branchless banking, and the RuPay Card is the key to financial inclusion in previously unbanked areas. To keep moving forward, this must be carefully maintained. Another method is to engage with various educational organizations and non-governmental organizations to raise awareness about digital transactions and financial literacy among rural populations. For simplicity of transactions, it can also provide multilingual online payment systems, such as mobile apps in regional languages. Finally, by utilizing the Ministry of Rural Development's initiatives and policies, the government can make the cashless rural economy a reality by putting the inhabitants on an electronic payment system.

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