

TECHNOLOGY INNOVATIONS TOWARDS CUSTOMER SERVICE IN URBAN CO- OPERATIVE BANKING - A case study of Haveri dist. (Karnataka)

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Abstract:

The present study deals with analysis of the Technology Innovations in Urban Co-Operative Banking Sector with special reference to Haveri District of North Karnataka, the major objective of the study is to find out the impact of banking technology innovations in UCBs and offer remedies for sustainable growth of UCBs. The study is based on secondary data collected from the annual reports of the co-operative banks, journals, books, articles, News papers etc., the author has selected the study area as Haveri district of North Karnataka, and consisting 10 UCBs. The total deposits is `11294.95 lacks and Advances is `6369.48 lacks as on 31st March 2016. The banking system in our county has been leveraging technology to improve not only the customer services but also played a vital role in achieving the set targets of financial inclusion to a great extent.

Most of the data about cooperative banking sector in India emanates from the Reserve Bank of India because most of cooperative banks do not have their own Web sites for disseminating information. There is, however, no doubt that the expenditure of the banking sector in general on IT has increased recently.

Key words:- Co op, Technology, Banks. Computer, Advances, Expenditue. IT. RBI.

INTRPODUCTION:

Banking system in modern times has become part and parcel of life and one cannot do anything without banking. In the age of technology innovations, the banking systems have reengineered and have changed its total functioning. The technological system of Indian Banks have been rated more advanced than China and Russia, at par with Japan but less advanced than USA,UK and Singapore. The banking sector of all types viz. private, public, cooperative have all been in the race for deployment of latest technology solutions. **Though, in comparison to other sector banks, cooperative banks are slow in IT deployment, the decision makers are serious on this issue.** There is need to evaluate the technologies use in individual cooperative banks. To begin with the exercise may needs to be divided into three phases viz. the cooperative banks with computerization of its all branches and head office, the cooperative banks with computerization of selected branches only and cooperative banks with little or no computerization and intending to spread the computerization in their branches and head office activities.

The present study deals with analysis of the Technology Innovations in Urban Co-Operative Banking Sector with special reference to Haveri District of North Karnataka, the major objective of the study is to find out the impact of banking technology innovations in UCBs and offer remedies for sustainable growth of UCBs. The study is based on secondary data collected from the annual reports of the co-operative banks, journals, books, articles, News papers etc., the author has selected the study area as Haveri district of North Karnataka, and consisting 10 UCBs. The total deposits is `11294.95 lacks and Advances is `6369.48 lacks as on 31st March 2016. The banking system in our county has been leveraging technology to improve not only the customer services but also played a vital role in achieving the set targets of financial inclusion to a great extent.

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OBJECTIVES

The objectives of this study are

- i. To study the trend and financial growth of UCBs of Karnataka
- ii. To study the problems associated with new technology of UCBs.
- iii. To suggest the appropriate measures to improve the technological efficiency of the UCBs.

DEFINITION OF CO OPERATIVE BANK:

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services.

AN OVERVIEW OF URBAN COOPERATIVE BANKS IN INDIA

Cooperatives banks enlarge the reach of banking, both geographically and socio-economically in terms of high levels of loan delinquency due to its large numbers. Cooperative banks are organised and managed on the principle of co-operation, thus function on "no profit, no loss" basis. Although the main aim of the co-operative bank is to provide cheaper credit to their members and not to maximize profits, they may access the money market to improve their income for better survival.

Most of the Cooperative Banks are highly politicized and the situation has been further complicated by the system of dual control. Administrative aspects including registration are under State Cooperative Acts whereas financial supervision and regulation is with the RBI. Since 2001, the RBI has been seeking greater parity between commercial banks and cooperative banks in terms of prudential norms, capital adequacy, asset classification, provisioning norms, individual and group exposure norms, ALM framework, disclosures, supervision, etc. Co-operative banks have been historically enjoying niche in the market share of deposits and credits.

The co-operative credit structure in the country can be divided into two broad segments: the urban co-operative banks and the rural co-operative credit institutions. The urban co-operative banks can be categorized as scheduled and non-scheduled. A cooperative bank having deposits of more than 250 crores is included in the Second Schedule of RBI and is classified as a Scheduled UCB.

The various entities in the urban co-operative banking sector display a high degree of heterogeneity in terms of deposits/asset base, areas of operation and nature of business. The spatial distribution of UCBs is highly skewed, as they are concentrated mainly in few states viz., Maharashtra, Gujarat, Karnataka, Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Uttar Pradesh.

RBI's ROLE IN EMPOWERING UCBs

In order to empower the cooperative banks in their commercial / managerial functioning, RBI in its MOUs with the State Governments has committed to facilitate the development of human resources and skills and to provide assistance in IT initiatives undertaken by the UCBs. The UCBs here have to take a lead and play a more pro-active role in order to utilize the services and assistance provided by the Reserve Bank to make them more competitive by bringing efficiency in their functioning. This has to be achieved through cultivating Capital Adequacy and NPA Provisioning Standards; better Corporate Governance; introducing Professional Management and following best practices in banking operations.

TRENDS IN URBAN COOPERATIVE BANKING SECTOR:

The High Power Committee on Urban Cooperative Bank constituted by RBI in 1999, has aptly commented that the cooperative credit endeavor was the first ever attempt at micro credit dispensation in India. The type of reach cooperative banks has in our country and the type of customized services they can offer at the local level, the potential is tremendous. But, the question is have we achieved the true potential? The answer to the question in my opinion to a certain extent is negative. The same is evident if we look at the market share of deposits and advances of the Scheduled Commercial Banks (SCBs), UCBs and RRBs. The SCBs share in the total bank deposits has been 92.1, 93.0 and 93.3 per cent in the year 2011, 2012 and 2013 as compared to UCBs 4.9, 4.2 and 3.9 per cent in the corresponding period, displaying a downward trend. The SCBs share in the total bank advances has been 93.2, 94.0 and 94.4 per cent in the year 2011, 2012 and 2013 as compared to UCBs 4.4, 3.8 and 3.4 per cent in the corresponding period, again displaying a downward trend.

Table No.1.**Market share of deposits and advances in India**

Year	Deposits Share (%)			Advances Share (%)		
	2011	2012	2013	2014	2015	2016
Scheduled Commercial Banks	92.1	93.0	93.3	93.2	94.0	94.4
RRB	3.0	2.9	2.8	2.4	2.2	2.2
UCBs	4.0	4.2	3.9	4.4	3.8	3.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Dr K.C.Chakrabarty, Deputy Governor of RBI, Key note address on "Core Banking Solution Project" of the A.P. Mahesh Co-op Urban Bank Ltd.,

The table no.1

clarifies that both deposit and advance share of RRB and UCB from 2006-2008 is in decreasing trend, whereas scheduled commercial banks share shows increasing trend. In fact the comparison is only in between RRB and UCB.

Uneven geographical dispersal of UCBs in few states such as Maharashtra, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu account for over 80 percent of urban cooperative banks presence and 75 percent of their total deposits. Predominant concentration of Urban Cooperative Banks in these 5 states is mainly on account of emergence of strong cooperative leadership.

UCBs normally confine their area of operation to localised geographical regions, but over a period of time, their area of operation has crossed the frontiers of districts and in some cases the states of their registration. Continuing the ideals and beliefs of cooperative pioneers, UCBs seek to bring about an alignment of human and social development with their business objectives.

At present, the bigger question is can we extend or diversify the development of strong, vibrant and financially sound UCBs to the other regions of the country as well to cater to the requirements of the people at the base level and bring them under the banking fold. There is a clear indication as per the available data as mentioned earlier that a huge potential exists for the UCBs to play a more proactive role in the banking sector in the coming years.

Table No. 2.

State Wise UCBs in India from 2006 to 2011

S.No	State	No. of UCBs				No. of UCBs (% to Total)		
		2011	2012	2013	2014	2015	2016	
1	Maharashtra & Goa	630	622	609	545	34.0	34.3	34.4
2	Karnataka	297	288	280	268	16.0	15.9	15.8
3	Gujarat	296	284	271	243	16.0	15.7	15.3
4	Tamil Nadu/ Pondicherry	132	131	130	130	7.1	7.2	7.3
5	Andhra Pradesh	124	116	115	106	6.7	6.4	6.5
6	Kerala	60	60	60	60	3.2	3.3	3.4
7	Uttar Pradesh	77	70	70	70	4.2	3.9	4.0
8	West Bengal / Sikkim	51	51	49	47	2.8	2.8	2.8
9	Rajasthan	39	39	39	39	2.1	2.2	2.2
10	New Delhi	15	15	15	15	0.8	0.8	0.8
11	Uttarakhand		7	6	05	0.0	0.4	0.3
12	Haryana / Punjab	16	16	16	11	0.9	0.9	0.9
13	Madhya Pradesh	75	60	57	52	4.0	3.3	3.2
14	Orissa	14	14	14	12	0.8	0.8	0.8
15	Assam & North East	18	17	17	13	1.0	0.9	1.0
16	Chhattisgarh		14	13	12	0.0	0.8	0.7
17	Bihar & Jharkhand	5	5	5	5	0.3	0.3	0.3
18	Jammu & Kashmir	4	4	4	4	0.2	0.2	0.2
	Total	1853	1813	1770	1645	100	100	100

Source: 1. Dr. K.C. Chakrabarty, Deputy Governor of RBI, Key note address on "Core Banking Solution

Project" of the A.P. Mahesh Co-op Urban Bank Ltd., Hyderabad

2. Karnataka State UCBs Federation Limited, Bangalore Progress of UCBs in Karnataka as on 31st March 2011.

The table no.2 decides that Maharashtra and Goa is topping the list of stay of UCBs in India from 2011 to 2016. The Karnataka has occupied the second place, but the growth of UCBs in Karnataka and all over India is decreasing. This is the result of liquidation of few UCBs. Jammu & Kashmir is in least position in the list. The total UCBs in the country during 2008 are 1770, but at the end of March 31st, 2014, the total numbers of UCBs have reduced to 1645.

Table No 3

Financial Highlights of Urban Co-operative Banks in Karnataka as on 31-3-2016.

Number of Banks	293
Number of Branches	666
Number of Members	2185386
Share Capital (` in Lakhs)	54934.83
Deposits (` in Lakhs)	970241.88
Loans and Advances (` in Lakhs)	630468.58
Net Profit (` in Lakhs)	23661.75
Number of Employees	8766

Source :Web site www.kubfed.com.

The table no.3 shows that the net profit of UCB as on 31st March 2016 is 23661.75 lakhs, which is 43.07 percent of the share capital of UCB. **The UCBs are possessing two branches on an average in Karnataka. The efficiency of collecting the deposits during the above period is nearing to double of the share capital.**

The potential exists, in a regime of planned development; sound cooperative banking movement is an instrument, which while retaining some of the advantages of decentralisation and local initiative, will yet serve willingly and readily the overall purposes and directives of the developmental plans of the government in the identified sectors. It is an indispensable instrument of planned economic action in a democracy. The client profile of UCBs today predominantly comprise of priority sector segments viz. Small business establishments, SSIs, retail traders, professionals, self-employed persons and SRTOs, etc. who would not normally find it easy to have access to large commercial banks. In urban areas, however, there are a number of under banked people like artisans, laborers, small business men, retailers, etc. of smaller means who find it difficult to organize themselves in keeping with the requirements of modern times. It is highly desirable on social as well as on economic grounds, those members of this class should be enabled to be brought into the banking fold and the UCBs certainly can take a lead into this.

Table No. 4

Progress of UCBs in Haveri district as on 31st march 2008.

(` In Lakhs)

Sl No	Name of the Bank	No.of Branches.	No. of Members	Share Capital (`)	Deposits(`)	Loan/ Advances (`)	Net Profit (`)	Gross NPA%	Net NPA %
1	Akki-Alur UCB Ltd., Akki-Allur	--	704	21.97	402.92	85.81	-40.01	40.06	25.90
2	Cardamom Merchents CB Ltd., Haveri	--	2151	63.18	1996.34	1118.39	28.19	12.46	
3	Hangal UCB Ltd., Hangal	--	1736	39.25	731.17	286.75		41.88	29.36
4	Haveri UCB Ltd., Haveri	--	2259	73.32	1599.81	800.17	33.42	25.32	Nil
5	Priyadarshini MUSB Ltd., Haveri	--	1996	16.08	136.93	97.39	2.1	11.50	3.80
6	Savanur UCB Ltd., Savanur	01	2167	40.44	1124.83	740.14	11.46	16.00	7.60
7	Shiggaon UCB Ltd., Savanur	01	2344	32.94	506.79	314.58	1.49	38.77	30.98
8	Sri Basaveshwara UCB Ltd., Ranebennur	--	7168	63.04	1480.12	1048.84	18.26	18.86	2.24
9	Sri Gajanana UCB Ltd., Byadgi.	01	2796	51.38	2070.95	1736.05	45.55	15.88	6.90
10	Sri Siddeshwara CUB Ltd., Ranebennur.	--	2134	32.55	282.57	247.19	9.61	9.83	
	Total		25455	434.15	10332.43	6475.31	110.07	23.06	13.22

Source: Karnataka State UCBs Federation Limited, Bangalore Progress of UCBs in Karnataka.

The table no.4 shows that the share capital of UCB 434.15 in lakhs, but the net profit is 110.07 lakhs, which is 25.35 percent of the share capital. The number of members in Sri Basaveshwar UCB Ltd, Ranebennur are more in the study area comparatively other UCBs. The Haveri UCB Ltd, Haveri is topping the list of UCBs in the study area with share capital. The Gajanana UCB Ltd, Byadgi shows the maximum effort in collecting the deposits with highest profit of 45.55 lakh followed by Haveri UCB Ltd. **It is observed that during the ending of 2011, the profitability of 2016 has been reduced as compared to the previous year, 2016 by 5.99 percent, that is due to technology adoption. There is a relationship between the technology implemented and profitability. Because the initial investment and operative cost of any new technology will be high this would negatively impact on current year profit. And subsequently have anticipated maximum profit within next two years.**

THE TECHNOLOGY IMPLEMENTATION IN COOPERATIVE BANKS

Customers are demanding access to sophisticated products and services through multiple channels like the telephone, Internet, cellular phones and the ATM. Today, the top managements of several Indian banks are viewing IT as a business enabler and a vital part of their strategy. Banks are revisiting their technology architecture. Even at the risk of being labeled as gross generalizations, it is useful to appreciate at the outset, that in the decade considerable number of cooperative banks have increased their computerization base by adding Any Branch Banking, Telebanking and ATM interface wherever required. This has facilitated the banks to provide efficient and effective customer services and has resulted in economizing on the costs per transaction .Apart from computerization of basic operational systems , the cooperative banks especially Urban Cooperative banks have also computerized major loan accounts, the investment operations, and clearing systems have also been computerized at the head office levels. It is true that a majority of cooperative banks especially the customers of cooperative banks located in rural and semi urban areas are not comfortable with computers in the study area, there is no reason why technologically laggard banks should impose on their customers high transaction costs in terms of the time and money spent on visits to branch offices and in terms of the delays in completing their transactions. It is also true that the staffs of the cooperative banks at operational, middle and top level are not very keen in making use of the information technology to its fullest extent in their day to day activities which is also one of the main reasons for the gap in implementation of information technology.

Technological Innovation in Study Area: Technology has a definitive role in facilitating transactions in the banking sector and the impact of technology implementation has resulted in the introduction of new products and services by various cooperative banks in India. The following are the innovations in the field of cooperative banks in the study area.

Bank computerization: The financial sector, especially the cooperative banking sector in the study area has witnessed a quantum jump in the adoption of technology for delivery of financial products and services through multiple channels. The banking sector could be evidenced by the following data of computerization in cooperative banks of Haveri district as on 31-03-2010.

1. Fully computerised Banks	100%
2. Fully computerised Branches	100%
3. Partially computerised Branches	Nil
4. Non computerised Branches	Nil

The following innovative activities of urban cooperative banks in study area are work in progress.

Electronic Fund transfer (EFT): EFT is system whereby anyone who wants to make payment to another person can approach his bank and give instructions to transfer funds directly from his account to the bank account of the receiver/beneficiary.

Mobile Banking: Mobile banking is a system of providing service to a customer to carryout banking transactions on the Mobile Phone through a cellular service provider. We can rather call this facility as “Anywhere and Any moment Banking” but it is restricted to only information about his account and not cash services.

Core Banking Solution: CBS is a centralized platform, which creates environment where the entire bank’s operations can be controlled and run from which makes anytime, anywhere, anyway banking possible.

Recently the Union Agriculture and Cooperation Minister, Mr Sharad Pawar, was nationally launched the Core Banking Solutions (CBS) drive of linking more than 7,000 branches of 1,674 UCBs at the two-day national meet, “Coop Core 2015,” held on December 25th 2015.

CHALLENGES BEFORE UCBs

The success of cooperatives ultimately depends upon their ability to perform their duties and fulfill the expectations of their members. The loyalties of the members can be retained not on the basis of monopoly, agreements or under duress but on the strength of the goodwill secured by rendering service.

Functioning in a highly technologically advanced banking environment in the country is in itself a challenge and an opportunity for the UCBs to upgrade to a computerized environment so as to focus on more business opportunities and render better customer service. These technological platforms provide an impetus for growth. The role of training and educating not only the staff but also the customers about the various technology based banking and financial services also plays an important part here. Being a movement essentially dependent on the ability of persons in humble walks of life, who are often amateurs in the handling of business operations, the need for training and education, is greater to optimally

utilise the technological platform. RBI is also trying to facilitate the imparting of training to the key players responsible for the growth of UCBs.

PROBLEMS ASSOCIATED WITH NEW TECHNOLOGY

Deployment of new technology in cooperative banks is not an easy task to the management mainly because of the non availability of required qualified professionals, the non competency of the existing staff to make use of IT to cover various activities of the banking. In spite of these problems cooperative Urban banks are adopting new technology to get the benefit of speed ,efficiency ,customized product development and increased volume of activity No doubt that the new technology brings process improvements and positive results but it needs proper identification of the benefits and its utilization. The major risks associated with innovative technology are;

- Increased cash flow are not sufficient to cover the implementation cost
- Integration of existing IT set up with new technology
- Emergence of new risks related operations, security and maintenance due to adoption of new technology
- Control of cost

SUGGESTION:

- Customer complaint cell should be created in every cooperative bank and its branches, so that customer can express their grievances and solve their problems.
- Employees should be properly trained to handle computerized operations in banks.
- The customer should be well educated through posters instructions manuals.
- The bank management should introduce electronic cheque facilities to reduce time taken in collection of amounts from different banks.
- To distribute the financial products and services through multiple channels, the cooperative banks should introduce the A.T.M. facilities and internet banking.
- The bank management should prevent frequent machine failure in ATM as well as computers.

CONCLUSION

Today, our focus should be to simplify the technology which can operate on any platform. The technology solution to the business needs should be user-friendly without much third-party or IT vendor intervention or support requirement for operating the same. In this context, the banks need to redesign their business strategies. The focus is shifting from mass Banking to Class banking with introduction of value added and customized products.

It is difficult to guess or define on the developments that will take place in IT in near future but one needs to make sure that the known technologies are used appropriately and the vaporware in IT is ignored with proper environmental scanning. It is worth to mention here that Nationalised banks in India have taken bold initiatives in deployment of new technology. **The Cooperative banks are no exception in this technology race and The Cosmoss Cooperative Bank, Pune in Maharashtra and The Kerala State Cooperative Bank have moved for Core Banking solution and many Urban Cooperative banks are in process of shifting to Core banking, Any Branch Banking by establishing a network in place.**

In short, technology has to enable the banks to go where the customer is present, instead of the other way around. By adopting the improved innovative, it enabled banking financial inclusion can truly lift the financial condition and standards of living of the poor and disadvantaged.

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