

Life Style of Technology towards Effectiveness of Co-operative Banks - Davangere District

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Abstract: As challenging as the current operating environment is, we believe the banking sector is a land of Opportunity. The current environment so challenging is a set of interferences that currently impact banks from all sides, the focus on digital, like the other trends, represents both a threat and an opportunity. The paper tries to identify challenges faced by the co-operative banks. The data is based on the Primary methodology and the leaders will win by finding innovative ways to improve the member experience and adapting to market changes—they will feature both scale and flexibility.

Keywords: Banking, Co-operative Banks, Digital Banking.

Introduction: Indian banking is the lifeline of the nation and its people. Banking has helped in developing the vital sectors of the economy. 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. Cooperative banks are often created by person belonging to the small local or professional community or sharing a common interest. Cooperative Banking Institutions take deposit and lend money. It provides financial assistance to the people with small means to protect them from the debt trap of the money lender. Cooperative banks are organized and managed on the principal of cooperative, self- help & mutual help. To keep up in this fast changing market, traditional banks will have to adopt their digital models. Further, customers use their mobile phones and tablets to operate their bank transactions and take hold in financial services. The cell phones are becoming vital aspect of digital strategy that banks must address.

Cooperative Banks In India: In India, 1992 cooperative banking groups or networks have been listed.

Urban Cooperative bank
State cooperative bank
District central co-operative bank
Primary cooperative societies
(Source: www.RBI.org.)

History Of Cooperative Bank In India: The history of the cooperative banks goes back to the year 1904. In 1904, the cooperative credit society act was enacted to encourage cooperative movement in India. The first phase of cooperative banks development was the formation and regulation of cooperative society. The constitutional reform which leads to the passing of the Government of India Act in 1919 transferred the subject of cooperation from government of India to the provisional Governments. The Government of Bombay passed the first State Cooperative Societies act in 1925. The first paper of Urban Cooperative Banks was taken by RBI in the year 1958- 59. The report published in 1961 acknowledged the Widespread and financially sound framework of Urban Cooperative Bank, emphasized the need to established Primary Urban Cooperative Bank in new centres and suggested the State Government lead active support to their development. In 1963 Varde Committee recommended that such banks should be organized at all Urban Centers with a population of 1 Lakh or more and not by a single community or Caste.

The Growth And Structure Of Indian Co - Operative: - The co-operative movement which received legal sanctity in the year 1904 and has completed recently in 2004 its century, could play a dynamic role in achieving our objectives. During the past 100 years, the movement has entered several sectors like, Credit, Banking, Processing, Housing, Warehousing, Irrigation, Transport and even Industries. The cooperative movement has made remarkable progress in several areas; certain glaring defects have also developed in the movement which has been defeating the very objectives of these institutions.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. This is a board definition and not intended as a description of the perfect co-operative. It is intentionally wide in scope, recognizing that members must have some freedom in how they organize their affairs. Hopefully, this definition will be useful in drafting, legislation, educating members and preparing text books. The basic principles of co-operatives must be:

1. Voluntary and Open Membership;
2. Democratic Member Control;

3. Member's Economic Participation;
4. Autonomy and Independence;
5. Education, Training and Information;
6. Co- Operative amongst Co- Operative: and
7. Concern for Community.

The co-operative movement in India must be consistent with this basic principle and must operate with the parameters laid down by the International co- operative norms. In short co- operation is a form of organization wherein persons voluntarily associate together for a common end. It is voluntary association of persons for doing business, the basis of association being equality and the object, the satisfaction of a common need viz; the economic improvement of themselves. The essence of Co- Operation is the Co- Operative spirit "Each for all and all for each" shall work for all and all shall work for each in the attainment of their common goal. The people who had suffered due to such economic inequalities, came together and voluntarily joined hands for mutual helps. This was the beginning of Co- operation. Different form of co- operation started in different countries is mentioned below. Consumers Co- Operative Movement in England - 1817, Credit Co- Operation in Germany – 1850, Dairy and Farm Co- Operative in Denmark – 1882, Wheat Pools in Canada – 1906 and Agricultural Co- Operatives in United States – 1856. The Co- Operative movement was introduced in India by Sir William Wederbun but not accepted by government. Some thoughtful public minded persons also strove to establish an agriculture bank in the Purandhar Taluka of Poona but they could not succeed. The cooperative society was started in Punjab as early as in 1891 for controlling the common land of the village for the benefit of the Co- Shares and functioned until 1922, when the land was partitioned. Another cooperative society started in that province in 1895, covered 22 village and hamlets. The Agriculture Banks were introduced in Mysore in 1894, each to be an association of land holders on strictly co- operative principles not for the purpose of earning any profit divisible among its members. During 1899 to 1903, the number of 200 – co- operative societies and Nidhis in Uttarpradesh and Madras had already come to existence. Meanwhile the Co- Operative Societies Act 1904 was introduced on the principles of simplicity and elasticity. The urban co-operative credit movement originated in Germany when Herman schultza started such societies for the benefit of the artisans in cities. He founded the first urban credit society in 1950.

The Co-Operative Credit Structure: The co-operative credit institution, occupy an important position in the financial system of the economy in terms of their reach, volume of operation and the purpose they serve. They were the first over attempt at micro credit dispersion in rural, semi urban, and urban areas in India and are voluntary organized in a democratic setup by people having common interest and high moral values with the aim of Thrift and "Self Help" through mutual help.

The credit needs of rural economy are met by institutional as well as non- institutional agencies. The institutional agencies are

1. Co- operative Credit Institutions
2. Commercial Banks
3. Regional Rural Banks
4. RBI/NABARD/IDBI/ICICI
5. State Government

The non- institutional agencies consists of money lenders, rich landlord, traders, commission agents, relatives etc. The co- operative credit institutions are foremost and play a unique role in the rural and urban credit supply in our country. The co- operative credit structure is based on a three tier system consisting of apex body at the state –state co- operative bank an intermediary layer of District central Bank at district level and primaries co-operative Societies at base level.

The primaries are further divided into Primary Agriculture Societies and non- agriculture societies. Agricultural credit societies play a pivotal role in the rural credit delivery system dispensing short term, medium term and long term credit to rural weaker sections of society. Generally short term and medium term agricultural credit needs are satisfied by the state co- operative banks, the central co- operative banks and the primary agricultural societies constituted at apex level, district level and village, town or city level. Respectively, while long term agricultural credit needs are satisfied by state co- operative agricultural and Rural Development banks and primary co- operative Agricultural and Rural Development Banks set up at the apex level and at the base level respectively. On the other hand non agricultural credit institutions serve the urban areas and provide credit other than agricultural having three tiers federal structure.

In a three tier federal structure of co- operative credit system, UCBs come at the grass root level but occupy an important place. They have got a unitary structure and advance short term medium term and long term loans to urban areas against personal security as well as against gold silver and other commodities and so on. The second wing of non-agriculture co- operative institutions consists of State Industrial Co- Operative Banks and Central Industrial Co- Operative Banks who's main Purpose is to provide credit for development of industries.

Literature Review: Girdhar (2009) the co-operative banks have a history of over 100 years. The Co-operative banks arrived in India in the beginning of 20th Century as an official effort to create a new type of institution based on the principle of co-operative organization and management, suitable for problems peculiar to Indian conditions. The co-operative movement originated in the west, but the importance that such banks have assumed in India is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important even today, and their business in the urban areas has also increased phenomenally in recent years, mainly due to the sharp increase in the number of primary co-operative banks. Some of the co-operative banks are quite forward looking and have developed sufficient core-competencies to challenge state and private sector bank.

Vijayalakshmi *et al*(2010) the researchers had attempted to study the review the functioning of Thoothukudi District Central Co-operative Bank Limited. It found that the study unit has been quite impressive in terms of deposit mobilization and credit deployment. But unable to fulfill to arrest the overdue position and strengthen the share capital. It concluded that bank financial viability and profitability is declining. Probably, the biggest challenge facing the Co-operative is the strengthen availability of quality assets.

Dirk Vater (2012) Most banks are investing heavily in apps for smart phones and digital tablets that make it easy for customers to conduct a wide range of banking activities while on the go. The challenge is global and gaining momentum as banks try to come to terms with technologies that have transformed sector after sector. Technology by itself will not deliver a competitive advantage; what banks do with it to develop a unique, personalized customer experience will matter most of all.

Uprit (2012) said that there are urban co-operative banks which have not adopted the virtual banking system. Thus, it had opened the doors for the further investigation on the virtual banking.

Saurabh (2014) Digital Banking: Promise of disruptive gains in reach, service and productivity in next five years” is being published amidst widespread optimism in the Indian economy even as some concerns regarding the health of Indian banks linger. The enormous possibilities to reduce costs, improve customer service and reduce risks

T. Kearney (2014) Most banks today want to become digital banking leaders. Most banks began their digital journey years ago and have clear digital strategies, yet even those are facing major changes. In particular, as more customers use their mobile phones and tablets to do their banking, and Omni-channel takes hold in financial services, the mobile experience is becoming a crucial aspect of digital strategy that banks must address. Secondly, to keep up in this fast-changing market, traditional banks will have to adapt their operating models. In particular, changes in IT, new products and services development, and changing expectations for time-to-market will be key factors going forward. A new spirit of banking—led by top executives—will lead the way to addressing market changes, become more agile and improving openness in day to day business.

Sumit (2014) Digital Transformation is far beyond just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, interact with and satisfy customers. An efficacious Digital Transformation begins with an understanding of digital customer behavior, preferences, choices, likes, dislikes, stated as well as unstated needs, aspirations etc.

Steven (2014) To stay profitable and grow in the new digital economy, banks need to adopt a customer-centric business model, diversify online delivery of products and services channels, and begin making meaning from valuable trails of digital information.

RedHat (2016) Banks today face an onslaught of challenges, spurred by the latest technology advances and rising customer expectations, highlighting the need for IT modernization and digital innovation. The push toward IT modernization in banking is driven by other factors, as well. New regulatory requirements mandating real-time payments and the pressure to provide value-added customer experiences underscore the need to update delivery architectures and to ensure secure support of traditional and mobile browsers, as well as native and hybrid mobile technologies. To enable improved customer experiences and create more competitive infrastructures, fast application development and efficient delivery are a key part.

Objectives: 1. To identify the challenges faced by the Cooperative Bank.
2. To suggest the systems to be incorporate by the Co-operative Bank.

Scope of The Study: The study is undertaken to analyze the systems adopted and challenges faced by the banks. The current research helps to know the Challenges and models applicability of the co-operative bank. The study is confined to Davangere district. This study covered 12 co-operative banks in Davangere District.

Target Group – General Manager: In our study general manager as samples.

Research Methodology: This paper is based on Primary data through survey as well as theoretical information has collected from secondary sources (Books, Online publications, Annual report of the Bank, Article and Research paper). Further, the researcher had applied Non Parametric Test and Descriptive Statistics.

- Limitations**
1. The study seeks to provide a bird view of the field reality.
 2. Survey needs to be undertaken periodically to gauge the exact perceptions.
 3. Due to constraints of time, the paper is covered only in Davangere District.

Analysis And Interpretation

Does Website Exits?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	1	8.3	8.3	8.3
No	11	91.7	91.7	100.0
Total	12	100.0	100.0	

Year of website launch

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid website not launch	11	91.7	91.7	91.7
2010 year to 2015 year	1	8.3	8.3	100.0
Total	12	100.0	100.0	

Only 8.3% have website and launched in the year 2010- 2015 and remaining 91.7% does not exits website.

Type of computerized done in the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Core Banking	10	83.3	83.3	83.3
Core Banking & ATM	2	16.7	16.7	100.0
Total	12	100.0	100.0	

83.3% Core banking and only 16.7% Core Banking and ATM facility operated at co-operative banks but still many banks need to introduce ATM facilities to the shareholders as well as online and Mobile banking services.

The Changing Face & Challenges: The challenge for banks is to understand the technologies that are reshaping and will continue to reshape the future. One of the biggest obstacles for any institution willing to change is access to technology. Private sector banks exploited master card and visa technologies successfully. Modern banking in a way is more technology-driven rather than banking services. Regulatory changes and the technology platform provides for almost free is helping the smaller ones and co-operatives reinvent themselves. The technology is an opportunity as well as experiment to the industry.

The existing core banking solutions (CBS) are designed for 'class banking' and not for 'mass banking'.

But post-demonetisation more rural people are going to come into the banking net. They will also start transacting through other modes like ATMs, mobile phones and others," B. Suresh Kamath, Managing Director, Patterns Software Design Institute Pvt Ltd, told IANS.

"The CBS has to be geared up for small-value and large-volume transactions.

Life Style of Technology: The positive macro benefits of this move by the government

This move by the government is likely to have long term benefits for the economy. The move is also likely to have a habit changing impact in the Indian people and there could be increased belief of keeping cash in the banks rather than stashed at home and use formal banking channels for their spending needs.

Due to fast updation in the field of technology , people deal with the difficulty of transacting in cash in the next few days, there is expected to be an increase in electronic payments – through cards, micro-ATMs, pre-paid mobile wallets...

The leaders of co-operative banks should seriously think of updating the banking transactions through digital way, as most of them don't even provide the ATM service facility to the customers. To compete with the public and private banks, it is a rapid alert for the co-operative banks to enter into the hi-tech movement .Development finance experts say we may see a trend towards this in the coming weeks, since the government has restricted cash withdrawals from banks as well as ATMs. “Digital payments will be the positive effect of the demonetisation said Varad Pande, a partner at Dalberg Global Development Advisors, a consulting firm. He said a majority of those who use cash do so because they do not have a need to switch to digital, and are stuck in a cash economy. “Over the next few months, as cash becomes less convenient to use, a lot more people may be willing to try digital payments. This calls for a switch from “physical cash to digital payment options” especially for the co-operative banks. Most of the customers are more convenient to make payment through Debit and credit card instead of going to bank for withdraw or through other means.

Limited Access At Co-Operative Banks: Many agree that the current moment offers a reason to move to digital payments. But they also point out that problems of access and infrastructure remain. The demonetisation of high currency strengthens the case for digital payments, but there is a limited access in co-operative banks for operations, this is a high alert for them to tie up with some private banks and issue the smart cards to customers to make the operations without any disturbance. “People are likely to withdraw from ATMs if the machines are close by, but the infrastructure and access is not available in co-operative banks currently”, still there is a learning curve that takes time, but I am hopeful we will get there.”

Suggestion: 1. To compete with other Private and Nationalised banks the co-operative banks should implement the modern/ digital technologies of banking like internet banking, online banking, credit cards, ATM, cash less transactions etc. and thereby achieving greater effectiveness.

2. It should plan to introduce new schemes for attracting new customers and satisfying the present ones.

3. The banks should plan for expansion of branches thereby increase in number of customers and deliver service.

4. The co-operative banks should improve the customer services of the bank to a better extent.

5. Further, the co-operative banks should introduce New Mobile App that enables the customers to make their transactions easily. Adoption of technology contributes towards effectiveness of co-operative Banks in Davangere District.

Conclusion: Co-operative Bank play pivotal role in the rural and urban banking system yet problems of these banks raise many doubts about their viability and sustenance. The results reveal that banks performed better on one parameter but weaken on other which led to deteriorating situation. The success of these banks is ultimately determined by the level of customer/ member satisfaction, which is influenced by the service of the bank. Due to rapid change of banking scenario, it is very important for the co-operative banks to move from “physical cash to digital payment options”. Leaders will win by finding innovative ways to improve the customer experience and adapting to market changes—they will feature both scale and flexibility. To keep up in this fast changing market, traditional banks will have to adopt their digital models. Further, customers use their mobile phones and tablets to operate their bank transactions and takes hold in financial services. The cell phones are becoming vital aspect of digital strategy that banks must address. The Broad of directors should focus on digital banking procedures are more client centric and flexibility play a dominant role towards the traditional banks and openness innovation is the road to success.

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