International Journal of Applied and Advanced Scientific Research (IJAASR)
Impact Factor: 5.255, ISSN (Online): 2456 - 3080
(www.dvpublication.com) Volume 2, Issue 1, 2017

IMPACT OF AUTOMATION ON CO-OPEARTIVE BANKS – AN EMPIRICAL STUDY

G. D. V. Kusuma* & C. Shalini**

* Research Scholar, Rayalaseema University, Kurnool, Andhra Pradesh
** Research Scholar, Mewar University, Chittorgarh, Rajasthan

Cite This Article: G. D. V. Kusuma & C. Shalini, "Impact of Automation on Co-Opeartive Banks – An Empirical Study", International Journal of Applied and Advanced Scientific Research, Volume 2, Issue 1, Page Number 22-25, 2017.

Abstract:

The District central Co-operative banks are located at the district headquarters or some prominent town of the district. 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 differ from stockholder banks by their organization, their goals, their values and their governance Cooperative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts etc.).. The intention of this investigation is to study about the technological developments in DCCBs, and different aspects affecting the development of DCCBs, views of bank employee's, problems and prospects of bank computerization, and customers perception on bank computerization, and different software solutions available for bank computerization.

Key Words: Banking Sector, Bank employees, Computerization, DCCBs, Problems,

Introduction:

The foremost bank in India, called The General Bank of India was established in the year1786. The East India Company established The Bank of Bengal/Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). The subsequent bank was Bank of Hindustan, Which was established in 1870. These three individual units (Bank of Calcutta, Bank of Bombay and Bank of Madras) were called as Presidency Banks. Allahabad Bank which was established in 1865 was for the first time completely run by Indians. Punjab National Bank Ltd. was set up in 1894 with head quarters at Lahore. In order to streamline the functioning and activities of commercial banks, the Government of India came up with the Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No.23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as a Central Banking Authority. After independence, Government has taken most vital steps in regard of Indian Banking Sector reforms. In 1980, another 6 banks were nationalized, and thus raising the figure of nationalized banks to 20. Till the year 1980 approximately 80% of the banking segment in India was under governments Ownership. On the suggestions of Narsimham Committee, the Banking Regulation Act was amended in 1993 and thus the gates for the new private sector banks were opened. The following are the major steps taken by the Government of India to Regulate Banking
Institutions in the country:-

- 1949: Enactment of Banking Regulation Act.
- 1955: Nationalization of State Bank of India.
- 1959: Nationalization of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1969: Nationalization of 14 major Banks.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of regional rural banks.
- 1980: Nationalization of seven banks with deposits over 200 Crores.

District Central Co-Operative Banking in India:

Introduction to DCCBS:

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 (loans, deposits, banking accounts etc.). Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body. Co-operative banking is retail and commercial banking organized on a co-operative basis. Co-operative banking institutions take deposits and lend money in most parts of the world. Cooperative banking, includes retail banking, as carried out by credit unions, mutual savings and loan associations, building societies and co-operatives, as well as commercial banking services provided by manual organizations (such as co-operative federations) to co-operative businesses. The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three tier federal one as follows,

- ✓ A State Co-operative Bank works at the apex level (i.e. works at state level).
- ✓ The Central Co-operative Bank works at the Intermediate Level. (i.e. District Co-operative Banks ltd. works at district level)
- ✓ Primary co-operative credit societies at base level (At village level).

Objectives of the Study:

- ✓ To portray about the scenario of DCCBs in Andhra Pradesh
- ✓ To know the reactions of bank customers of computerized DCCBs.
- ✓ To study the problems faced by computerized DCCBs, in implementation of computerization systems and to suggest remedial majors.
- ✓ To forecast the prospects of computerization in DCCBs in particular and computerization in all other banks in general.

Methodology of the Study:

Methodology describes the research route to be followed, the instruments to be used, universe and sample of the study for the data to be collected, the tools of analysis used and pattern of deducing conclusion.

Sample of the Study:

This paper is an attempt to study the tribulations and prospects of the DCCBs, by taking 50 employees as sample. These banks were purposely selected for the study, keeping in view their role and involvement in shaping the economic condition, especially in terms of Number of banks, Branch offices, Membership, Employees, Deposits, Credits, CD Ratios, Working Capital, Cost of Management and Investments.

Scope of Research:

Endeavor of this research is to study technological developments (extent of bank computerization) in DCCBs, and different aspects affecting the development of DCCBs, problems and prospects of bank computerization, views of bank employees and customers on bank computerization, and different software solutions available for bank computerization. The scope of the research is limited only to the DCCBs in Andhra Pradesh state only. From Andhra Pradesh 11 DCCBs have been selected for the purpose of this study. The banks have been selected on the basis that their working exists in Andhra Pradesh only. As per the norms of RBI the computerization is compulsory for organized banking sector. Computerization in banking has its own importance. It is time saving, efficiency oriented and practically convenient process of modern banking. The DCCBs have limited area of operation. However these are the segments of modern Indian banking system and hence cannot function independently on traditional method as it brings failure to them in new era of competition after globalization. Therefore this study focuses on technological development in co-operative banks.

Research Design:

In order to ensure that the study remains focused, it was necessary to decide the time frame for the study. Data related to co-operative bank computerization is not available easily, because banks do not publish any data related to bank computerization. The annual report of the bank contains only financial and other information. RBI bulletin publishes the overall report on bank computerization but not a separate report or chapter covering the co-operative bank computerization area. For the detailed study researcher has selected 11 (50%) DCCBs out of 22 DCCBs in Andhra Pradesh. The primary data for the study is collected from selected 11 DCCBs in the Andhra Pradesh. For the collection of primary data researcher has designed the structured questionnaire to study the computerization related aspects of the banks. For finding out the problems faced by banks' regarding the bank computerization the researcher has used interview method. The secondary data is collected from RBI bulletins, annual reports of selected co-operative banks, magazines, journals, and from various authenticated web sites. The brief contents of each one are as follows:

Problems of the Banks:

Problems faced by the banks while implementing back office application are as follows:

- ✓ Replication of work
- ✓ No benefit to customers
- ✓ Inadequate functions covered with this application like SD (Savings Deposits) / TD (Term Deposits) interest calculation payroll etc.

Evils faced by the banks while executing total branch automation (TBA) are as follows:

- ✓ Human being nature or tendency of staff resist changes
- ✓ Redundancy problem
- ✓ Y2K technical problems
- ✓ Data support problems etc.

Problems Faced by the Banks While Implementing Core Banking Solution (CBS) are as Follows:

- ✓ Gigantic investment infrastructure
- ✓ More constancy on outside service provider
- ✓ Extremely complex hardware and software used in CBS

- ✓ Well qualified professionals are to be employed and hence salary burden will be increased to the banks.
- ✓ Complicatedness to discover the problems from number of stages etc.

Problems Faced By the Bank Employees:

Problems of the bank employees regarding bank computerization are as follows:

- ✓ Not having meticulous knowledge of know-how
- ✓ Lack of buoyancy in handling automated transactions
- ✓ No unswerving interactions with the customers etc.

Problems Faced By the Customers:

Problems of the customers regarding bank computerization are as follows:

- ✓ Lack of knowledge about computerized transactions
- ✓ Imperfect scope for personal advice on banking transactions etc.

Results and Discussion:

The present DCCBs scenario is far from anywhere and anytime banking. This is essentially as the system reengineering for anywhere and anytime banking demands use of high level of technological tools on one hand and strengthening the infrastructural facilities like communication system, networking etc. on the other hand. The reasons for non implementation of anywhere and anytime banking in the co-operative banking sector are listed as follows:-

- ✓ Lack of knowledge and skills of the employees of the banks
- ✓ Lack of awareness amongst the customers about their rights to various banking facilities
- ✓ Requirement of the funds for investment on computer and communication system
- ✓ Lack of necessary computerized systems and tools
- ✓ Lack of proper communication system required for such facilities
- ✓ Lack of IT literacy of the customers who are to use the technology to avail themselves of the facilities
- ✓ Resistance against change in the system by all levels of the employees and management including top executives of the banks
- ✓ Impediment in framing rules and regulations for electronic transactions

Banks have faced different problems during the computerization process. The problems faced by the banks at different stages of the bank computerization are listed below.

- ✓ Problem faced by the banks during implementation of total branch automation: The major problems faced by the banks were: daily/monthly/weekly data backup, antivirus updating troubles and resistance from staff to computerized working process.
- ✓ Problem faced by banks during implementation of core banking solution: The major problems faced by the banks were:
- ✓ Difficulty in problem detection etc
- ✓ Complex hardware and software infrastructure
- ✓ Enormous investment in infrastructure
- ✓ Dependability on outside service provider due to lack of knowledge about technology

Approximately 68.50% of the consumers are using e-banking services and predominantly ATM service for their day to day banking transactions, where as 26.5% of the customers make use of internet banking services. Among them 6% are accustomed to mobile banking. In view of the fact that the banking system becomes unlike from the traditional one due to more use of the technological tools, the customers face difficulty in handling banking transactions, particularly at the initial stage. Within the age group of 25 – 50, 31.5% of the customers agreed that they have tribulations with e-banking services and also fear about the security in the transaction, and the remaining 11.5% do not agree to this view. Where as in the age group of above 50 years, i.e.19.5% of the customers agreed that lack of awareness about the computerized transactions is the genuine problem. Only 16%, of the customers within the age group of below 25, are having fear about the security in the banking transaction. They felt that the computerized transactions are not tenable transactions. Basing on the above mentioned problems approximately 50% of the customers are still using traditional transaction system for their banking services. Youngsters are always willing for an improved change, whereas senior citizens do not accept any kind of change in the current circumstances. Majority of the respondent's i.e.44 bank employees (88%) uttered that lack of sufficient knowledge on technology is their problem in implementing computerized system in the bank. Remaining 06 bank employees (12%) opined that they did not have this problem. 40% of the banks employees opined that they have no assurance in implementing the computerized system. And the remaining 60% of the employees are sure to implement the computerized system. Further there are 16% of the bank employees who are under pressure to lose their job because of computerization. Only 8 employees are worried about losing the contact with the customer by implementing computerized system. But the majority of the bank employees did not think in that way. After introducing the computerized system by the banks, still most of the customers familiarized to the conventional method of banking transactions. Mostly majority of the customers are having a common purpose i.e. depositing the amount or withdrawing it, either by cash/cheques and at all times they visit their banks to enquire about their balance. At present there is s scope for each customer to use the computerized transaction system for their deposits and withdrawals either by cash or cheque, money transfer, demand draft and investment, repayment of loan etc.

References:

1. Brynjolfsson Erik (1993) “The Productivity Paradox of Information Technology”, Communication of ACM, Vol. 36(12), p.67-77.
2. Brynjolfsson, Erik, Hitt, Lorin (1996) “Paradox lost? Firm-level Evidence on the Returns to Information Systems Spending”, Management Science, April, Vol.42 No.4, p.541-558.
3. Parsons, D., Gotlieb, C.C. and Denny, M. (1993) “Productivity and Computers in Canadian Banking”, Z. Griliches and J.Mairesse (Eds.), Productivity Issues in Services at the Micro Level, Kluwer, Boston.
4. RBI (1989) Report of the committee on computerization in banks (The Rangarajan committee) Mumbai: Reserve Bank of India
5. RBI (1998) Report of the committee on Banking sector reforms (The Narasimhan committee) Mumbai : reserve bank of India
6. Balasubramanya S. “IT wave breaks over banking”, The City, Aug – Sept 2002
7. Rajashekhara K. S., “Application of IT in Banking”, Yojana, July 04
8. Vij Madhu, “The New World of Banking: A Paradigm shift”, Journal of Management Research, Vol.3, December 2003.
9. Gulati V. P.,” Information Technology Application in Indian Banking: Better Late than Never!”, “NewsLetter”, Volume 6, No. 3, July 1996.
10. G Ananthakrishnan,” Customer Service in Banks”, Vinimaya, Vol. XXV, No.3, (2004-05)
11. Rao Akula Rajagopal, “Sprightliness of Urban Cooperative Banks : A Study”
12. Uppal R. K., “Customer Perception of E-Banking Services of Indian Banks: Some Survey Evidence”, The ICFAI University Journal of Bank Management, Volume-VII Issue-1 (Feb. 2008) Pages 63-78
13. www.Banknetindia.com
14. http://en.wikipedia.org/wiki/Bank#History
15. http://en.wikipedia.org/wiki/Banking_regulation
16. http://en.wikipedia.org/wiki/Banking_in_India#Early_history
17. www.rbi.org.in/scripts/publications
18. http://www.scribd.com/doc/4569884/The-Reserve-Bank-of-India89
19. http://finance.indiamart.com/investment_in_india/Scheduled_commercial_banks.html
20. http://en.wikipedia.org/wiki/Regional_Rural_bank)