

# ADOPTION OF ONLINE BANKING SYSTEM IN CO-OPERATIVE BANKS

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## Abstract

Information and Communication Technology (ICT) is increasingly becoming an invaluable and powerful tool driving economic development of a nation. Corporate entities around the world are considering it as a powerful tool of improving customer service quality, reducing cost of operation, better management of risk and security, reaching global market, increasing productivity and enhancing competitiveness. Worldwide, banking sector had adopted ICT in all its areas of operations. Indian banking sector is not lagging behind in adoption of ICT. Indian banking sector is front runner in adoption of ICT. The robust growth of Indian banking sector can be attributed to adoption of ICT. ICT had helped the Indian banking sector to offer value added as well as quality service to customers, reducing cost of operation, better management of risk and security and offering innovative products to customers. Indian commercial banks were able to adopt ICT and were successful in revolutionizing the banking sector. But, the Co-operative banking system in the country found to be lagging behind in adoption of ICT. This has encouraged the researchers to take up the present study. The study aims to find out the awareness level among management of co-operative banks about the ICT practices do adopted by them. The study reveals that co-operative banks have computerized their branches. But, none of the bank had designed its website. It was found that the banks were offering phone-in-link services such as inquiry on product and services, change of accounts address, stop cheque instruction, status inquires on remittance, bank balance, etc.

**Key words:** Online banking, co-operative banks, service quality, e-banking, non-performing assets, etc.

## 1. Introduction

Banking sector is considered as backbone of economy of any country. It was observed that the co-operative banking system in the country found to be lagging behind in adoption of ICT. Information and communication technology offers opportunities for co-operative banks to leapfrog earlier stages of development. It is also important to note that the co-operative banks need to adopt ICT practices, otherwise, they may fall further behind and the gap they have with the commercial banks could get wider. Co-operative movement in India was started primarily for dealing with the problem of rural credit. The history of Indian co-operative banking started with the passing of Co-operative Societies Act in 1904. The objective of this Act was to establish co-operative credit societies to encourage thrift, self-help and cooperation among agriculturists, artisans and persons of

limited means. Many co-operative credit societies were set up under this Act. The Co-operative Societies Act, 1912 recognized the need for establishing new organizations for supervision, auditing and supply of co-operative credit. These organizations were: a. A union, consisting of primary societies; b. the central banks; and c. provincial banks.

## 2. Review of literature

Nagnga, Stephen Irura (2013) studied the technology adoption and the banking agency in rural Kenya. According to him, technology adoptions in developing countries are: by nature, problematic, characterized by poor business and governance conditions, low educational levels, and inappropriate infrastructure. Further, he opined that rural banks in Kenya were offering variety of mobile and agency banking services, but very small proportion of customers who access it, actually use it.

Oluwagbemi Oluwatolani examined the current trend in the application of IT in the banking industries in Nigeria. He opined that banking quality services can be enhanced via IT. He opined that the deployment of IT facilities in the Nigerian banking industry has brought about fundamental changes in the content and quality of banking business in the country.

## 3. Objectives of the study

The study was undertaken with the following objectives:

1. To find out the awareness level among staff of co-operative banks about the ICT practices adopted by commercial banks in the country.
2. To study the ICT practices adopted by co-operative banks.
3. To know the reasons for adoption or non-adoption of ICT.

## 4. Research methodology

The data required for the study was collected from secondary sources such as newspaper, website of banks, research reports and journals.

## 5. Challenges in e-banking

**Security risk:** The problem related to the security has become one of the major concerns for banks. A large group of customers refuses to opt for e-banking facilities due to uncertainty and security concerns. Hence, it is the big challenge for marketers and makes consumers satisfied regarding their security concerns, which may further increase the online banking use.

**The trust factor:** Trust is the biggest hurdle to online banking for most of the customers. Conventional banking is preferred by the customers because of lack of trust on the online security. They have a perception that online transaction is risky due to which frauds can take place.

**Customer awareness:** Awareness among consumers about the e-banking facilities and procedures is still at lower side in Indian scenario. Banks are not able to disseminate proper information about the use, benefits and facility of internet banking. Less awareness of new technologies and their benefits is among one of the most ranked barrier in the development of e-banking.

**Privacy risk:** The risk of disclosing private information & fear of identity theft is one of the major factors that inhibit the consumers while opting for internet banking services. Most of the consumers believe that using online banking services make them vulnerable to identity theft.

**Strengthening the public support:** During the past, the e-finance initiatives are the result of joint efforts of the private and public sectors. If the public sector does not have the necessary resources to implement the projects it is important that joint efforts between public and private sectors along with the multilateral agencies like the World Bank, be developed to enable public support for e-finance related initiatives.

**Availability of personnel services:** In present times, banks are to provide several services like social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture, etc. Therefore, banks must be able to provide complete personnel service to the customers who come with expectations.

**Implementation of global technology:** There is a need to have an adequate level of infrastructure and human capacity building before the developing countries can adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not access to the necessary infrastructure to be able to process e-payments.

**Non-performing assets:** Non-performing assets is another challenge to the banking sector. Vehicle loans and unsecured loans increase NPA which terms 50 per cent of banks retail portfolio. So, every bank has to take care about regular repayment of loans.

**Competition:** The nationalized banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling ad at managerial and organizational part this system needs to be manage, assets and contain risk. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual power and getting maximum work done through machine

power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed.

**Handling technology:** Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Early adopters of technology acquire significant competitive advances. Managing technology is therefore, a key challenge for the Indian banking sector.

## 6. Opportunities in e-banking

**Untapped rural markets:** Contributing to 70 per cent of the total population in India is a largely untapped market for banking sector. In all urban areas banking services entered but only few big villages have the banks entered.

**Multiple channels:** Banks can offer many channels to access their banking and other services such as ATM, local branches, telephone/mobile banking, video banking, etc. to increase the banking business.

**Competitive advantage:** The benefit of adopting e-banking provides a competitive advantage to the banks over other players. The implementation of e-banking is beneficial for bank in many ways as it reduces cost to banks, improves customer relation, increases the geographical reach of the bank, etc. The benefits of e-banking have become opportunities for the banks to manage their banking business in a better way.

**Increasing internet users & computer literacy:** To use internet banking it is very important or initial requirement that people should have knowledge about internet technology so that they can easily adopt the internet banking services. The fast increasing internet users in India can be a very big opportunity and banking industry should encash this opportunity to attract more internet users to adopt internet banking services.

**Worthy customer service:** Worthy customer services are the best brand ambassador for any bank for growing its business. Every engagement with customer is an opportunity to develop a customer faith in the bank. While increasing competition customer services has become the backbone for judging the performance of banks.

**Internet banking:** It is clear that online finance will pick up and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on the data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separate internet banking services apart from traditional banking services.

**Retail lending:** Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus, retail lending has become a focus area particularly in respect of financing of consumer durables, housing, automobiles, etc. Retail lending has helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

## 7. Conclusion

With the time, the concept of internet banking has got attention in the Indian context. Most of the banks have already implemented the e-banking facilities, as these facilities are beneficial to both i.e. banks as well as consumers. The banks are facing many challenges and many opportunities are available with the banks. Many financial innovations like ATMs, credit cards, RTGS, debit cards, mobile banking, etc. have completely changed the face of Indian banking. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". The shift has increased the degree of accessibility of a common man to bank for his variety of needs and requirements. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

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