

Critical Study on E-Banking Services of Cooperative Banks in India

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Abstract – Advancement in Information and Technology sector has brought about the unique transformation in development process of Indian economy consisting of several sectors including banking sector per se cooperative banks. These banks play a significant role in the economic development process of the country. Information and Technology sector has revolutionized the internet banking service for the hassle-free conduct of banking operations. Hence, there is a need of the hour to adopt internet banking service in cooperative banks to cope up with fast-changing scenario and to ensure financial feasibility of their operations for the perpetual sustenance. However, there are several challenges in adopting internet banking service in cooperative banks in India. The main objective of the present study is to discuss selective challenges of adoption of internet banking service in cooperative banks in India. The limitation of study is that the discussion is restricted only to selective challenges of adoption of internet banking service in cooperative banks in India. Suitable suggestions are offered for adoption of internet banking in cooperative banks in India in the years to come.

Key Words – ATMs, Cooperative Banks, Credit and Debit Cards, Customers' Education, Electronic Gadgets, Internet Banking Service, Quality Service, etc.

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INTRODUCTION

In the Indian context, the cooperative banks are the integral part of the banking sector. They mobilise funds from the surplus sectors and channelize the same towards the deficit sectors and thereby the cooperative banks facilitate as a bridge between surplus sector and deficit sector to serve a common goal. The functioning of cooperative banks in India is still at the initial stage if compared with those in the advanced countries. Individuals come together and join hands and thereby form a cooperative bank for mutual benefits. Such individuals are called members. The main motto of a cooperative bank is to provide the optimal services to its members, customers, depositors, etc. In place of physical services such cash deposit and withdrawal, remittances, etc. the internet banking services have made inroads in cooperative banking sector with the advancement in Information and Technology which has a major impact on banking operations in the form of internet banking services.

The internet banking services comprise of automatic teller machine (ATM), online banking, mobile banking, credit and debit cards, cash deposit and passbook print machines, etc. The internet banking provides faster services than traditional ones. Therefore, the constraints like time consumption, location disadvantage, red-tapism, etc. are defeated. Further, anywhere and anytime services are

provided to members, customers and depositors through internet banking services in cooperative banks.

Cooperative Banking Sector: Theoretical Background

A Co-operative bank is a financial institution formed by individuals as its members joining hands together to pool their surplus savings for the mutual benefits purpose of eliminating the profits of the commercial bankers or money lenders with a view to distributing the same amongst members, depositors and borrowers. In India, the cooperative movement started in 1904. Then, it was therefore decided to develop the cooperatives as the institutional agency to counter the problem of money lending and rural indebtedness that became a curse for population. At the same time, cooperative banks function as a balancing centre. Hence, cooperative banks perform many functions namely financial, administrative, supervisory and developmental by way of expansion and development of credit system. In brief, the cooperative banks act as a friend, philosopher and guide to entire cooperative structure.

Information and Technology has revolutionized internet banking services namely financial transactions carried out through systems, namely computers, mobile devices, tablets, ATMs, etc.

using with or without internet. This facilitates bank customers to make payments, transfers, receive money, check passbook, anywhere and anytime without dependency on bank branches.

The advent of internet banking service has reduced the time gap between banks and customer. Though face-to-face transactions and in-branch transactions are minimized due to internet banking service, it has improved in areas like time required to complete transaction, anywhere and anytime transactions, electronic fund transfers, cashless transactions, etc. Further, the introduction of new platforms namely (i) Unified Payment Interface (UPI), (ii) Bharath Bill Payment Service (BBPS), (iii) Bharat Interface for Money (BHIM), (iv) National Financial Switch (NFS), etc. have made electronic banking services successful. No bank can think of success without embracing for digital banking.

Internet banking service has both benefits and challenges. However, the volume and velocity of benefits has ousted arguments on challenges. Improvements in decision support system, removal of barriers of branch banking, ease of maintaining accounting books, elimination of large and multivolume ledger books, easy storing, indexing and searching of records, movement towards cashless society, linking of every payment resulting in reduction of black money, etc. have triggered a massive expansion of internet banking service.

Banking system in India comprises of public sector banks, private sector banks, cooperative banks, etc of which cooperative banks account for more than 10 per cent of banking system's assets. Cooperative banks have a fair share in agricultural credit on account of their significant presence as compared to commercial bank branches in rural areas. Financial inclusion through internet banking service is the prime objective of Reserve Bank of India as well as the government of India. Due to non-feasibility of physical branches at small villages, banks are trying to provide e-banking channels to offer banking services. However, it is noticed that utilization of e-banking channels is so poor than expected. In this paper, bank location, demographical characteristics, customer education and awareness, quality service, privacy risk, security concerns, etc, are discussed as the challenges of adoption of internet banking service in cooperative banks in India.

The following are different forms of cooperative banks in India which are engaged in providing internet banking service to their members, customers and depositors. The details of financial performance of cooperative banks in India for financial year 2016-17 is presented in

Table No: 1.

1. Primary Agriculture Co-operative Societies (PACSS)

2. District Co-operative Central Banks (DCCBS)
3. State Co-operative Banks (SCBS)
4. State Agricultural Co-operatives and Rural Development Banks (SCARDB)
5. Primary Co-operative Banks for Agriculture and Rural Development (PCARDB)

Table No: 1 Co-operative Banks' Performance as on 31-03-2017

(Amount in crores)

S. No.	Name	PACSS	DCCBS	SCBS	SCARDB	PCARDB	Total
1	Number of Co-op Banks	95,595	370	33	19	601	96,618
2	Share capital	32,981	18,674	5,161	939	1,006	58,761
3	Reserves	-	19,766	10,294	3,365	1,688	35,113
4	Deposits	1,15,884	3,30,904	1,22,039	2,423	1,252	5,72,502
5	Borrowings	1,24,830	91,438	80,892	15,500	15,590	32,8250
6	Loans outstanding	1,70,459	2,52,655	1,27,048	21,208	15,064	5,86,434

Source: National federation of state cooperative bank Ltd, NABARD, Annual reports, 2017

OBJECTIVE OF THE STUDY

The main objective of the present study is to discuss the selective challenges of adoption of internet banking service in cooperative banks in India.

SIGNIFICANCE OF THE STUDY

The present study throws a light on the challenges of adoption of internet banking service in cooperative banks in India. The adoption of internet banking service in cooperative banks faces several challenges such as customers' education, acute shortage of electricity supply, security, quality service, trust, privacy, etc. The right knowledge of how to use computers, mobile phones and other electronic gadgets by members, customers and depositors is another challenge of adoption of internet banking service in cooperative banks. Hence, users of internet banking service must be well acquainted with handling and operating of electronic gadgets. Internet banking service will fail if such challenges are not properly countered. Benefits of internet banking services are enormous keeping in mind the place, time, cost, etc. Hence, adoption of internet banking service in cooperative banks in India is the need of the hour.

LIMITATION OF THE STUDY

The present study covers only the selective challenges of adoption of internet banking service in cooperative banks in India. There may be other challenges which may influence on adoption of internet banking service in cooperative banks in India.

REVIEW OF LITERATURE

Some studies have been carried out in respect of internet banking service to understand the extent to which banks have adopted the internet banking service. Some of the following studies have been reviewed for the purpose of this study as under.

Sathye (1999) found that about 73% of people avoided the adoption of internet banking service because they are not sure about the safety and security of transactions carried out through the internet banking service. Further, he revealed that the quality of internet connection is also one of the important challenges in the adoption of internet banking service. High speed of internet connection influences on the adoption of internet banking service. However, their regular and low speed internet connectivity adversely effects on the adoption of internet banking service.

Sohail M and Shanmugham B (2004) revealed that the demographic characteristics such as age, literacy level, accessibility to the internet, awareness of e-banking facility and resistance to change were significantly influencing on the adoption of e-banking service in Malaysia.

Li Zheng and Zhong Yonghong (2005) learnt that the cost of computers and cost of internet access also are the important aspects in the adoption of internet banking services.

Lichtenstein Sharman and Williamson Kirsty (2006) cited that lack of internet confidence, inadequate knowledge and support were the very important barriers in adopting internet banking service.

Eric Robins (2006) opined that despite increasing adoption of e-banking technologies, bank location still remains a very important factor that people consider while choosing a bank. A large percentage of people still do not use e-banking technologies or all the features of these services.

Quality service of internet banking service depends much on quality of banking service and quality of internet service provided by service providers. But banking institutions are not responsible for quality of internet banking service (Kumbhar V. M 2012).

Kuchara Varsha (2012) identified the factors responsible for internet banking are convenience, security, easy to maintain banking transaction, curiosity, better rate and low service charges. However, internet banking is increasingly becoming a "need to have" than a "nice to have" service.

Prerana S. B and Preeti S (2012) observed that the irrespective of huge efforts by the banking regulators, a large number of customers do not use mobile banking for various reasons like security concerns, network problems, difficulty in handling mobile phone and cost per transaction.

Chauhan Vikas and Choudhary Vipin (2015) opined that the adoption of e-banking is still at the initial stage and facing challenges like security risk, trust factors, privacy risk, etc.

Anand, N. M (2015) stated that electronic banking transactions created a bundle of opportunities as well as challenges to the existing banks, financial institutions and consumers in India as well as globally, which made them to rapidly introduce the innovative E-Banking solutions.

Jindal Shubhara (2016) observed that e-banking is the opportunity for banks in India to create their customer base and thus maximize their profits.

Shivaprasad K and Maiya Umesh (2018) found that the mobile banking, mobile payments and other e-banking components will bring more customers to the network of cooperative banks.

Challenges of adoption of internet banking service in cooperative banks in India

The internet banking services comprise of automatic teller machine (ATM), online banking, mobile banking, credit and debit cards, cash deposit and passbook print machines, etc. Further, these services are to be ensured for the smooth and proper functioning of the cooperative banks. However, there are several challenges of adoption of internet banking services in cooperative banks in India. They are briefly discussed as under.

Bank location: Despite increasing adoption of e-banking technology, bank location still remains a very important factor that people consider while choosing a bank. A large percentage of people still do not use e-banking technology or all the features of these services. Also, many consumers still visit their banks frequently.

Demographic characteristics: The demographic characteristics of members, customers and depositors such as age, educational qualification, accessibility to internet facility, awareness of internet banking service and resistance to change significantly influence on the adoption of internet banking service in cooperative banks in India.

Acute shortage of electricity supply: The electronic gadgets through which the internet banking service is accessed need the electricity for their smooth and proper functioning during 24/7. The smooth and proper working of these electronic gadgets can be ensured through the uninterrupted supply of electricity. However, it is known fact that there is an acute shortage of electricity supply in India. Hence, this issue poses a challenge of adoption of internet banking service.

Customers' Education: The use of electronic gadgets through which the internet banking service is accessed requires the proper knowledge about

how to use such gadgets and their features. The majority of the customers and depositors do not have much education on how to use the electronic gadgets and hence they are unaware of how to use the internet banking service. Hence, the customers' education of use of the electronic gadgets is one of the challenges of adoption of internet banking service in cooperative banks in India.

Security and Assurance: Members, customers and depositors of cooperative banks in India may avoid the adoption of internet banking service because they are not sure about the safety and security of their financial transactions carried out through internet banking service. Hence, security and assurance may influence on the adoption of internet banking service.

Quality service: The quality service of internet connection is also one of the important challenges of adoption of internet banking service. The better-quality service like high speed of internet connection may influence on the adoption of internet banking service. However, the irregular and low speed internet connectivity and network problem adversely influence on the adoption of internet banking service.

Trust Factor: The increasing cybercrimes have restrained the adoption of internet banking service in India. The hackers of bank accounts and fraudsters have ensured that the innocent customers and depositors are made victims of cybercrimes and thereby they lose their hard-earned money to such hackers and fraudsters very frequently. Hence, the customers and depositors do not trust in the internet banking service.

Privacy Risk: Internet banking service requires sharing of confidential private information with service providers. In such case, confidential private information gets exposed to service providers. Therefore, confidential private information may be misused for unwarranted activities and thereby customers and depositors who share their private information with service providers may become the victims of traps and deception. Hence, privacy risk is one of the challenges in adoption of internet banking service in cooperative banks.

Cost effectiveness: It is another important factor in the transition to the employment of online banking services; lower price for banking service and lower cost for internet access lead to adopting internet banking service. Generally, the customers compare new services with the old one if they realize that new service is more cost effective than old service, they may adopt new service. Hence, cost of internet banking service also influences on adoption of internet banking service in India.

SUGGESTIONS

The study suggests for adoption of internet banking service in cooperative banks in India. Such suitable suggestions include (i) Legal protection to authorized users, (ii) Uninterrupted quality service, (iii) Customers' education, (iv) Regular electricity supply, (v) Confidence building measures, (vi) Low cost transactions, (vii) High speed internet connection, etc. If these factors are taken care of, the easier will be the adoption of internet banking in cooperative banks in India.

SCOPE FOR THE FUTURE STUDY

The further study may be undertaken to discuss other challenges of adoption of internet banking service in cooperative banks and cooperative credit societies which have been playing a crucial role in financial inclusion and economic development of the country.

CONCLUSION

To conclude the discussion, the study reveals that the cooperative banks play a very significant role in the economic development process and they also play a key role in the financial inclusion and economic development process in India. The cooperative banks have a stake of 10 percent in the total assets of banking sector in India. As far as the adoption of internet banking service in cooperative banks in India is concerned, there are several challenges such as bank location, demographic characteristics, acute shortage electricity supply, customers' education, security and assurance, quality service, trust factor, privacy risk, transaction costs, etc. These challenges undoubtedly influence on the adoption of internet banking service in cooperative banks. It is suggested that legal protection to authorized users, superior quality service, proper customers' education, regular electricity supply, confidence building measures, low cost transactions, high speed internet connection, better consumer relations, etc. may encourage adoption of internet banking service in cooperative banks in India in the days to come.

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