

## Impact of Automatic System on District Central Co-Operative Banks (DCCBs) in Tamil Nadu – An Empirical Study

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### Abstract

Automatic Information System (AIS) is a basic resource in today's society. Without AIS people cannot live in the society. Today most of the people are sending and receiving the messages through electronic way. At present day world is passing through the era of AIS. AIS is used in District Central Co-operative Banks (DCCBs) and its branches to increasing productivity, profitability, banks process time, quick services to the customers. The co-operative movement in India has a long history of a century with more than 5.49 lakhs total co-operatives, but throughout India have 372 DCCBs. In that we have 23 total numbers of DCCBs in Tamilnadu we have 749 branches of DCCBs throughout Tamilnadu. DCCBs are located at the district headquarters or some well-known town of the district. The bank is a financial entity which belongs to its members or customers, state level co-operative banks and NABARD. DCCBs differ from stockholder banks by their organization, goals, values and governance. This bank generally provides financial services such as loans, deposits, accounting system etc., to customers. This study was based on primary as well as secondary data. The Primary data collected through well questionnaire from the DCCBs Employees and the interview schedule of the DCCBs Customers. The secondary data is collected from through various newspapers, journals, magazines, articles, different books, reports of Banks and committee, websites etc. The purpose of this investigation is to study about the new technological system and use of system management developments in DCCBs, and their different aspects affecting the new technological development of DCCBs, views of DCCBs employees are various problems and prospects of banks and its branches computerization or IT, and customers perception on banks and its branches computerization or IT and different software solutions available for banks and branches computerization or IT. The DCCBs and its branches adopted these modern facilities or service to their customers which may also help them in improving their efficiency, accuracy, quickness, productivity and profitability.

**KEYWORDS:** New Banking Sector, Computerization or IT in DCCBs and Problems faced by the Banks Employees and Customers.

### Introduction

Automatic Information System (AIS) is a basic resource in today's society. Without AIS people cannot live in the society. Today most of the people are sending and receiving the messages through electronic way. At present day world is passing through the era of AIS. AIS is used in District Central Co-operative Banks (DCCBs) and its branches to increasing productivity, profitability, banks process time, quick services to the customers. Today, small enterprises and petty shops also apply

automatic bills generated through ICT. ICT is playing new strategic such as E-Commerce, E-Banking, E-Actions and E-Services etc. All citizens can go to the window, pay the electricity bill, water bill, telephone bill, house tax bill, medical bill, take a driving licence, get the driving licence renewed, apply for a passport, access land records and get needed information through automatic development system way.

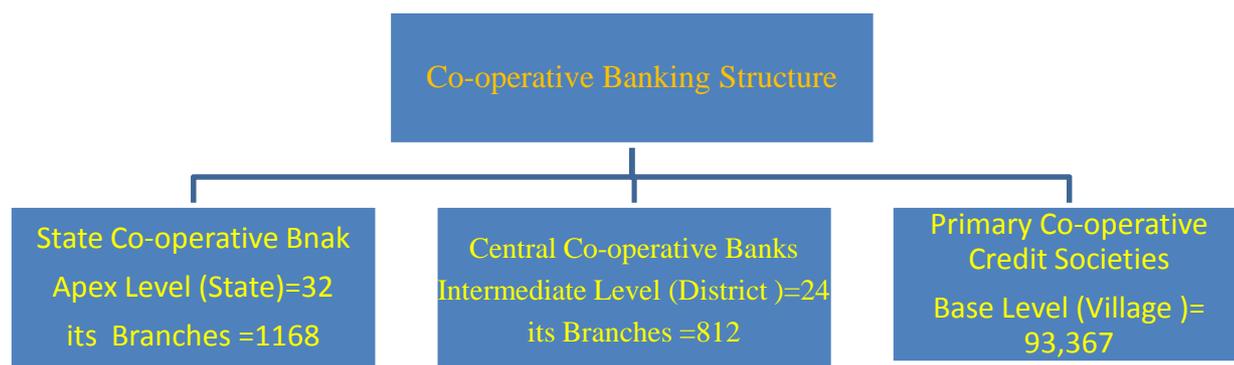
At present day, ICT wings have embraced various departments such as Railway, Transport, Health care services, Educational institutions, Postal services, Banks, Co-operative department, supermarkets etc. ICT can help to find solutions to management problems like saving time, money, energy, increasing number of customers minimizing paper work, customers waiting time in queues and good work of efficiency etc., It was observed that the DCCBs system in the country found to be lagging behind in adoption of Automatic Information System (AIS). AIS offer opportunities for DCCBs to leapfrog earlier stages of development. It is also important to note that the DCCBs need to adopt AIS practices, otherwise, they may fall further behind and the gap they have with the commercial banks could get wider. Therefore, the need of the hour is that DCC banking system in the country need to adopt ICD aggressively to benefit the urban as well as rural India. 60 percent of rural India even today depends on Co-operative banks for their banking needs. The Co-operative banks have responsibility of making rural customers a computer literate.

The foremost bank in India, called The General Bank of India was established in the year 1786. 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). RBI was vested with extensive powers for the supervision and controlling of banking in India as a Central Banking Authority. After independence, the Govt. 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 government's 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

A co-operative bank is a financial entity which belongs to its members, state level co-operative and NABARD. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. DCCBs generally provide their members and customers with a wide range of banking and financial services (loans, deposits, banking accounts etc.). DCCBs differ from stockholder banks by their organization, their goals, their values and their governance. In most the 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,



The co-operative movement in India has a long history of a century with more than 5.49 lakhs total co-operatives, but throughout India have 372 DCCBs. In that we have 23 total numbers of DCCBs in Tamilnadu we have 749 branches of DCCBs throughout Tamilnadu. The leading co-operative banks in India have brought about changes in rural life. The future development of DCCBs will depend upon the proper Information Technological, Automatic System and effective communication planning and ICTs. India among the developing nations has always adopted innovative approach in the adoption of new AIS. AIS can be used as an effective tool for rural development through co-operative banks at rural level. An example is the adoption of ICT by a rural community in the Warana Wired Village Project (WWVP) District Kolhapur, Thasil Panhala in the State of Maharashtra, India.

AIS is changing the way 21<sup>st</sup> century companies, industries operate, Transport Corporations, DCCBs bringing considerable benefits to both employees, customers and members. AIS should be adopted to cut across urgent need to all small and medium sectors in future. The introduction of modern AIS in DCCBs can significantly improve results through facilitating collection, analysis, storage and reporting of information much faster and more accurately than could be accomplished using manual systems.

### **Objectives of the Study**

- i. To know the reactions of bank customers of computerized or IT DCCBs.
- ii. To study the problems faced by the Co-operative banks employees for computerized or IT DCCBs and implementation of computerization or IT systems.
- iii. To forecast the prospects of computerization or IT in DCCBs and computerization in all branches and other banks in generalized.

### **Research Methodology**

The research route to be followed by the DCCBs banks and branches for, the various instruments to be used to the DCCBs and branches, universe and sample of the study for the data to be collected, the tools of statistical analysis used, interpretation of data and findings, recommendation and conclusion.

### **Sample of the Study**

This study was an attempt on tribulations and prospects of the DCCBs and its branches by taking 100 employees as sample selected. 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, Branches, Customers, Employees, Deposits, Credits, CD Ratios, Working Capital, Cost of Management and Investments of DCCBs.

### **Scope of Research**

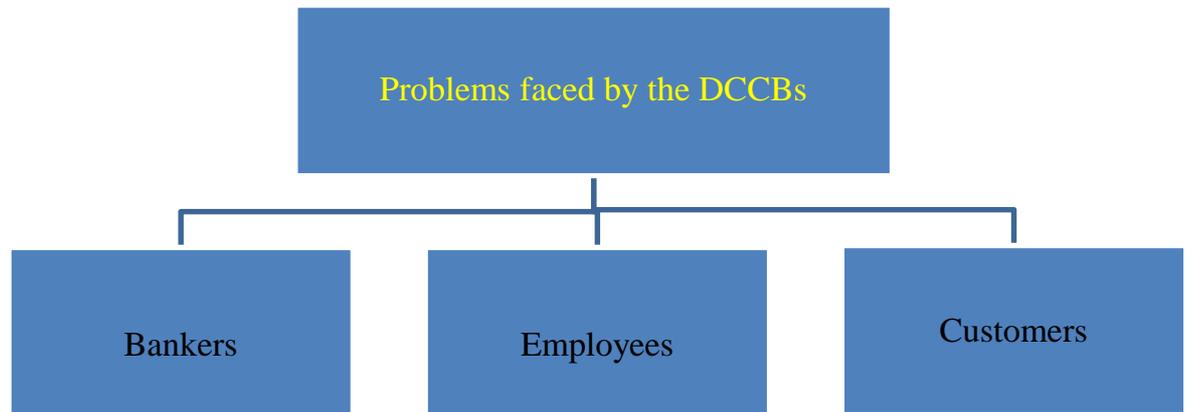
The research was studied new technological and use of system management development to maximum extent of computerization or IT to the DCCBs and its branches. This study also included various aspects affecting the new technological development of DCCBs and their facing different of problems and prospects of banks and its branches and views of banks and its branches of employees and customers on banks and branches computerization or IT and different software solutions available for banks and branches computerization or IT. The scope of the research is limited only to the DCCBs in Tamil Nadu state only. The banks and its branches have been selected on the basis that their working exists in Tamil Nadu only. As per the norms of RBI the computerization or IT is compulsory for organized banking sector. Computerization or IT in banking has its own importance. It is time saving, quickly work, efficiency oriented and practically convenient process of modern banking system. The DCCBs and its branches have limited area of operation of Computer or IT ways. 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 new technological and system management development in DCCBs and its branches.

### **Research Design**

The study remains that the focused for the necessary to decide the frame for the study. The data fully related to the DCCBs computerizations or IT is not available easily, why because of the DCCBs not publish any data related to bank performance through computerizations or IT. But RBI bulletin publishes the overall report on bank computerization or IT but not a separate report or chapter covering the DCCBs computerization or IT area. The researcher has studied throughout India 371 DCCBs and its branches 14,241 and the researcher has selected 11 DCCBs out of 23 DCCBs and its branches 812 in throughout Tamil Nadu. The primary data for the study is

collected from selected 11 DCCBs in Tamil Nadu. For the collection of primary data has well designed the structured questionnaire. This questionnaire contains computerization or IT aspect of DCCBs. The different problem faced by the DCCBs employees regarding the banks and its branches computerization or IT. The secondary data was collected from RBI bulletins, annual reports of selected DCCBs, magazines, journals, and from various authenticated web sites.

**The DCCBs problems faced three ways such as Bankers, Employees and Customers**



#### **Problems of the DCCBs**

- ✓ Some duplication of work
- ✓ No advantage to the bank customers
- ✓ Inadequate functions are covered such as Savings Deposits, Term Deposits and interest calculation payroll etc.
- ✓ Problems faced by the banks while executing Total Branches Automation (TBA)
- ✓ Human being nature or tendency of staff resists changes
- ✓ More joblessness problem
- ✓ Y2K technical problems of system
- ✓ Data not support problems etc.

#### **Problems faced by the Bank Employees**

Problems of the bank employees regarding banks and its branches computerization or IT are as follows:

- ✓ Not having meticulous knowledge of know-how
- ✓ Majority of the aged person working in the banks and its branches
- ✓ Lack of systems (Computer) available
- ✓ Lack of Computer or IT training to the Employees
- ✓ Lack of optimism in handling automated transactions through Computer or IT
- ✓ No solid interactions with the customers etc.

#### **Problems faced by the Customers**

- ✓ Lack of knowledge about computerized or IT transactions ways
- ✓ Inadequate scope for personal advice on banking new technology transactions

**Problems faced by the banks while implementing Core Banking Solution (CBS) are as follows:**

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

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

### **DCCBs have faced different problems during the computerization or IT process.**

The problems faced by the banks at different stages of the DCCBs computerization or IT are listed below.

- ✓ DCCBs have faced problem for the implementation of all branches automation or ICT ways
- ✓ Problems faced by the DCCBs at various times such as daily, monthly, weekly data backup, antivirus updating problems and struggle from staff to computerized or IT working process.
- ✓ DCCBs have faced problem for the implementation of core banking solution ways or ICT ways. This major problem such as
  - i. More complexity in problem discovery,
  - ii. Complex hardware and software infrastructure facilities,
  - iii. Huge investment in infrastructure and reliability on outside service provider due to lack of knowledge about new technological in DCCBs

### **Results and Discussion:**

The present DCCBs and its branches is scenario far from anywhere and anytime banking (24\*7). This is very essentially as the new system reengineering for net banking system demands use of maximum level of new technological tools on one hand and more strengthening the high infrastructural facilities like communication system, new technological networking etc.,. The major reasons for non implementation of IT or internet banking in the DCCBs and its branches are listed as follows:

- Lack of knowledge and skills of the employees of the DCCBs and its branches
  - Lack of prepare computer or IT trainings programmes to the employees
  - Lack of system (Computer) available for the DCCBs and its branches
  - Majority of the working employees are aged in DCCBs and their branches
  - Lack of awareness amongst the customers about their new technological (IT) banking facilities
  - More necessity of the funds for investment on computer, communication system and IT
  - Lack of necessary computerized systems and tools for DCCBs and its branches
  - Lack of proper communication system required for such facilities
  - Lack of IT and ICTs literacy of the customers who are to use the technology to avail themselves of the facilities
  - Barrier in framing rules and regulations for electronic transactions or internet ways
  - Lack of provides computer by all level categories of the employees subordinate, management and top level chief executives of the DCCBs.
- ❖ Approximately 45.50% of the consumers are using net banking services and mainly ATM service for their day to day banking transactions.
  - ✓ DCCBS must be increased net banking services to their customers.
  - ❖ More or less 26.5% of the customers make use of internet banking services. Among them 6% are used to mobile banking services.

- ✓ The DCCBs should be provided awareness about the internet banking system and how to use of internet banking system to the customers.
- ✓ In real fact that the DCCBs system becomes unlike from the traditional one due to more use of the new technological tools and the customers face more difficulty in handling new technological banking system and the DCCBs has the initial stage of ITs or ICTs.
- ❖ The age group of the respondents (25 – 50) 31.5% of the customers agreed that they have problems with use of net banking services.
- ✓ DCCBs should be identified different type of problems faced by the customers and it's to remove of such problems.
- ❖ 11.5% of the respondents do not agree that the security in the transactions.
- ✓ DCCBs must be believes this security of banking transactions.
- ❖ The age group of above 50 years, 19.5% of the customers agreed that lack of awareness about the new technological, computerized and IT transactions is the genuine problem.
- ✓ DCCBs should provided the frequently about the awareness to the customers as well as the Bank employees
- ❖ Only 16%, of the respondents (customers) within the age group of below 25 years, are having fear about the security in the internet banking transaction.
- ✓ They felt that the really new technological, computerized and IT transactions are not acceptable transactions.
- ❖ More than 50% of the customers are still using old or traditional transaction system for their banking services.
- ✓ Youngsters are always willing for an improved new technological way or computerization, whereas senior citizens do not accept any kind of new technological change in the current circumstances.
- ❖ Majority of the respondents (88%) employees expressed that lack of sufficient knowledge on new technology is their problem in implementing computerized or IT system in the DCCBs and it branches.
- ✓ DCCBs are working of aged employees but DCCBs should be appointed press graduate with fully Computer or IT knowledge.
- ❖ Remaining (12%) employees opined that they did not have this problem.
- ❖ 40% of the DCCBs employees opined that they have no guarantee in implementing the core banking, computerized or IT system and the remaining 60% of the employees are full guarantee in implementing the core banking, computerized or IT system computerized system.
- ✓ NABARD and Co-operative Union should be provided huge amount invested Computerized or ITs.
- ❖ 16% of the DCCBs employees are under force to lose their job because of implementation of IT system, computerization.
- ❖ Only 8 employees are worried about losing the contact with the customer by implementing computerized or IT system.
- ✓ But the majority of the DCCBs employees did not think in that way. After introducing the computerized or IT system by the banks, still most of the customers familiarized to the conventional method of new banking transactions.
- ✓ Mostly majority of the customers are having a common purpose such as 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 scope for each customer to use the computerized or IT transaction system for their deposits and withdrawals either by cash or cheque, money transfer, demand draft and investment, repayment of loan etc.

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