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## CHALLENGES OF CORE BANKING IN CO OPERATIVE BANKING SECTOR IN INDIA

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### ABSTRACT

*Banking services play vital role in the development of the any economy. India is a developing country and most of the population is associated with the agricultural business and farming activity. As per Indian constitution cooperative bank helps to farmers for getting their any benefit from the government. Most of the farmers are using the co operative bank for all type of the transaction so target market is high even though these banks as well as customers are facing lots of difficulties as unavailability of core banking and in research it is found that financial strength of the bank and skill and knowledge of the employees as well as customer affect lot to adopt the core banking. Cooperative bank faces higher competition from private sector bank and public or nationalized bank. For the future growth aspect bank must have to develop the technical aspect and come under one single roof to get the advantages of advance technology and to meet the demand of the customer.*

**KEYWORDS:** Core banking, Cooperative bank, technology.

### INTRODUCTION

Cooperative banks help to the Indian economy in various aspects but for the growth and development of the Indian economy there is requirement to make modern and technical environment in the important sector, core banking is an important sector for the growth of the country and especially core banking in the cooperative banks as it has large contribution in rural area. Currently, there are about 1872 urban co-operative banks in India, which form 14% of the banking sector. Always been on private and public sector banks who are riding the technology



wave to emerge as front runners in the global banking arena, cooperative banks, have been laggards when it comes to technology adoption. The drivers of performance for UCBs, as for any organization, includes indicators such as increased employee satisfaction, increased customer satisfaction, financial stability, lower average time to resolution, and innovations in information and communications technology (ICT). Co-operative banks can play a significant role in rural financial inclusion if they ably take advantage of the technology in place. Besides enabling faster services, their decision to bring technology into play will open up possibilities of providing new cost-effective banking products and services to the farming community in particular.

### PROBLEMS ASSOCIATED WITH NEW TECHNOLOGY

- Functioning in a highly technologically advanced banking environment in the country is in itself a challenge and an opportunity for the UCBs to upgrade to a computerized environment so as to focus on more business opportunities and render better customer service. Manpower constraints exist in this sector. Moreover, there are basic issues like power and rugged terrain that make it difficult to run a CBS or anything else 24x7.
- The staff of the cooperative banks at operational, middle and top level is not very keen in making use of the information technology to its fullest extent in their day to day activities which is also one of the main reasons for the gap in implementation of information technology.
- Deployment of new technology in cooperative banks is not an easy task to the management mainly because of the non availability of required qualified professionals, the non competency of the existing staff to make use of IT to cover various activities of the banking.
- Increased cash flows are not sufficient to cover the implementation cost
- Emergence of new risks related operations, security and maintenance due to adoption of new technology
- What we need right now is the appropriate business delivery model which will facilitate taking the banking services to the doorsteps of the people at a lesser cost.
- However, the expansion of technology adoption must be accompanied by a minimum level of essential security features and continued compliance with established covenants and international standards relating to privacy of customer transactions in order to enhance the customers' confidence in the mobile and internet banking by controlling the fraudulent transactions.
- The technology solution to the business needs should be user-friendly without much third-party or IT vendor intervention or support requirement for operating the same. In this context, the banks need to redesign their business strategies to incorporate specific



plans to promote financial inclusion of low income group treating it both a business opportunity as well as a social responsibility.

### **PROBLEMS OF CORE BANKING IMPLEMENTATION BY EMPLOYEES**

- Employees are not as educated or knowledgeable to deal with the problem associated with the core banking solution so they are not ready for the implementation of core banking as there is requirement for the change and learn something new.
- Most of the employees are recruited on the basis of the references and other unorganized way so they are not enough competitive as compare to other eligible candidate

### **PROBLEMS OF CUSTOMER IN CORE BANKING**

- Most of the customer in the cooperative banks are belongs from the agriculture field and they are not demanding that type of services and even they are not aware about this services.
- They feel its unsecured way of transaction and think it create problems for them so they avoiding the use of technology as they are unaware for it.

### **PROBLEM ASSOCIATED WITH THE BANK**

- Cooperative bank are working at mostly lower profit margin and not having enough fund for the adoption of new technology as well as enough specialist for it so they have to hired costly all the things from the market.

### **LITERATURE REVIEW**

#### **BY INDIVIDUAL VIEW**

“We are pleased to have successfully crossed the first milestone of this institutional development initiative undertaken by NABARD to strengthen the rural credit delivery system. Considering that the recent regulatory reforms by RBI are expected to make the Indian banking scenario more competitive, this initiative will equip co-operative banks with cost effective technology and robust infrastructure to support their growth and help them keep pace. More importantly it will change the face of rural banking by making e-banking facilities available to the rural customer,”

Anand Sankaran, Senior Vice President & Business Head, Wipro Infotech & Global Business Head – Infrastructure Services, Wipro.

"Cooperative banks insist on availability, IT-as-a-service, scalability and cost-effectiveness in terms of performance and computing capacity." Rajesh Janey President - India & SAARC, NetApp



. “Information security should be audited by third parties and cooperative banks should follow it for greater transparency,” said Natarajan KR, President, ISACA Chapter, Bangalore.

“According to industry watchers, technology deployments like CBS are a big challenge in cooperative banks, more so in the case of Regional Rural Banks (RRB). Factors such as high costs of implementation and maintenance coupled with lack of regional language software support for CBS are deterrents.”- Nitin Khanapurkar, Executive Director, Advisory, at KPMG India

“Connectivity in remote places, be it for ATMs or CBS, are huge problem areas for cooperative banks, which, in turn, has made them weary of going out and implementing these systems,” -Biswajeet Mahapatra, Research Director, Gartner

B.MUNIRAJA SEKHAR Dr. B.SUDHIR “Core Banking Solutions in Urban Cooperative Banks- Issues and Challenges” International Journal of Scientific & Engineering Research Volume 3, Issue 8, August-2012 1 ISSN 2229-5518

Currently, there are about 1872 urban co-operative banks in India, which form 14% of the banking sector. While the focus has always been on private and public sector banks who are riding the technology wave to emerge as front runners in the global banking arena, cooperative banks, have been laggards when it comes to technology adoption. The drivers of performance for UCBs, as for any organisation, includes indicators such as increased employee satisfaction, increased customer satisfaction, financial stability, lower average time to resolution, and innovations in information and communications technology (ICT). Co-operative banks can play a significant role in rural financial inclusion if they ably take advantage of the technology in place. Besides enabling faster services, their decision to bring technology into play will open up possibilities of providing new cost-effective banking products and services to the farming community in particular. It is envisaged that post implementation of CBS including Financial Inclusion, Cooperative banks will also implement internet banking, phone banking, ATM network etc.

## RESEARCH METHODOLOGY

### OBJECTIVES OF THE STUDY

- To study the challenges face by the cooperative bank for the implementation of core banking solution
- To find out what are the problem faces by customer as well as employees due to unavailability of core banking
- To study the problem associated with the use of core banking among the customers



**RESEARCH DESIGN**

<b>Research Method</b>	Descriptive
<b>Sampling Technique</b>	Simple Random Sampling
<b>Sample size</b>	100 Customer and 25 Employees of
<b>Sampling area</b>	Amreli district cooperative bank

<b>PARTICULAR</b>	<b>EMPLOYEE</b>		<b>CUSTOMER</b>	
	<b>No of Respondent</b>	<b>%</b>	<b>No of respondent</b>	<b>%</b>
<b>Awareness Ratio</b>				
Yes	20	80	48	48
No	5	20	52	52
<b>Problems Face due to unavailability</b>				
High Cost	19	38	56	37.33
Low Speed	13	26	41	27.33
Delay in transaction	17	34	49	32.67
Other	1	2	4	2.67
<b>Reason for unavailability of core banking.</b>				
Lack of financial strength	12	24	38	25.33
Unskilled Customer Base	18	36	40	26.67
Lack of technical knowledge in employees	3	6	32	21.33
Lack of management	15	30	24	16
Other	2	4	16	10.67

**TEST APPLICATION****CHI SQUARE GOODNESS OF FIT TEST****FOR CUSTOMER**

Ho: Challenges of the unavailability of core banking are equally considered by the customers

Ha: Challenges of the unavailability of core banking are not equally considered by the customers

<b>Particular</b>	<b>F0</b>	<b>Fe</b>	<b>(Fo-Fe)2/fe</b>
Lack of financial strength	38	30	2.13
Unskilled Customer Base	40	30	3.33
Lack of technical knowledge in employees	32	30	0.13
Lack of management	24	30	1.2
Other	16	30	6.53
<b>CALCULATED VALUE</b>			<b>13.32</b>



Table Value  $\alpha$  0.05, 4 = 9.488

So  $CAL > TAB$  value  $13.32 > 9.488$  so, its reject the  $H_0$  that means the core banking in cooperative banks are faces different challenges as per different customer's point of view.

**FOR EMPLOYEES**

Ho: Challenges of the unavailability of core banking are equally considered by the employees

Ha: Challenges of the unavailability of core banking are not equally considered by the employees

Particular	F0	Fe	(Fo-Fe)2/fe
Lack of financial strength	12	10	0.4
Unskilled Customer Base	18	10	6.4
Lack of technical knowledge in employees	3	10	4.9
Lack of management	15	10	2.5
Other	2	10	6.4
<b>CALCULATED VALUE</b>			<b>20.6</b>

Table Value  $\alpha$  0.05, 4 = 9.488

So  $CAL > TAB$  value  $20.6 > 9.488$  so, its reject the  $H_0$  that means the core banking in cooperative banks are faces different challenges as per different employee's point of view

**FINDINGS**

- Most of the customer are unaware about the core banking facilities as they are belonging form farmer and illiterate group of people, so they are not using this facilities
- In staff of the cooperative bank most of are the aged group they are not ready to change the way of working due to unskilled or lack of technical knowledge among them.
- Banks are facing difficulties in adoption of core banking due to resistance from employees and also not enough finance and skilled people for the management.
- Banks have to make extra cost for the technical development aspect and hire some specialist for it so initially it is costly for cooperative bank.

**SUGGESTION**

- Bank should provide the training to the employees and also open "help desk" for the customer regarding core banking services
- Central bank should increase the grant for the development of the cooperative bank



## LIMITATION

- This research is done on basis of customer and employees answer so biasness may create variance from the reality.

## CONCLUSION

India is developing country and mostly depends on the agriculture that's why it is important to make some special decision for them. As cooperative banks play vital role for them, but still this banks are not able to make efficient work for the people. Because unavailability of core banking facility among this bank, it increases the various cost of the banks as well as customer like delay in transaction, speed cost and so on. There are lots of reason for the non adoption of the core banking among the customer, employees and banks.

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