BANKING & FINANCE

Theory, Praxis and Solution

DR. LALITA K. SHARMA

Banking & Finance: Theory, Praxis and Solution

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Foreword

This book ***"Banking & Finance: Theory, Praxis and Solution"*** has been published to provide a clear understanding of financial sector. In recent days, significant changes have taken place in the contemporary Indian banking system. This book has thrown light on such emerging issues of Indian banking system. This book is mainly divided into seven sections.

In the first section, this book has given a small introduction to its readers regarding the financial management. In this section, the basics of financial management as objectives, scope, importance, sources, techniques and approaches are discussed to make the book quite understandable for the learners.

The second section has comprehensively illustrated the emerging trends in co-operative banks. In this section, gradually writings of this book enter into the world of co-operative banks like introduction, lending practices, Information and Communication Technology (ICT) Practices of cooperative banks and performance evaluation. Third section deals with the impact of banking and financial sector reforms.

In the fourth section, this book has stressed on use of cloud computing in banking sector. This section covers topics like role and impact of cloud computing, smart cards, precautions while using debit and credit cards and customers' intention towards usage of smart cards in banking context.

In the fifth section, this book has stressed on recent trends in cross-selling. So, this section focused on topics like marketing strategies, cross-selling and its present scenarios, digital banking behaviours of consumers and bancassurance: entry of banks in insurance business.

In the sixth section, this book has highlighted to its readers regarding the portfolio management and relationship between macroeconomic variables and S&P BSE bankex portfolio. In seventh section, the concept of demonetization is discussed to make the book quite relevant for the learners. The impact of demonetization on Indian economy has been covered in this part.

I on behalf of all the authors of this book express my deep sense of gratitude to the editor Dr. Lalita K. Sharma for taking the responsibility of editing and publishing our chapters in this said book. In short, it can be said that this book will surely manage to benefit the readers to know the banking & finance in true sense.

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Preface

Finance is a broad term that describes activities associated with banking, leverage or debt, credit, capital markets, money, and investments. Finance also encompasses the oversight, creation, and study of money, banking, credit, investments, assets, and liabilities that make up financial systems.

This book has been divided into seven sections. First section deals with the basics of financial management objectives, scope, importance, sources, techniques and approaches. In the second section working of co-operative banks has been covered. Third section covered impact of banking and financial sector reforms. Cloud computing and marketing strategies & cross-selling are explained in fourth and fifth section respectively. In the sixth section, portfolio management and relationship between macroeconomic variables and S&P BSE bankex portfolio has been discussed. Seventh section deals with impact of demonetization on the banking sector.

The book **"Banking & Finance: Theory, Praxis and Solution"** is an accumulation of the efforts made for bringing in concert illustrious academicians, thinkers, experts and professional with their precious inspection on the topics, on a common platform. The book consists twenty three chapters on the theme and sub themes of the *"Banking & Finance*. I hope this book will serve as a valuable reference to students, managers and the academicians.

As editor I would like to acknowledge all the support I have received and extend my deepest appreciation to the Dr. Hardeep Kaur (Associate Professor, UILS, Chandigarh University, Chandigarh) and Dr. Vikas Kumar (Assistant Professor, Mittal School of Business, Lovely Professional University, Phagwara, Punjab) who helped significantly in all the practical aspects of completing the book. I also gratefully acknowledge the support given by the academic colleagues by sending their chapters.

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Acknowledgement

Every mature person in professional life is keenly aware of his/her sense of indebtedness to many people, who have motivated and influenced his/her intellectual development ordinarily. This feeling is formally expressed in gestures of acknowledgement. My endeavor shall be incomplete without the acknowledgement of these who have helped me in carrying out this study. I would like to convey my feelings of gratitude to all those who have in any manner helped me in completing this edited book. Their valuable guidance and wise direction has enabled me to complete this work in a systematic and smooth manner, obeying the norms of scholastic research.

First of all, I bow my head in reverence to the God almighty, for providing me with this opportunity to work with the intelligentsia and enabling me to reach far beyond my own, restricted ambit of thought and action and has been made this endeavour successful.

I extend my heartiest gratitude and indebtedness towards all authors for their immense interest, judicious guidance and continuous encouragement throughout this work which help me in completing the work of book in a systematic manner.

I am also grateful to Dr. Hardeep Kaur (Associate Professor, UILS, Chandigarh University, and Chandigarh) and Dr. Heena Atwal (Assistant Professor, Department of Basic and Applied Sciences Punjabi University, Patiala, Punjab) for their continuous support at various stages of this book.

Last and most importantly, I again thank The Almighty God for answering my prayers by providing the finance, the strength, wisdom and knowledge that enabled me to start and conclude this book.

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CHAPTER 1

FINANCIAL MANAGEMENT

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ABSTRACT

Financial Management can be defined as the process of raising, providing and administering of all money/funds to be used in business enterprises. Financial management is concerned with the acquisition and conservation of capital funds in meeting the financial needs and overall objectives of business enterprises. Financial management broadly defined as activity concerned with planning, raising, controlling and administering the funds used in the business. It is also concerned with the planning and controlling of firm's financial resources. It deals with finding out various sources for raising funds for the business financial management is an area of financial decision making harmonizing individual motives and enterprise goal.
Keywords: Acquisition, Financial Resources, Financial Decision Making

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1.0 IMPORTANCE OF FINANCIAL MANAGEMENT

Finance is the life blood and nerve center of a business. Finance is very essential to smooth running of business.

The importance of financial management has arisen because of the following reason

i. Increases in size and influence of the business enterprises
ii. Wide Distribution of Corporate ownership
iii. Separation of ownership and management

1.1 Approaches to Finance function

The Approaches to finance function can be broadly classified as

i. The Traditional Approach
ii. The Modern Approach.

1.2 The Tradition Approach

According to this approach the scope of Finance function was confined to only procurement of funds needed by a business on most suitable terms. The utilization of funds was considered beyond the purview of finance function.

2.0 FEATURES OF TRADITION APPROACH

i. It is outside looking in approach that completely ignores internal decision making as to the proper utilization of funds
ii. The focus of Traditional approach was on procurement of long term funds. Thus it ignored the important issue of working capital finance and management.
iii. The issue of allocation of funds which is so important today is completely ignored.
iv. It does not lay focus on day to day finance problem of an organization.
v. It does not consider time value of money.

2.1 Modern Approach

It views the finance function in broader sense. It includes raising of funds as well as their effective utilization of funds. The finance function does not stop only by finding out source of raising fund but their proper utilization is also to be considered. The cost of remaining funds and return from their use should be compared. The fund raised should able to give more return than the cost involved in procuring them.
According to this approach finance function covers financial planning, raising of funds, allocation of funds, financial control etc.

3.0 SCOPE OF FINANCIAL MANAGEMENT

The main objectives of financial management are arrange sufficient finances for meeting short term and long term needs. These funds are procured at minimum cost so that profitability of the business is maximized. The scope of corporate finance can be broadly classified as follows.

i. Estimating the financial requirement

The First task of financial manager is to estimate short term as well as long term finance requirement of his business. The amount required for purchasing fixed assets as well as needs of funds for working capital will have to be ascertained.

ii. Deciding Capital Structure

It refers to the kind and proportion of different securities for raising funds. After deciding about the quantum of funds required it should be decided which type of securities should be raised. A Decision about various sources for funds should be linked to the cost of raising funds.

iii. Selecting the source of finance

After preparing a capital structure an appropriate source of finance is selected. Various sources from which finance may be raised include share capital, debenture, financial institution, commercial banks public deposit etc., If finance are needed for short periods then banks, public deposits and financial institution may be appropriate. on the other hand, if long term finance is required then share capital and debenture may be useful.

iv. Selecting a pattern of investment

When funds have been procured then a decision about investment pattern is to be taken. The selection of an investment pattern is related to the used funds. While spending on various assets the principle of safety, profitability and liquidity should be considered.

v. Proper Cash Management

Cash management is also an important task of finance manager. He has to assess various cash needs at different times and then make arrangement for arranging cash. Cash may be required to a) Purchase of Raw-material b) make payment to creditors c) meet day to day expenses etc., . The Cash management should be such that neither there is shortage of it and nor it is idle.

vi. Implementing financial control

An efficient system of financial management necessitates the use of various control devices. Financial control devices generally used are a) return on investment b) budgetary control c) Break even analysis d) ratio analysis etc., Return on investment is the best control devices to evaluate the performance of various financial policies.

vii. Proper use of Surplus

The utilization of profits or surplus is also an important factor in financial management. A judicious use of surplus is essential for expansion and diversification plan and also in protecting the interest of shareholders.

4.0 OBJECTIVES OF FINANCIAL MANAGEMENT

Financial management is concerned with procurement and use of funds. The main aim is to use business funds in such a way that the firm's value/earning are maximized. There are various alternatives available for using business funds. Financial management provides a framework for selecting a proper course of action and deciding a viable commercial strategy.

The objectives of financial management are as follows

A. ***Profit maximization***
B. ***Wealth maximization.***

A. Profit Maximization

According to this approach, action that increases profit should be undertaken and those that decrease profits are to be avoided. In other words, profit maximization objectives imply that the function of finance of a firm should be oriented to the maximization of profit. Profit is the test of economic efficiency. It aims at efficient allocation of resources in order to increases the profitability.

Criticism for Profit maximization

i. **Ambiguity**

The term profit is vague and it cannot be precisely defined. The term profit used in different manner like short term profit or long term profit, profit before tax or profit after tax, operating profit or profit available for shareholders etc., so there is lot of ambiguity in the term profit.

ii. **Ignores Time Value of Money**

It ignores the time value of money and does not consider the magnitude and timing of earning. It treats all earning as equal though they occur in different periods. It ignores the fact that cash received today is more important than the same amount of cash received after certain time.

i. **Ignores Risk Factor**

It does not take into consideration the risk of the prospective earning streams. Some projects are riskier than other.

ii. **Dividend Policy**

The effect of dividend policy on the market price of share is also not considered in the objective of profit maximization.

B. **Wealth Maximization**

It is also called as value maximization or net present worth maximization. This objective is universally accepted because it satisfies all the three requirement of a suitable operational objective of a financial course of action namely exactness, quality of benefits and the time value of money. The features of wealth maximization are as follows

i. It Serves the interest of owners as well as other stakeholder

ii. It is consistent with the objective of owner economic welfare

iii. The objective of wealth maximization implies long run survival and growth of the firm

iv. It takes into consideration risk factor and time value of money.

v. The effect of dividend policy on market price of shares is also considered as the decision is taken to increase the market value of shares.

vi. The goal of wealth maximization leads towards maximizing stakeholder's utility or value maximization of equity shareholders through increase in stock price per share.

Criticism of Wealth maximization

i. It is a prescriptive idea. The objective is not descriptive of what the firm actually do.

ii. The objective of wealth maximization is not necessarily socially desirable

iii. There is some controversy as to whether the objective is to maximize the stockholder's wealth or the wealth of the firm which include other financial claim holders such as debenture holders, preferred stockholders etc.,

iv. The objective of wealth maximization may also face difficulties when ownership and management are separated.

5.0 SOURCE OF FINANCE

The Source of Finance can be broadly classified into 3

i. Short term finance

ii. Medium term finance

iii. Long term finance.

i. Short term Finance

The type of short term finance available is as follows

a) Bank credit or cash credit

A Cash credit is an arrangement by which a bank allows his customer to borrow money up to a certain limit against some tangible securities or guarantee. A customer can withdraw from his cash credit limit according to his needs and he can also deposit any surplus amount with him. The interest in case of cash credit is charged on daily balance not on the entire amount of the account.

b) Overdraft

It is an arrangement with a bank by which a current account holder is allowed to withdraw more than the balance to his credit upto a certain limit. There is no restriction for operation of overdraft limit. The interest is charged on daily overdrawn balance. The main difference between cash credit and overdraft is that overdraft is allowed for short period and is temporary accommodation whereas cash credit is allowed for long period.

c) Commercial paper

It represents unsecured promissory notes issued by firms to raise short term funds. It is important money market instrument. The RBI introduced commercial paper in the Indian economy. Only large companies enjoying high credit rating and sound financial health can issue commercial paper.

d) Deferred Income

Deferred incomes are income received in advance before supplying goods or services. They represent funds received by a firm for which it has to supply goods or service in future. This fund increases the liquidity of a firm and constitutes an important source of short term finance.

e) Trade Credit

Trade Credit refers to the credit extended by the suppliers of goods in the normal course of business.

ii. Medium and long term Finance

The Medium and Long term finance are as follows

a) Issue of Debentures
b) Issue of Preference shares
c) Bank Loan
d) Public deposit
e) Loan from financial institution
f) Retained earnings

a) Issue of Debentures

A Company may raise medium and long term finance through the issue of debenture. A Debenture is an acknowledgement of a debt. A Debenture holder is a creditor of the company. A Fixed rate of interest is paid on debenture. When the debenture is secured they are paid on priority in comparison to all other creditors. There are various types debentures available for the company they are

i. Unsecured debenture
ii. Secured Debenture
iii. Bearer debenture
iv. Registered Debenture
v. Redeemable Debenture
vi. Irredeemable debenture
vii. Convertible Debenture

b) Issue of Preference Shares

As the name suggest these shares have certain preference as compared to other type of shares. There are various types of preference shares issued by the company they are

i. Cumulative Preference share
ii. Non-Cumulative Preference share
iii. Redeemable Preference share
iv. Irredeemable Preference share
v. Participating Preference share
vi. Non –Participating Preference share
vii. Convertible Preference share
viii. Non-Convertible Preference share

c) Bank Loan

Bank loan is the main form of finance available for business man. Bank loan can be available in three forms like long term, short term and medium term. Depending upon the need of finance the business can procure the fund from bank. For obtaining bank loan the business has to pay interest regularly.

d) Public Deposit

Public Deposit refers to the unsecured deposit invited by companies from the public mainly to finance working capital needs. A company wishing to invite public deposit makes an advertisement in the newspaper. Any member of the public can fill up the prescribed form and deposit the money with the company. A Company can accept deposit from the public to finance its medium and short term requirement of funds. Total public deposit cannot exceed 25% of the paid up capital and free reserve of the company.

e) Loan from Financial Institution

A Company can obtain loan from financial institution when the requirement arises. A Financial institution is an establishment that conducts financial transaction such as investment, loan and deposit etc.,

f) Retained Earnings

It is also called as ploughing back profit. It is a technique of financial management under which all profit of a company is not distributed among the shareholders as dividend but a part of profits is retained or reinvested in the company. It is actually an economical step which a company takes that instead of distributing the entire earning by way of dividend. It keeps a certain percentage of it to be re-introduced into the business for its development.

6.0 FINANCE FUNCTIONS

The Functions of finance are as follows

i. Investment Decision

The Important task of any Financial Manager is to intelligently allocate the fund on long term Asset. This process is called Capital Budgeting. It is very important to allocate the available capital in long term asset to get maximum in the future. While making investment decision the financial manager will to concentrate on the below factor

a) Evaluation of new investment opportunities in terms of Profitability.
b) Comparison of Cut off rate against new investment and already existing investment.

As we know that future is uncertain. No one can predict the future accurately. Therefore, while considering investment proposal it is important to take into consideration both expected return and the risk involved.

ii. **Financial Decision**

It is also one of the important function which must be performed by the financial manager .It is important to make wise decision about where, how and when to get fund for the business. There are various sources available for the business to procure funds. Depending upon the need and duration of fund, the company will go for either long term or short sources. Financial manager will have to concentrate on the appropriate capital structure of the firm which will enhance the shareholder wealth. A sound financial structure is said to be one which aims at maximizing shareholders return with minimum risk. In such a scenario the market value of the firm will maximize and hence an optimum capital structure would be achieved.

iii. **Dividend Decision**

Dividend is part of profit which is distributed among the shareholders. While making dividend decision financial manager should be very conscious about dividend payout ration as well as Retention Ration. The dividend policy of the firm will directly impact on the EPS of the company. The EPS will directly impact on the wealth of the shareholder as well as company. While taking a decision regarding dividend payment one should concentrate on the portion of profit which should retain by the company for future development. Finance manager should strike a balance between dividend payout ratio and retention Ratio.

iv. **Liquidity Decision**

It is also one of the important functions of finance manager. It is very important to maintain a liquidity position of a firm to avoid insolvency. Firm's profitability, liquidity and risk all are associated with the investment in current assets. In order to maintain a tradeoff between profitability and liquidity it is important to invest sufficient funds in current assets. But since current assets do not earn anything for business therefore a proper calculation must be done before investing in current assets.

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CHAPTER 2

FINANCIAL MANAGEMENT: TECHNIQUES AND APPROACHES

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1.0 INTRODUCTION

Finance is the life blood of every business. So the management of finance has an important role in each and every business. The finance function is act as blood function in human body or fuel or electricity function in the operation of a machine. Financial management can be considered as the modern version of business finance. It is the functional area of general management, which is concerned with financial planning procurement of funds, asset management and establishing balance between different sources of finance. It is the process of planning, organizing, directing, and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial recourses of the enterprise.

1.1 Meaning and Definition

Financial management means the process of planning, organizing, monitoring, and also controlling the financial resources of an organization. The idea for doing such is to be able to achieve the vision or goals of the company at the stipulated time frame. Financial management is a regular practice in a business environment. It involves managing a company's financial resources to ensure there is little or no wastage

Some of the definitions are as follows;

"Financial management is the activity concerned with planning, raising, controlling and administering of funds used in the business." – Guthman and Dougal

"Financial management is that area of business management devoted to a judicious use of capital and a careful selection of the source of capital in order to enable a spending unit to move in the direction of reaching the goals." – J.F. Brandley

"Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations."- Massie

2.0 OBJECTIVES OF FINANCIAL MANAGEMENT

The financial management is generally concerned with procurement, allocation and control of financial resources of a concern. The objectives can be-

- **i.** To ensure regular and adequate supply of funds to the concern.
- **ii.** To ensure adequate returns to the shareholders. It will depend upon the earning capacity, market price of the share, expectations of the shareholders.
- **iii.** To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.
- **iv.** To ensure safety on investment, i.e., funds should be invested in safe ventures so that adequate rate of return can be achieved.
- **v.** To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.

3.0 FUNCTIONS OF FINANCIAL MANAGEMENT

i. Estimation of capital requirements

A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.

ii. Determination of capital composition

Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.

iii. Choice of sources of funds

For additional funds to be procured, a company has many choices like-

a. Issue of shares and debentures

b. Loans to be taken from banks and financial institutions

c. Public deposits to be drawn like in form of bonds.

Choice of factor will depend on relative merits and demerits of each source and period of financing.

iv. Investment of funds

The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.

v. Disposal of surplus

The net profits decision has to be made by the finance manager. This can be done in two ways:

a. Dividend declaration - It includes identifying the rate of dividends and other benefits like bonus.

b. Retained profits - The volume has to be decided which will depend upon expansional, innovational, diversification plans of the company.

vi. Management of cash

Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintenance of enough stock, purchase of raw materials, etc.

vii. Financial controls

The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

4.0 THE SCOPE OF FINANCIAL MANAGEMENT

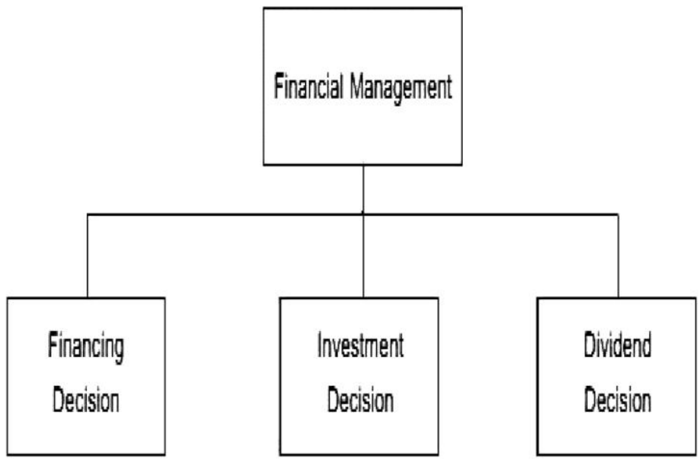

Fig. 1 - The scope of Financial Management

i. Investment Decisions

Managers need to decide on the amount of investment available out of the existing finance, on a long-term and short-term basis. They are of two types:

a. Long-term investment decisions or Capital Budgeting mean committing funds for a Long period of time like fixed assets. These decisions are irreversible and usually include the ones pertaining to investing in a building and/or land, acquiring new plants/machinery or replacing the old ones, etc. These decisions determine the financial pursuits and performance of a business.

b. Short-term investment decisions or Working Capital Management means committing funds for a short period of time like current assets. These involve decisions pertaining to the investment of funds in the inventory, cash, bank deposits, and other short-term investments. They directly affect the liquidity and performance of the business.

ii. Financing Decisions

Managers also make decisions pertaining to raising finance from long-term sources (called Capital Structure) and short-term sources (called Working Capital). They are of two types:

a. Financial Planning decisions which relate to estimating the sources and application of funds. It means pre-estimating financial needs of an organization to ensure the availability of adequate finance. The primary objective of financial planning is to plan and ensure that the funds are available as and when required.

b. Capital Structure decisions which involve identifying sources of funds. They also involve decisions with respect to choosing external sources like issuing shares, bonds, borrowing from banks or internal sources like retained earnings for raising funds.

iii. Dividend Decisions

These involve decisions related to the portion of profits that will be distributed as dividend. Shareholders always demand a higher dividend, while the management would want to retain profits for business needs. Hence, this is a complex managerial decision.

5.0 MAJOR ROLES OF FINANCIAL MANAGEMENT

i. Financial decisions and controls

Financial management and financial managers play a crucial role in making financial decisions and exercising control over finances in the organization. They make use of techniques like ratio analysis, financial forecasting, profit and loss analysis, etc.

ii. Financial Planning

The finance managers are responsible for the planning of financial activities and resources in the organization. To this end, they use available data to understand the needs and priorities of the organization as well as the overall economic situation and make plans and budgets for the same.

iii. Capital Management

It is the responsibility of financial management to estimate the capital requirements of the organization from time to time, determines the capital structure and composition and makes the choice of source of funding for the capital needs.

iv. Allocation and Utilization of financial resources

Financial management ensures that all financial resources of the organizations are used and invested effectively and efficiently so that the organization is profitable, sustainable and viable in the long-run.

v. Cash Flow Management

Cash Flow Management It is extremely important for organizations to have sufficient working capital and cash flow to meet their operational expenses and emergencies. Financial management tracks account payable and receivable to ensure there is sufficient cash flow available at all times.

vi. Disposal of Surplus

The decisions on how the surplus or profits of the organizations is utilized are taken by the financial managers of the organizations. They decide if dividends should be distributed and how much as well as the proportion of profits that must be retained and ploughed back into the business.

vii. Financial Reporting

Financial management maintains all necessary reports related to the finance of the organization and uses this as the database for forecasting and planning financial activities.

viii. Risk Management

Sound financial management prepares the organization to forecast risks, put in place mitigation plans as well as to meet unforeseen risks and emergencies effectively.

6.0 IMPORTANCE OF FINANCIAL MANAGEMENT

This form of management is important for various reasons. Take a look at some of these reasons:

- Helps organizations in financial planning;
- Facilitate financial decision making.
- Helps in acquiring financial recourses.
- Helps in analyze financial performance.
- Assists organizations in the planning and acquisition of funds;
- Helps organizations in effectively utilizing and allocating the funds received or acquired;
- Assists organizations in making critical financial decisions;
- Helps in improving the profitability of organizations;

- Increases the overall value of the firms or organizations;
- Provides economic stability;
- Encourages employees to save money, which helps them in personal financial planning.
- Helps in accounting and reporting.
- Helps in cost control.

7.0 OBJECTIVES OF FINANCIAL MANAGEMENT

i. Profit maximization

Main aim of any kind of economic activity is earning profit. A business concern is also functioning mainly for the purpose of earning profit. Profit is the measuring techniques to understand the business efficiency of the concern. The finance manager tries to earn maximum profits for the company in the short-term and the long-term. He cannot guarantee profits in the long term because of business uncertainties. However, a company can earn maximum profits even in the long-term, if:

a. The Finance manager takes proper financial decisions

b. He uses the finance of the company properly

ii. Wealth maximization

Wealth maximization (shareholders' value maximization) is also a main objective of financial management. Wealth maximization means to earn maximum wealth for the shareholders. So, the finance manager tries to give a maximum dividend to the shareholders. He also tries to increase the market value of the shares. The market value of the shares is directly related to the performance of the company. Better the performance, higher is the market value of shares and vice-versa. So, the finance manager must try to maximize shareholder's value

iii. Proper estimation of total financial requirements

Proper estimation of total financial requirements is a very important objective of financial management. The finance manager must estimate the total financial requirements of the company. He must find out how much finance is required to start and run the company. He must find out the fixed capital and working capital requirements of the company. His estimation must be correct. If not, there will be shortage or surplus of finance. Estimating the financial requirements is a very difficult job. The finance manager must consider many factors, such as the type of technology used by company, number of employees employed, scale of operations, legal requirements, etc.

iv. Proper mobilization

Mobilization (collection) of finance is an important objective of financial management. After estimating the financial requirements, the finance manager must decide about the sources of finance. He can collect finance from many sources such as shares, debentures, bank loans, etc. There must be a proper balance between owned finance and borrowed finance. The company must borrow money at a low rate of interest.

v. Proper utilization of finance

Proper utilization of finance is an important objective of financial management. The finance manager must make optimum utilization of finance. He must use the finance profitable. He must not waste the finance of the company. He must not invest the company's finance in unprofitable projects. He must not block the company's finance in inventories. He must have a short credit period.

vi. Maintaining proper cash flow

Maintaining proper cash flow is a short-term objective of financial management. The company must have a proper cash flow to pay the day-to-day expenses such as purchase of raw materials, payment of wages and salaries, rent, electricity bills, etc. If the company has a good cash flow, it can take advantage of many opportunities such as getting cash discounts on purchases, large-scale purchasing, giving credit to customers, etc. A healthy cash flow improves the chances of survival and success of the company.

vii. Survival of company

Survival is the most important objective of financial management. The company must survive in this competitive business world. The finance manager must be very careful while making financial decisions. One wrong decision can make the company sick, and it will close down.

viii. Creating reserves

One of the objectives of financial management is to create reserves. The company must not distribute the full profit as a dividend to the shareholders. It must keep a part of it profit as reserves. Reserves can be used for future growth and expansion. It can also be used to face contingencies in the future.

ix. Proper coordination

Financial management must try to have proper coordination between the finance department and other departments of the company.

x. Create goodwill

Financial management must try to create goodwill for the company. It must improve the image and reputation of the company. Goodwill helps the company to survive in the short-term and succeed in the long-term. It also helps the company during bad times.

xi. Increase efficiency

Financial management also tries to increase the efficiency of all the departments of the company. Proper distribution of finance to all the departments will increase the efficiency of the entire company.

xii. Financial discipline

Financial management also tries to create a financial discipline. Financial discipline means:

- **a.** To invest finance only in productive areas. This will bring high returns (profits) to the company.
- **b.** To avoid wastage and misuse of finance.

xiii. Reduce cost of capital

Financial management tries to reduce the cost of capital. That is, it tries to borrow money at a low rate of interest. The finance manager must plan the capital structure in such a way that the cost of capital it minimized.

xiv. Reduce operating risks

Financial management also tries to reduce the operating risks. There are many risks and uncertainties in a business. The finance manager must take steps to reduce these risks. He must avoid high-risk projects. He must also take proper insurance.

ix. Prepare capital structure

Financial management also prepares the capital structure. It decides the ratio between owned finance and borrowed finance. It brings a proper balance between the different sources of capital. This balance is necessary for liquidity, economy, flexibility and stability.

8.0 PRINCIPLES OF FINANCIAL MANAGEMENT

Financial management is the process of managing the funds both for individuals and organizations to ensure proper utilization of funds. Core principles of finance are applicable in the case of principles of financial management.

i. Trade-off Risk and Return
ii. Formation of Optimal Capital Structure
iii. Diversification of both Investment and Borrowing
iv. Aware of Time Value of Money
v. Forecast Cash Flows
vi. Take a Right Insurance Plan
vii. Concentration on Wealth Maximization
viii. Reinvest Rather than Consume
ix. Determine Cost of Capital
x. Financial Decision Align with Business Life Cycle

9.0 TECHNIQUES OF FINANCIAL MANAGEMENT

The important techniques of financial management are summarized as follows:-

i. Common-Size Statements
ii. Trend Ratios
iii. Funds Flow Analysis
iv. Cash-Flow Analysis
v. Ratio Analysis

vi. Working Capital Management

vii. Capital Structure

viii. Capital Budgeting Techniques

i. Common-Size Statements

The common-size financial statements are those in which figures reported are converted into percentage to some common base. Common-size balance sheet and income statement are prepared for vertical analysis and interpretation is done for identification of causes for changes taken place over a period of time.

The items in the financial statements are presented as percentages or ratios to total of items and a common base for comparison is provided. Each percentage shows the relation of the individual item to its respective total.

ii. Trend Ratios

Trend ratios are the index numbers of the movements of financial figures reported in the financial statements for more than one accounting period. It is a statistical technique adopted to reveal the trend of financial items which are used in analysis of behavior of financial items and for preparation of projected financial statements. In preparation of trend ratios, the base accounting period should be selected and the financial figures of that base period should be given the index number of 100.

The trend ratios are calculated for the subsequent accounting periods taking the base period trend ratio as 100. The trend percentages are calculated for select major financial items in the financial statements to arrive at the conclusions for important changes.

iii. Funds Flow Analysis

The funds flow analysis gives the details of changes in financial position of a concern between two balance sheet dates. It is based on net working capital concept which is termed as 'fund'. The funds flow statement contains the details of financial resources which have become available during the accounting period and the ways in which those resources have been used up.

The flow of funds refers to movement of funds which cause a change in working capital of the organization. The net increase or decrease in working capital will be further analyzed through preparation of Statement of changes in working capital position. Funds flow statement is a parameter for testing of the effective use of working capital. The analysis is particularly useful for long range planning where projections of liquid resources are vital.

iv. Cash-Flow Analysis

The preparation of cash-flow statements has been made mandatory. A statement of cash-flow reports the cash receipts and cash payments and net changes in cash resulting from operating, investing and financing activities of an enterprise during the period.

The cash-flow statement reconciles the opening and closing balances of cash and cash equivalents for the reported accounting period. It reports a net cash inflow or outflow for each activity and for the overall business.

v. Ratio Analysis

Ratio analysis is used as an important tool in analysis of financial statements. Ratios are used as an index or yardstick for evaluating the financial position and performance of a firm. Ratio is the expression of one figure in terms of another. It is the expression of the relationship between mutually independent figures. Ratio analysis used financial report and data and summarizes the key relationship in order to appraise financial performance.

It helps the analysts to make quantitative judgment about the financial position and performance of the firm. There are various ratios which are used by different parties for different purposes and can be calculated from the information given in financial statements. The comparison of past ratios with future ratios shows the firm's relative strength and weaknesses.

vi. Working Capital Management

In the efficient working capital management, some of the techniques like economic order quantity, ABC analysis, fixation of inventory levels, cash management models are adopted.

vii. Capital Structure

The Finance manager has to decide an optimum capital structure to maximize the wealth of shareholders. In capital structure decisions – analysis of operating and financial leverages, cost of different components of capital, EPS – EBIT analysis, ascertainment of EPS of different financing alternatives, determination of financial break-even point, indifference point analysis and other mathematical models are used.

x. Capital Budgeting Techniques

Investment in long-term assets for increasing the revenue of firm is called as 'capital budgeting'. It is decisions to invest funds in long-term activities for future benefits that increase the wealth of the firm thereby increase the wealth of owners. Capital budgeting refers to long-term planning for proposed capital outlays and their financing.

10.0 MAIN APPROACHES TO FINANCIAL MANAGEMENT

i. Traditional View

ii. Modern View

iii. Liquidity and Profitability

i. Traditional View

Financial management is primarily concerned with acquisition, financing and management of assets of business concern in order to maximize the wealth of the firm for its owners. The basic responsibility of the Finance manager is to acquire funds needed by the firm and investing those funds in profitable ventures that will maximize firm's wealth, as well as, yielding returns to the business concern.

The traditional view of financial management looks into the following functions that a Finance manager of a business firm will perform:

a. Arrangement of short term and long-term funds from financial institutions.

b. Mobilization of funds through financial instruments like equity shares, preference shares, debentures, bonds etc.

c. Orientation of finance functions with the accounting function and compliance of legal provisions relating to funds procurement, use and distribution.

With the increase in complexity of modern business situation, the role of a Finance manager is not just confined to procurement of funds, but his area of functioning is extended to judicious and efficient use of funds available to the firm, keeping in view the objectives of the firm and expectations of the providers of funds.

ii. Modern View

The globalization and liberalization of world economy has caused to bring tremendous reforms in financial sector which aims at promoting diversified, efficient and competitive financial system in the country. The financial reforms coupled with diffusion of information technology have caused to increase competition, mergers, takeovers, cost management, quality improvement, financial discipline etc. In view of modern approach, the Finance manager is expected to analyze the firm and to determine the following:

a. The total funds requirement of the firm,

b. The assets to be acquired, and

c. The pattern of financing the assets

iii. Liquidity and Profitability

Ezra Solomon states that "liquidity measures a company's ability to meet expected as well as unexpected requirements of cash to expand its assets, reduce its liabilities and cover up any operating losses."

The balancing of liquidity and profitability is one of the prime objectives of a Finance manager. One of the important problems faced by Finance manager is the dilemma of liquidity vs. profitability. Liquidity ensures the ability of the firm to honour its short-term commitments.

The liquidity of the firm indicates the ability of the organization to realize value in money, and its ability to pay in cash the obligations that are due for payment. To maintain concern's liquidity, the Finance manager is expected to manage all its current assets and liquid assets in such a way as to ensure its affectivity with a view to minimize its costs. Under profitability objective, the Finance manager has to utilize the funds in such a manner as to ensure the highest return.

Profitability concept signifies the operational efficiency of an organization by value addition through the utilization of resources i.e., men, materials, money and machines. It refers to a situation in terms of efficiency in utilization of resources to achieve profit maximization for the owners.

There is an inverse relationship between profitability and liquidity. The higher the liquidity the lower will be the profitability and vice versa. Liquidity and profitability are competing goals for the Finance manager. Under liquidity management, the Finance manager is expected to manage all its current assets including near cash assets in such a way as to ensure its affectivity with a view to minimize costs.

11.0 CONCLUSION

Financial management practices is a field which deals with financial decisions including short and long goals of the organization and ensures that there is a high return on the invested capital without necessarily taking excess finance risk. Financial management practices include the use of dividend policy, investment appraisal techniques, capital structure decision, financial performance assessment in corporate practice and working capital management. A firm should have a conservative dividend policy to ensure that the half of all profits are distributed, and there is enough retained in the organization. Investment appraisal techniques evaluate the desirability of an investment proposal through methods such internal rate of return, the average rate of return, payback period, or net present value. The primary objective for capital structure decision is capital budgeting. Financial performance assessment measures company's financial health over a period. This information obtained is vital as it can be used to make comparisons in similar firms across the same industries in aggregation. Working capital management helps in determining the state of company financial position; it shows the survival ability in the short term.

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CHAPTER 3

CO-OPERATIVE BANKS: AN INTRODUCTION

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1.0 INTRODUCTION

Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre. At present there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system. In brief, the cooperative banks have to act as a friend, philosopher and guide to entire cooperative structure.

Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centered on communities, localities and work place groups and they essentially lend to small borrowers and businesses. The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas.

These banks, until 1996, could only lend for non-agricultural purposes. As at end-March 2011, there were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a single State, there were 42 UCBs having operations in more than one State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agricultural based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of people for self-employment, industries, small scale units and home finance.

These banks provide most services such as savings and current accounts, safe deposit lockers, loan or mortgages to private and business customers. For middle class users, for whom a bank is where they can save their money, facilities like Internet banking or phone banking is not very important. Although they are not better than private banks in terms of facilities provided, their interest rates are definitely competitive. However, unlike private banks, the documentation process is lengthy if not stringent and getting a loan approved quickly is rather difficult. The criteria for getting a loan from a UCB are less stringent than for a loan from a commercial bank.

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2.0 CREDIT RISK MANAGEMENT IS PRIMAL IN THE PROCESS OF CREDIT LENDING

Today, Credit Risk Management is primal in the process of credit lending process. This is equally true at all levels of corporate structure. Under this either private or nationalized banks should be considered. However, there exists another sector of banks that are being in existence that is being used by a large number of the middle class section of our society. These are co-operative banks of India. In the early 19th Century, with the success of cooperative societies outside India in countries like Britain and Germany led to the formation of cooperative banks as a very big moment. "Anyonya Co-operative Bank “of India is considered to have been the first cooperative bank setup in Asia. With a huge success of Urban Cooperative Bank UCB in Germany and Italy, in the year 1889 this first Cooperative society was setup as 'ANYONYA SAHAKARI MANDALI' in the then princely State of Baroda under the leadership of Late Shri Vithal Laxman Kavthekar. By the year 1904, the Co-operative society Act was passed in India. After studying various practices in agricultural land banking in European countries, a report by Sir Fredrick Nicholson was submitted which further led to the setup of Sir Edward Law committee? Report of Sir Edward Law committee was instrumental bringing out a special legislation for legal Cooperative setup in India.

With this enactment of law the first urban cooperative credit society (UBC) was registered in Canjeevaram, Madras province in October, 1904. This further led to more of such societies being formed in Madras and Bombay provinces. Co-operative banks are small-sized financial units that are being run in an organized co-operative sector, for both urban and non-urban areas. These banks tend to lend small borrowers and businesses in a small area or locale. In other words, Cooperative banks engage in both retail and commercial banking on mutual cooperative basis.

In India, Cooperative movement has its origin in agriculture and related sectors. The first Cooperative Credit Societies Act was enacted in 1904, followed by a more comprehensive law called as the "Cooperative Societies Act "was implemented.

According to this law the provision for "Registrar of Cooperative Societies and Registration of Cooperative Societies" for various purposes including audit was enforced.

In 1919, Under the Montague- Chelmsford Reforms, Cooperation became a provincial subject or state subject and provinces or the states were authorized to make their own cooperative laws. Under the Government of India Act 1935, the cooperatives were treated as a provincial subject. Under the Constitution of India, the cooperatives are a state subject under the entry no. 32 of the state list.

In 1942, a Multi-Unit Cooperative Societies Act are enacted to cover Cooperative societies with membership from more than one state. This Act specifically dealt with setting up of corporations and closure of such societies having its jurisdiction in multiple states or provinces. However, a need for a stringer and comprehensive Central Legislation to consolidate the laws governing Cooperative Societies was felt leading to the implementation of "Multi-State Cooperative Societies Act, 1984" by the Parliament under Entry No 44 of the Union List of the Constitution of India.

Soon after Independence, these became an integral part of Five Year Plan by the planning commission with greater stress on removal poverty and improving the socio-economic status of the states. This led to the emergence of Cooperatives as a distinct commercial segment in the Indian economy.

In 1958, the National Development Council (NDC) recommended its national policy on cooperatives. The cooperative sector has been playing a distinct and significant role in the country's process of socio-economic development. During the past few decades, there has been a substantial growth in the type of Cooperatives this sector. from 1.81 lac in the year 1950-51 to 4.53 lacs in 1996-97 and total membership from 1.55 crore to 20.45 crore in the same period. The cooperatives have been operating in various areas of the economy such as credit, production, processing, marketing, input distribution, housing, dairying and textiles. In some of the areas of their activities like dairying, urban banking and housing, sugar and handlooms, the cooperatives have achieved success to an extent but there are larger areas where they have not been so successful.

Urban Co-operative Banks (UCBs) refers to primary cooperative banks situated in urban and semi-urban areas. Until 1996, these banks were allowed to lend for non-agricultural purposes only.

However, with time today this limitation is no longer present. While these banks in rural areas majorly finance agricultural based activities which include farming, cattle, milk, personal finances and so on other activities like small scale industries (SSI) and self-employment activities are also undertaken.

In India, Co operative Banks in India are registered under the Co-operative Societies Act. These banks are regulated by the Reserve Bank India, and governed under the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965.

Services like opening and managing savings and current accounts, safe deposit lockers, loan and so on to individuals and business owner customers.

The co-operative banking structure in India is primarily divided into five categories. These are:

- Primary Urban Co-op Banks
- Primary Agricultural Credit Societies
- District Central Co-op Banks
- State Co-operative Banks
- Land Development Banks

Initially, the UBC societies were based on community lending and hence were focused in meeting the expenditure based credit requirements of its members. The term 'bank' was very loosely used by many societies in the initial phase.

At the start of the century these were primarily credit societies which later changed into UCBs. Societies which were not in any banking functions also used the term 'bank'. Since there was no concept of UBC, it was the Joint Reorganization Committee also known as "Mehta Bhansali Committee (1939)" of the Bombay province tried to define, for the firset time.

According to the Mehta Bhansali Committee a Society whose paid up share capital was a minimum of Rs.20000, accepted money deposits, did withdrawals by cheque or draft or such were termed as UBC or Urban Credit Banks. However, in Madras province, a society registered under the Registrar of Cooperative Societies, were known as Urban Cooperative Banks (UCBs) irrespective of their share capital. Accordingly in 1966, with the advent of cooperative banks provisions, section 5(CCV) of Banking Regulation Act, 1949 defined UCB, as under as a primary cooperative bank other than a primary agricultural credit society:

- Prime Objective being business transactions pertaining to banking;
- A fully paid up share capital along a reserve of no less than Rs.1 lakh and Restriction of entry of other cooperative society as a member

Since co-operative banks function on the basis of 'no-profit and no-loss', by principle these banks do not pursue the goal of profit maximization. Also, since these banks do not offering no more than the basic banking services. like small borrowers they do not extend this facility to industrial and trade sectors, but professional and salary classes. Some cooperative banks in India are more forward than many of the state and private sector banks.

According to NAFCUB (National Federation of Urban Co-operative Banks and Credit Societies Ltd), the total deposits and lending of cooperative banks is at a higher level than old private sector banks and few new public sector banks.

This phenomenal growth and development of these co-operative banks is attributed primarily by way of better local reach, close interaction with its customers, finally the ability to catch the pulse of local clientele.

Having achieved so much, these banks are not better enough than their counter part, private banks in especially in terms of facilities that are provided, though the interest rates are definitely competitive and marketable. For instance, interest rate difference for securing automobile loans is around 5-7 percent as compared to private banks.

However, unlike not stringent but lengthy documentation though, these banks sufferer from this difficulty which makes the loan approval rather quick with the private banks. The conditions of Urban Cooperative Bank (UCB) are more stringent than a commercial bank, when it comes to securing a loan, say for instance Education Loan where t does not matter whether the course you are going for is recognized or not when taking a loan. Hence UCB's today are a better option for getting the best rates of interest and getting the clients attention too.

One must know that in general the borrower should be a member of such bank with a min. of 2.5% of loan amount worth as shares. This can also go to a max. of 25,000.

Cooperative Bank Requirements

Rural banking in India started since the establishment of banking sector in India way back in the start of the century. Rural Banks in those days mainly focused upon the agro sector.

Regional rural banks in India penetrated every corner of the country and extended a helping hand in the growth process of the country.

SBI for instance has 30 Regional Rural Banks in India known as RRBs. The rural banks of SBI are spread in 13 states extending from Kashmir to Karnataka and Himachal Pradesh to North East. The total number of SBIs Regional Rural Banks in India branches is 2349 (16%). Till date in rural banking in India, there are 14,475 rural banks in the country of which 2126 (91%) are located in remote rural areas.

3.0 CHARACTERISTICS OF THE CO-OPERATIVE BANK

Besides the different figures and facts the characteristics of the co-operative bank are –

- The main theme is serving i.e. no profit or no loss.
- They are based on the principles of cooperation, self help and mutual help
- The co-operative banks are the first govt. sponsored, supported and subsidized financial agency in India.
- The co-operative banks were having a three tier linkage structure and straight line integration.
- These are small scale banking and the average size of these banks is quite small.
- They are subject to Monetory policy control and earlier their regulations were controlled by RBI. But now their control has been mostly deregulated.
- The borrowings are made by them through RBI, NABARD and other APEX Institutions.
- They are featured by functional organizations.

3.1 However the areas of working for Cooperative banks in India are as under where they support in terms of finance are as under:

- Farming
- Cattle
- Milk
- Hatchery
- Personal finance

3.2 Cooperative banks in India finance urban areas under*:*

- Self-employment

- Industries
- Small scale units
- Home finance
- Consumer finance
- Personal finance

The failure of cooperatives can be attributed to dormant membership and lack of active participation of members in the management of cooperatives. Mounting over dues in cooperative credit institutions, lack of mobilization of internal resources and over dependence on government assistance, lack of professional management, bureaucratic control and interference in the management, political interference and over-politicization have proved harmful to their growth. These are the areas which need to be attended to by evolving suitable legislative and policy support.

For the success of any developmental effort in the agricultural sector is to synergize with the efforts in the cooperative sector. Development of cooperative sector has many benefits. It will involve all sections of the society in development efforts. Cooperative sector of Indian economy has a spiritual content too when it was led by Vinoba Bhave. Cooperative sector has inbuilt democracy and only those who can demonstrate their commitment and efficiency can survive in the cooperative elections. Nowadays most of the financial institutions in the cooperative sector are also run on purely commercial basis. It is here that the State intervention can make the difference. The grant, subsidies and aid meant for the poor farmers must be channeled through the cooperative sector. Once there are enough resources in the sector in terms of money there will be increased participation by the people and will result in the all round development of the village.

Panchayat Raj institutions and cooperative sector can bring about positive change in the rural areas. Cooperatives have extended across the entire country and there are currently estimated 230 million members nationwide. The cooperative credit system has the largest network in the world and cooperatives have advanced more credit in the Indian agricultural sector than commercial banks. In fertilizer production and distribution the Indian Fertilizer Cooperative commands over 35% of the market. In the production of sugar the cooperative share of the market is over 58% and in cotton they have share of 60%.The cooperative sector accounts for 55% of the looms in the hand-weaving sector. Cooperative process, market and distribute

50% of the edible oil. Dairy cooperative operating under the leadership of the National Dairy Development Board and through 15 state cooperative milk marketing federations as now become the largest producer of milk. With the rapid growth of the cooperative sector a supportive climate has been created for the development of cooperatives with the opportunities for diversification.

With the efforts of National Cooperative Union of India the Central Government passed the Multi State Cooperatives Societies Act and also formulated a national cooperative policy that provides greater autonomy to cooperatives. With the passage of the Insurance Act, cooperatives have been allowed to enter into the insurance business. Insurance is a field where the immense potential of cooperatives still remains untapped.

In the new economic environment cooperatives at all levels are making efforts to reorient their functions according to the market demands. Cooperatives are also considered to have immense potential to deliver goods and services in areas where both the state and the private sector have failed.

3.3 Cooperative Societies Registration

- To begin with 10 individuals should come together to form a society.
- Provisional committee is formed with a chief promoter elected amongst them and society named.
- An application is presented to the registration authority for registering the name and to
- Commence the society on that name. This name is valid for a period of 3 months.
- A share capital along with a nominal fee is decided and collected from the prospective
- Members.
- This followed by opening up of a bank account in the name of the society. The monies so collected from the members is deposited in to the bank account and a certificate from the bank is obtained, besides the registration fee has to be deposited with RBI for which a
- challan is provided as receipt.
- Once the application is submitted in the concerned Municipal ward to the "Registrar of
- Societies", the application is examined and further action taken.
- Once details are registered with the register in Form "B" an issue receipt and a serial number is issued.
- The Registrar on the registration will notify the registration of the Society in the Official
- Gazette and issue Registration Certificate.

3.4 Documents submitted while registration

Following are the documents submitted while registration:

i. Form No. An in quadruplicate signed by at least 90% of the promoter members
ii. List of promoter members.
iii. Bank Certificate.
iv. Detailed report of working of the society.
v. 4 copies of proposed bye-laws of the society.
vi. Proof of payment of registration charges.
vii. Other documents like affidavits, indemnity bonds, any other documents as specified by the Registrar needs to be submitted.

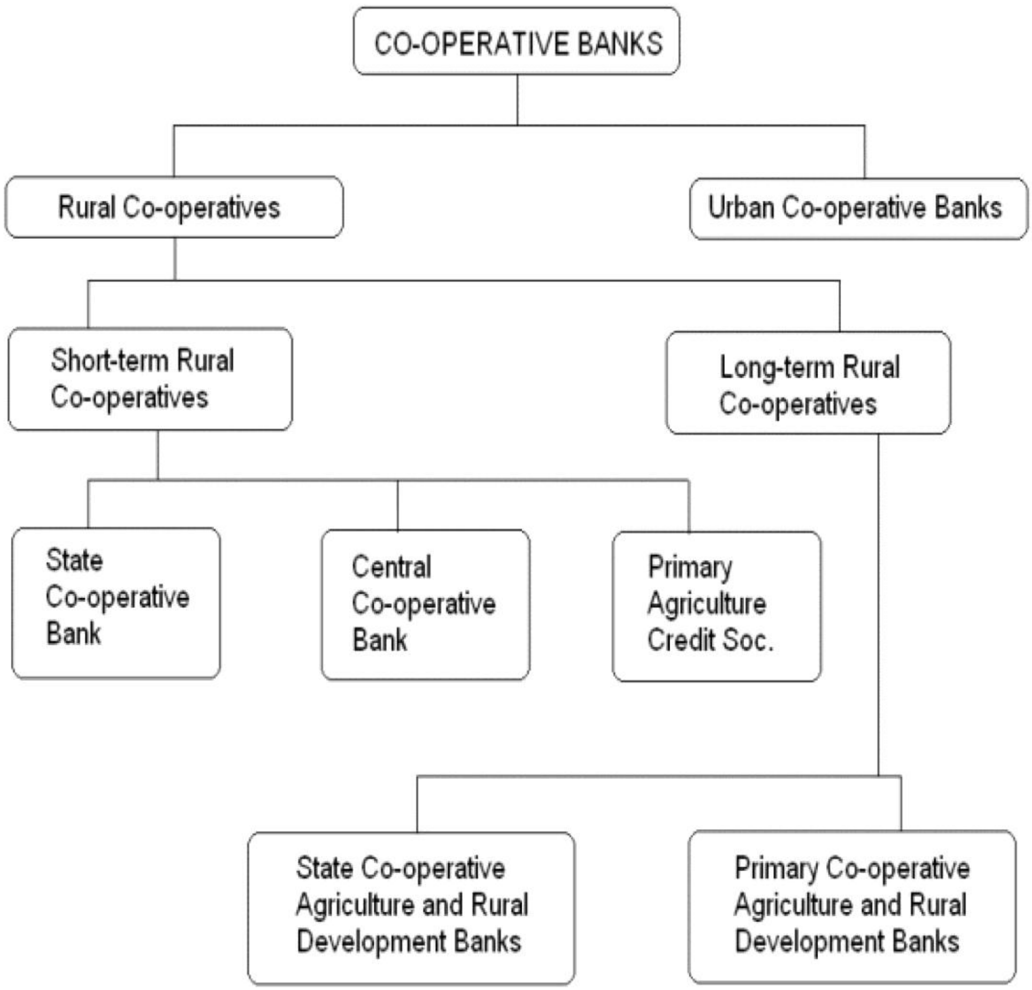
3.5 Pattern of working

The overview form and pattern of working in general can be observed through the following points.

- Co-operative banks serving to both smaller and marginal clients.
- There were 102 Saving Accounts and 113 Cooperative banks per 1000 rural members in India for the year 2009.
- The share of rural co-operatives in the total institutional credit was 62%, 34% and 53% in the year 1992-93, 2002-03 and 2006-07 respectively.
- The co-operative banks are having effective net work for institutional credit in India especially rural parts of India.
- Large parts of working area for the co-operative banks were in the rural parts.
- The co-operative banks are comprising 14% of the total banking sector assets which is the second segment of Indian Banking System.
- The figures of PACs in rural areas in 2009 were 97224 while commercial banks were having 30393 branches.
- The financial health of the co-operative credit institutions, especially in rural area co-operatives has been proving to be unsmart by different committees.

4.0 CONSTITUTION OF COOPERATIVE BANKS

Though the Cooperative credit structure in India is old enough, yet there are inadequacies that need to be resolved before they turn into a stable and self sustaining systems.



5.0 ROLE OF COOPERATIVE BANKS IN AGRICULTURAL FINANCE

i. Primary Cooperative Agricultural Credit Societies (PACs)

A Cooperative agricultural credit society can be started with 10 or more persons normally belonging to a village or a group of villages. The members have unlimited liability, so each member is fully responsible for the entire loss of the society in the event of failure. Loans are given for short period, normally for the harvest season, for carrying on agricultural operation, and the rate of interest is fixed. The primary agricultural credit society was expected to attract deposits from among the members and non-members of the village and thus promote saving and self-help. It provides loans and advances to needy members mainly out of these deposits. At the end of year 2013, there are 91833 primary agricultural credit societies in the country with a membership of over 139376 thousand.

ii. Central Cooperative Banks (CCBS)

The Central Cooperative Banks located at the district headquarters or some prominent town of the district. Their main function is to lend to primary credit society apart from that, Central Cooperative Banks have been undertaking normal commercial banking business also, such as attracting deposits from the general public and lending to the needy against proper securities.

iii. State Cooperative Banks (SCBS)

The State Cooperative Banks, they finance, co-ordinate and control the working of the Central Cooperative Banks in each state. They serve as the link between the Reserve bank and the general money market on the one side and the Central Cooperative and Primary Societies on the other. They obtain their funds mainly from the general public by way of deposits, loans and advances from the Reserve Bank and they are own share capital and reserves.

6.0 PROBLEMS FACED BY CO-OPERATIVE BANKS

i. The vital link in cooperative finance system i.e. cooperative banks itself remains very poor. They are too small to operate property and some of them are existing only on the paper.
ii. The NPAs of the cooperative banks are higher than those of commercial banks in NPAs to asset ratios.
iii. They are performing the unethical practices by the bodies of chairman.
iv. They are largely depends upon govt. capital than the shareholders contributions.
v. The workers participation in the working is much lesser than expected.
vi. They are facing infrastructural weakness and structural laws. They do not have potentials in members, deposits and borrowers.
vii. Cooperative banks till now have to depend heavily on refinancing facilities from the govt., RBI and NABARD. They are not able to become self reliant through their own resources of deposits.

viii. They are facing from harmfully low or weak quality of loan assets and from highly bad recovery of loans.

ix. They are having much political and official intervention in their work. Besides that govt. interventions also coming in their way of progress and preventing them to become self reliant. Large of the banks are governed or directed by Politicians.

x. Different regulations have been put on them besides that they are weak in their working. In fact the existence of multiple regulatory authorities has come in the way of effective regulations, control and monitoring of cooperative banks.

xi. The areas of operation of the cooperative banks are restricted and limited.

xii. They are not having the modern practices of banking in there working viz. net banking, mobile banking, online banking, e-banking, ATM banking and all other modern banking practices. Due to which they have been eliminated and remained back foot in the modern era of marketing.

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CHAPTER 4

A STUDY ON CO-OPERATIVE BANKS WITH SPECIAL REFERENCE TO LENDING PRACTICES IN HOSHIARPUR

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1.0 INTRODUCTION

Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centered on communities, localities and work place groups and they essentially lend to small borrowers and businesses. The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas.

These banks, until 1996, could only lend for non-agricultural purposes. As at end-March 2011, there were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a single State, there were 42 UCBs having operations in more than one State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agricultural based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of people for self-employment, industries, small scale units and home finance.

2.0 STUDIES RELATING TO CUSTOMER PERCEPTION TOWARDS LENDING PRACTICES OF COOPERATIVE BANKS AND SATISFACTION WITH LENDING PRACTICES

Various studies conducted and numerous suggestions were sought to bring effectiveness in the working and operations of financial institutions. Narsimham Committee (1991) emphasized on capital adequacy and liquidity, Padamanabhan Committee (1995) suggested CAMEL rating (in the form of ratios) to evaluate financial and operational efficiency, Tarapore Committee (1997) talked about Non-performing assets and asset quality, Kannan Committee (1998) opined about working capital and lending methods, Basel committee (1998 and revised in 2001) recommended capital adequacy norms and risk management measures.

Kapoor Committee (1998) recommended for credit delivery system and credit guarantee and Verma Committee (1999) recommended seven parameters (ratios) to judge financial performance and several other committees constituted by Reserve Bank of India to bring reforms in the banking sector by emphasizing on the improvement in the financial health of the banks. Experts suggested various tools and techniques for effective analysis and interpretation of the financial and operational aspects of the financial institutions specifically banks. These have focus on the analysis of financial viability and credit worthiness of money lending institutions with a view to predict corporate failures and incipient incidence of bankruptcy among these institutions.

Bhaskaran and Josh (2000) concluded that the recovery performance of co-operative credit institutions continues to unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking.

Jain (2001) has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

Singh and Singh (2006) studied the funds management in the District Central Co-operative Banks (DCCBs) of Punjab with specific reference to the analysis of financial margin. It noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets.

Mavaluri, Boppana and Nagarjuna (2006) suggested that performance of banking in terms of profitability, productivity, asset quality and financial management has become important to stable the economy. They found that public sector banks have been more efficient than other banks operating in India.

Pal and Malik (2007) investigated the differences in the financial characteristics of 74 (public, private and foreign) banks in India based on factors, such as profitability, liquidity, risk and efficiency. It is suggested that foreign banks were better performers, as compared to other two categories of banks, in general and in terms of utilization of resources in particular.

Campbell (2007) focused on the relationship between nonperforming loans (NPLs) and bank failure and argued for an effective bank insolvency law for the prevention and control of NPLs for developing and transitional economies as these have been suffering severe problems due to NPLs.

Singla (2008) emphasized on financial management and examined the financial position of sixteen banks by considering profitability, capital adequacy, debt-equity and NPA.

Dutta and Basak (2008) suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Chander and Chandel (2010) analyzed the financial efficiency and viability of HARCO Bank and found poor performance of the bank on capital adequacy, liquidity, earning quality and the management efficiency parameters.

Dutta and basak (2008) Studied and suggested that co-operative banks should improve their recovery performance adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Jyothi gupta and suman Jain (2012) analyzed the lending practices of co-operative banks in India, comparison of efficiency of co-operative banks in India, Impact of size on the efficiency of the co-operative banks and different types of loans preferred by different set of customer from these banks.

3.0 DATABASE AND RESEARCH METHODOLOGY

3.1 Objectives of the Study

Following are the specific objectives of the study:

i. To know the lending practices of cooperative banks in India.
ii. To know different type of loans preferred by different sets of customers.
iii. To get an overview about the services and performance of co-operative banks.
iv. To know the satisfaction level of the customers from Bank's lending policies.
v. To understand the customer's satisfaction and perception towards the services of co-operative sector banks.

3.2 Sources of Data Collection

For final data collection, Primary as well as secondary sources was used.

3.2.1 Primary Source

For collecting primary data, the method used was questionnaire and interview of the experienced loan officers. The questionnaire comprised of two parts which are as follows:

Part A: Part A deals with personal information.

Part B: Type of Research - Descriptive research is used in this study in order to identify the lending practices of bank and determining customer's level of satisfaction.

4.0 DEMOGRAPHIC PROFILE OF RESPONDENTS

Table 1 presents the demographic profile of sampled population. It can be seen from Table 4.1 that equal male respondents participated in survey (50 per cent) as female (50 per cent) respondents.

Furthermore, sample population formed the majority (38 per cent and 38 per cent) in the age group of less than 30 years and 30-40 years respectively, followed by 40-50 years (14per cent). Furthermore, respondents falling in the age category of above 50 are just 10per cent.

With regard to marital status of the sample respondents from Table 1 that almost 64per cent respondents are married and 36per cent are unmarried.

As far as respondents' occupation is concerned, then Table 1 explains that major portion of the respondents come from service class (26 per cent), businessmen and professional (14 per cent and 14 per cent respectively), house wives (18 per cent), students (16 per cent) and retired (12per cent).

Table 1: Demographic Profile of Respondents

		Frequency	Percentage	Cumulative Percentage
Gender	Male	50	50.0	50.0
	Female	50	50.0	100.0
	Total	100	100.0	
Age (Yrs)	Less than 30	38	38.0	38.0
	30-40	38	38.0	76.0
	40-50	14	14.0	90.0
	Above 50	10	10.0	100.0
	Total	100	100.0	
Marital Status	Married	64	64.0	64.0
	Single	36	36.0	100.0
	Total	100	100.0	
Education Level	Upto 10	14	14.0	14.0
	Upto 12	28	28.0	42.0
	UG	30	30.0	72.0
	PG	28	28.0	100.0
	Total	100	100.0	
	Retired	12	12.0	12.0
	Employee	26	26.0	38.0

Occupation	Professional	14	14.0	52.0
	Businessman	14	14.0	66.0
	House wife	18	18.0	84.0
	Students	16	16.0	100.0
	Total	100	100.0	
Family Monthly Income(Rs.)	Less than 20000	28	28.0	28.0
	20000-40000	44	44.0	72.0
	40000-60000	20	20.0	92.0
	More than Rs 60000	8	8.0	100.0
	Total	100	100.0	
Place of residence	Urban	32	32.0	32.0
	Semi urban	50	50.0	82.0
	Rural	18	18.0	100.0
	Total	100	100.0	

Source: Compiled through survey

As far as education level is concerned, 30 per cent of the respondents are under graduates followed by upto 10+2 and post graduate (28 per cent and 28 per cent respectively). The next largest category comprised of those respondents who are upto 10 (14 per cent).

As per income categorization, Table 1 shows that 44 per cent respondents are falling in the income category of Rs.20000-40000 followed by 28 per cent that belongs to income category of Rs. less than 20000. Though just 20 per cent are falling in the income category of less than Rs. 40000-60000 yet 8per cent are falling in the income category of more than Rs.60000 income group.

With regard to the place of residence 50 per cent respondents belong to semi-urban area, followed by 31 per cent respondents belong to urban area and 18 per cent respondents belong to rural area.

4.1 Lending Practices related Information of Sample Characteristics

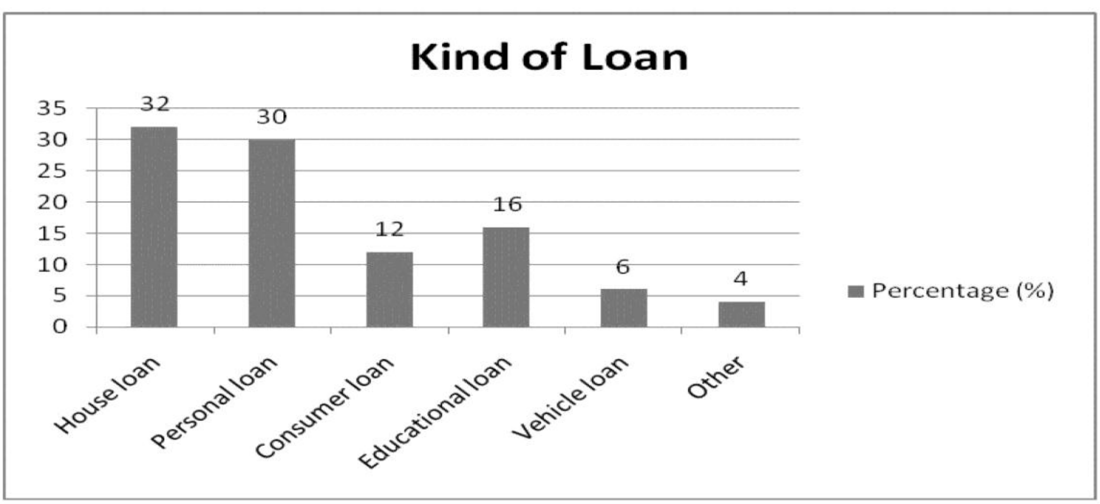
4.1.1 Preferences of the customers for the loans

Present study reveals that majority of the respondents have taken house loans & personal loans and less respondents prefer consumer, educational and vehicle loans.

Table 2: Preferences of the customers for the loans

Kind of Loan	No. of Respondent	Percentage (per cent)
House loan	32	32
Personal loan	30	30
Consumer loan	12	12
Educational loan	16	16
Vehicle loan	6	6
Other	4	4

Source: Compiled from survey



Source: Compiled from survey

Figure 1: Preferences of the customers for the loans

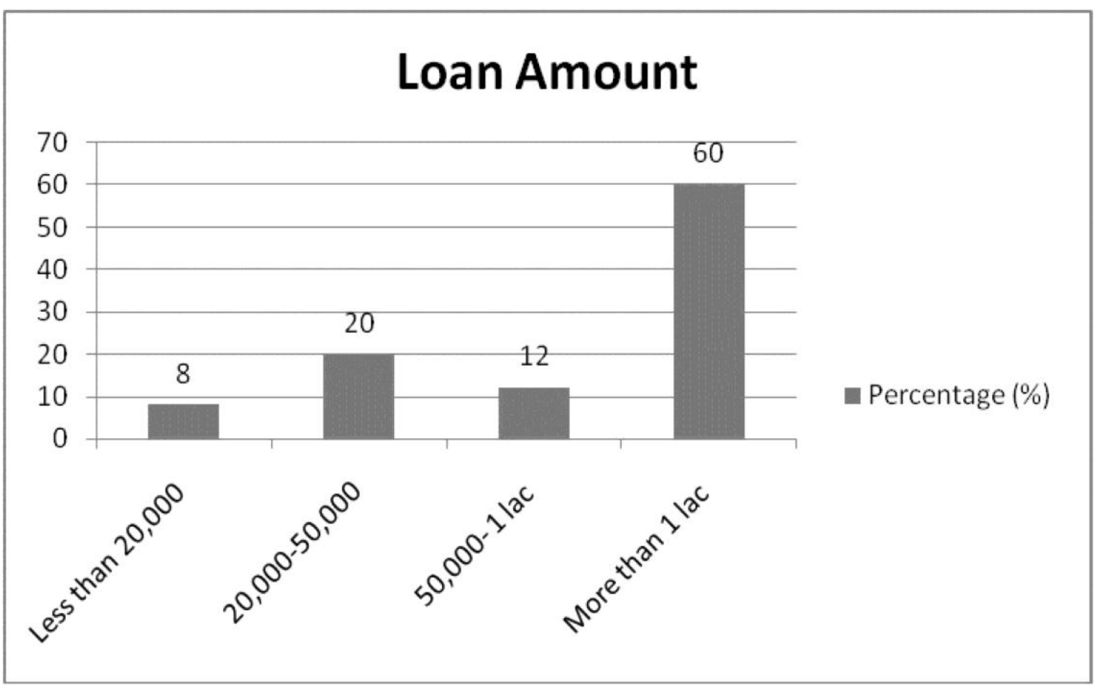
4.1.2 Range of the amount of loans

Present Study reveals that 8 per cent people prefer loan less than 20,000, 20 per cent respondents prefer 20,000 to 50,000,12 per cent prefer more than 1 lac and 60 per cent of the respondents prefer more than 1 lac.

Table 3: Range of the amount of loans

Loan Amount	No. of Respondent	Percentage (per cent)
Less than 20,000	8	8
20,000-50,000	20	20
50,000- 1 lac	12	12
More than 1 lac	60	60

Source: Compiled from survey



Source: Compiled from survey

Figure 2: Range of the amount of loans

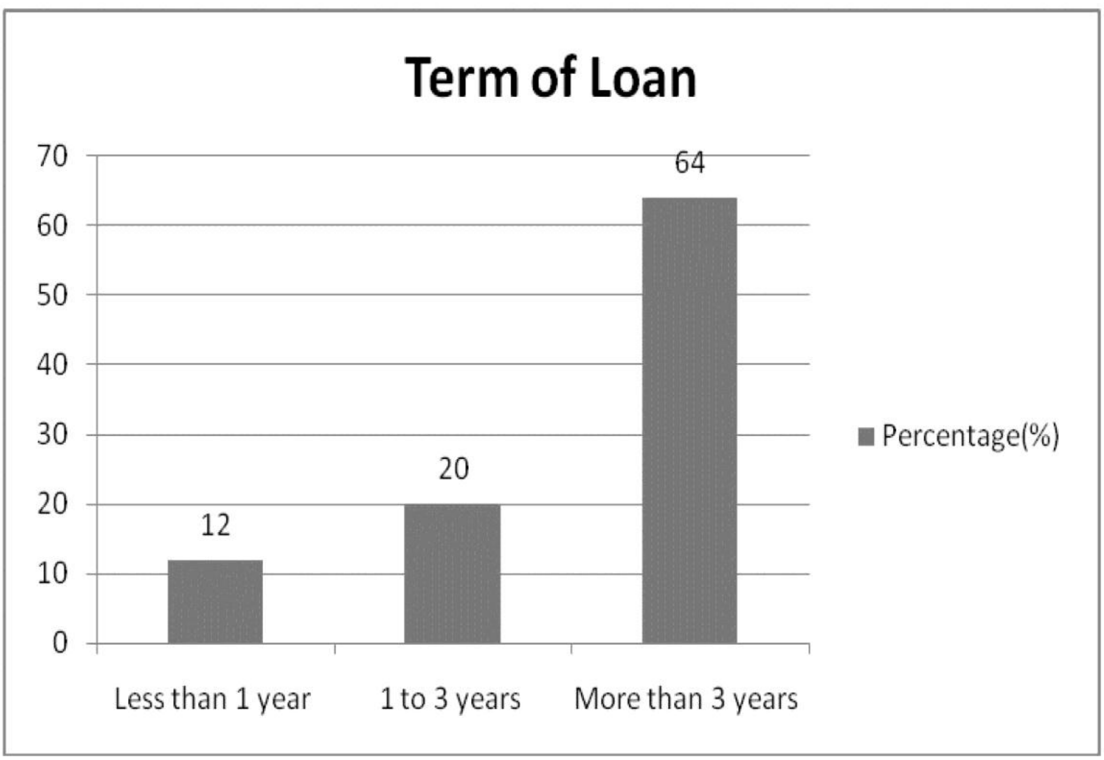
4.1.3 Preferable term of loan

Study shows that 64 per cent respondents take loan for more than 3 years, 20 per cent take loan for 1 to 3 years and 12 per cent take loan for the period of less than 1 year.

Table 4: Preferable term of loan

Term of Loan	No. of respondent	Percentage (per cent)
Less than 1 year	12	12
1 to 3 years	20	20
More than 3 years	64	64

Source: Compiled from survey



Source: Compiled from survey

Figure 3: Preferable term of loan

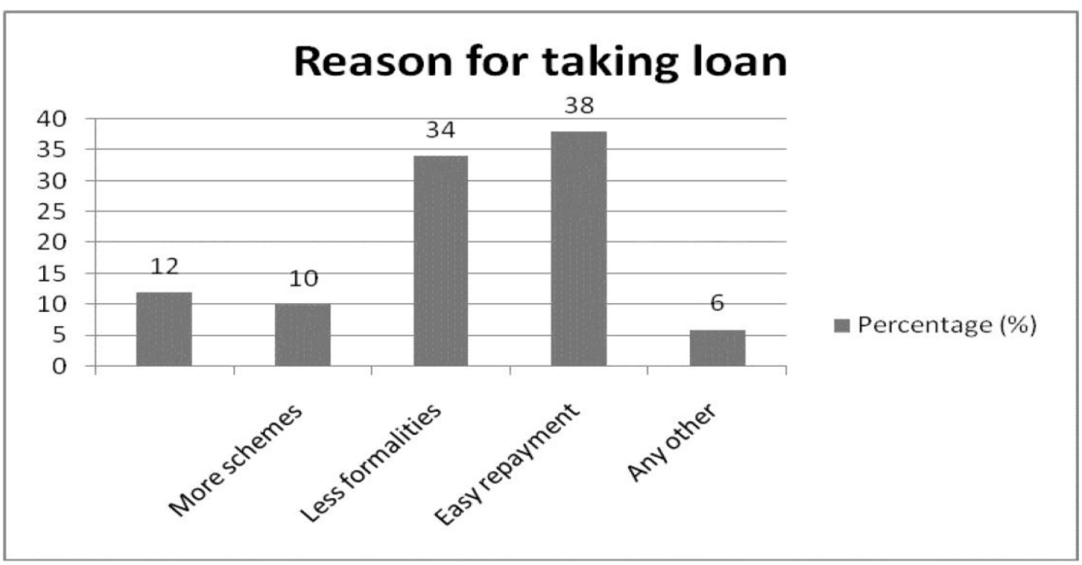
4.1.4 Reasons prompted the customers to take loan from cooperative banks

Study reveals that 38 per cent take loan because banks provide easy payment,34 per cent take loans because of less formalities and other respondents take loan because of reasonable rate of interest, more schemes .

Table 5: Reason prompted the customers to take loan from cooperative banks

Reason for taking loan	No. of Respondent	Percentage (per cent)
Reasonable rate of interest	12	12
More schemes	10	10
Less formalities	34	34
Easy repayment	38	38
Any other	6	6

Source: Compiled from survey



Source: Compiled from survey

Figure 4: Reason prompted the customers to take loan from cooperative banks

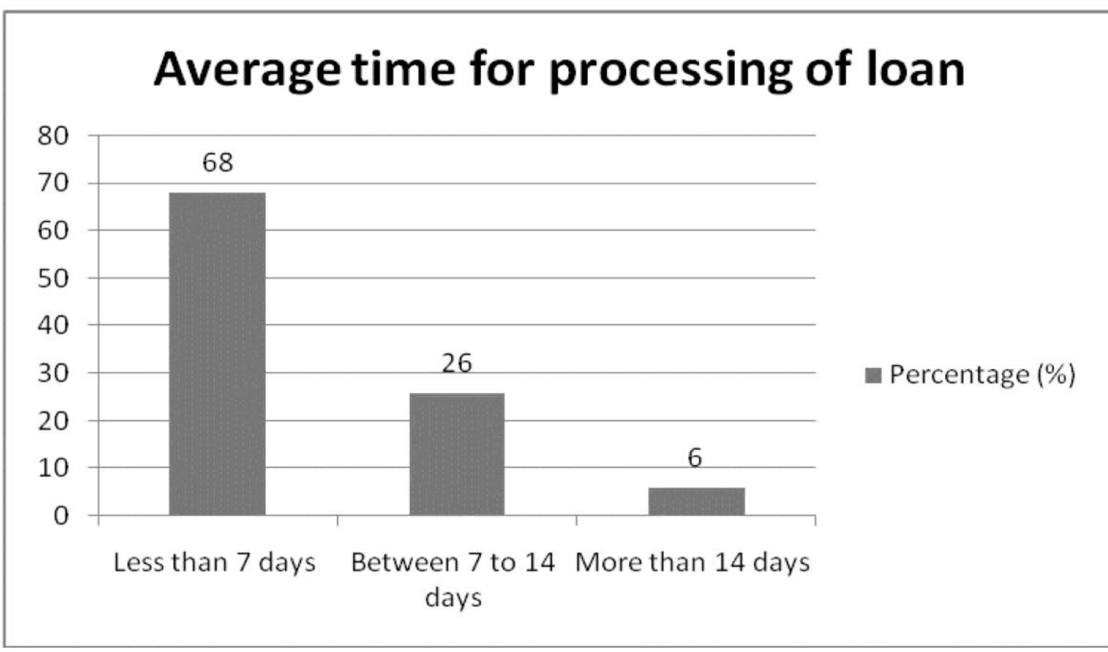
4.1.5 Average time taken for the processing of the loan

Study reveals that 68 per cent respondents says that average time taken for processing of the loan is less than 7 days, 26 per cent says that it takes 7 – 14 days and 6 per cent says that it takes more than 14 days.

Table 6: Average time taken for the processing of the loan

Average time for processing of loan	No. of respondent	Percentage (per cent)
Less than 7 days	68	68
Between 7 to 14 days	26	26
More than 14 days	6	6

Source: Compiled from survey



Source: Compiled from survey

Figure 5: Average time taken for the processing of the loan

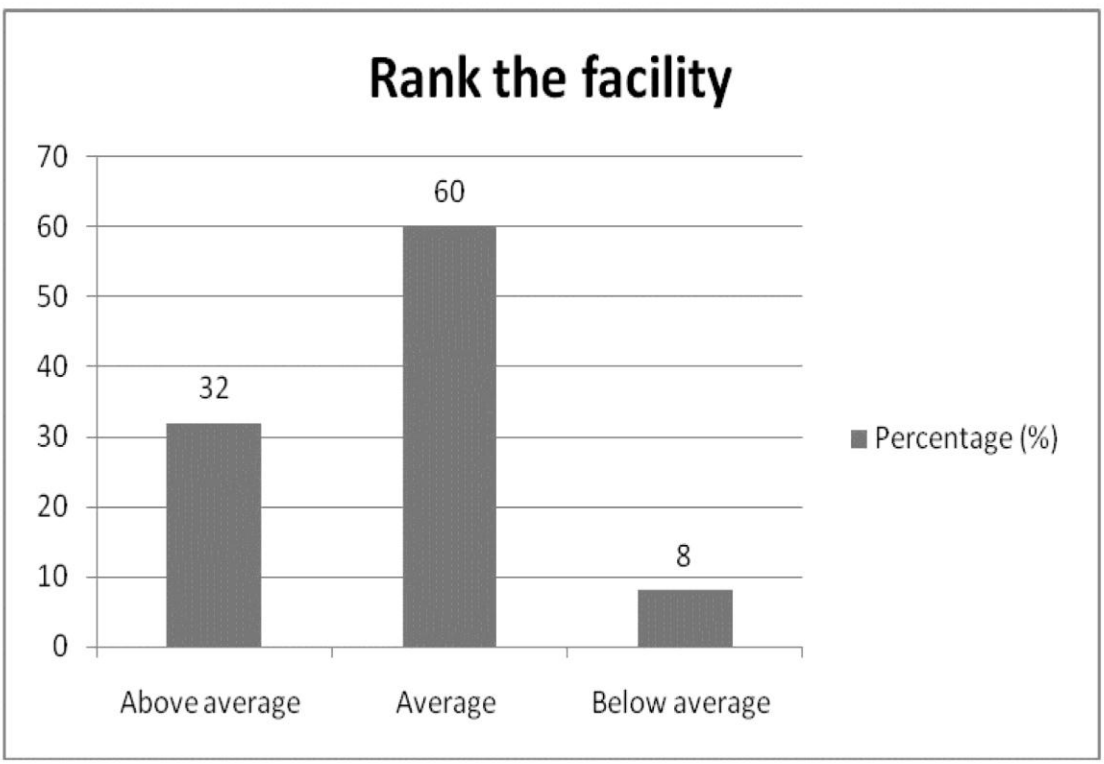
4.1.6 Ranking of the facilities provided by the co-operative banks

Study shows that 60per cent of the respondent says that facility provided by the bank are average, 32per cent say that its above average and 8per cent says that its below average.

Table 7: Ranking of the facilities provided by the co-operative banks

Rank the facility	No. of respondent	Percentage (per cent)
Above average	32	32
Average	60	60
Below average	8	8

Source: Compiled from survey



Source: Compiled from survey

Figure 6: Ranking of the facilities provided by the co-operative banks

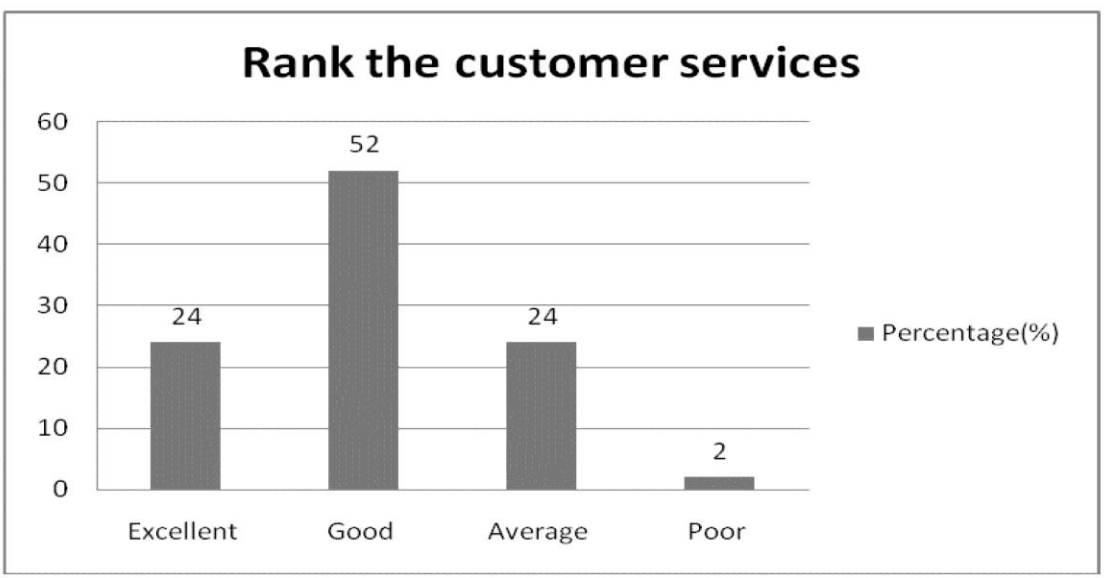
4.1.7 Customer's ranking for service of the bank

Study shows that 52per cent of the respondents says that customer service of the bank is good,24per cent says that it is excellent and another 24 per cent says its average and only 2 per cent says its poor.

Table 8: Customer's ranking for service of the bank

Rank the customer services	No. of respondents	Percentage (per cent)
Excellent	24	24
Good	52	52
Average	24	24
Poor	2	2

Source: Compiled from survey



Source: Compiled from survey

Figure 7: Customer's ranking for service of the bank

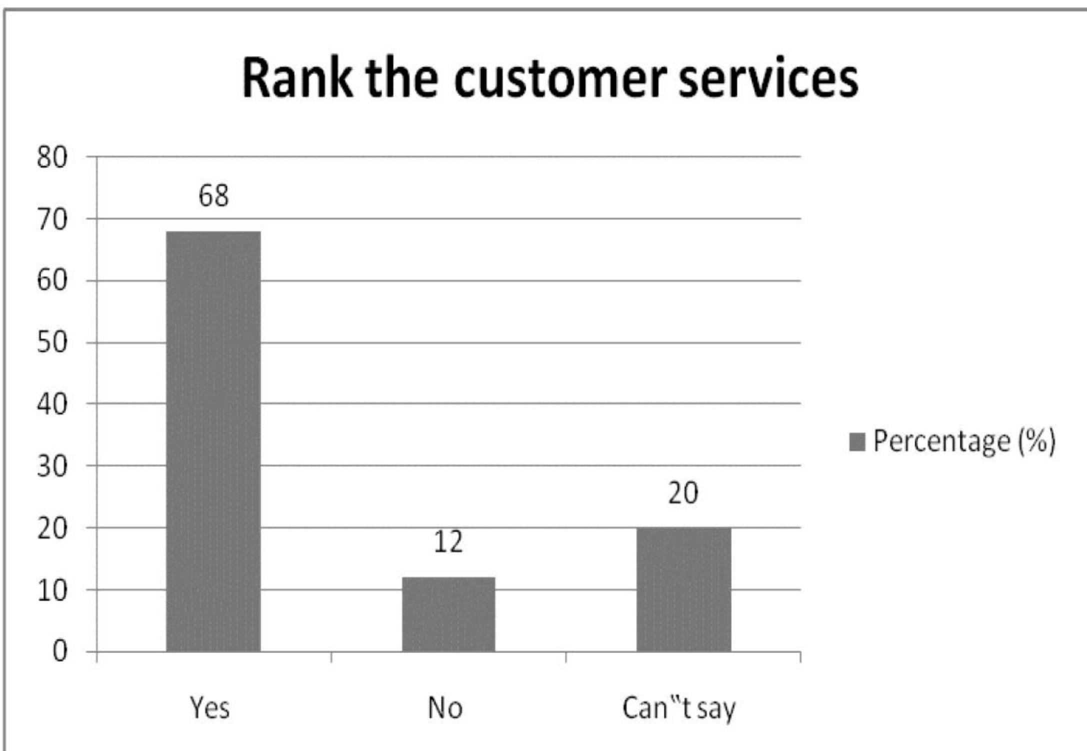
4.1.8 Satisfaction of the customers with the amount & period of installment

Study reveals that 68per cent are satisfied with the amount and period of installment, 12 per cent are not satisfied and 20 per cent can‟t say.

Table 9: Satisfaction of the customers with the amount & period of installment

Rank the customer services	No. of respondents	Percentage (per cent)
Yes	68	68
No	12	12
Can‟t say	20	20

Source: Compiled from survey



Source: Compiled from survey

Figure 8: Satisfaction of the customers with the amount & period of installment

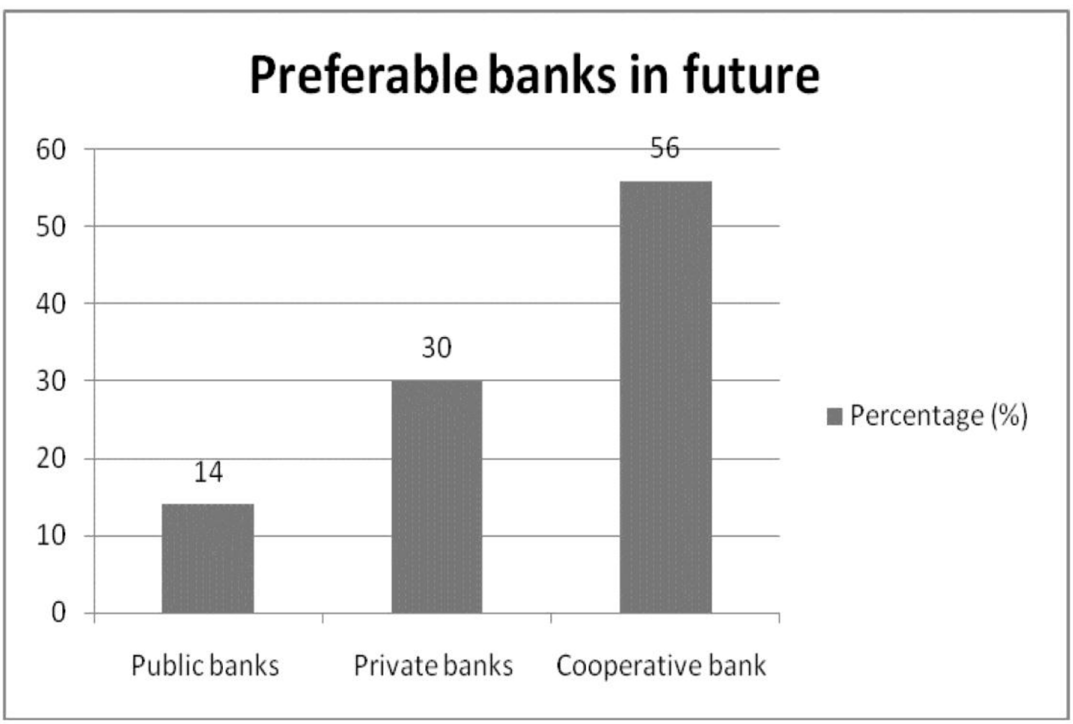
4.1.9 Preferable banks for borrowing facilities

Study shows that 56 per cent of the respondents wil prefer loans from co-operative banks, 30 per cent from the private banks and 14 per cent from the public banks.

Table 10 : Preferable banks for borrowing facilities

Preferable banks in future	No. of respondent	Percentage (per cent)
Public banks	14	14
Private banks	30	30
Cooperative bank	56	56

Source: Compiled from survey



Source: Compiled from survey

Figure 9: Preferable banks for borrowing facilities

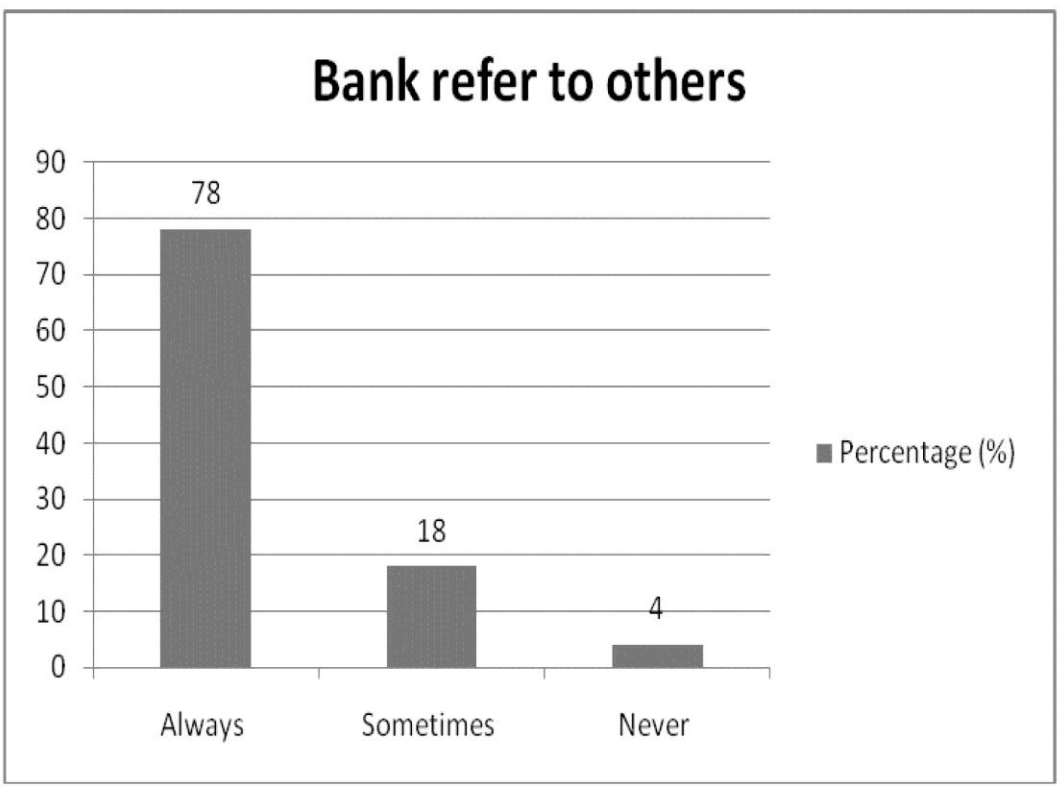
4.1.10 Customers who would like to refer the co-op. banks to their friends and relatives

78 per cent of the respondents would like to refer the bank to their friends and relatives which shows that they are satisfied from the services and lending practices of the bank.

Table 11: Customers who would like to refer the co-op. banks to their friends and relatives

Bank refer to others	No. of respondent	Percentage (per cent)
Always	78	78
Sometimes	18	18
Never	4	4

Source: Compiled from survey



Source: Compiled from survey

Figure 10: Customers who would like to refer the co-op. banks to their friends and relatives

4.2 Customer Satisfaction and Perception towards the Services of Co-Operative Banks

The opinions of customer are shown under different heads. Which give the information that, if the customer were satisfied with the services of Ranipet services co-operative bank or not. Customer's opinion about the services of bank was summarized as below table. HS= Highly Satisfied, S= satisfied, A= Average, D= Dissatisfied, HD= Highly Dissatisfied.

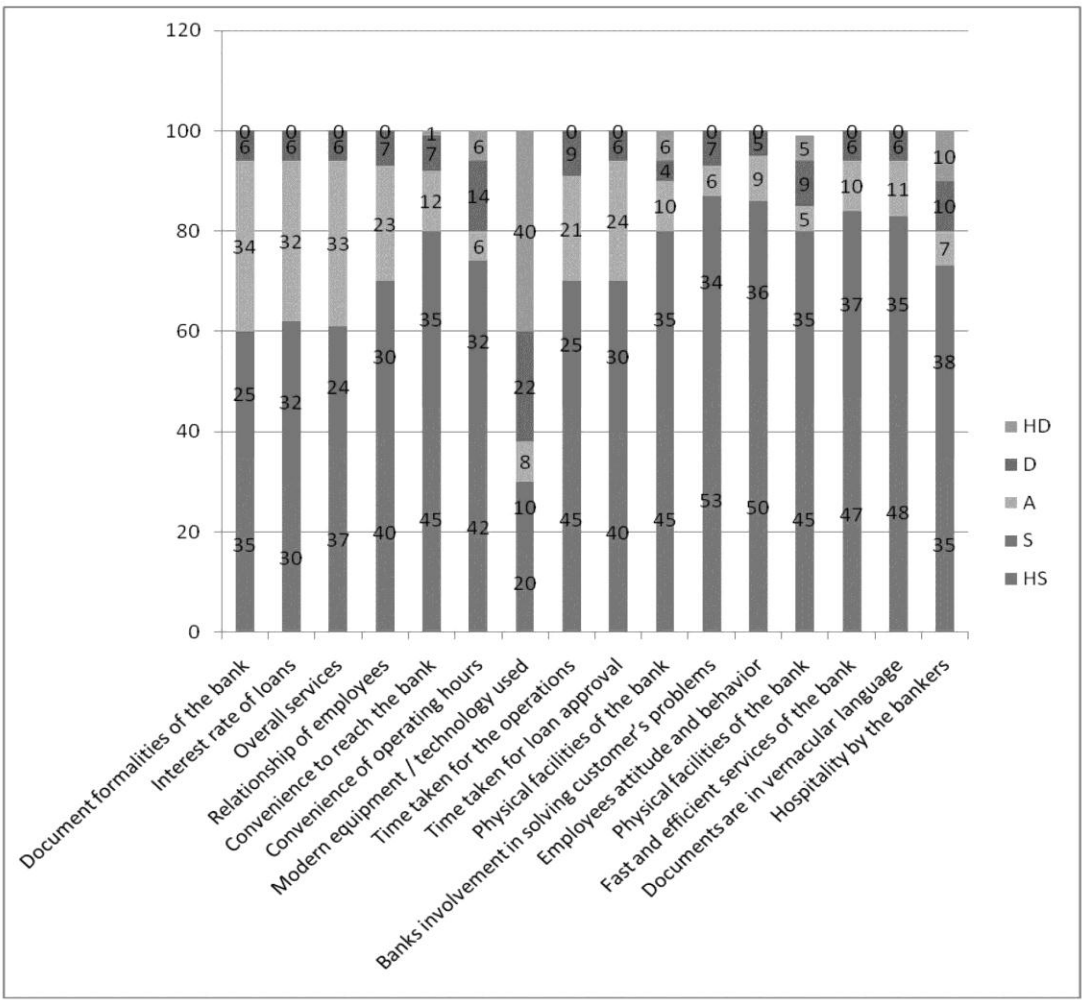
Table 4.3 indicates that the customers are highly satisfied with the services of the cooperative bank and the relationship of employees with their customers. But most of the customers expressed some sort of dissatisfaction in modern equipment and technology used by the bank comparatively to other private and public bank. The study showed that the customer have positive attitude towards the services.

Table 12: Customer Satisfaction and Perception towards the Services of Co-Operative Banks

Services of Co-Operative Banks	HS	S	A	D	HD
Document formalities of the bank	35	25	34	6	0
Interest rate of loans	30	32	32	6	0
Overall services	37	24	33	6	0
Relationship of employees	40	30	23	7	0
Convenience to reach the bank	45	35	12	7	1
Convenience of operating hours	42	32	6	14	6
Modern equipment / technology used	20	10	8	22	40
Time taken for the operations	45	25	21	9	0
Time taken for loan approval	40	30	24	6	0
Physical facilities of the bank	45	35	10	4	6
Banks involvement in solving customer's problems	53	34	6	7	0
Employees attitude and behavior	50	36	9	5	0

Physical facilities of the bank	45	35	5	9	5
Fast and efficient services of the bank	47	37	10	6	0
Documents are in vernacular language	48	35	11	6	0
Hospitality by the bankers	35	38	7	10	10

Source: Compiled from survey



Source: Compiled from survey

Figure 11: Customer Satisfaction and Perception towards the Services of Co-Operative Banks

5.0 CONCLUSION

The current topic deal with demographic profile of the respondents, Preferences of the customers for the loans, range of the amount of loans, preferable term of loan, reasons prompted the customers to take loan from cooperative banks, ranking of the facilities provided by the co-operative banks, customer's ranking for service of the bank, satisfaction of the customers with the amount & period of installment, preferable banks for borrowing facilities, customers who would like to refer the co-op. Banks to their friends and, relatives and customer satisfaction and perception towards the services of co-operative banks.

This chapter attempts to study the cooperative banks customer perception of service quality in the cooperative bank. Responses of 100 customers were randomly selected for knowing their experience with the bank. The analyzed showed that and the customers of bank were highly satisfied with their services and attitude of the employees but they express their dissatisfaction towards the less technological advancements.

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CHAPTER 5

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) PRACTICES OF CO-OPERATIVE BANKS OF PUNJAB

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1.0 INTRODUCTION

Cooperative is one of the oldest and effective systems in terms of development of human civilization. Cooperative institutions are organized and managed on the principle of cooperation, self-help and mutual help. There are different types of cooperative institutions functioning in India. A cooperative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Cooperative banks are often created by persons belonging to the same local or professional community or sharing a common interest for banking and financial services like loans, deposits and banking accounts etc. For the improvement of their performance or quality of service, the banks should measure how their products and services met or exceed customer expectations.

2.0 USE OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

Banking sector is considered as backbone of economy of any country. The USA and Japan had achieved economic progress on account of robust growth in banking sector. The robust growth in banking sector is attributed to adoption of Information and Communication

Technology by banks.

Therefore, Information and Communication Technology (ICT) has become a key element in economic development and a backbone of banking sector. 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. Therefore, the need of the hour is that Co-operative banking system in the country need to adopt ICT 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.

3.0 DATABASE AND RESEARCH METHODOLOGY

This chapter attempts to study the ICT Practices of Banks. Responses of 100 employees were randomly selected for knowing their experience with the bank. The collection of data was analyzed and interpreted using different charts and tables. The analyses showed that the employees of bank express their dissatisfaction towards the less technological advancements and less awareness.

The data mainly concerns primary data collected in the form of questionnaire distributed among the employees of co-operative bank regarding ICT Practices of Cooperative Banks in district Hoshiarpur.

4.0 DATA ANALYSIS

4.1 Demographic Profile of Respondents

Table below presents the demographic profile of sampled population.

4.1.1 Gender wise Distribution of Respondents

It can be seen from Table 1 that more male respondents participated in survey (55per cent) than female (45per cent) respondents.

Table 1: Gender wise Distribution of Respondents

Demographic profile of sampled population		Frequency	Percent
Gender	Male	55	55
	Female	45	45
	Total	100	100

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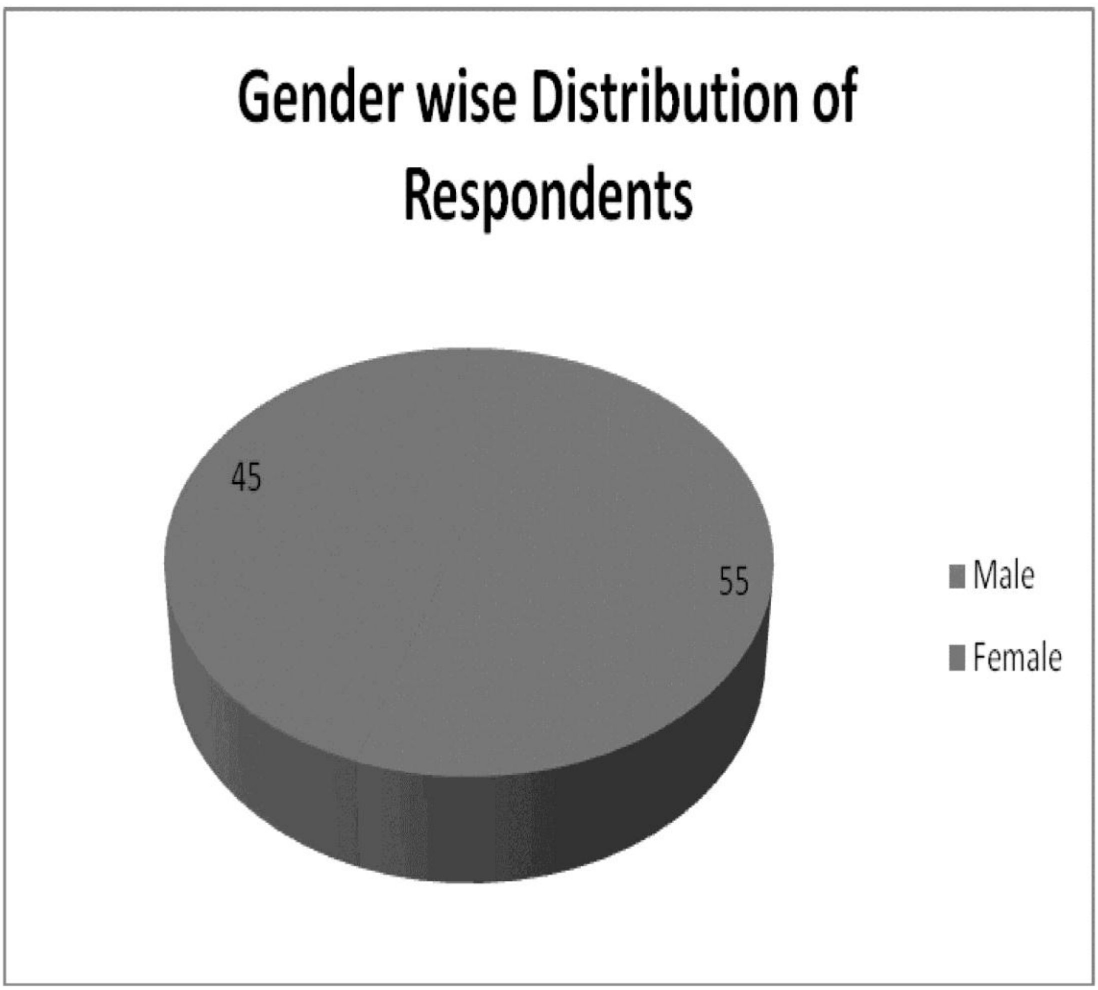


Source: Filed Work

Figure 1: Gender Wise Distribution of Respondents

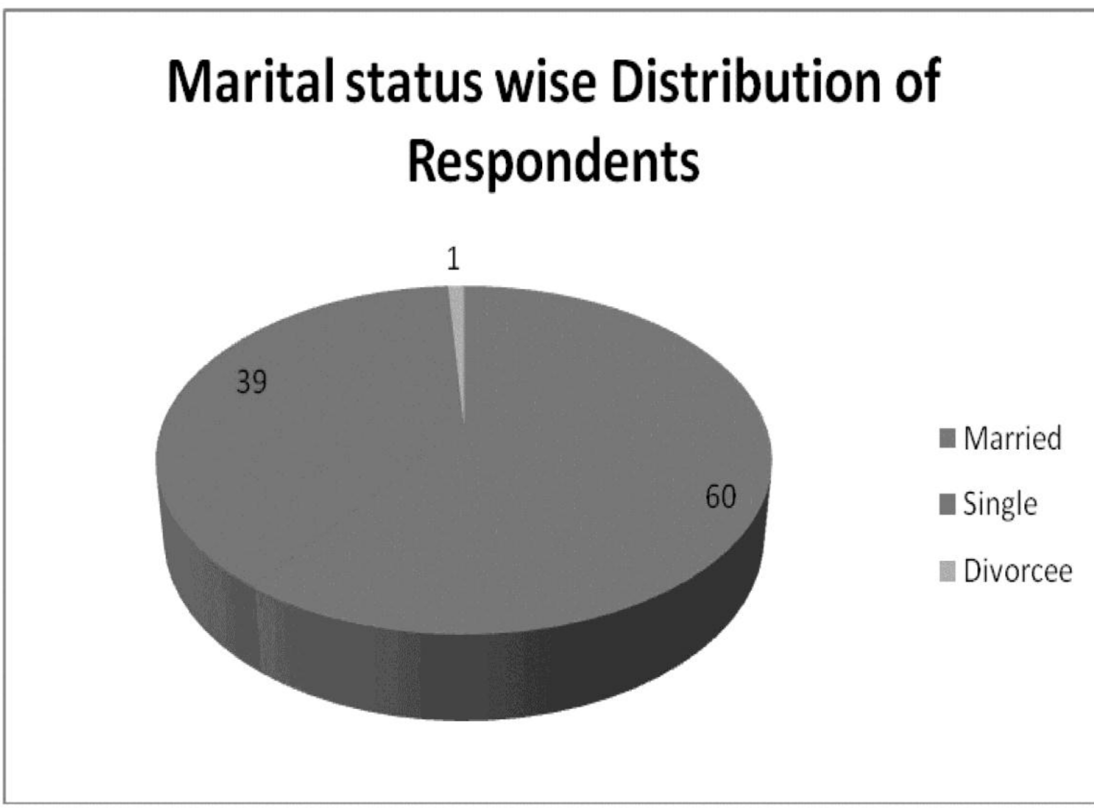
4.1.2 Marital Status wise Distribution of Respondents

Table 2 reveals that majority of respondents were married. 39 per cent were single and 1 per cent was divorcee.

Table 2: Marital Status wise Distribution of Respondents

Demographic profile of sampled population		**Frequency**	**Percent**
Marital Status	Married	60	60
	Single	39	39
	Divorcee	1	1
	Total	100	100

Source: Filed Work



Source: Filed Work

Figure 2: Marital Status wise Distribution of Respondents

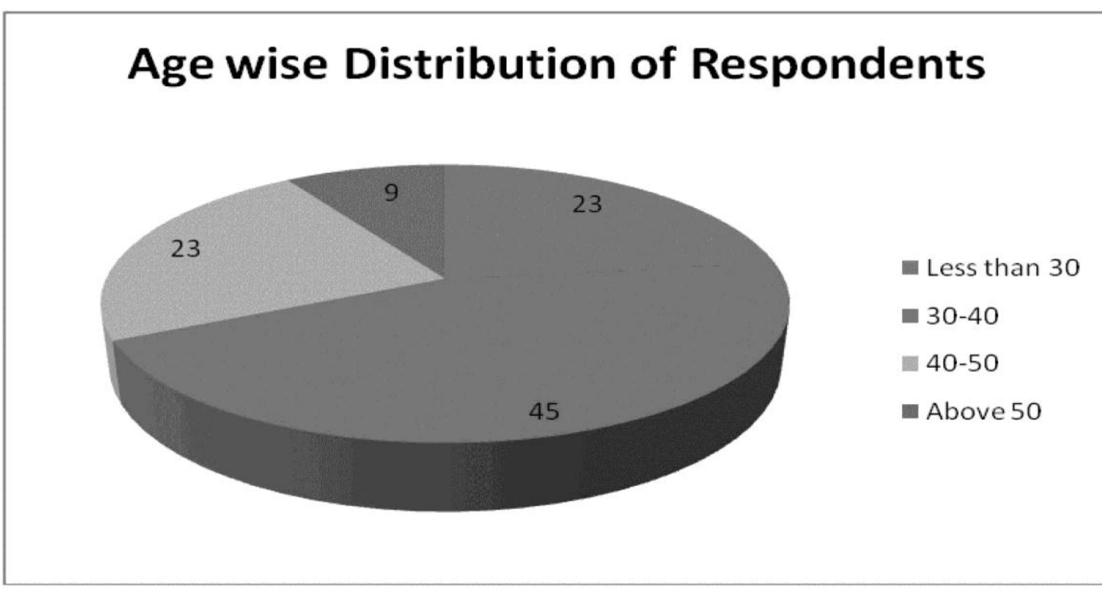
4.1.3 Age (Yrs) wise Distribution of Respondents

Furthermore, sample population formed the majority (45per cent) in the age group of 30-40 years followed by 40-50 years (23per cent). The next category was made up of those respondents who are less than 30 years of age (23per cent). Furthermore, respondents falling in the age category of above 50 are just 9per cent.

Table 3: Age (Yrs) wise Distribution of Respondents

Demographic profile of sampled population		**Frequency**	**Percent**
Age (Yrs)	Less than 30	23	23
	30-40	45	45
	40-50	23	23
	Above 50	9	9
	Total	100	100

Source: Filed Work



Source: Filed Work

Figure 3: Age (Yrs) wise Distribution of Respondents

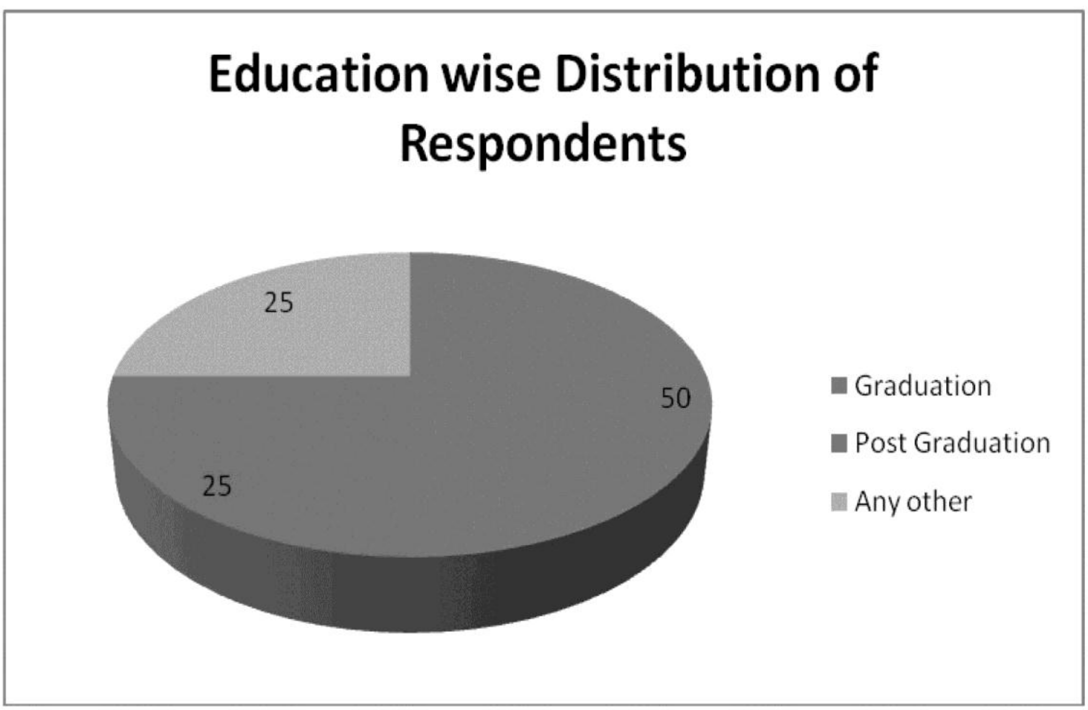
4.1.4 Education Level wise Distribution of Respondents

As far as education level is concerned, 25 per cent of the respondents are graduates. The next largest category comprised of those respondents who are post graduate (25 per cent). 25per cent respondents are those who have done other degrees.

Table 4: Education Level wise Distribution of Respondents

Demographic profile of sampled population		Frequency	Percent
Education Level	Graduation	50	50
	Post Graduation	25	25
	Any other	25	25
	Total	100	100

Source: Filed Work



Source: Filed Work

Figure 4: Education Level wise Distribution of Respondents

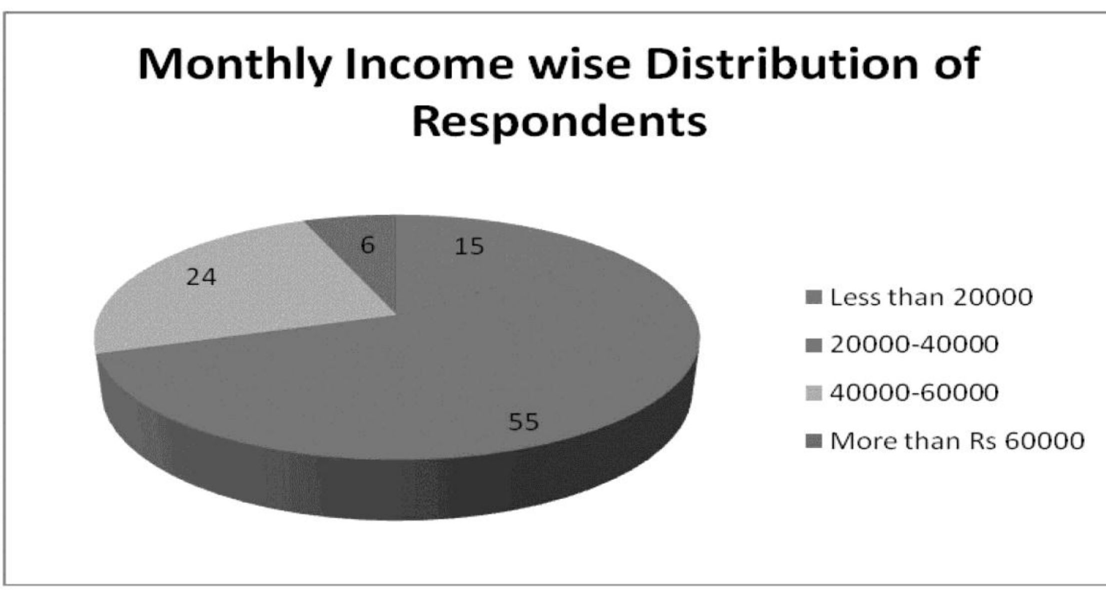
4.1.5 Monthly Income (Rs.) wise Distribution of Respondents

As per income categorization, Table 5 shows that 55per cent respondents are falling in the income category of Rs.20000-40000 followed by 24per cent that belongs to income category of Rs. 40000-60000. Though just 15per cent are falling in the income category of less than Rs. 20000 yet 6per cent are falling in the income category of above Rs.60000 income group.

Table 5: Monthly Income (Rs.) wise Distribution of Respondents

Demographic profile of sampled population		Frequency	Percent
Monthly Income(Rs.)	Less than 20000	15	15
	20000-40000	55	55
	40000-60000	24	24
	More than Rs 60000	6	6
	Total	100	100

Source: Filed Work



Source: Filed Work

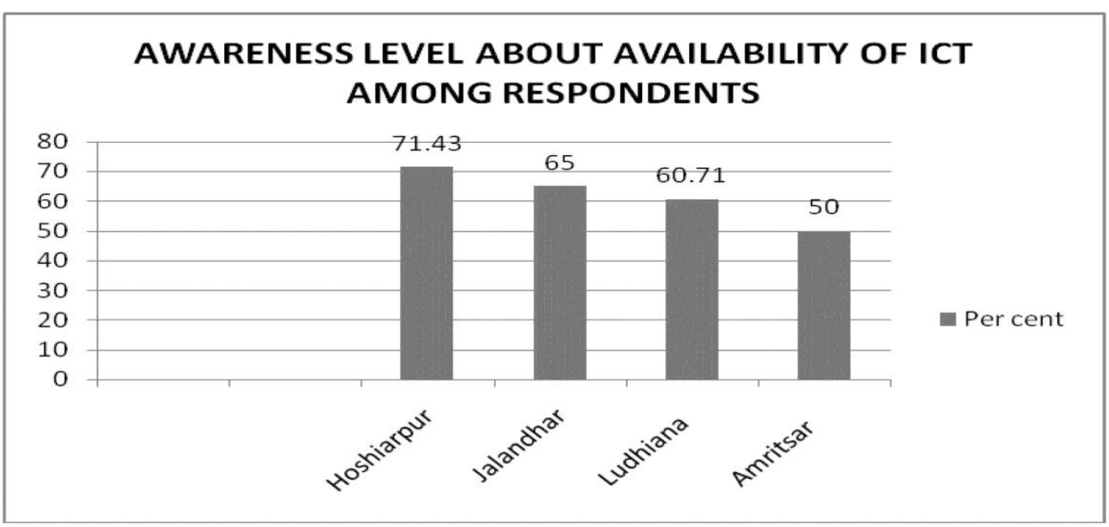
Figure 5: Monthly Income (Rs.) wise Distribution of Respondents

4.2 Awareness Level about Availability of ICT among Respondents

Table 6: Awareness Level about Availability of ICT among Respondents

Co-operative Bank	Top Level Management		Middle Level Management			No. of Resp.	Per cent
	Total Strength	No. of Resp.	Total Strength	No. of Resp.	Total Strength		
Hoshiarpur	15	10	20	15	35	25	71.43
Jalandhar	10	5	10	8	20	13	65
Ludhiana	10	5	18	12	28	17	60.71
Amritsar	06	2	08	5	14	07	50
TOTAL	**41**	**22**	**56**	**40**	**97**	**62**	**63.92**

Source: Filed Work



Source: Filed Work

Figure 6: Awareness Level about Availability of ICT among Respondents

The Table 7 depicts that 71 percent of respondents of the Hoshiarpur District Co-operative Bank were aware of availability of banking and communication technology in the market whereas 50 percent of respondents of Amritsar Co-operative bank Ltd were unaware of the technology availability.

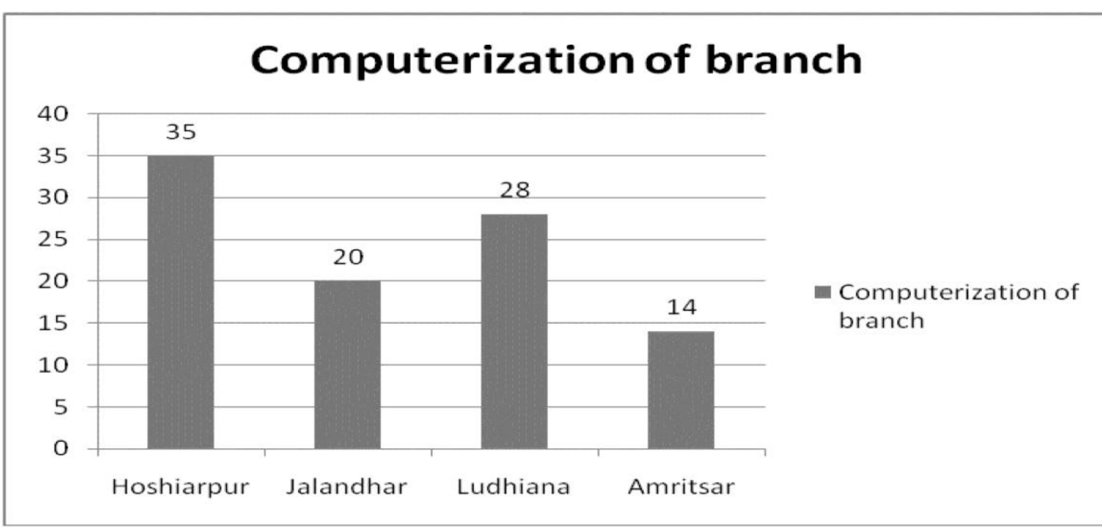
4.2.1 Awareness Level about Availability of ICT among Respondents

The Table 7 depicts that 71 percent of respondents of the HoshiarpurDistrict Co-operative Bank were aware of availability of banking and communication technology in the market whereas 50 percent of respondents of Amritsar Co-operative bank Ltd were unaware of the technology availability. It is evident from the Table 7 that all the surveyed sample banks had computerized their branches.

Table 7: ICT Practices Do Adopted by Co-Operative Banks

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Computerization of branch	35	20	28	14	97	100

Source: Filed Work



Source: Filed Work

Figure 7: ICT Practices Do Adopt by Co-Operative Banks

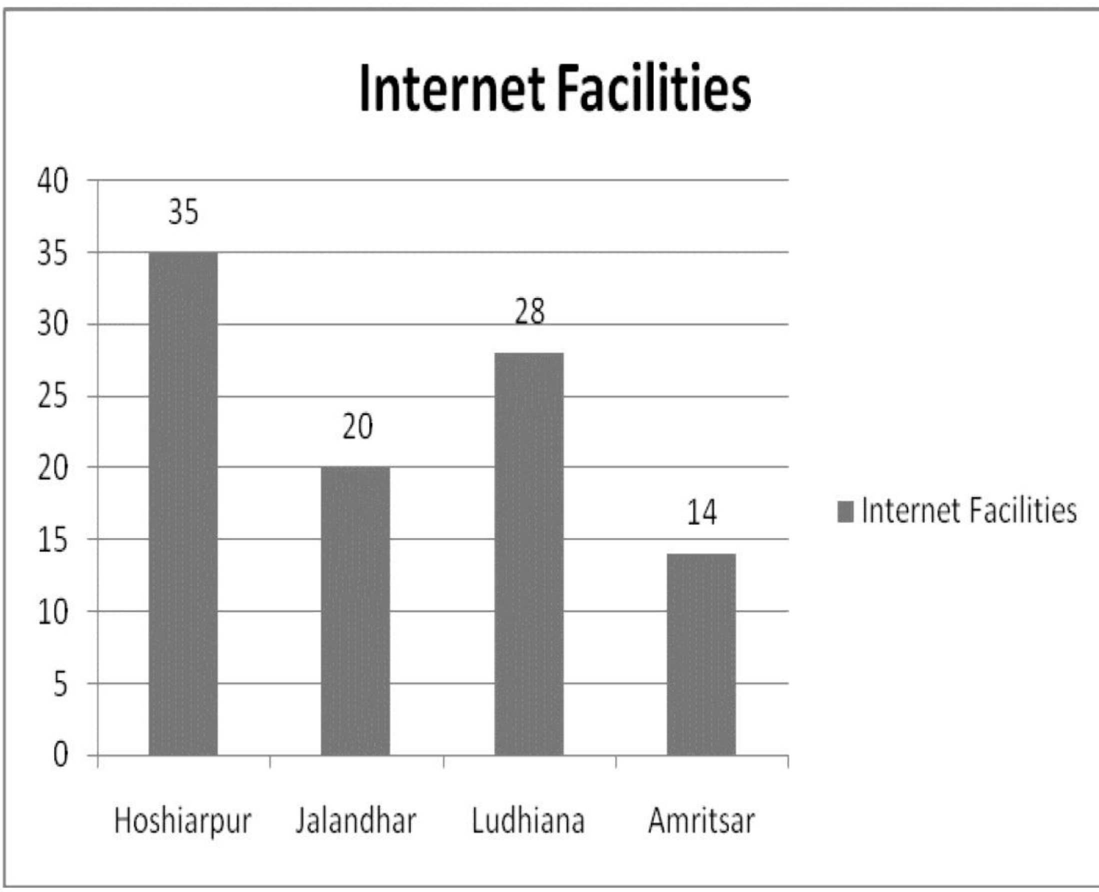
4.2.2 Internet Facilities used by Banks

It is evident from the Table 8 that all the surveyed sample banks had had internet connectivity

Table 8: Internet Facilities Used by Banks

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Internet Facilities	35	20	28	14	97	100

Source: Filed Work



Source: Filed Work

Figure 8: Internet Facilities Used by Banks

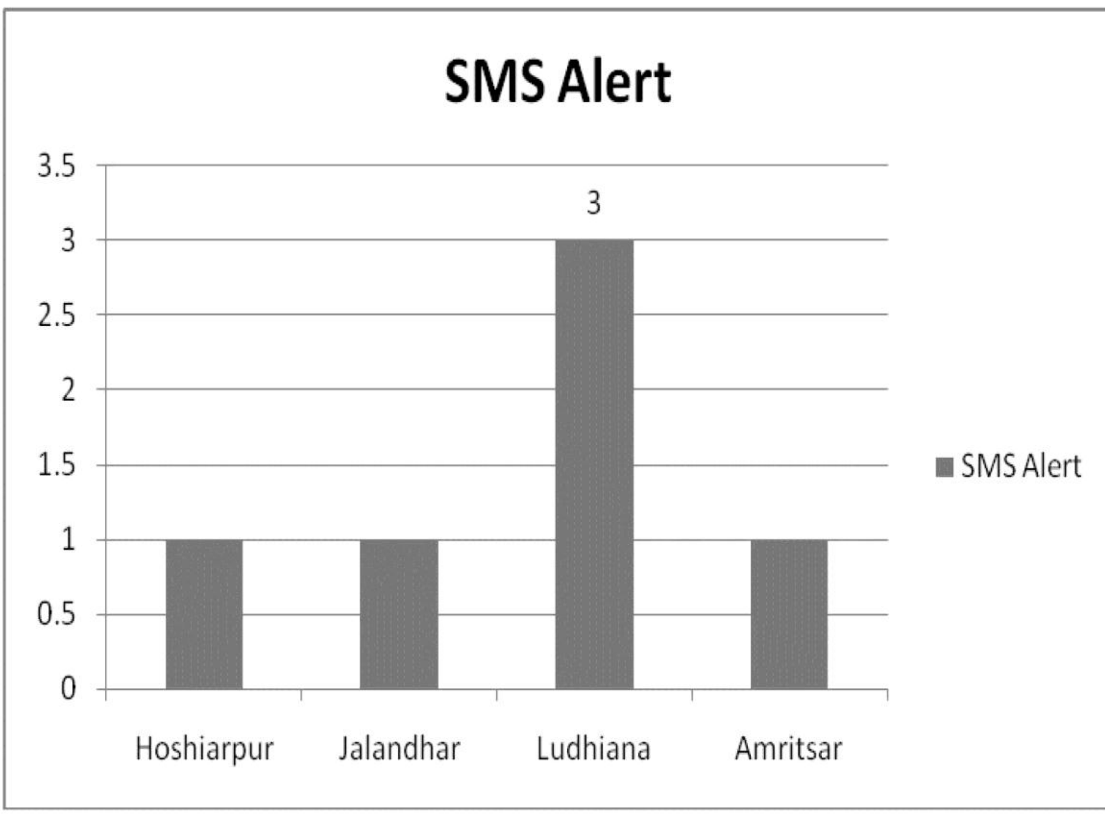
4.2.3 SMS Alert

It is evident from the Table 9 reveals that only 6.19 per cent surveyed sample banks provide SMS Alert service.

Table 9: SMS Alert

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
SMS Alert	1	1	3	1	6	6.19

Source: Filed Work



Source: Filed Work

Figure 9: SMS Alert

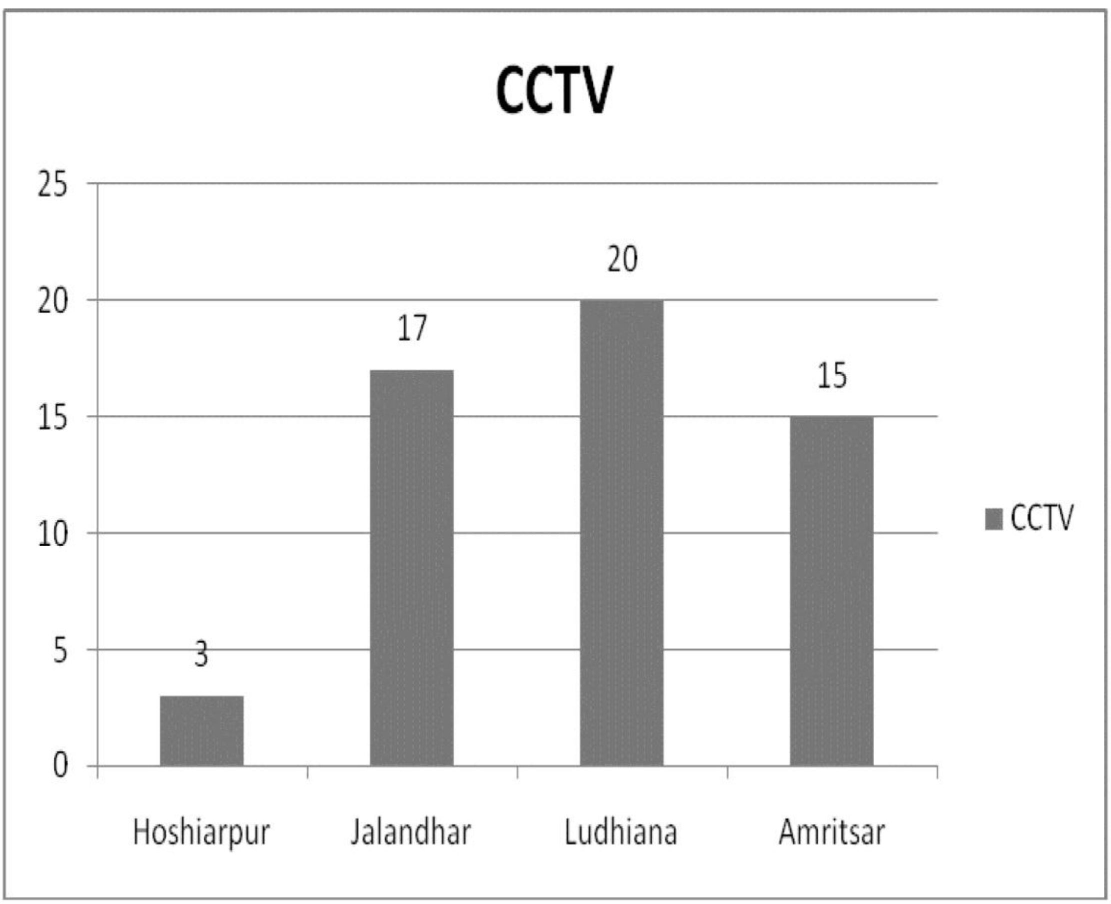
4.2.4 Use of CCTV Technology

56.70 percent of the respondents expressed that CCTV technology was adopted their banks.

Table 10: Use of CCTV Technology

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
CCTV	3	17	20	15	55	56.70

Source: Filed Work



Source: Filed Work

Figure 10: Use of CCTV Technology

4.2.5 SMS Alert, Automated Teller machine (ATM), Mobile banking, Banking Kiosk

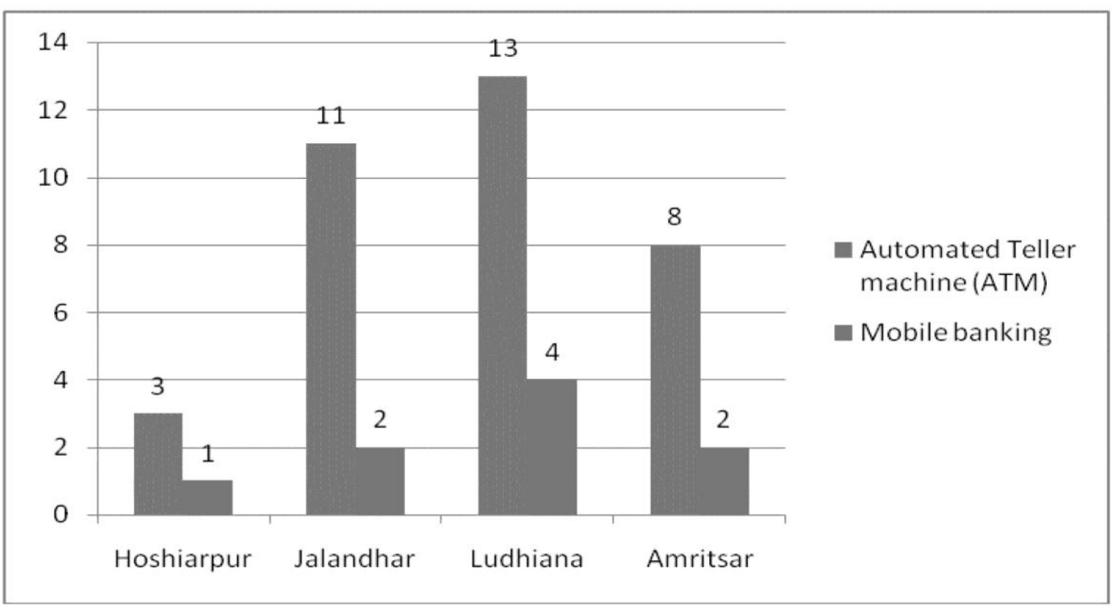
None of the bank surveyed had developed their website. All District Urban Co-operative Bank is offering the ATM and mobile banking services to its customers.

Table 11: SMS Alert, Automated Teller Machine (ATM),

Mobile Banking, Banking Kiosk

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Automated Teller machine (ATM)	03	11	13	08	35	36.08
Mobile banking	1	2	4	2	09	9.28

Source: Filed Work



Source: Filed Work

Figure 11: SMS Alert, Automated Teller Machine (ATM), Mobile Banking, Banking Kiosk

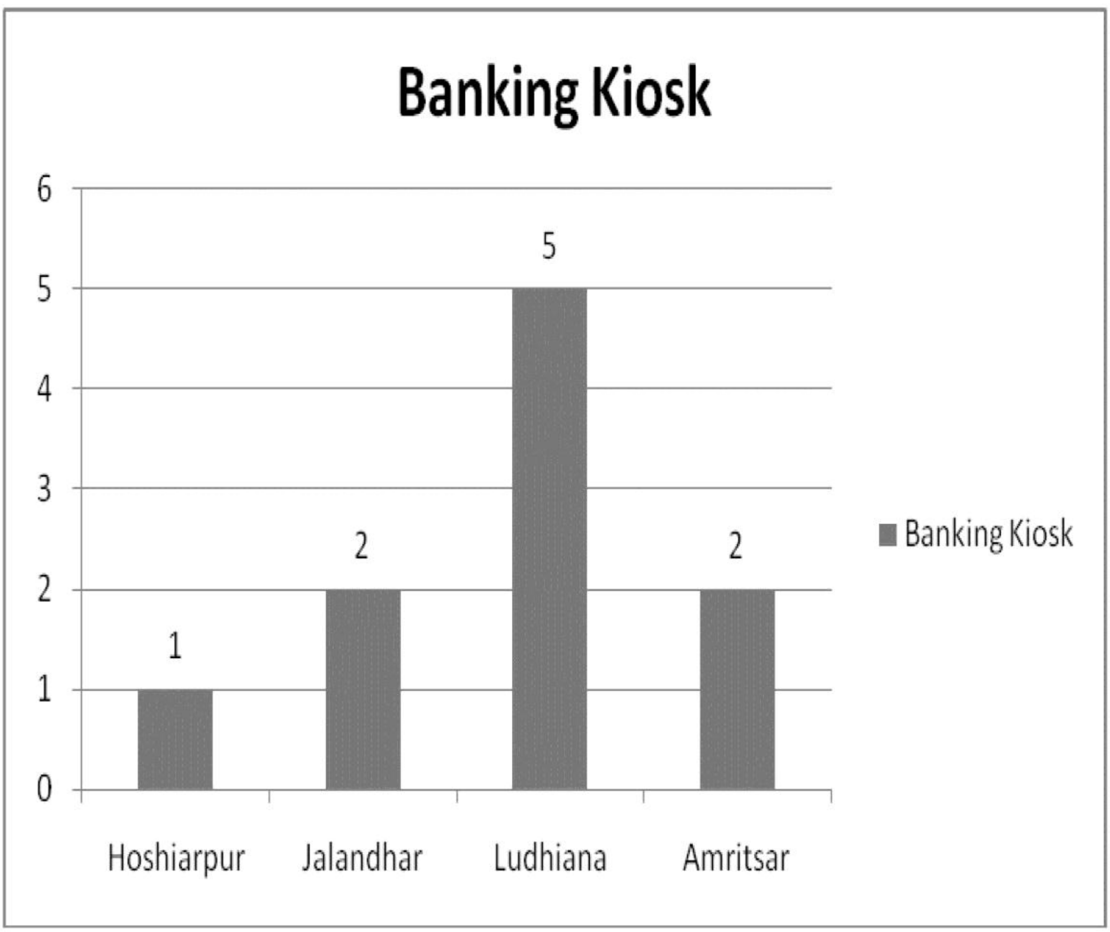
4.2.6 Banking Kiosk

Out of 100 only 10 respondents replied that they have kiosk in their bank.

Table 12: Banking Kiosk

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Banking Kiosk	1	2	5	2		10

Source: Filed Work



Source: Filed Work

Figure 12: Banking Kiosk

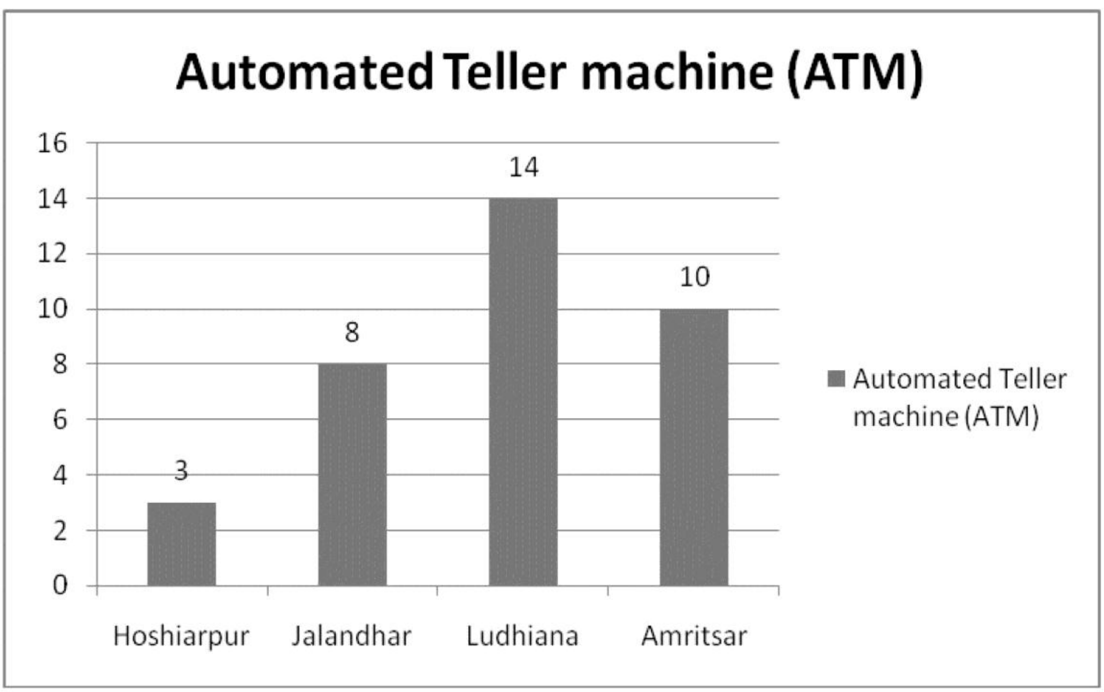
4.2.7 Automated Teller machine (ATM)

Table 13 reveals that majority of respondents were unaware about these services except ATM service.

Table 13: Automated Teller machine (ATM)

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Automated Teller machine (ATM)	3	8	14	10	35	36.08

Source: Filed Work



Source: Filed Work

Figure 13: Automated Teller machine (ATM)

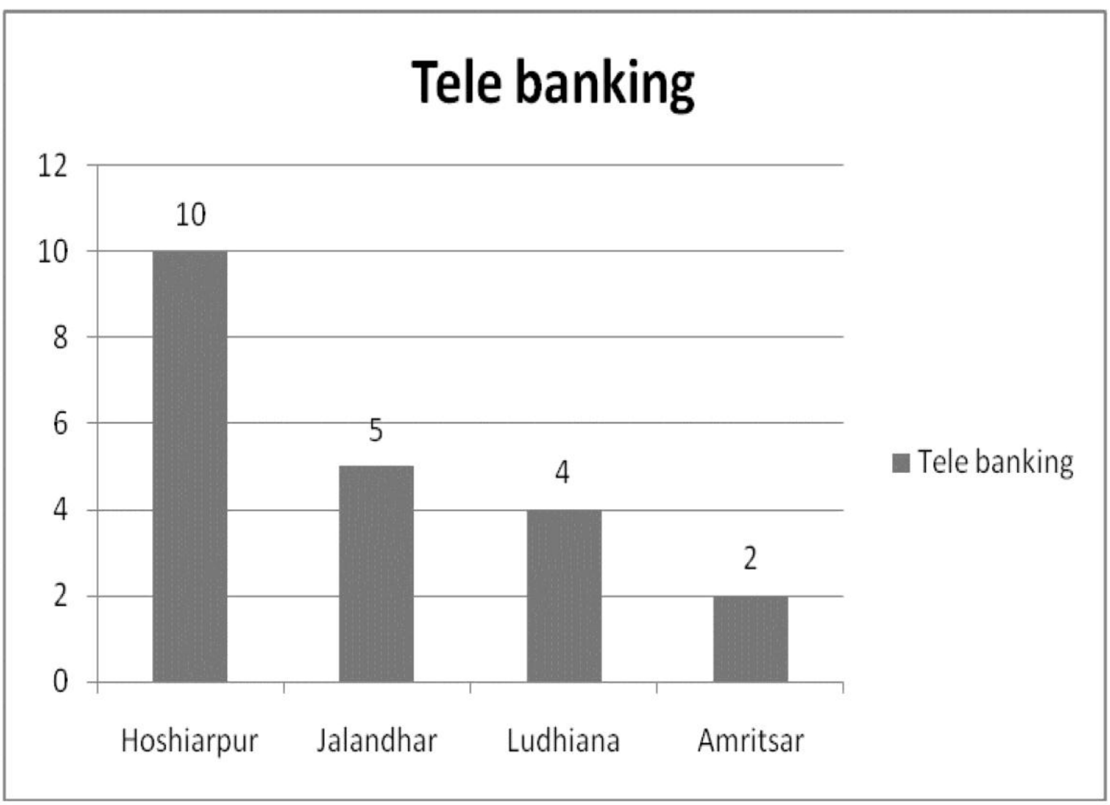
4.2.8 Tele banking

Majority of respondents of the sampled bank were unaware (only 21.65 per cent were aware) about the tele-banking services offered by their bank.

Table 14: Tele banking

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Tele banking	10	05	04	02	21	21.65

Source: Filed Work



Source: Filed Work

Figure 14: Tele banking

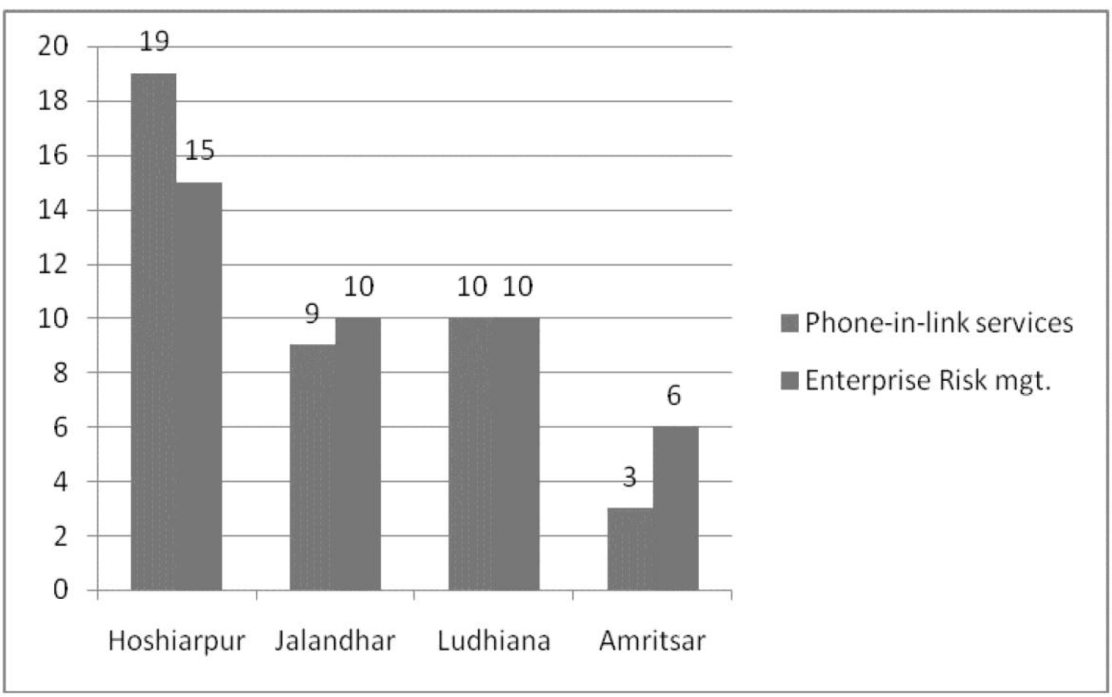
4.2.9 Phone-in-link services and Enterprise Risk management

42.27 percent of respondents have reported that the banks were offering Phone-in-link services and adopted Enterprise Risk management tool.

Table 15: Phone-in-link services and Enterprise Risk management

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Phone-in-link services	19	09	10	03	41	42.27
Enterprise Risk mgt.	15	10	10	06	41	42.27

Source: Filed Work



Source: Filed Work

Figure 15: Phone-in-link services and Enterprise Risk management

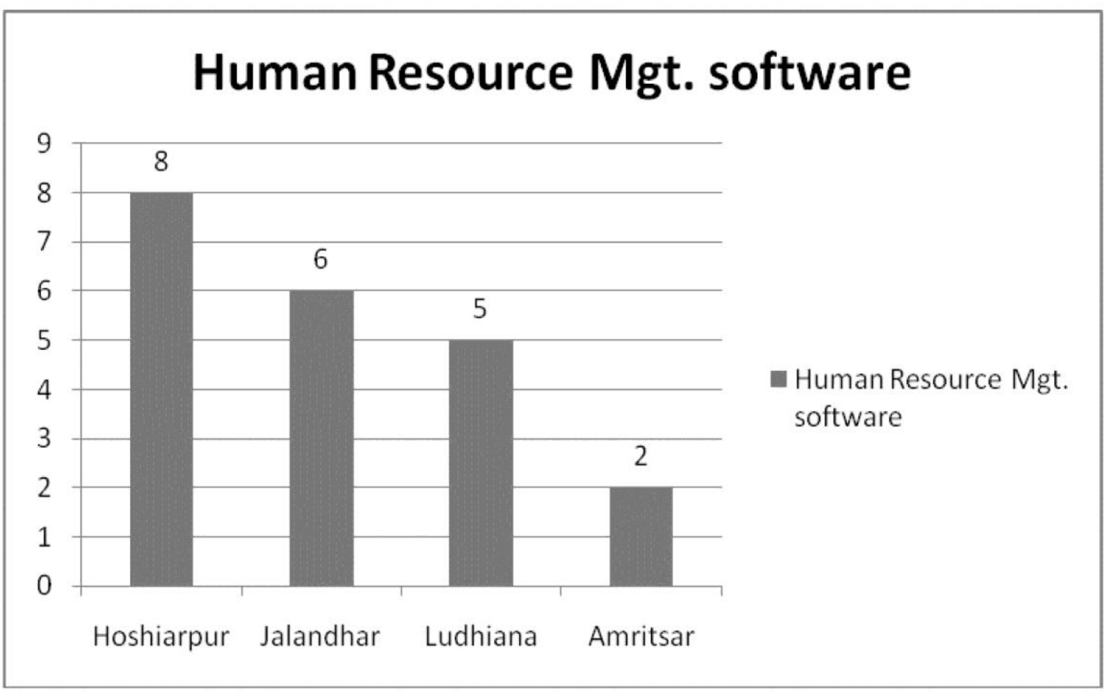
4.2.10 Other ICT Practices

They are also unaware of the human sources management software adopted by their banks. Only 21.65 per cent were about human sources management software adopted by their banks.

Table 16: Other ICT Practices

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	per cent
Human Resource Mgt. software	08	06	05	02	21	21.65

Source: Filed Work



Source: Filed Work

Figure 16: Other ICT Practices

4.2.11 Other ICT Practices

None of the respondents of the sampled banks were aware of Online Banking, Electronic fund transfer, online demand draft, Credit cards, online account opening facility, E-passbook and Biometric ATM services as the banks were not offering such services.

Table 17: Other ICT Practices

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Bank Website	-	-	-	-	-	-
Point of sales service	-	-	-	-	-	-
Online Banking	-	-	-	-	-	-
Electronic fund transfer	-	-	-	-	-	-
Online demand draft	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Online account opening facility	-	-	-	-	-	-
E-passbook	-	-	-	-	-	-
Biometric ATM	-	-	-	-	-	-

Source: Filed Work

Table 18: Summary Table of ICT Practices Do Adopted by Co-Operative Banks

ICT Practices	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total.	Per cent
Computerization	35	20	28	14	97	100

Internet Facilities	35	20	28	14	97	100
Bank Website	-	-	-	-	-	-
SMS Alert	01	01	03	01	6	6.19
Automated Teller machine (ATM)	03	11	13	08	35	36.08
Point of sales service	-	-	-	-	-	-
Online Banking	-	-	-	-	-	-
Electronic fund transfer	-	-	-	-	-	-
Online demand draft	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Mobile banking	01	02	04	02	9	9.28
Banking Kiosk	01	02	05	02	10	2.06
Online account opening facility	-	-	-	-	-	-
Tele banking	10	05	04	02	21	21.65
Phone-in-link services	19	09	10	03	41	42.27
E-passbook	-	-	-	-	-	-
Biometric ATM	-	-	-	-	-	-
Enterprise Risk mgt.	15	10	10	06	41	42.27
Human Resource Mgt. software	08	06	05	02	21	21.65
CCTV	03	17	20	15	55	56.7

Source: Filed Work

4.3 Reasons for Non-Adoption of Technology

The table 19 reveals that major reasons for non-adoption of ICT by co-operative banks include: Customer treat services offered by bank as Convenience banking, high cost of technology, limited geographical area and limited business operations. 47 respondents felt that they were unaware of ICT available in the market hence they had not thought of adopting the ICT. The respondents opinioned that shortage of skilled labour and fear of security threats were not the prime reasons for non-adoption of ICT by banks.

Table 19: Reasons for Non-Adoption of Technology

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Lack of knowledge about technology availability	07	14	16	09	46	47.42
High cost of technology	13	18	23	12	66	68.04
Limited business operations	02	17	26	14	59	60.82
Limited geographical area	02	19	28	14	63	64.95
Customer treat services offered by bank as Convenience banking	06	20	28	14	68	70.1
Shortage of skilled human resource	11	09	13	05	38	39.17
Fear of security threats	04	06	08	03	21	21.65

Source: Filed Work

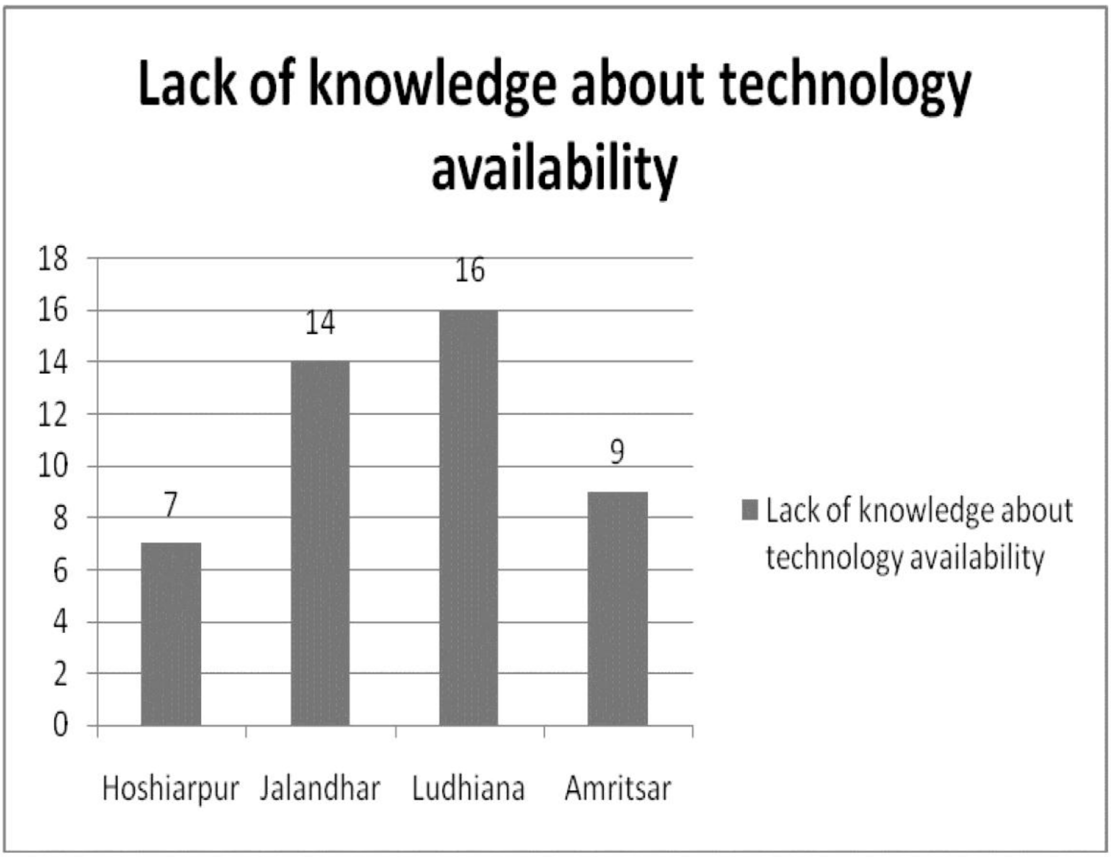
4.3.1 Lack of knowledge about technology availability

Table 20 reveals that 47.42 per cent respondents responded that due to lack of knowledge about technology availability they were not used ICT.

Table 20: Lack of Knowledge about Technology Availability

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Lack of knowledge about technology availability	07	14	16	09	46	47.42

Source: Filed Work



Source: Filed Work

Figure 17: Lack of Knowledge about Technology Availability

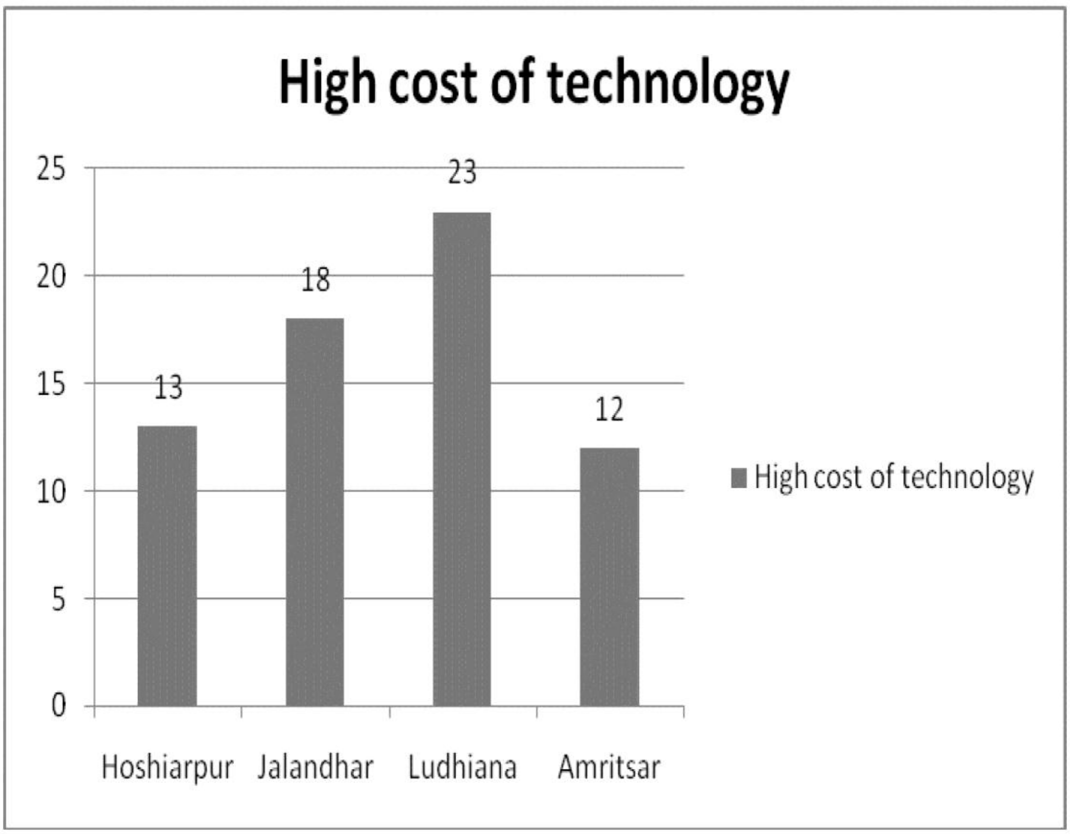
4.3.2 High cost of technology

Table 21 reveals that 68.04 per cent respondents responded that due to the high cost of technology they were not used ICT.

Table 21: High cost of technology

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
High cost of technology	13	18	23	12	66	68.04

Source: Filed Work



Source: Filed Work

Figure 18: High cost of technology

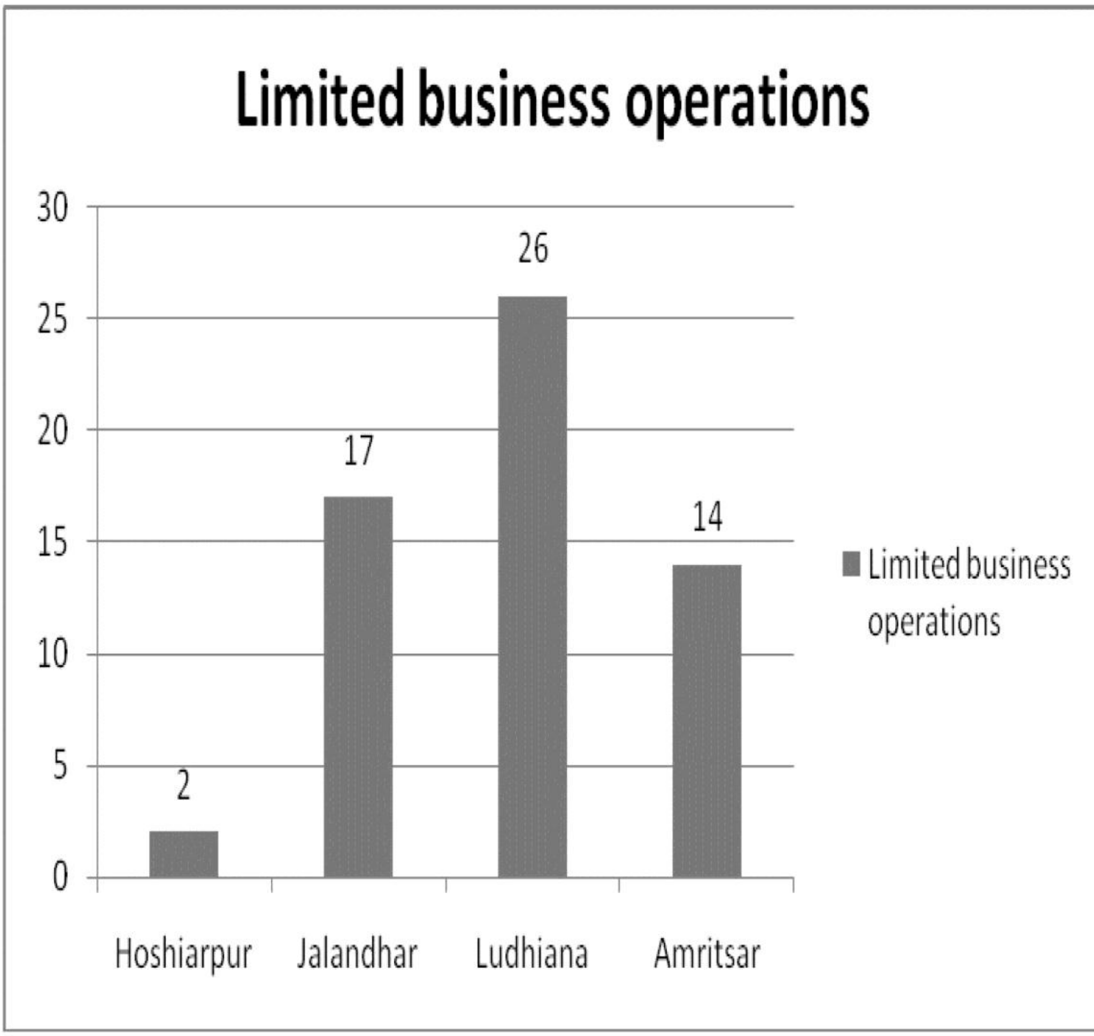
4.3.3 Limited business operations

Table 22 reveals that 60.82 per cent respondents responded that due to the limited business operations they were not used ICT.

Table 22: Limited business operations

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Limited business operations	02	17	26	14	59	60.82

Source: Filed Work



Source: Filed Work

Figure 19: Limited business operations

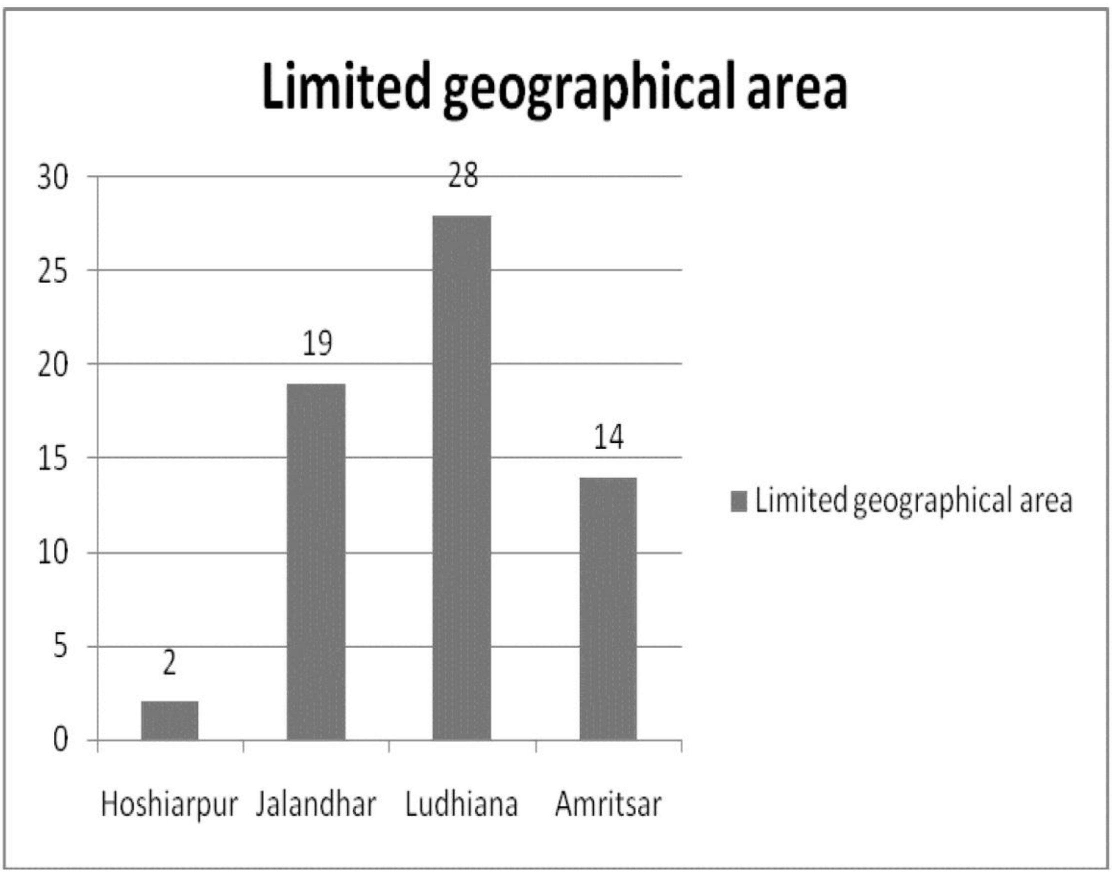
4.3.4 Limited Geographical Area

Table 23 reveals that 64.95 per cent respondents responded that due to the limited geographical area they were not used ICT.

Table 23: Limited Geographical Area

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Limited geographical area	02	19	28	14	63	64.95

Source: Filed Work



Source: Filed Work

Figure 20: Limited Geographical Area

4.3.5 Customer treats services offered by bank as Convenience banking

Table 24 reveals that 70.01 per cent respondents responded that Customer treat services offered by bank as Convenience banking so they were not used ICT.

Table 24: Customer treats services offered by bank as Convenience banking

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Customer treat services offered by bank as Convenience banking	06	20	28	14	68	70.1

Source: Filed Work

Source: Filed Work

Figure 21: Customer treats services offered by bank as Convenience banking

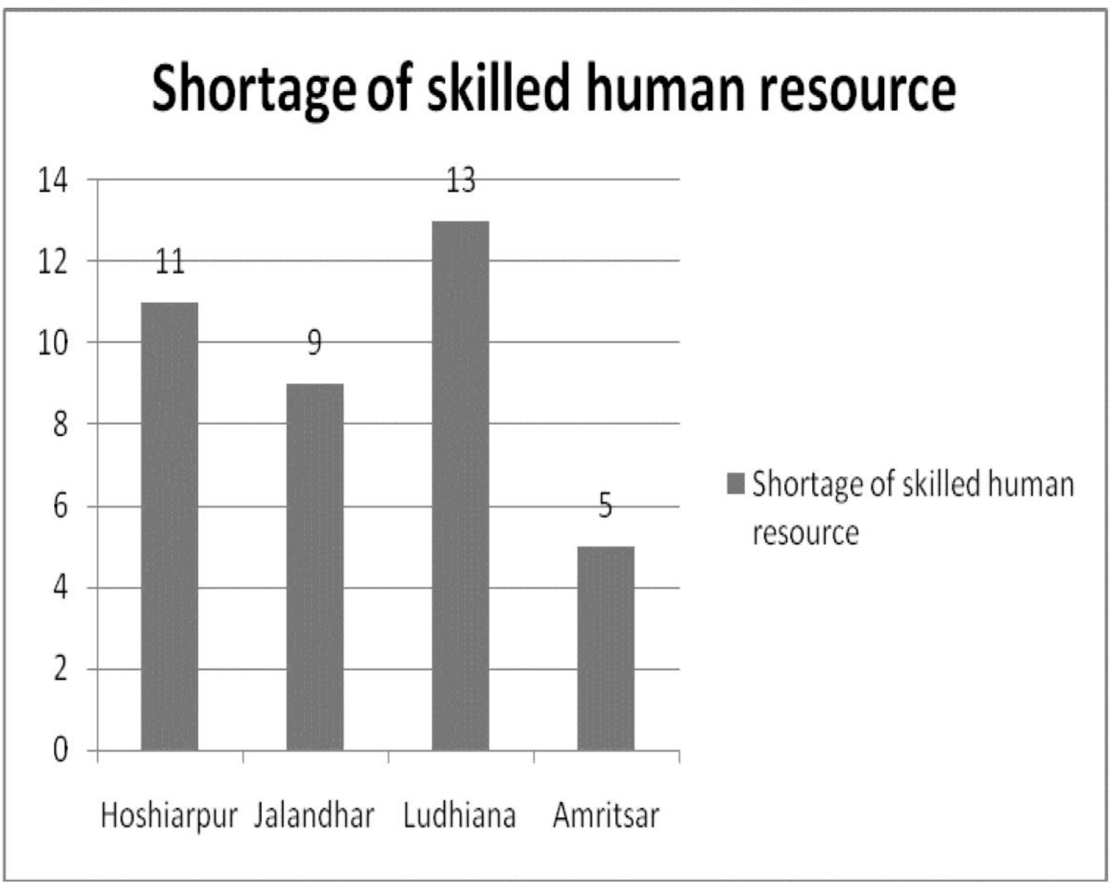
4.3.6 Shortage of skilled human resource

Table 25 reveals that 39.17 per cent respondents responded that do shortage of skilled human resource they were not used ICT.

Table 25: Shortage of skilled human resource

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Shortage of skilled human resource	11	09	13	05	38	39.17

Source: Filed Work



Source: Filed Work

Figure 22: Shortage of skilled human resource

4.3.7 Fear of security threats

Table 26 reveals that 21.65 per cent respondents responded that due to fear of security threats they were not used ICT.

Table 26: Fear of security threats

Reasons for not-adopting technology	Hoshiarpur	Jalandhar	Ludhiana	Amritsar	Total No. of Resp.	Per cent
Fear of security threats	04	06	08	03	21	21.65

Source: Filed Work

Source: Filed Work

Figure 23: Fear of security threats

5.0 FINDINGS & CONCLUSION

5.1 The major findings of the study are discussed below.

5.1.1 Findings related to demographic variables

- Majority male respondents participated in survey (55 per cent) than female (45 per cent) respondents. Majority of respondents were married. 39 per cent were single and 1 per cent was divorcee.
- Furthermore, sample population formed the majority (45 per cent) in the age group of 30-40 years followed by 40-50 years (23 per cent). The next category was made up of those respondents who are less than 30 years of age (23 per cent). Furthermore, respondents falling in the age category of above 50 are just 9per cent.
- As far as education level is concerned, 25 per cent of the respondents are graduates. The next largest category comprised of those respondents who are post graduate (25 per cent). 25 per cent respondents are those who have done other degrees.
- As per income categorization, 55per cent respondents are falling in the income category of Rs.20000-40000 followed by 24 per cent who belongs to income category of Rs. 40000-60000. Though just 15per cent are falling in the income category of less than Rs. 20000 yet 6per cent are falling in the income category of above Rs.60000 income group.

5.1.2 ICT Practices do Adopted by Co-Operative Banks

- It was found that 71 percent of respondents of the Hoshiarpur District Co-operative Bank were aware of availability of banking and communication technology in the market whereas 50 percent of respondents of Amritsar Co-operative bank Ltd were unaware of the technology availability.
- It was found that 71 percent of respondents of the Hoshiarpur District Co-operative Bank were aware of availability of banking and communication technology in the market whereas 50 percent of respondents of Amritsar Co-operative bank Ltd were unaware of the technology availability.
- All the surveyed sample banks had had internet connectivity.
- It is evident from the data analysis that only 6.19 per cent surveyed sample banks provide SMS Alert service.

- 56.70 per cent of the respondents expressed that CCTV technology was adopted their banks.
- None of the bank surveyed had developed their website. All District Urban Co-operative Bank is offering the ATM and mobile banking services to its customers.
- Out of 100 only 10 respondents replied that they have kiosk in their bank.
- Majority of respondents were unaware about these services except ATM service.
- Majority of respondents of the sampled bank were unaware (only 21.65 per cent were aware) about the tele-banking services offered by their bank.
- 42.27 per cent of respondents have reported that the banks were offering Phone-in-link services and adopted Enterprise Risk management tool.
- They are also unaware of the human sources management software adopted by their banks. Only 21.65 per cent were about human sources management software adopted by their banks.
- None of the respondents of the sampled banks were aware of Online Banking, Electronic fund transfer, online demand draft, Credit cards, online account opening facility, E-passbook and Biometric ATM services as the banks were not offering such services.

5.1.3 Findings Relating to Reasons for Non-Adoption of Technology

Major reasons for non-adoption of ICT by co-operative banks include: Customer treat services offered by bank as Convenience banking, high cost of technology, limited geographical area and limited business operations. 47 respondents felt that they were unaware of ICT available in the market hence they had not thought of adopting the ICT. The respondents opinioned that shortage of skilled labour and fear of security threats were not the prime reasons for non-adoption of ICT by banks.

- 47.42 per cent respondents responded that due to lack of knowledge about technology availability they were not used ICT.
- 68.04 per cent respondents responded that due to the high cost of technology they were not used ICT.
- 60.82 per cent respondents responded that due to the limited business operations they were not used ICT.
- 64.95 per cent respondents responded that due to the limited geographical area they were

not used ICT.

- 70.01 per cent respondents responded that Customer treat services offered by bank as Convenience banking so they were not used ICT.
- 39.17 per cent respondents responded that do shortage of skilled human resource they were not used ICT.
- 21.65 per cent respondents responded that due to fear of security threats they were not used ICT.

5.2 Conclusion

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 key players in co-operative banking system in Belgaum city of Karnataka were selected as sample units. 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. The banks have also taken security measures by installing the CCTVs in their branches. 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.

5.3 Suggestions to improve the consumer perception regarding Lending Practices of Cooperative Banks

This study showed the positive opinion toward the service of bank and the behavior of employees for rendering services. But compared to other private and public banks, co-operative banks little bit poorer in the adoption of technology and modern equipment. Gradually the co-operative banks will adopt more and modern technologies for facing competition and make their services more qualitative one.

5.3.1 Some other suggestions

- **i.** The banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc.
- **ii.** The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
- **iii.** The banks should plan for expansion of branches.
- **iv.** The banks should improve the customer services of the bank to a better extent.

5.4 Implications of the study

- **i.** The results can be used by organizations to recruit skilled employees who are well familiar with technology.
- **ii.** The findings of the study may be help various banks in satisfying their customers by providing better advance facilities.

5.5 Scope for further research

It is expected that a further study could include the following:

- **i.** *Firstly,* by employing a larger sample size using stratified random sampling. Using enlarge stratified sampling across the population would enhance the generalisation of the results.
- **ii.** *Secondly*, other statistical techniques could be used to analysis the interrelationships among variables into few dominant factors.

CHAPTER 6

PERFORMANCE EVALUATION OF COOPERATIVE BANK: A STUDY WITH REFERENCE TO BANASREE COOPERATIVE BANK AT KOPPAL

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1.0 INTRODUCTION

A Co-operative ("coop") or Co-operative ("co-op") is an autonomous association of persons who voluntary co-operate for their mutual Social,Economic and cultural benefit Co-operative include non-profit community organization and businesses that are owned and managed by the people who use its services (a consumer co-operative) or by the people who work there (a worker co-operative) or by people who live there (a housing cooperative), hybrids such as worker co-operatives that Are also consumer co-operatives or credit unions.

The International Co-operative Alliance was the first international association formed by the movement. It includes the World council of credit unions A second organization was formed later in Germany, the international Refuse Union. In the United States the National co-operative business Association (NCBA) serves as the sector`s oldest national membership association. It is dedicated to ensuring that cooperative businesses have the same opportunities as other businesses operating in the country and those consumers have access to cooperatives in the marketplace. A U.S. National Co-operatives bank was formed in the 1970s.

By 2004, a new association focused on worker co-op was founded, the United States Federation of Worker cooperatives.

Cooperatives traditionally combine social benefit interests with capitalistic property-right interests, cooperatives achieve a mix of social and capital purposes by democratically governing distribution question by and between equal by not controlling members, democratic oversight of decisions to equitably distribute assets and other benefits means capital owneRs.hip is arranged in a way for social benefit inside the organization, external societal benefit is also encouraged by incorporating The operating-principle of cooperation between co-operatives, in the final Year of the 20th century cooperatives banded together to establish a number of social enterprise agencies which have moved to adopt the multi-stakeholder cooperative model. In the year 1994-2009 the EU and its member nations gradually revised national accounting systems to "make visible" the increasing contribution of social economy organizations. In finance a loan is the lending of money from one individual. Organisation or entity to another individual, organization or entity A loan is a debt provide by an entity (organization or individual) to another entity at an interest rate, and evidenced by a promissory specifies among other things the principal a loan entails the relocation of the subject asst(s) for a period of time, between the lender and borrower .

In a loan the borrower initially receives or borrows an amount of Money, called the principal, from lender, and is obligated pay back or repay an equal amount of money to the lender at a later time the loan is generally provided at a cost,

Co-operative is a way of socio-economic life. The principle of co-operation is as old as the human civilization itself. Mutual help or working together is the essence of co-operative. Co-operative Movement in India is more than 100 years old. It is very sacred and based on the values of self-responsibility, democracy, equality and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Cooperation, as a system and thought, plays a vital role in the economic development of the nation. Knowing the importance of cooperation our leaders like Jawaharlal Nehru, Mahatma Gandhi and Indira Gandhi paved way for the growth and development of Cooperative Sector in India. Establishment of Cooperatives is regarded as one of the instruments for economic, social and cultural developments as well as human advancement in developing countries. Planning Commission, Ministry of Finance and Ministry of Commerce have accepted the contribution of Cooperative sector in the growth and development of Indian Economy. Nehru said: "The idea of

Cooperation is something much more than merely an efficient and economic way of doing things. It is economic, it is fair, it equalises and prevents disparities from growing. But it is something even deeper than that. It is really a way of life.

1.1 Concept of the Study

The co-operative banking system came into being with the aim to promote saving and investment habits among people, especially in rural parts of the country. In India, co-operative banks play a crucial in financing with in India co-operative banks plays a crucial role in rural financing, with funding of areas under agriculture livestock milk, setting up of small-scale units among the few focus point for both urban and rural cooperative banks. They provide a much needed alternative to the age-old exploitative practice of people approaching the village moneylender, most often getting into a debt-trap that struggle to pull themselves out of the cooperative banking system came into being with the aim to promote saving and investment habits among people, especially in rural parts of the country.

2.0 BANASREE PATTI FRIENDLY CO-OPERATIVE GOVERNMENT KOPPAL

We are a friendly co-operative banshee Patti Koppal -583231 As of 31 march 2019, we have recognized the asset- liability principle and the balance of payments and expense for the financial year ending on the above date these financial explanations are the responsibility of the governing body, and it is our responsibility to express our opinion on the financial merits of the subsidiary.

We conduct audits in accordance with current auditing standards in our country. These standards require in the reasonable assurance that the financial interest of the co-operative are free from significant misrepresentations. The audit involves a thorough review of the evidence supporting the financial statements, including the authoring principles and significant decisions made by the governing body. We believe that our audit provides sound grounds for our opinions.

Contributing Accounts of Karnataka friendly co-operation Act 1997, in accordance with its regulations and in accordance with the generally accepted regulations in India According to Poppa’s opinion and the information provided by us and the participants

- **i.** We have received the necessary information, based on our understanding and belief, for the order of death.
- **ii.** In our opinion, a in known by our review that the beneficiary keeps accounting law. of

iii. As stated in this report, the value of the balance of payments and the value of the asset liability coincide with the helpful calculation papers and reports.

iv. As far as we can see, co-operative business is within the scope of co-operative capacity.

v. Note: The audit documentation is included in the audit and remarks and observation section The above accounting, notes, zinc and real are based on our opinion and information provided to us Asset liability is as of march 31, 2018 as a Composite Contribution Act.

2.1 Statement of the Problem

Statement of the problem the research have received the re valued the existing literature and find the research .the researcher interested to envying about performance of bank. Know existence study conducted on co-operative banks in Hyderabad Karnataka. Hence the research in interestedly undertaken a research entitled “performance evaluation of Banasree co-operative bank” this study aims to understand Banasree co-operative bank performance evaluation in financial matters..

2.2 Objectives of the Study

The following are the important objectives of the present study.

i. To study and document of Banasree Co-operative bank

ii. To analyse performance of Banasree Co-operative bank

iii. To study the statistical level of customer regarding products and services.

iv. To recommend suitable suggestions on major findings.

2.3 Methodology

The present study focused on performance evaluation of products and services provided by Banasree Cooperative bank at Koppal. To accomplishing the purpose of the study researcher used both source of data; namely primary and secondary data. Primary data were are necessary for study has been collected through, the personal interview and interactions with bank staff.

Secondary data has been collected from co-operative society, articles, journals magazines and related websites. In the present study, suitable tools and techniques are used to present the work for easy understanding.

3.0 BRIEF HISTORY OF URBAN COOPERATIVE BANKS IN INDIA

The Bank was formed in 1872 in Manchester, UK. The Co-operative banks in India have a history more than 100 years.. The Co-operative banks are an important constituent of the Indian Financial System. Co-operative Banks in India are registered under the Co-operative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. These banks were conceived as substitutes for money lenders..

The origins of the urban cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany such societies were set up in India. Cooperative societies are based on the principles of cooperation, mutual help, democratic decision making and open membeRs.hip. Cooperatives represented a new and alternative approach to organization as against proprietary firms, partneRs.hip firms and joint stock companies which represent the dominant form of commercial organization. Urban co-operative banks are those co-operative banks which do banking business in urban areas. There functions are similar to those of commercial banks but their organization is like to those of co-operative societies. The term 'Urban Co-operative Bank' has not been uniformly defined. The different states have defined these banks differently. An urban co-operative bank normally confirms its operation to the municipal limits of a town. Nowadays, the urban co-operative banks play a significant role in the national economy. They have achieved a remarkable success in various areas of co-operative banking.

In the past, poor and backward class people were exploited by petty moneylenders to the extent that they were debt-bound all their lives with the opening of co-operative banks branches in rural areas. They have been able to back masses at grass root level and by providing soft loans to farmers and small traders. Co-operative banking has become a part of their lives. These poor and backward people are now not only borrowing but also depositing money in co-operative banks.

4.0 ROLE OF URBAN CO-OPERATIVE BANKS

Urban Co-operative Banks have an important role to play in several respects and some of them are listed below: First and foremost, they can organize and bring together middle and working classes in urban and semi-urban areas and inculcate in them the habits of thrift and self-help and acquaint them with the elements of ordinary banking principles.

The mobilization of savings by urban co-operative banks and the consequent drawing of urban resources into the apex and central co-operative banks which are in need of funds to finance the rural, industrial and other functional co-operatives can contribute to general economic development.

They can make certain essential banking facilities such as remittance of funds and so on, available in areas which may not be considered suitable for commercial banking and to persons who may not be able to get such manners. from commercial banks; and they can provide intelligent, experienced and active leadership to the cooperative movement including the central and apex cooperative banks, which in view of their federal character draw their directors from member's institutions.

Table No: 1 Sources of the Cooperative Bank

Sources		Years					Total
		2014-15	2015-16	2016-17	2017-18	2018-19	
Share Capital	Amount	6,88,300	7,01,000	7,02,500	7,11,800	8,06,700	**36,10,300**
	Percent	19.00	19.00	20.00	19.70.	22.30	**100.00**
Deposit	Amount	50,14,231	52,44,891	54,31,773	39,04,934	94,09,718	**2,90,05,547**
	Percent	17.00	18.00	19.00	14.00	32.00	**100.00**
Net Profit	Amount	2,00,000	2,11,342	2,17,175	3,57,817	2,09,885	**11,96,219**
	Percent	16.71	17.66	18.15	29.94	17.54	**100.00**
Resources & Surplus	Amount	1,70,107	1,70,107	1,70,107	1,70,107	1,70,107	**8,50,528**
	Percent	20.00	20.00	20.00	20.00	20.00	**100.00**
Funds	Amount	1,63,821	1,69,312	1,71,017	1,70,107	1,74,451	**847798**
	Percent	19.32	19.97	20.06	20.08	20.57	**100.00**

Source: Bank Annual Reports

The above table shows the information about the source of banasree cooperative bank. In the year 2014-15 the share capital is Rs. 6, 88.300 is the share capital, Rs. 7,11,800 was the share capital in the followed years 2017-18 and in the year 2018-19 the share capital was reached to Rs. 8,06,700. It shows that the share capitals of the Banashree cooperative bank have good capital structure and it is shows strength of the financial position. In the year 2014-15 the deposits 17 percent (Rs. 50, 14,231), it increases to 18 percent in the year 2015-16 and 19 percent in the year 2016-17 there is slight slowdown form19 percent to 14 percent in the year 2017-18 and again. Bank as recover its deposit from customer in the year 2018-19 that is 32 percent it shows that the deposits from the customers continuous increased with an attractive interest rate on deposit. in the year 2014-15 the banashree co-operative bank have achieved a profit of Rs. 2,34,112, it increased in the next financial year 2015-16 that is 2,51,832 and a slight increase in the profit Rs. 2,61,626 in the year 2016-17 a constant increase in profit in the year 2017-18 Rs. 2,97,407 highest profit. Earned in the year 2018-19 that Rs. 4, 94,340 it observes above table net profit of the bank consistently increased from 15 percent to 32 percent. It shows bank as performed a good performance in the year 2018-19. Reserves and surplus the banashree co-operative bank mentioned its reserves and surplus as per the guidelines of RBI every year bank as keeps its reserves 20 present that amount Rs.1,70,107 For every year bank preserve same value of amount as reserve and surplus. In the year 2014-15 and 2015-16 it has created funds.Rs.1, 63,821 (19.32 percent) and Rs. 1, 69,312 (19.907 percent) respectively. The funds increased are from the year 2016-17 to 2017-18 is amount Rs. 1, 71,071 (20.06 percent) to Rs. 1, 74,451 (20.57 percent). Most important for the fund banashree co-operative bank has the given and created funds in the bank.

Table No: 2 Investment and Earnings of the Cooperative Bank

Sources		**Years**					**Total**
		2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	
Investments	Amount	2,34,112	2,51,832	2,61,626	2,97,407	4,94,340	**15,39,317**
	Percent	15.20	16.35	17.00	19.32	32.13	**100.00**
Interest on investments	Amount	1,789	1,790	1,100	1,914	1,963	**8,556**
	Percent	20.90	21.06	12.73	22.37	22.94	**100.00**
Loans and	Amount	47,92,412	48,38,000	40,94,058	49,80,726	97,98,956	**2,85,04,155**

Advances	Percent	16.81	17.00	14.36	17.46	34.37	**100.00**
Interest on Loans and Advances	Amount	8,04,831	8,23,856	8,30,944	7,68,137	14,11,565	**46,39,333**
	Percent	17.00	18.00	18.00	17.00	30.00	**100.00**

Source: Bank Annual Reports

Above table shows investment of Banasree co-operative bank. In the year 2014-15 the investment was 12.02 percent (Rs.2, 34,112) 15.02 percent in the year 2015-16 it is 16.35 percent (Rs. 2, 51,832) and in the year 2016-17 investment is 17.00 percent. (Rs.2,61,626).Slight increase in investment in the year 2017-18 that is Rs. 2,97,407 (19.32 percent) and bank had a highest investment in the year 2018-19 that is 32.13 percent (Rs. 4,94,340). Table received that continues increase in bank investment and increased income on its investment. The bank as investment its fund in different profile bank received in interest on investments in the year 2014-15 and 2015-16 bank as earned interest on investment its Rs. 1789.and Rs. 1790. In respectively there is an increase in interest on investment in the year 2017-18. Is Rs.1914.And in the year 2018-19 the interest amount was Rs. 1963. The table shows that a continuous interest earning and banks in investment and it is a grateful profit general profit from different sources and 22.94 percent amount earned on interest on investment in the year 2018-19. The loans and advances in the present study Rs. 47,92,412 as a declared loan in the year Rs. 48,38,000 in the year 2015-16 a slight decreased of loan in the year 2016-17 that is Rs. 40,94,058. Bank again received its loan and advance amount in the year2017-18 Rs. 49, 80,726. And abuse increase in loan amount that is Rs.97, 98,956 in the year2018-19. It reveals that bank as given most performance to the loans and advances. The interest errand on lone by the Banasree co-operative bank in the year 2014-15 Rs. 8,04,831 interest earned on loan, in the year 2015-16 increased to Rs. 8,23,856, in the year 2016-17 amount Rs.8,30,944. In the year 2017-18 interest on loons has decreased Rs. 7,68,137 and the next finical year 2018-19 agene it increased its interest source Rs. 14,11,565 the bank has received highest interest on lone in the year 2018-19 that is Rs. 14,11,565 (30parcent).

5.0 RESULTS AND DISCURSION

In the year 2018-19 the share capital was reached to Rs. 8, 06,700. It shows that the share capitals of the banashree cooperative bank have good capital structure and it is shows strength of the financial position. Bank as recover its deposit from customer in the year 2018-19 that is 32 percent it shows that the deposits from the customer continuous increased with an attractive interest rate on deposit. The funds increased are from the year 2016-17 to 2017-18 is amount Rs. 1,71,071 (20.06 percent) to Rs. 1,74,451 (20.57 percent). In the year2018-19 that Rs. 4,94,340 it observes above table net profit of the bank consistently increased from 15 percent to 32 percent. It shows bank as performed a good performance in the year 2018-19. Bank had highest investment in the year 2018-19 that is 32.13 percent (Rs. 4, 94,340). It received that a continuous increase in bank investment and increased income on its investment. Bank again received its loan and advances amount in the year 2017-18 Rs. 49,80,726. And abuse increase in loan amount that is Rs. 97,98,956 in the year 2018-19.It reveals that bank as given most performance to the loans and advances.

The some of the important suggestions are offered by researchers, the banashree co-operative banks should plans for expansion of branches throughout the district. It is necessary for reviewing the advances in time and taking appropriate immediate action. The banashree co-operative banks should plan to introduce new schemes for education loan and agricultural loan attracting new customers and satisfying the present one. The banashree co-operative banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc. May I help you counters or enquiry counters should be opened. Bank has to make more advertisement programs on services and schemes oriented. Most of the customers open their accounts for loan facility and other benefits like interest rate, mobilization of savings. Prepare attractive prospect of the bank to providing information to public to increase its customer numbers.

6.0 CONCLUSION

The study entitle performance evaluation of Banasree cooperative bank has been undertaken with the objective to analyze and interpret the bank’s financial performance. The analysis of the bank was undertaken with the help of simple annual reports analysis and found effective performance of the bank.

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CHAPTER 7

BANKING SECTOR REFORMS PAVES THE WAY FOR INNOVATIONS AND FOR ADOPTION OF INFORMATION TECHNOLOGY

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ABSTRACT

Banking Business originally it was started in 18th century. Bank of Bengal was the first bank which has been started its banking business in India in 1786. Later some more banks gradually started their business. Indian banking system developed in a phased manner since 1786 in the following manner.

I st. Phase: Pre- Nationalization period - 1786 - 1969

II nd. Phase: Post-Nationalization period - 1969 –1991

III rd Phase: New trend of Indian Banking System since 1991-Post Reforms

Information Technology – E-Banking services to the Customers

Initially, during 1st phase, the range of 'growth and development' of banking portfolio was very slow and the transactions confined to nearby area surroundings. The jurisdiction of today's banking expanded to international level. Systematic and innovative banking procedures, quality and fast banking services started from the enactment of Banking Regulation Act 1949. Growth and development of banking started from 1969 and 1980 i.e., after nationalization of banking sector.

Later keeping in view of the customers' requirements and to get the competitive advantage from new generation Private sector and foreign sector banks, the banking services scenario, completely modernized electronically. Adoption of Information technology is a major revolutionary change in banking sector consequent on the banking sector reforms from 1991. Banking and Financial Sector Reforms Committees 1991 and 1998 headed by Sri M. Narasimhan and Dr. C. Rangarajan Committees strongly recommended to implement their recommendations for steady development banking sector on par with private corporate sector and foreign Collaborate sector banks. Information and communication Technology played a dynamic role in improving innovative and techno services in banking sector.

This paper examines the impact of Banking and financial sector reforms and the dynamic role of Technology in the steady growth and development of banking sector.
Keywords: Banking Portfolio, Adoption of Information and Communication Technology (I.C.T), Corporate sector, Jurisdiction, Foreign collaborative banks., Innovative and Techno services

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1.0 INTRODUCTION

During post nationalization period from 1969 and 1980, Indian banking sector has been recorded its growth in the development of Indian economy. In the mobilization of deposits, in the branch expansion up to the rural areas, in giving the financial support to the Agriculture, irrigation projects, industrial development, small scale industries and for the upliftment of downtrodden poor communities; the dynamic role Indian public sector banking was really unforgettable. Tremendous growth in branch expansion from 800% to 1100% has been recorded.

2.0 ACHIEVEMENTS OF NATIONALIZATION

i. Branch Expansion: Pre-Nationalization (1951-1969) Branches were raised from 4,151 to 8,262 in 18 years. But in post-Nationalization further branch expansion from 8,262 to 82,408. The Banking services coverage in branch from 87,000 in 1951 improved to 16000 customers in a bank branch in the financial year 2003-04. Its great achievement.

ii. Coverage of Rural areas: In the year 1969, only 1832 branches were there in rural areas for the total population 10000 whereas in 2002-03 financial year, the rural branches were raised from 1,832 to 32,386 branches. With this it can be understood how the rural areas covered in post nationalization.

iii. 3.Mobilisation of deposits: During 1951-1969 the deposit in banks were Rs. 4,646 crores raised to Rs.39,37,337 crores in March 2009.

iv. 4.Credit expansion: During 1951-69, 18 years period advances were given Rs.3,599 crores raised to Rs.63753 crores in December 2000 for primary and priority sectors.

v. 5. Nation Development concept: During post nationalization period the public sector banking liberally supported for country growth and development through lead bank scheme since 1969 for monitoring overall development of all states in the country.

vi. 6.Financial support Primary and Priority Sectors: during post nationalization period, the entire public sector banking, the Reserve Bank of India, the NABARD, the IDBI, various other Non -Banking Financial Corporations like I.F.C., S.F.C, SIDBI and in NHB., were totally supported for the development of Priority sectors. It's the result of nationalization, we achieved.

Further, the mobilization of savings has been achieved greatly in public sector banking when comparing to Private sector banking. Later that savings has been converted to investment in public sector organizations and in government developmental projects, backed by the Government of India.

Banking services were greatly reached to the customers who are not able to get the banking services in rural and remote corners areas where the bank branches were not able to open.

This is the overall development of Phase II Reforms Indian Public Sector Banking.

3.0 MAJOR DEVELOPMENTS IN INDIAN BANKING SECTOR

1934 Enactment of Reserve Bank of India as Central Bank of India to control Indian banking.

1949	Banking Regulation Act after Independence.
1955	Nationalization of State bank of India.
1959	Nationalization of State Bank of India its subsidiaries.
1961	Linking up Banking Deposits with Insurance coverage.
1969	14 Major Commercial banks were nationalized.
1969	Lead bank scheme introduced in the Indian banking sector for each district in the country.
1971	Established Credit Guarantee Corporation.
1973	Minimum lending rate prescribed for each priority sector. Differential Interest rate Scheme has also been introduced for weaker section people.
1975	Establishment of Regional Rural Banks as per the Narasimham Committee Recommendations for the overall rural development in the country.
1976	The maximum rate for bank loans has been prescribed.
1980	Six more Commercial banks were nationalized.
1982	Established NABARD for the development of Agriculture, for the construction of Irrigation Projects and for overall rural development.
1985	Board for Industrial Financial Reconstruction has been established to deal with sick Industries.
1989	The Cash Reserve Ratio gradually raised from 5.0% in 1973 to 15% in 1989.
1991	Banking and Financial sector Reforms, consequent on the introducing of Liberalization, Privatization and Globalization (L. P. G).

4.0 PROBLEMS AND CHALLENGES IN INDIAN PUBLIC SECTOR BANKS DURING AND AFTER NATIONALIZATION

i. For the Policy implementation of decision Makings by the State and Central governments towards the welfare of poor communities in the country, for the development of country, for the financial support to the primary and priority sectors, for financing the state and central projects, bureaucrats and government majorly burdened on Public Sector Banking only giving less burden on Private sector banking. With this Public sector banking faced many challenges in providing funds and finances. Borrowed government organizations, Small scale industrial units, Agriculture loans, were not able repay their loans due to heavy losses. With the accumulated Non - Performing Assets, Public Sector Banks were totally in losses. They are all in bankruptcy position.

ii. Excessive Intervening by the bureaucrats, government authorities, political unauthorized intervention leads to irregular sanction of heavy loans to corporate sectors became N.P.As as bad loans causing heavy losses in Public Sector Banks.

iii. Excessive political domination of Central and State Governments in the Banking Administration, policy decision Making.

iv. Heavy competitive threat to Public Sector Banking Organizations, Regional Rural Banks from New generation Private Corporate Banks and Foreign Banks.

v. Low Profitability in Public Sector Banks due to heavy public welfare schemes, government schemes, Priority sector loans, rural sector schemes and with Non recovery of Loans.

vi. No autonomy in Public Sector Banks with the heavy domination of government and Reserve bank.

vii. No updating in customer services. No adoption of technology. No Innovation before 1991.

viii. Competition from New generation private and Corporate banks and foreign banks.

ix. Lower efficiency in administration leads to Lower profitability in Public Sector Banks.

x. Not able to meet the requirements and demands of customers. Retaining of old customers and attraction of new customers was a big problem to the then Public sector banks. Customer turnover also decreasing day by day.

xi. Lack of autonomy and independent decision making. Excessive control of R.B.I and Government also thrown the public sector banks into losses.

With all these challenges and problems, total public sector banks were totally in losses and struggling for their survival before 1991. No credibility for the public sector banks.

No exports were in progress in foreign trade, foreign exchange balances exhausted. Heavy import bill payments were also pending to foreign countries with Reserve Bank of India. It was very difficult to the then government to meet interest payment for the outside loans. At this moment, the then Hon'ble Prime Minister Late Sri P.V. Narasimha Rao and the then Hon'ble Finance Minister Dr. Manmohan Singh reviewed the country's financial position and strongly decided to strictly implement the Financial sector reforms in all government sectors particularly in Financial sector organizations and in Public sector organizations like Insurance Sector Organizations, Transport Service Organizations, tele communications sector, banking and finance sector organization, industrial sector organization, Indian Space Research organizations and in all other government public sector service organization under the process of Liberalization, Privatization and Globalization (L.P.G) concept.

With a view to implement financial sector Reforms for a sound and excellent banking system in India and to regulate the then banking system in India, in 1991, the Reserve bank of India, had proposed to constitute Financial Sector Reforms Committee under the Chairmanship of Sr M. Narasimham, former R.B.I Governor, to correctly track and streamline the Indian Banking and Financial system in all aspects. The constituted Committee headed by Sri M. Narasimham thoroughly studied all the aspects and the circumstances prevailed in the banking at that time and in view to reorganize the structure of Indian Banking and Financial system, its total functioning, its infrastructural facilities, its future strategic policy decision makings; the committee prepared and submitted its report to the then Hon'ble Finance Minister Dr. Manmohan Singh, duly recommending the banking and Financial sector Reforms, focusing on the weaknesses, black holes and black shades in the banking and financial sector organizations. The following are the important recommendations of the committee.

- **i.** Gradual reduction in Cash Reserve Radio.
- **ii.** Reduction Statutory Liquidity Ratio during subsequent five years
- **iii.** Deregulation of the Bank interest rates both in deposits, loans and advances.
- **iv.** Adoption of Uniform Accounting Practices with regard to the asset reclassification

creating provision for bad debts.

v. Set up special Tribunals for speeding up loan recoveries.
vi. Restructuring the entire banking system to form, 3 to 5 large sized Banks
vii. With International recognition and 8 to 10 national level banks. At present
viii. Government of India taking initiative for banks Merging and Privatization.
ix. Abolition of branch licensing system.
x. Quick liberalization of capital markets
xi. Authority to recruit Bank officers to the concerned bank managements.
xii. Avoiding dual control on banks by banking divisions and R.B.I.
xiii. 11.Government share in banks should gradually be reduced i.e.,
xiv. Disinvestment policy in banks also to be continued.
xv. Revised procedure for the selection of, C.E.Os. and Board of Directors in Banks.

As recommended by the Banking and Financial Reforms Committee, several recommendations were totally accepted in principle and decided to implement gradually according to the timely need as and when it is necessary. Keeping in view of further need on the circumstances prevailed in the banking organizations, R.B.I and Government of India constituted again the Banking Reforms Committee-II under the Chairmanship of Sri M. Narasimham during 1997. This committee while reviewing the implementation of previous committee recommendations in overhauling the banking and financial system in India after the lapse of six years, this committee further studied and recommended further reforms in the banking sector. This committee submitted its report in April 1998 with the following recommendations.

i. Banks should avoid ever greening of their advances.
ii. No further re-capitalization to the banks.
iii. N.P.As accumulation should not be tolerated, it is to be reduced below 3%.
iv. Banks having heavy accumulation of N.P.As should transfer to Asset Reconstruction Committee which would issue government bonds.
v. V.R.S scheme should be introduced to rationalize staff pattern.
vi. Government guaranteed loans also must be categorized under N. P.As under normal procedures.

vii. Recruitment of skilled and technical staff must be done with top priority.

viii. A provision of 1% on standard asset should be created.

According to the need based and on urgent requirements, the recommendations of Banking and Financial sector Committee I and II are being implemented gradually to streamline the Indian banking sector and Indian Financial system. The above two Reforms Committees recommendations totally transformed the public sector banking organizations. It is the 'Business Process Re-engineering' concept.

5.0 SIGNIFICANCE OF INFORMATION AND COMMUNICATION TECHNOLOGY IN THE BANKING SECTOR

Information and technology to obtain information is very much required in the present era in any business organizations. Banking Sector also has no exception for this. Information and Information Technology are the Key drivers of I.T. Age Modern banking organizations are to be well equipped with Information Technology its users and I.T. applications (Jha Nishikant).

Like in other organizations, companies and industries., the financial institutions also depend on the information gathering, processing, analyzing and in providing information in order to meet the need of the requirements of the customers. The technological revolution has actually started in banking sector in 1950. Information Technology facilitated Electronic Data Interchange (E.D.I) Electronic payments technology is the result of I. T. Revolution during the year 1970. E-Banking today enable the customers to perform the basic and primary banking functions by sitting before his P.C in his office or at home with his LAPTOP. Now a days the banking organizations accessing their websites to their customers for observing the account status, balance status, transaction progress status. With E banking, 'Brick and Mortar' structure of traditional banking transformed into 'Click and Portal' mode. It is the real concept of Virtual Banking. Now a days the customers are being provided with additional delivery channels for banking transactions which are very much facilitated the customers with different kind of self-service E-banking transactions. Automated teller machine, Tele banking, mobile banking etc., are some of the delivery channels facilitated the easy banking transactions to customers in 24/7 days.

6.0 COMPUTERIZATION & AUTOMATION IN PUBLIC SECTOR BANKS

The Government of India and Reserve bank of India also constituted two more committees for fast succession to accelerate the pace of automation of banking portfolio during the years 1980-85. High power committee has been formed under the chairmanship of Dr.C.Rangarajan, the then Governor of Reserve Bank of India to plan Computerization and mechanization in banking sector in a phased manner over a period next five years 1985-89. Experimental this project has been taken up in two models of branch automation and computerization.

With that experience in the earlier project succession of computerization and Automation, one more committee headed by Dr. C. Rangarajan constituted during the year 1988 fixing with detailed perspective vision and mission for total Computerization and Automation of entire banking sector to other services like Electronic Funds transfer, online banking, A. T. Ms, Internet banking on par with New generation Private and Corporate and foreign sector banks. Actually the private sector banks and foreign banks ICICI, HDFC, Indus Ind bank, Axis Bank and CITI bank, Standard Chartered Bank adopted technology in banking services long back. Highly sophisticated, techno services like, Computerization and automation, electronic fund transfer, internet- online banking, Mobile, tele banking services were given to their customers in 20^{th} century itself. At this stage heavy and tough competition prevailed between Private, foreign banks and public Sector banks. For the survival of Public Sector banks Government of India and R.B.I initiated strong plan for the total computerization and automation of public sector banks adopting Information Technology in Public Sector Banking Sector.

7.0 CONCLUSION

With the adoption of Information technology in banking sector, the local services expanded to global services. "Customer of the branch now has been converted as customer of the bank". With Core Banking Solutions, Technology (C.B.S) customer is getting services anywhere and at any time irrespective of his account belongs to a particular branch. Instead of Bank managed administrative services has been now transformed to customer self-operated Banking services through A.T.Ms., net banking. Further many of internal banking programs and operations and activities were given to outsourcing agencies like loan processing, loan recovery, account opening activities. Banker designed plans also now changed as customer centric plans. Adoption of Information technology, providing of e-banking services through various delivery channels. Really it is a revolutionary change in banking services. Public sector banks also now competing with new generation banks and foreign banks.

8.0 SUGGESTIONS FOR IMPROVEMENT OF PROFITABILITY IN PUBLIC SECTOR BANKS

i. Excessive control and government regulations should be avoided and financial autonomy, quick and independent decision making should be given to the bank managements.

ii. Unnecessary and unauthorized political intervention should be avoided in bank administration policy matters, loan sanctioning process and loan recovery process. Then only the N. P. As (Non-Performing Assets) can be reduced. Evergreen loans and advances should be stopped. Every loan should be processed very strictly through online only not on manual.

iii. Financial autonomy should be sanctioned to the bank managements towards efficiency and to reach high profitability.

iv. Instead of providing capital funds to banks every year to fill up N.P.A losses, fix the responsibility, targets of loan recovery, and accountability for getting profit maximization. Self- procurement to banks to get their own funds through public subscription may be permitted.

v. Special drives of deposit mobilization should be encouraged with attractive interest rates, then government need not provide capital funds to every bank.

vi. Efficient technical and skilled staff recruitment should be done regularly in the place of senior retired employees. Regular staff trainings for updating and acquainting with technology should be provided.

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Key words and Terminology in the paper

Delivery Channels, Information Technology, Self-Procurement, Financial Autonomy, Brick and Mortar, Click and Portal, Computerization & Automation, Automated Teller Machine, Net Banking, Online Banking, Mobile Banking, Tele Banking Non-Performing Assets, Self -

Operated Banking Services, Electronic Funds Transfer, Acquainting, Asset Reconstruction Committee. (ARC) Electronic Data Interchange (EDI).

Acronyms

A.T.Ms., E.D.I., C.B.S., E.F.Ts., R.B.I., I.C.T., I.T., A.R.C., N.P.As., L.P.G., NABARD., I.F.C., S.F.Cs., SIDBI., I.C.I.C.I, S. B. I, N.H.B., C.E.O.

CHAPTER 8

USE OF CLOUD COMPUTING IN BANKING SERVICES

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ABSTRACT

Cloud computing is the practice of using a network of remote servers hosted on the internet to store, manage, and process data, rather than a local server or a personal computer. In these chapter different variants of cloud computing has been discussed. There are several different "flavors" of cloud, each bringing its own specific implications for banks.

I.0 INTRODUCTION

With the rise of existing and new, non-traditional competition, banking faces a changing business landscape. Satisfying customer demands has become more complex as customers demand more convenience and control over their banking services. At the same time, regulators are ushering in a new era of government over-sight. Banks currently face challenges in a number of key areas:

1.1 Capital inadequacy that depresses profit margins.

i. Emboldened customers who expect rapidly evolving new services and offerings fierce competition for customers has spawned industry consolidation and the entrance of nontraditional firms changing business models have shifted from product centric to customer-centric.
ii. Enhanced regulation increases government oversight and intervention.
iii. Increasing social and government pressure for financial inclusion.

To drive growth and innovation in banking, it is increasingly necessary to dramatically leapfrog the competition using IT and business model transformation. Cloud computing can offer financial institutions a number of advantages, including:

a) ***Cost savings***
b) ***Usage-based billing***
c) ***Business continuity***
d) ***Business agility***
e) ***Green IT***

But before moving to the cloud, banks must consider issues around data confidentiality, security, regulatory compliance, interoperability of standards, and quality of services.

Why Cloud Computing for Banks? Cloud computing can help financial institutions improve performance in a number of ways.

a. Cost Savings and Usage

Based Billing with cloud computing, financial institutions can turn a large up-front capital expenditure into a smaller, ongoing operational cost. There is no need for heavy investments in new hardware and software. In addition, the unique nature of cloud computing allows financial institutions to pick and choose the services required on a pay-as-you-go basis.

b. Business Continuity

With cloud computing, the provider is responsible for managing the technology. Financial firms can gain a higher level of data protection, fault tolerance, and disaster recovery. Cloud computing also provides a high level of redundancy and back-up

c. Business Agility and Focus

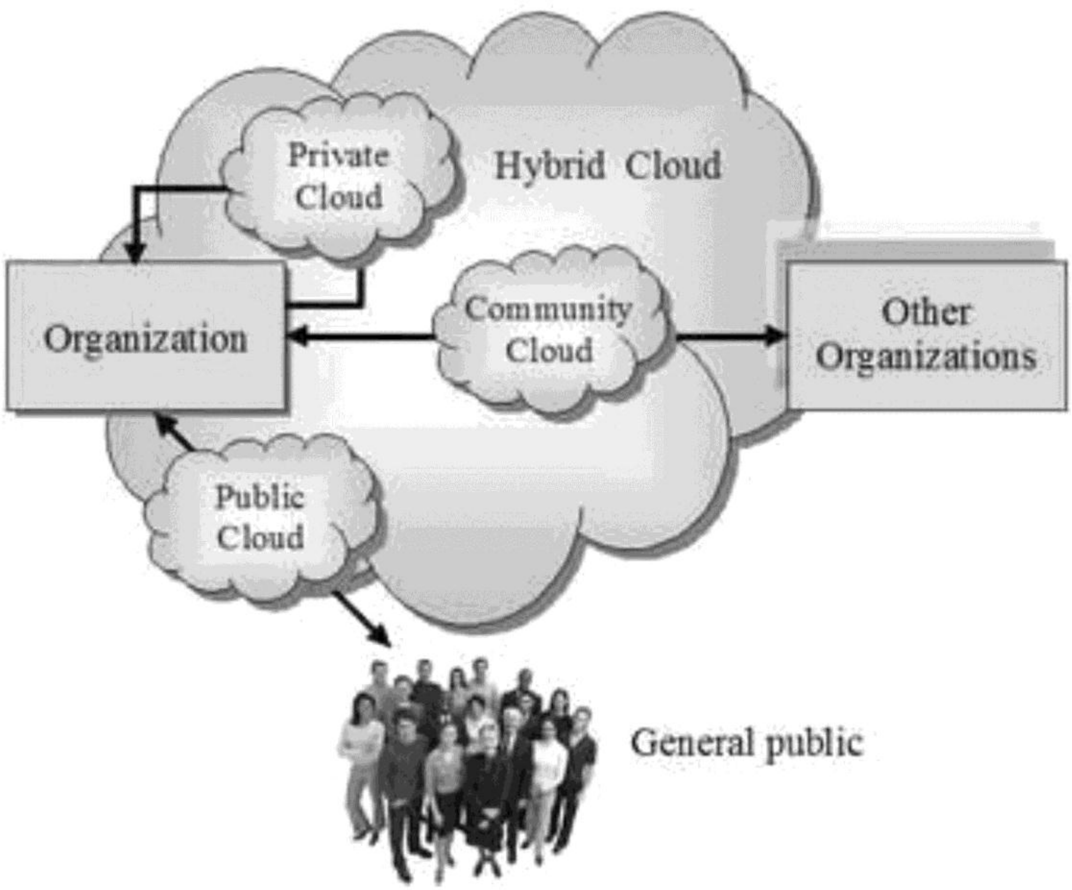
The flexibility of cloud-based operating models lets financial institutions experience shorter development cycles for new products. This supports a faster and more efficient response to the needs of banking customers. Since the cloud is available on demand, less infrastructure investments are required, saving initial set-up time. Cloud computing also

allows new product development to move forward without capital investment. Cloud computing also allows
businesses to move non-critical services to the cloud, including software patches, maintenance, and other computing issues. As a result, firms can focus more on the business of financial services, not IT.

d. Green IT Organizations

Green IT Organizations can use cloud computing to transfer their services to a virtual environment that reduces the energy consumption and carbon footprint that comes from setting up a physical infrastructure. It also leads to more efficient utilization of computing power and less idle time.

2.0 DEPLOYMENT VIEW OF CLOUD BANKING MODEL



3.0 WHAT IS CLOUD COMPUTING?

The cloud is a paradigm shift in computing, by which infinite computing capabilities and resources (servers, storage, networks, applications and services) are delivered as a service to customers using internet technologies. The Microsoft Windows Azure platform, which serves as the foundation for developing and running applications in the cloud (and offers all the required development tools, management and services from Microsoft), is built to be flexible and give customers the ability to run the technologies they choose and scale as necessary – paying only for what they consume. For banks, running their applications in Windows Azure means they don't have to deal with the basics of the operating system. They have automatic scalability and automatic failover as well as disaster recovery, without having to actively manage and maintain the technology themselves. For smaller banks in particular, cloud computing is the most cost effective IT solution available on the market today, as it allows them to benefit from the consumption-based pricing model, as well as the scalability of Windows Azure as they grow. Cloud computing has the capacity to change completely the financial services landscape. By making enterprise-level banking systems and associated technologies available in the cloud on a pay-per-use basis, now anyone, anywhere can have access to modern core banking systems without the cost and other barriers usually associated with this technology. Cloud computing is a model, not a specific technology. Today, cloud technology is not just a tool being used in IT, but a paradigm shift to an entirely new business model. Cloud computing, allows companies to access IT-based services via the internet. A cloud-based model provides rapid acquisition, low capital investment, relatively low operating costs and variable pricing tied directly to use. Cloud computing services operate at several levels: infrastructure as a service, software as a service, platform as a service and business process as a service. There are several different "flavors" of cloud, each bringing its own specific implications for banks.

The main variants are:

i. Public clouds

Clouds extend the data center's capabilities by enabling the provisioning of IT services from third-party providers over a network. The data and processing may be located anywhere in the world on infrastructure that is shared with the cloud provider's other customers, or "tenants".

ii. Private clouds

Private clouds are built by applying virtualization within a bank's own data centers. Because private clouds are not exposed to external "tenants," banks tend to regard them as a more secure environment for customer data.

iii. Hybrid clouds

Hybrid clouds blend public and private clouds depending on the sensitivity of the data and applications in each process, and the degree of business criticality and differentiation. Most banks will follow a "hybrid" cloud strategy which can also be a cloud owned by and located within the bank, but operated by a third-party.

iv. Public "sovereign" cloud

Public "sovereign" cloud is an emerging variant, under which a public cloud provider commits to keeping the cloud data and processing within a specific jurisdiction. This facilitates compliance with data protection regulations forbidding personal data from passing beyond national borders.

The all service layers, regardless of deployment model (private, hybrid, and public), a banking sector must implement a consistent model to govern, provision, and operate activities across all layers. This encompasses provisioning not just the infrastructure, but all components and services required to deploy the bank service, for example, hardware, network services, operating system, database, middleware, application, and third party service provisioning.

v. Infrastructure Services

Includes servers, storage, and networking, both inside and outside a banking services for data center. Many banks are currently building an internal cloud IT infrastructure. This layer is often called IaaS.

vi. Platforms Service

A broad technology array, including application hosting environments and tools, middleware technology, development frameworks and tools, and standards applied to specific business services. Even a core banking product includes a development environment such as frameworks, scripts, languages, tools and deployment environment such as deployment scripts, monitoring, and control environment.

vii. Business Services

Core bank services] such as corporate and retail banking, wealth management, treasury management, risk management and compliance, trading. Banks have built these services in-house, the market is replacing these systems with commercial off-the-shelf packages that embrace an SOA. Some business services, such as loan origination and payments, are consumed through an external service provider.

viii. Channel Services

Support diverse channels such as ATM, branch, call center, mail, mobile, online, telephone, video, etc. The services are tailored per channel, built on a channel-specific technology stack with some sharing across channels via bridging technology. As the number of channels, devices, and users explode, banks evolve toward single architecture that supports all channels, delivering a consistent customer experience, services, and information across all channels. Security (Authentication, Authorization and Access Control) —the critical need for security, privacy, and control in a cloud environment. For applications that need lower levels of security and control, a public cloud may suffice. Where more stringent levels of security and control are called for, a private cloud is the logical choice. For more sensitive banking sector services applications, which call for higher levels of privacy and control, retain them on their existing environment, or consider a utility services solution, or traditional managed hosting services approach.

ix. Scalability

The Cloud service that provides real-time visibility into resource utilization, operation performance, patterns for CPU utilization, disk I/O, and network traffic. Enabling employees across distributed branches to access trading and banking systems through a security-rich cloud infrastructure benefits of cloud computing in various banking IT service areas.

x. Analytics

Integrating customer data across banking platforms to enable near real-time insights.

xi. **Collaboration**

Enabling employees across distributed branches to access trading and banking systems through a security-rich cloud infrastructure.

xii. **Cost Savings and Usage-based Billing**

With cloud computing, financial institutions can turn a large up-front capital expenditure into a smaller, ongoing operational cost. There is no need for heavy investments in new hardware and software. In addition, the unique nature of cloud computing allows financial institutions to pick and choose the services required on a pay-asyou-go basis.

xiii. **Desktops and devices**

Deploying a private cloud to centralize management of desktops allows for greater remote flexibility without sacrificing control, while enabling banking employees to access the applications and data they need.

xiv. **Development and testing**

Enabling a bank's development teams to quickly and easily create virtual environments thus increasing the agility of development and testing.

xv. **Industry applications**

Enabling payment providers to standardize and modernize transaction processing.

xvi. **Infrastructure compute**

Allowing capacity to be allocated, expanded and reallocated efficiently gives banks flexibility and agility while resolving the issues of complexity and cost increases related to scaling up traditional network models to accommodate future growth.

xvii. **Infrastructure storage**

Providing scalable storage solutions to ensure that the real-time demands of today's trading and analytics processes are maintainable.

xviii. **Managed backup**

Backing up a bank's critical business data to ensure that in the event of a disaster a bank can bounce back rapidly and easily.

xix. Security

Enforcing active security and endpoint management to ensure corporate governance and banking IT policies are maintained

3.0 CONCLUSION

While banks will benefit in a similar way to other cloud users from this particular offering, especially in terms of lower total cost of ownership, enhance their operations and help them develop new offerings with flexibility and a rapid time to market. Cloud computing may soon prove indispensable as an answer to the daunting new demands for agility, transparency, and efficiency. Shrinking markets and global competition pose numerous challenges for banks – the Cloud offers the speed, flexibility and real-time information needed to meet those challenges on a cost-effective basis. Global economic situation to more stringent regulatory controls, nimble new competitors, and shifting Customer expectations—bankers and others now face a dramatically different market reality. Banks must collaborate and technology must be part of that collaboration. We successfully integrated on promise and cloud-deployed bank sector for web service. The benefits can include not only lower costs, but increased revenue and optimized customer relationships. Cloud computing represents game-changing shifts in how banking services organizations acquire and leverage IT resources. Cloud computing also provides a high level of redundancy and back-up at lower price than traditional managed solutions. The Cloud vendor provided infrastructure services are used to address scalability, performance, security, availability, disaster recovery, monitoring requirements of the systems.

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CHAPTER 9

A STUDY ON CLOUD COMPUTING AND ITS IMPACT ON THE BANKING SECTOR

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ABSTRACT

As innovations develop, organizations presently don't see Information Technology as a complex and tedious part of the policy making cycle. As the days are gone when organizations hung tight for computer technology work force to give the processing power and applications important to help decisive through information handling. With the approach of using technology advances, cloud application has made some amazing progress in a brief timeframe, making it simpler to get to and examine volumes of information. Specifically, cloud application is significantly affecting activities and computer technology division capacities inside the banking, monetary administrations, and insurance areas, which depends vigorously on Information retrieval for dynamic and monitoring business tasks. [1] This paper mainly focuses on the concept of cloud computing. How it is used in Banking Sector. What the benefits and issues are of cloud banking.

Keywords: Cloud Computing, Deployment Model, Service Model, Operating Model

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Objective of the Study

- **i.** To study the concept of Cloud Computing.
- **ii.** To study the areas where the Cloud Computing is being used by the banks
- **iii.** To study about the benefits and issues of cloud banking

Research Methodology

The study depends on secondary data gathered through different Books, magazines, Journals, papers, web sites and research studies.

1.0 INTRODUCTION

Cloud Application is the high level instrument for data innovation that put aside individual or-organization to capitalize on the web for patter into powerful equipment and programming favorable to grams and apparatuses. Cloud Backup is transformed into the financial area, in light of the fact that the people usage of banking activities is expanded step by step. Banking started utilizing Cloud identified the appropriate fund transfer with security exchanges. Time decrease likewise one of the fundamental factor for the quick development of cloud Applications in financial area.[2]

1.1 Definition

According to RBI Report defined Cloud Computing has enhanced universal idea in the field of Technology and is broadly consented to be the way to eventual fate of Information Technology. "Cloud Computing is a replica for empowering helpful, on-request network admittance to a collective pool of configurable figuring assets such as web servers or application servers, networking, data repository, apps, and administrations or assistance, which could be quickly provisioned and delivered with nominal administration cooperation."[3]

2.0 ESSENTIAL CHARACTERISTICS OF CLOUD COMPUTING

According to National Institute of Standards and Technology (NIST) definition, cloud computing essential to fulfill five basic attributes as follows (RBI Report)[3]

2.1 On-demand self-service

Cloud permits customer to singularly arrangement IT framework in the cloud as far as figuring assets, network limit, data repository necessities, and so on, on interest premise. This implies that cloud supplier should have the option to give extra processing limit without human mediation for example expansion of new branches or expansion of new customers.

2.2 Broad network access

Cloud assets are available over the organization through plenty of devices through standard systems. Diversified thick or thin customer stages such as cell phones, tablets, PCs, and workstations can be utilized to get to cloud.

2.3 Resource pooling / Multi-tenancy

Cloud supplier gives framework, including server, AC or central air conditioning, hardware, power supply, software programming, data repository, and networking which can be divided among various customers. There can be a sensible division between each customer's processing assets and networking utilizing virtualization and different strategies.

2.4 Rapid elasticity

Capabilities can be quickly and flexibly provisioned, now and again automatically, proportional quickly outward and internal comparable with request. With regards to bank clients, the abilities accessible can be appropriated in any amount whenever.

2.5 Measured Service

Nature of Cloud administration makes it conceivable to gauge the use of assets like data repository, computing, transfer speed and dynamic client accounts. Asset utilization should be checked, controlled, and detailed; giving straightforwardness to both the supplier and customer of the used help. With regards to banks, the Cloud supplier ought to have reporting system while charging.

3.0 SERVICE MODELS OF CLOUD COMPUTING

According to Anurag Bejju, 2014, Cloud administration models offer monetary association the strategy to shift from a capital-escalated route to a more pliant plan of action that limits operational pay. The way to accomplish greatest usage of existing assets is in picking the correct cloud administrations model to reach business objectives. There are four fundamental sorts of cloud administration models . Each offer likenesses yet have their own unmistakable contrasts also.

3.1 Business Process-as-a-Service (BPAAS)

This administration model is utilized for definitive business cycles, for example, charging, finance, or HR. BPaaS coordinates the wide range of various help models with procedure mastery. Scarcely any instances of BPaas are ADP Employease an internet business procedure administration for HR and AMEX Concur another internet business procedure that associates travel providers and versatile arrangements all around the globe.

3.2 Software-as-a-Service (SAAS)

In this administration model a cloud specialist organization deals with the business application software and related information, and end clients access the product and information by means of their internet browser. Kinds of application software that can be conveyed this way incorporate auditing, client relationship administration, ERP (stands Enterprise resource planning), invoicing, HRM (stands Human Resource Management), content administration, and assistance services. Associations that utilization cloud innovations discharge their applications with respect to a facilitating environment, which can be access by means of networking from different customers (for example internet browser, Personal Digital Assistance and so forth) by application clients. These associations don't have authority over the Cloud framework that regularly utilizes multi-tenure framework design. Instances of SaaS incorporate Google Mail, Docs and so forth.

3.3 Platform-as-a-Service (PAAS)

This administration model offers a total stage for application, network, and creation of database, data repository, and testing. This element assist organizations with smoothing out the turn of events, updating and backing of custom applications, bringing down IT costs and limiting the requirement for equipment, programming or software, and facilitating conditions. PAAS offers an advancement stage that has both finished and continuing the cloud applications. This requires PAAS, to help application facilitating environment, to have improvement framework including software, devices, configuration, etc. Instances of PAAS are Google App Engine and Microsoft Azure.

3.4 Infrastructure-as-a-Service (IAAS)

This administration model gave an elective answer for organizations to purchase assets as a completely outsourced administration than buying servers, programming or software, database or networking tools. Cloud based association's straightforwardly use IT frameworks (computing, data repository, networking, and other essential processing assets) gave in the IAAS model. Virtualization is limitlessly utilized in IAAS model to incorporate/break down physical assets in a specially appointed way to meet expanding or contracting asset interest from cloud customers. Instances of IAAS are Amazon's EC2 and so forth.

4.0 CLOUD DEPLOYMENT MODELS

According to Gayatri Sattiraju, Lalit Mohan S, and Shakti Mishra.2013, cloud deployment models are classified into four types as follows:[5]

4.1 Public Cloud

It offers assistance like applications or data repository or storage to the general population including people, different associations and so on. It is originally kept up by a mediator and is given to the clients on the basis of pay per use only by means of cyberspace. Providers such as Amazon AWS, Google and so forth and work the framework and provide access just through World Wide Web.

4.2 Private Cloud

It is set up for customers to utilize it just inside their administration, in this way bringing about more successful control of information, security and administration quality. It provides advantages like scalability, flexibility, financially savvy, secure, simple administration.

4.3 Hybrid cloud

A mix of both private and public models together is named as Hybrid Cloud. In this mode, the issues of scalability, flexibility and criticality may vary for a few situations. In this model, we can oblige our applications according to the necessity of issues relying upon their basic and non-basic norms. Basic applications can be restricted to the private cloud while permitting noncritical applications into the public cloud.

4.4 Community cloud

It is a synergistic help where the framework is divided among a few administrations that are from a comfortable society with basic concerns such as security, consistence, control, and so on. It is very well may be overseen inside or by a third force. Institute for

Development & Research in Banking Technology, established by Reserve Bank of India gives cloud administrations to the Indian banks.

5.0 CLOUD MODEL FOR BANKS

Cloud is the great solution for financial institutions. In conventional banking, customers' accounts are overseen by bank either on the cyberspace or physically by the branch. Conventional banking methodology debilitates the client not to follow that bank, as the present smart clients need to get to their record any time from any area without visiting the bank. So the cloud processing is the great option for the development of banking areas. Cloud repository stores all the information of banks identifying with client account on the virtual repository or server and can be gotten to by clients any time from any area. We locate the hybrid model of cloud processing is most appropriate model for the financial area. The cloud is possessed by and situated inside the bank however worked by the outsider merchant. The below figure clarifies the work flow of cloud banking. In this present bank's information repository, administrations are reserved on the hybrid cloud. Anybody can get to the information as indicated by their prerequisite from cloud.

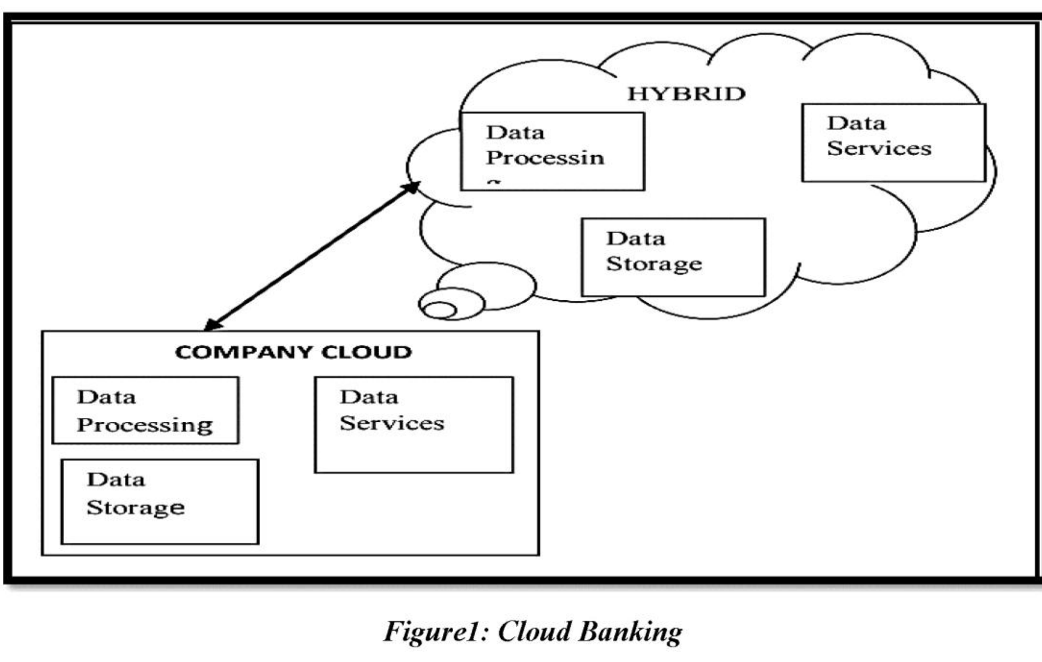

Figure1: Cloud Banking

6.0 CLOUD APPLICATION FOR FINANCIAL SECTORS

Cloud has picked up fame lately in every single region. Numerous banks are picking this innovation for the tremendous development in their business. Such countless applications are utilized by numerous individuals of the banks, few are recorded below. [6]

- **i.** NYSE Euronext Capitals Markets Community
- **i.** NASDAQ OMX Data on-demand
- **ii.** CME clearport OTC Data-on-demand
- **iii.** I-Banks Using Cloud for Risk Analysis and Non-Core Processes
- **iv.** IBM Smart Cloud Foundation

7.0 CLOUD OPERATING MODELS FOR BANKS

According to Capgemini Report on Cloud Computing in Banking, the third part of picking the correct cloud services conveyance model is deciding the proper working model for the necessary blend of assets and resources. It has analyzed three working models for cloud administrations:

7.1 Staff enhancement

Financial sectors can pick up cloud ability by recruiting individuals with the correct ranges of abilities from administration sellers. The extra team or work force can be housed in the association's current seaward hostage place. This working model considers adaptability and allows firms to pick the best asset for every particular prerequisite.

7.2 Virtual captives

Virtual confined have a devoted pool of assets or focuses to assist with cloud tasks and satisfy need. This working model is a decent option in contrast to a total external suppliers' approach.

7.3 Outsourcing vendors

This methodology utilizes adopted centers, offices, and individuals from an outsider seller to deal with cloud tasks. The model joins assets and ventures to take into account cloud administrations for various banks.

8.0 BENEFITS OF CLOUD BANKING

According to Kiran Bala Nayar, and Vikas Kumar. 2014, Cloud computing offers a number of benefits to the financial institutions. These are as follows:

i. Cost Savings

Through the medium of Cloud processing, banks can decrease their huge forthright expenses into more modest operational expense. Considering cloud is accessible on interest, no requirement for the huge speculations for tools or hardware and application software. Banks can pick the administrations on pay more only as costs arise model, needed by them. Cloud processing additionally permits brand new product improvement to push ahead without capital contributement. So banks can decrease their cost of processing by 40% considerably more than that.

ii. Business Continuousness

Cloud processing gives the affirmation of business progression if there should arise an occurrence of any fiasco. It is the duty of the provider for dealing with the innovation. Banks can pick up a more elevated level of information safeguarding, adaptation to non-critical failure, and disaster rehabilitation. Cloud storage likewise gives an elevated level of excess and back-up at underneath cost than conventional oversaw arrangements.

iii. Green IT

Cloud processing depends on practical environment, associations can diminish the energy utilization and carbon impressions for setting up of actual framework. It likewise prompts productive use of processing power and less inactive time.

iv. Scalability

Cloud processing aids banks for satisfying the client needs promptly and adaptability of PC assets which will retain the time of IT trained professional and business client from the designing the framework for top burden. Banks can deal with the concerns related with security and protection of information by construction of hybrid cloud where significant information keeps on private cloud and processing power lives out in the public cloud.

v. **Business Agility and Focus**

Cloud gives the adaptability of working models to the Banking area for the dispatch of new items. This aides a quicker and more productive reaction for the client. With the assistance of Cloud Computing, banks doesn't have to fabricated another installment framework without fail, it is request while the customary payment framework consolidates the groups of innovation important to offer the payment administrations. So Cloud processing permits organizations to move non-basic administrations to the cloud, along with software or programming patches, upkeep, and other processing issues. Subsequently, associations can zero in additional on the matter of monetary administrations, not on IT.

vi. **Mobility**

While moving from one location to another location, the greater part of the business clients need to inspect the dangers, execution, investigation reports and the synopsis on their Personal Digital Assistance, tablets and messages on framework through web associations. With the assistance of cloud processing, banks can assist clients with getting to their records from any areas, any time. Few banks have stepped up to the plate into this zone by creating android based apps for Smart Mobiles for their accounting transactions and reporting apps.

vii. **Desktops and Devices**

Banks can be profited by sending private cloud in the framework. Bank's staff can get to the information and applications as per there necessity with the brought together management of work areas for more noteworthy distant adaptability.

viii. **Advancement and Testing**

Cloud can assist testing and advancement group of banks to establish simple and fast practical environment, builds the deftness of testing and advancement.

ix. **Infrastructure Computes**

Cloud processing is an innovation that permits its clients to increment and extend the ability to be apportioned. So it offers banks dexterity and adaptability to improve the conventional networking model while settling the expense and unpredictability issues.

x. **Administer Backup**

In view of the computerized backup highlight of cloud, banks can grab a help from backup of analytical information. Cloud guarantees the coherence of the framework even in case of crash.

9.0 ISSUES OF CLOUD BANKING

According to Lalit Sangavarapu, Shakti Mishra, Abraham Williams, and G.R. Gangadharan.2014, notwithstanding such benefits, many BFSI (stands Banking, financial services, and insurance) institutions are reluctant to attempt external suppliers' cloud services because of the following reasons: [1]

i. Security concerns
ii. Lacking Regulatory Standards
iii. Issues with Interoperability
iv. Unclear service features
v. Lacking Governance Mechanisms

10.0 CONCLUSIONS

Cloud Technology is a revolutionary model of banking industry that gets and influences Information Technology resources. It likewise gives a significant level of repetition and back-up at lower cost than conventional oversaw arrangements. It is the answers for the interest of innovation in term of proficiency, readiness and straightforwardness. Different banks are embracing this advancing developmental methodology of cloud for the cost proficiency and operational adaptability.

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CHAPTER 10

BENEFITS OF CLOUD COMPUTING IN TRANSFORMING THE BANKING SECTOR AND PRECAUTIONS NEEDED WHILE MAKING THE TRANSFORMATION

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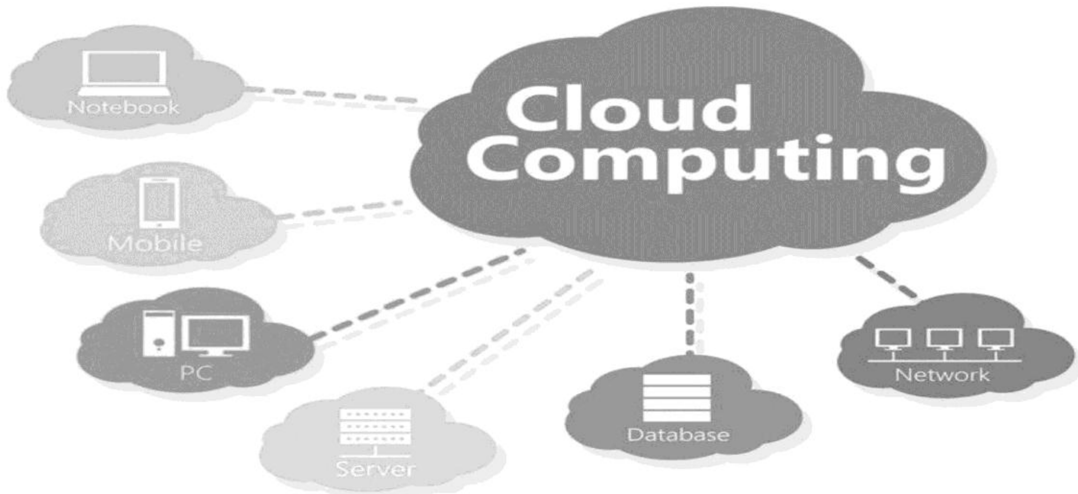
ABSTRACT

Cloud computing is expected to be one of the fastest-growing technologies in the coming years. Business applications will be the largest market for cloud services pending, with a gradual transition from on-premise to cloud-based services especially for general business applications like customer relationship management (CRM) and enterprise resource planning (ERP). Banks are expected to enter the cloud computing arena cautiously, with no single cloud services delivery model being a silver bullet for best meeting their demanding business needs. Cloud computing can offer financial institutions a number of advantages, including: Cost savings, Usage-based billing, Business continuity, Business agility and Green IT. But before moving to the cloud, banks must consider issues around data confidentiality, security, regulatory compliance, interoperability of standards, and quality of services.

1.0 INTRODUCTION

Cloud computing is making its presence felt in almost every business sector across the globe and the banking sector does not want to be left behind. Banking transactions can change for the good and in a dramatic manner if some of the barriers associated with the technology are brought down. Even the cost of cloud computing can be significantly reduced and more flexibility introduced into the system if the right software and hardware resources are provided.



1.1 What Is Cloud Computing?

Cloud computing is an advanced IT technology that allows individuals and organizations to utilize the internet for tapping into robust hardware and software programs and tool. The resources from where they can utilize these services are usually powerful and sophisticated computers placed in remote locations for safety purpose.

One of the biggest stumbling blocks of utilizing cloud computing technology in the banking sector is security concerns. As every transaction has to be done under the cover of high security and confidentiality, banks believe that they could be working incessantly under risk and threat of security breach. Dealing with regulations and complications of handling a large network of customers using the technology are other factors that prevent many financial institutions from embracing cloud computing.

However, the visible success of the first movers in the industry, the perception of a majority of players in this sector is changing as well. Leading companies are of the opinion that cloud computing can play a pivotal role in formulating powerful strategies. With the technology already proving to be a great success across diverse business sectors, clients' wants banks too to utilize cloud computing to improve services and provide greater connectivity. They believe that this can be easily achieved by using standard cloud technologies.

Adoption of cloud computing on a large scale by the banking sector could enhance greater productivity, improve performance and boost profitability. This can help create numerous new jobs too which can be great news for the economy. It can be innovatively utilized to bring in greater efficiency across all operations and to deliver superior customer service. At a time when banks are facing intense competition from non-bank payment providers and there is high pressure to deliver results, using cloud computing technology can be the best solution to overcome current setbacks and surge ahead.

2.0 THE KEY BENEFITS OF THE CLOUD ACCORDING TO TECHNOLOGY EXPERTS ARE

i. Cost Reduction

As banks are spared the hassle of investing in dedicated hardware, premium software and skilled professionals, moving to the cloud can prove to be a major money-saver. Most providers offer free update for the cloud and IT infrastructure. By using the pay-on-demand model, they will have to pay only for technology that's needed for smooth day to day operations.

ii. Offers High Flexibility and Scalability

With cloud technology, banks can keep pace with the changing market and respond to needs of clients faster than before. Technology can also be utilized on a need basis thanks to the high scalability and flexibility associated with cloud technology.

iii. **Improves Efficiency**

With newer and user-friendly technologies easily accessible, banks will be able to optimize utility of all resources effortlessly. The cloud also makes it easier to integrate newer technologies and applications within the system for achieving better results in the future. As all key tasks are simplified, efficiency is the major gainer of employing cloud technology.

iv. **Helps Serve Clients Better and Faster**

With cloud computing solutions customized for banks, professionals can create bundled products and services easily. If you need a specific type of hardware or software solution, you can simply go ahead and develop it instead of having to wait for a long time. Computing power can be increased to meet growing demands of the industry. Clients can benefit immensely as key services can be delivered speedily. Unlimited computing power of the cloud will allow banks to develop systems capable that can make them understand the needs of the clients better. They can create customized solutions that can help them offer high quality services consistently.

3.0 RISK ELEMENTS

Risk elements when you are planning to introduce cloud computing to your bank make sure you understand the risk elements too. These are:

i. **Data Security**

Stringent safety measures must be in place not only to provide highest level of security to data but also to remain compliant with the rigorous security standards. You must insist on Service Level Agreements.

ii. **Data Reliability and Recovery:**

When any unforeseen event that's beyond human control such as a natural disaster occurs, your data must be protected. Make sure you choose a provider capable of protecting and recovering data when disaster strikes.

iii. **Development of Specialized Cloud Management Platforms:**

Banks must develop cloud management platforms that can make operations simple. Systems must be put in place to leverage the full benefits of cloud computing but in a cost-effective manner.

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CHAPTER 11

CUSTOMERS' INTENTION TOWARDS USAGE OF SMART CARDS IN BANKING CONTEXT

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ABSTRACT

The present research aims to understand the customer intention to use smart cards in the Indian context. The present study is based on 476 respondents which have been collected from Punjab (India) using convenient sampling. Exploratory factor analysis, confirmatory factor analysis, and multiple regression analysis have been applied to examine dimensions' impact on customer intention. The results of multiple regression analysis validated that customer intention towards smart cards is significantly determined by trustworthiness, intention to use, value for money, social influence, ease of use, and government initiatives. Various factors have been identified using exploratory factor analysis that have collectively influence on customer intention to use smart cards. The proposed study attempts to fill the gaps in previous literature by conducting an empirical

study on consumer intention to use smart cards. The findings of the research will be of additional value to the government, banks, and financial institutions.
Keywords: Customer Intention, Value for Money, Government Initiatives, Multiple Regression Analysis and Smart Cards.

1.0 INTRODUCTION

As the years passed, we found several changes in the form of money ranging from coins to paper and now to any form. Developing at two fold digit rates since the mid 1990s, there has been a boom in the market place since 2003. Nowadays everything is changed with emerging technology and similarly money has turned out to be electric money which can be used through smart cards (Mona *et al.,* 2019). Smart cards are an integrated payment system which will help a customer to make and receive payment without having any physical card by integrating a mobile application with banks. Today, notwithstanding money, electronic cash cards, credit cards, smart cards, debit cards, online fund transfers, and even counter trade has empowered clients to purchase as well as utilize the items they need (Mohammed *et al.,* 2019). Payment cards have been around for quite a while now and with them the comfort of stashing plastic cards has been found and delighted. Presently, the transaction cards are being replaced by smart cards in the next generation. Despite the never ending benefits of using the smart cards the intentions of users are not positive especially in the rural areas in India (Michael and Wiese, 2019).

2.0 LITERATURE REVIEW

Previously many studies have focused on the economic aspect of smart cards and various incentives a consumer gets by using a smart card (Gan *et al.,* 2016). In addition to above, social influence on users for using the smart cards have been focused much by the researchers (Mirza *et al.,* 2018; Flavián *et al.,* 2014). However, as the concept of smart card is new for the Indian customers, the social influence and economic benefits only cannot properly address the problem of non acceptance. Moreover to explain why people use innovative and modern technological system, researchers in user acceptance research stream have pinned various established theories of consumer behaviour, such as the Theory of

Reasoned Action (TRA), the Social Cognitive Theory (SCT), Theory of Planned Behavior (TPB), and the Innovation Diffusion Theory (IDT). Based on these theories, various model like technology acceptance model (TAM) was developed. Each model has its own independent and dependent factors for user acceptance although there are many overlaps in all the existing models (Mariëtte *et al.*, 2019). Thus this study derives the various latent contracts from different behavioural theories to explain the problem more extensively and in more depth. As a result this study attempts to cover the gap of knowledge in existing and the previous literature. Henceforth, this study aims to explore the antecedents affecting the intention of the users to use smart cards. The objective of this study are twofold, as it addresses specifically the question of why people use a system in a particular context, because it will lead to insights as to what factors in the system that causes people to choose it over other available options and secondly the impact of those factors on customer intention to use smart cards.

3.0 METHODOLOGY

In order to examine the customer intention towards smart cards item generation, refinement, and validity process was used. For the generation of the items an extensive literature review of previous studies was carried out. The scale was modified as the requirement of the current objective. The comments of the experts were invited and researchers were also consulted for making the construct more effective and useful. For dimension reduction, exploratory factor analysis was used and finally confirmatory factor analysis was applied to verify the factor structure and their loadings.

3.1 Demographic Profile

The demographic profile consist 48.32 per cent male and 51.68 per cent female participated in the survey. Moreover, 26.26 per cent of the respondents were belong to the age group of 18-27, followed by 25.63 per cent in the age group of 28-37; 25.24 per cent in the age group of 38-47; and 22.69 per cent were falling in the age group of 48-57. In the case of marital status, 72.69 per cent were married and 27.31 per cent respondents were unmarried. As far as education of the respondents' is concerned 18.49 per cent respondents were belong to matriculation; followed by 25.63 per cent were belong to higher secondary;

32.77 per cent belonged to graduation and 23.11 per cent were belong to the respondents who have done post graduation.

3.2 Factor Analysis

Exploratory factor analysis was conducted by using principal component analysis in order to identify the set of underlying factors and constructs having eigen value less than unit were finally ignored. In table 3 all the extracted variables along with their communalities are shown and the values are more than the threshold level of 0.50 (Hair *et al.*, 2015).

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.769
Bartlett's Test of Sphericity Approx. Chi-Square	13674.300
Cronbach's Alpha (Sample Size=476)	0.760
Number of Items	23
Df	253
Sig.	0.000

Source: Compiled from SPSS Version 20 output

Bartlett's test of sphericity (13674.300) and Kaiser-Meyer-Olkin measure of sampling adequacy (0.769) has been shown in table 1. The Cronbach's alpha comes out to be 0.760 which is considered satisfactory for factor analysis (Hair *et al.*, 2015). Cronbach's alpha of individual dimension is also above the satisfactory level (0.7). So, all six dimensions were considered reliable.

Table 2: Rotated Component Matrix

Items	**Component**					
	1	**2**	**3**	**4**	**5**	**6**
V8	.964					
V10	.956					

V9	.954					
V11	.948					
V14	.850					
V7		.976				
V23		.974				
V5		.931				
V6		.926				
V18			.951			
V19			.944			
V21			.931			
V20			.925			
V3				.957		
V2				.950		
V4				.897		
V1				.896		
V15					.924	
V17					.904	
V16					.866	
V22						.927
V12						.908
V13						.816
Percentage of Variance Explained				**86.655%**		

Source: Compiled from SPSS Version 20 output

After applying the varimax rotation method, six latent factors were found to be significant having eigen value more than one and accounted for 86.655 per cent of the total variance were retained for the further analysis. Table 2 represents rotated component matrix which shows that six factors were extracted having factor loading value more than 0.6. Thus, it can be concluded that data is suitable for further analysis.

Table 3: Factor Naming

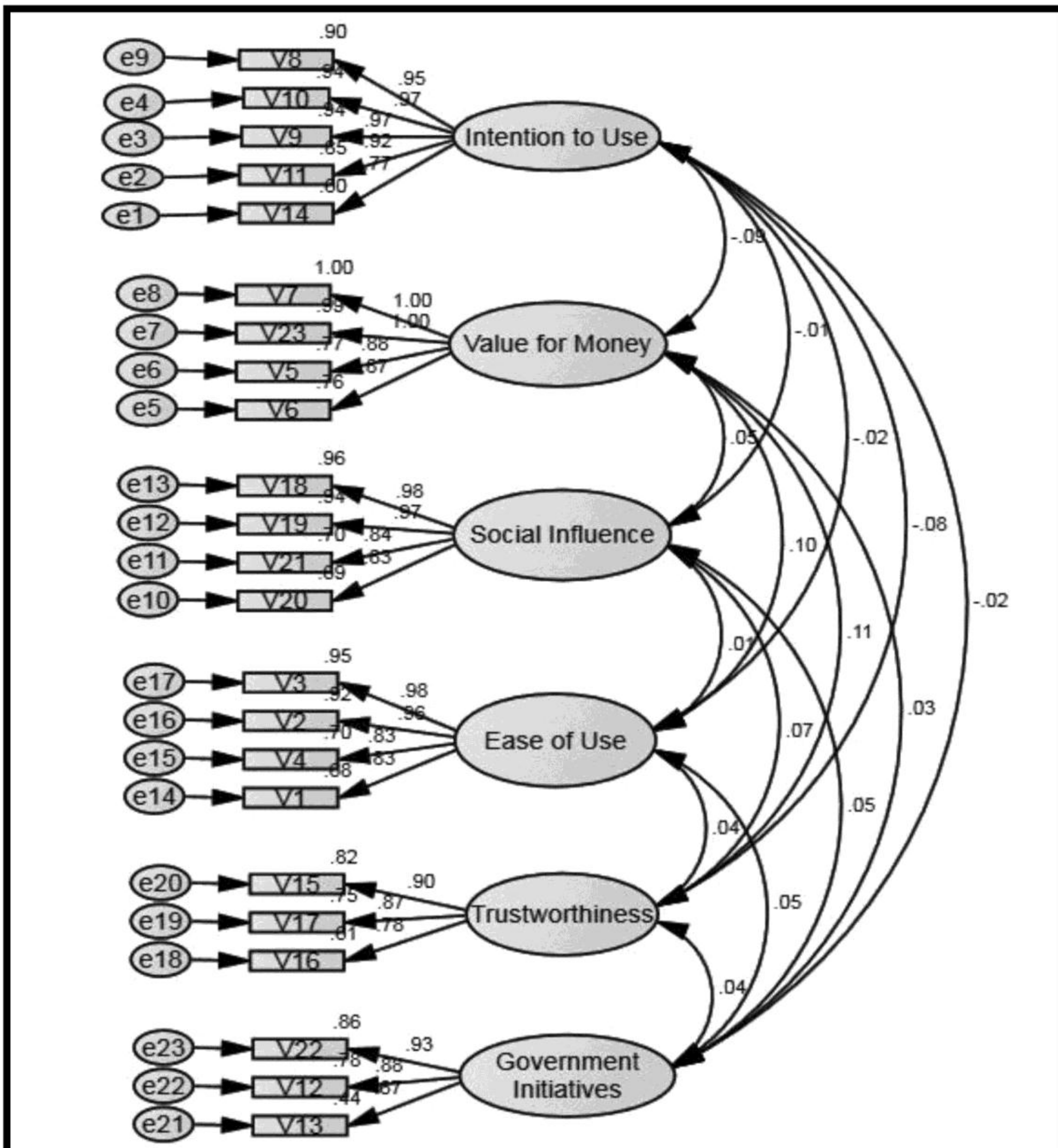
Factor Name	**Eigen Value**	**Dimension Reliability**	**Item loading**	**Items**
Factor 1 **Intention to use** 19.064	4.624	0.964	.964	I use to smart cards because it is an eco-friendly initiative.
			.956	I prefer to use smart cards to avoid paper wastage.
			.954	Smart card is most convenient way to pay bills.
			.948	Smart cards are compatible with all modes of payments.
			.850	I usually get payback when I shop by using smart cards.
Factor 2 **Value for money** 15.997	3.990	0.962	.976	It is easy to carry and kept money through smart cards.
			.974	While purchasing luxury goods I prefer to pay by smart cards.
			.931	Due to counterfeit/duplicity of paper currency I am shifting to smart cards.
			.926	Smart cards are need of hour in highly competitive global environment.
Factor 3 **Social Influence**	3.444	0.937	.951	I usually use smart cards which are promoted or mostly advertised.
			.944	My family friends influence me to use

15.410				smart cards.
			.931	Social status motivates me to use smart cards.
			.925	Smart card transactions will help to crack black money circulation.
Factor 4 **Ease of Use** 15.003	3.168	0.918	.957	I usually use smart cards because it will be the future of global economy.
			.950	Smart cards are compatible with modern living style.
			.897	Now-a-days Smart cards are affordable option for everyone.
			.896	I usually prefer to pay bills through smart cards.
Factor 5 **Trustworthiness** 10.905	2.413	0.884	.924	I always consider smart cards as reliable and secured way of shopping/payments.
			.904	By using smart cards I can get proper record of all my past transactions.
			.866	When I use smart cards I consider myself independent.
Factor 6 **Government Initiatives** 10.276	2.292	0.861	.927	Government should provide some tax benefits to those who are using smart cards for online payment mode.
			.908	Government should implement some policies to use of smart cards.
			.816	Government should provide some discount and incentives to card users.

Source: Compiled from SPSS Version 20 output

3.3 Confirmatory Factor Analysis

After finding out the adequate outcomes of EFA, the CFA has been applied to test the validity of the underlying constructs. Structural model in figure 1 depicts that all the factors have influence on customers' intention to use smart cards.



Source: AMOS Version 20 Output

Figure 1: Structural Model

In the present study, Table 4 represented that p-value=0.000; goodness of fit index = 0.903, adjusted goodness of fit index = 0.901, Tucker-Lewis index = 0.970, normal fit index = 0.961, comparative fit index = 0.975, and Root mean square error of approximation = 0.049. All presented values were accepted to the threshold level of fit indices. Table 5 represent composite reliability and average variance extracted all values describe reliability and validity of the scale.

Table 4: fit indices

Indices	**Ideal Value**	**Model fit Indices**
***P*-Value**	0.00	0.000
GFI	>0.9	0.903
AGFI	>0.8	0.901
CFI	>0.9	0.975
NFI	>0.9	0.961
IFI	>0.9	0.976
TLI	>0.9	0.970
RMSEA	<0.8	0.049

Source: Compiled from Amos output

Table 5: Composite Reliability and Average Variance Extracted

Construct items	**Cronbach's alpha**	**Composite Reliability**	**Maximum Shared Variance**	**Average Shared Variance**	**Average Variance Extracted**
Intention to use	0.964	0.889	0.013	0.006	0.728
Value for money	0.962	0.965	0.008	0.003	0.847
Social influence	0.937	0.967	0.013	0.007	0.879
Ease of use	0.918	0.949	0.005	0.002	0.823

Trustworthiness	0.884	0.945	0.011	0.003	0.812
Government Initiatives	0.861	0.871	0.003	0.002	0.696

Source: AMOS version 20 output

Table 6 reported that square root of average variance extracted for each construct was greater than their squared correlations which establish the adequate discriminant validity (Hair *et al.*, 2015). The measurement model was found to be valid in terms of discriminant validity as both MSV and ASV of individual constructs were found to be lower than their respective average shared variance (AVE) estimates.

Table 6: Discriminant Validity

Dimensions	**Trust-worthiness**	**Intention to use**	**Value for money**	**Social Influence**	**Ease of Use**	**Govt. Initiatives**
Trustworthiness	**0.853**					
Intention to use	-0.085	**0.920**				
Value for money	0.115	-0.087	**0.938**			
Social Influence	0.073	-0.006	0.050	**0.907**		
Ease of Use	0.042	-0.015	0.104	0.007	**0.901**	
Govt. Initiatives	0.041	-0.019	0.030	0.053	0.052	**0.834**

Source: Gakingston MS-Excel validity master output

3.4 Multiple Regression Analysis

The summary of summary of results is presented in table 7. The co-efficient of determination (R^2) accounted for 0.838 signifying that 83.8 per cent of variance is explained by independent variables, which is quite adequate variance in determining the intention of the customers to use smart cards (Fisher, 1922). The Adjusted R^2 comes out to be 0.836; R=0.915; F change=485.58; significant at 0.000; and value of Durbin Watson=1.928, all these values implies that overall model is fit and a significant relationship exists between the dependent variable and independent variables from which some important inferences can be drawn. The results of multiple regression analysis depicts that null hypotheses for all dimensions were rejected at 5 per cent level of significance which described that all dimensions have a significant impact on customer intention to use smart cards.

Table 9: Results of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
	Beta	Std. Error	Beta		
(Constant)	3.733	.011		329.435	.000*
Value for Money	.063	.011	.103	5.536	.000*
Social Influence	.036	.011	.059	3.163	.002**
Ease of Use	.035	.011	.057	3.073	.002**
Trustworthiness	.552	.011	.904	48.681	.000*
Government Initiatives	.031	.011	.051	2.756	.006***

Independent Variable: Government Initiatives, Trustworthiness, Ease of Use, Social Influence, Value for Money

Dependent Variable: Intention to Use

Note: Significant at *p< .00, **p< .002, ***p< .006 level

Source: Compiled from SPSS output

4.0 CONCLUSION AND IMPLICATIONS

The present study, measures the effect of various independent factors on the intention use smart cards in India. The various factors constructs have been explored and later validated. All the explored factors were later analysed to study their influence vis-à-vis intention to use these smart cards. All the factors were found to be significant having a noteworthy impact. Out of all the factors, trustworthiness and value of money has the highest impact followed by social influence, ease of use, and government initiatives. Consequently, the results of the research imply that the adoption of smart cards is still at nascent phase in India therefore a lot of efforts are needed to mould the intentions of users towards smart cards. Moreover, this study provides great insights and also supplements the previous existing literature. In current study, the variables that have been selected by taking into consideration the individual attributes, product related attributes and the societal factors as well. The results further imply that societal factors only interacts and tries to mould the behavior of the user if it is interacted through the trustworthiness and value for money, signifying the self centered rationality of the users. In a nut shell, it can be said that users will only use smart cards and new banking technologies if they perceive them to be profitable.

In case of practical and managerial implications, this study will be of great help for the policy makers to formulate new strategies which will enhance the adoption and intention to use smart cards. New strategies to protect the interest of the users should be formulated and also there is need for the managers to provide the financial initiatives to users. Furthermore, advertisements should contain the rational appeal and should address the concern of value for money. As the value for money is the second most significant construct that impacts the intentions. In addition, the next strongest predictor is social class of the user and special attention should be given by the policy makers to attach some esteem value with the smart cards so that intention can be molded in a positive manner. Advertisements should be made in such a way that they reflect the esteem values relating to the products. As a result, use of smart cards is beneficial for both the consumers and the service providers. Hence, it is very important to influence the intentions in a positive way.

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CHAPTER 12

CREDIT CARD

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1.0 INTRODUCTION

A Credit Card is a plastic card which is given by banks or other financial institution to their customers for money transaction. Most of the Indian Banks providing credit card to their customers. The major facility of the cardholders is no need of keeping cash in hands. Bank issue loan for 15 to 50 days through the credit cards. The limited amount of money allowed to take by the credit card can be withdrawn from ATM also. If the amount withdrawn is not returned, the bank will charge a interest. The Bank will provide a time limit on the basis of the credit card score and the transaction history. If the credit score and history is good, the Bank will allow long time limit.

The card issuer safely keeps the details of card holder. The card holder should not share the card information to second person. It avoid cheating. When we using a credit card. We will get more facility than using debit cards. We must be use it very carefully. When we using credit cards, there is no need to keep cash in hands. But if you use credit card carelessly, we will face a huge amount of liability.

A customer can make payments by swiping credit cards or using online payment method. When you swipe a debit card, the amount will be deducted from the Bank account. But when we use a credit card, the amount is deducted from the pre-approved limit.

The business firms are using a special kind of machines to charge the cards. When we using some credit cards, a secret codes have to given. This is for the security of the card holders. Now a days most of the people using cards for purchasing goods. A business firm who want a pos machine for his shop must give a request to the bank where he has an amount in that Bank.

The business firms give an assurance to the bank for the minimum transaction done. If the transaction is less than the minimum guaranteed amount, the bank will charge a fine from the firm. If the transaction is more than the guaranteed amount, the bank will charge only a small service charge. If the card holders bank and retailer bank are different, at the time of transaction a small service charge will taken by both Banks from the firms account. It will not affected the card holders account. All transaction will credit to the business firms account at the end of the day.

The card normally contains the card issuing bank logo, EMV chip, Hologram, card number, card network logo, card holder name, expiry date, contactless chip are on the front of a credit card and magnetic strip, signature strip, card security code are on the reverse side of the credit card.

2.0 ADVANTAGES OF USING CREDIT CARDS

i. Increasing the purchasing power

Some time a card holder can with drawn huge amount than he in his account. So it will increase the purchasing capacity of the customer.

ii. Alternative for the cash

It is risky for customer to keep a huge amount. But he has easy to keep a credit card. So transaction can be done and any place with the credit card. Credit card is a alternative for the cash.

iii. Credit score

The cardholder must use the credit card with more responsible for the safety of his account. Card holder must settle the credit card bill on due date. It will help to increase the credit card score. If the credit card score increased it is easy to get bank loans and unexpected financial needs from the banks.

iv. Travel Benefits

Most of the credit cards are attached to the airport loans. This facility is available on national loan as well as international loans. The card will delude the number of times of a loan provided in a year. Some card are access unlimited amount to worldwide loans.

Our credit card is not only for access of loans but also used to reduce the expense of travels. The credit card will provide discounts, deals and offers.

v. Reward points

Bank providing reward points to card holders for increasing the usage of cards. It makes compulsory to take a credit card by the account holder to get this benefits. If we check the website of the Bank, we can get information about offers. These offers will be only for a limited period. So we can use it before they expired.

vi. EMI option

The credit card will help you to the huge amount purchasers. If our credit card limit is more, we can use EMI facility to travel outside the countries.

vii. Other offers discounts and cash backs

We can receive discounts and free cinema tickets by using the credit card. The customers who spend huge amount of fuels in every month, the bank offering fuel credit card for them. People who use travel ticket and hotel vouchers etc.

3.0 DISADVANTAGES OF USING CREDIT CARDS

i. Expensive loans

The credit card is the easy way to get loans. But the credit card provide more expensive loans especially, if we do not pay back on due date, it will affect the financial status.

ii. Knowledge about condition

Before using a credit card, the cash holder must know the terms and condition of bank who issued the card. But most of the card holders are not bothered about the terms and conditions. It also negatively affected their financial status.

iii. Limit

If there is no limit in card, the card holder will face huge amount of liability. So we must fix a limit for the card and also aware about the amount to be return. Otherwise the cardholders face a huge amount of liability.

iv. For getting the bill

Every bank has a fixed date for the bill. This date must know the custom. If you reach the due date, your loan period will reduced the bank will charge huge interest after the due date.

v. Safety

The card holder must be confirm the society before they make their transaction. Avoid unknown websites otherwise it will go to the fraud website which collect the card details and misusing it.

vi. Observation of Income tax department

Every transaction of the credit card are observed by the income tax department. So the card holder must be knowledge about the loan amount and the tax. Otherwise they will get a notice from Income Tax Department and will charge a fine to the card holder.

vii. Easily lost

If the card holder do not keep safety the credit card carefully there is a chance to lost it and if it reach to other person, there is a chance to misuse the card.

viii. Damage of card

If the card holder use the card carelessly

CHAPTER 13

USING THE CREDIT LIMIT WISELY & RESPONSIBLY: METHODS OF USING THE CREDIT CARD

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ABSTRACT

A Credit Card is one of the most convenient ways to pay. If you use it right, you can enjoy interest-free credit, many rewards and freedom from cash. We often see people getting trapped in this credit system as they lack the proper knowledge of using the credit cards. They often confuse themselves between the Minimum Amount Due and Total Amount Due. This trend is more dangerous among the millennials and university students as they run into debts due to extra spending. This paper aims at creating the awareness among masses about the right and effective usage of credit cards. The main factors which are essential to understand the credit system are management of income and expenditure, payment of debt on time, timing of the purchases, use of card at trusted merchants, offers from different credit card companies, their charges and availability of rewards/benefits.

1.0 INTRODUCTION

Credit cards are a popular medium of payment for consumers today. In the USA, it has been identified as the second most popular non-cash instrument (Chakravorti, 2003). The use of credit cards has already become a convenient way to expand purchasing power (Braunsberger et al., 2004). Durkin (2000) asserts that "in modern commerce, credit cards serve as a payment device in lieu of cash or checks for millions of routine purchases as well as for many transactions that would otherwise be inconvenient or perhaps impossible" (p. 623). Chakravorti (2003) further affirms that credit cards provide benefits to customers and merchants that are not provided by other payment instruments. This explains the explosive growth in number and value of credit card transactions over the last 20 years, although the first cards were reported to be introduced in the 1950s (Durkin and Price, 2000)

Getting a credit card has its advantages. Credit cards are convenient for making purchases, and some even offer rewards on what you spend. A credit card can be a helpful tool for building a positive credit history. If you're in a doubt to avail the card and become the member of this credit system, it's important to understand how they work and how to use them to your advantage. A credit card allows you to make purchases and pay for them later. In that sense, it's like a short-term loan. When you use a credit card to make a purchase, you're essentially using the credit card company's money. You then pay that money back to the credit card company, with or without interest, depending on the timing of your payment. Your credit card company gives you a credit limit you can make purchases against. This limit will be based on things like your credit score, income, and account history. As you charge purchases to your card, your available credit shrinks. As you make payments against your balance, you free up available credit again. Each month, you'll receive a statement showing your account activity. This statement includes:

- Your total card balance
- Your available credit limit
- Purchases you made during that billing statement cycle
- Minimum payment due
- Payment due date

The minimum payment due is the smallest amount you have to pay for that month. But it's always a good idea to pay more than the minimum if you can. Your card statement will also tell you how much it will cost you to pay off the balance over time with interest. You can avoid interest charges on credit card balances by paying your bill in full during the grace period. A credit card grace period is a set time period, typically 20 to 30 days, that you have to pay off recent purchases before interest starts accruing. If you don't pay in full, interest begins to accrue. The amount of interest you pay is determined by your card's annual percentage rate, or APR. The APR reflects the interest rate for the card, along with any fees the card charges, annualized as a percentage.

2.0 USING THE CREDIT CARD

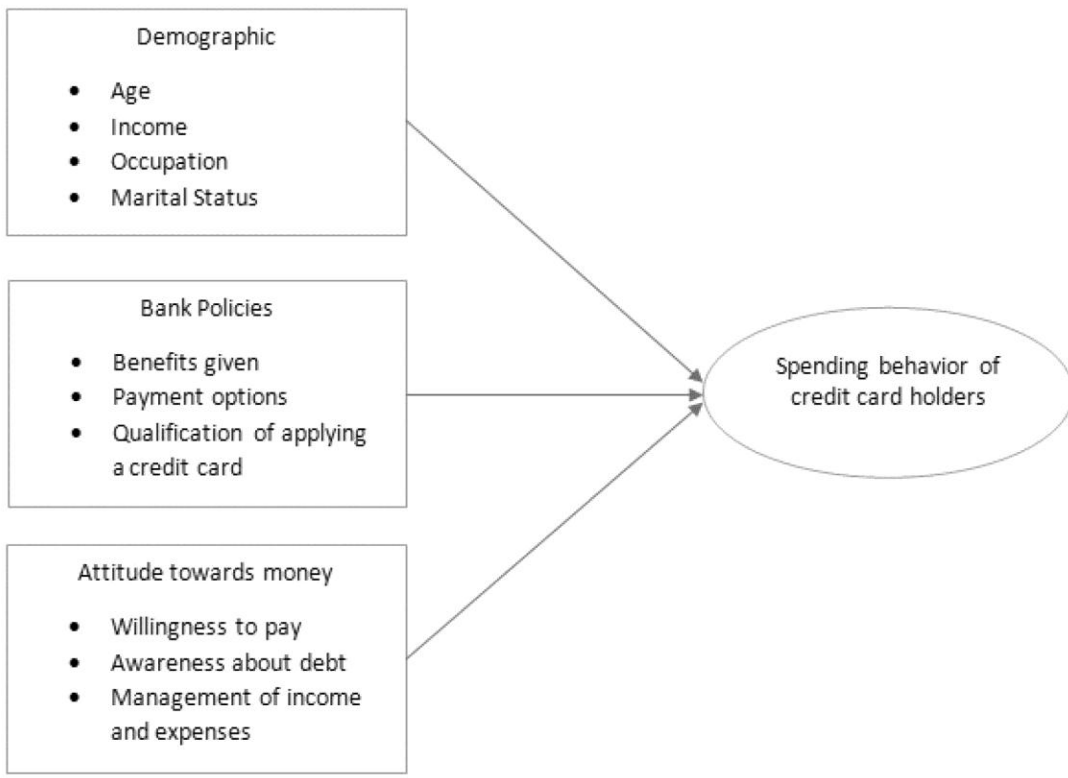
Credit cards are easy to use. If you go into a store, for instance, you may be prompted to insert your card in a chip reader or swipe it at the checkout. You can also add your card to digital wallet apps for contactless payments in stores. When shopping online, using your credit card is a matter of entering your card information, including:

- Your card number
- The expiration date
- Your card's CVV security code, which is typically printed on the back

When you use your card to make a purchase, the merchant, the credit card company, and the card network (such as Visa, Mastercard or Rupay) coordinate to authorize and process the payment. All of this is done electronically and practically instantaneously. It's also important to use your credit card in ways that will help boost your credit score, while not costing you more than necessary in terms of interest and fees.

Teoh et al., 2013 revealed the factors which decide the spending behavior of Credit Card holders. This pattern helps us to decide on the factors, which we need to think before becoming the member of credit chain system.

The study found that there are three major factors which affect spending behavior, namely, demographic factors, bank policies and attitude towards money. The study further highlighted the sub components under each factor. In demographic, Card holder's age, income, occupation and marital status affects the spending behavior and eligibility to get the new card. If eligible to get the card, then comes the bank policies under which benefits given by the bank, payment options to repay the debt, and qualification criteria to enroll on the services effects to decide on the options the customer have. And the last factor was the card holder's attitude towards money. His willingness and ability to repay the amount, awareness about the debt the card holder is having and skills of managing income and expenses.



Source: http://dx.doi.org/10.1108/IJBM-04-2013-0037 (Teoh et al., 2013)

3.0 TIPS FOR USING THE CREDIT CARD EFFECTIVELY

i. Pay Your Bill on Time

Credit scores are based on a variety of factors, but your payment history is the most important one. Paying your bills on time can help your credit score, while paying late or missing payments altogether can severely damage it. So, the first tip for how to use a credit card is to be sure you make payments on or before the due date every month. You can also set the payment automatically deducted from your saving/current account.

ii. Know How Your Card's Interest Is Calculated

Interest charges can make everything you buy with your card more expensive if you carry a balance from month to month. When you open a credit card account, be sure you understand what the APR is and how interest accrues on purchases.

iii. **Watch Out for Credit Card Fees**

Credit cards can charge numerous fees, which also add to the cost of using them. Some of the most common charges you may encounter are annual fees, foreign transaction fees, balance transfer fees, cash advance fees, late payment fees and returned payment fees.

iv. **Management of Income and Expenses**

After your payment history, the second most important factor that affects your credit score is your credit utilization ratio. It measures how much of your available credit you're using at any given time. Generally, it's better to keep your card balance low relative to your credit limit.

v. **Time your purchases**

Each Credit Card has its own billing cycle. Once you are aware of the bill generation date of your Credit Card, you can maximize your interest-free period. For instance, if you make a purchase just after your Credit Card bill is generated, you can enjoy up to 50 interest-free days, and sometimes more.

vi. **Be smart about repayment**

Your bank may offer you convenient ways to pay back your Credit Card bills – for example, EMIs. When you choose this option, you can pay for large purchases in monthly instalments, like a mini-loan. This will help ease your financial strain.

vii. **Use your card at trusted merchants**

Whether you are shopping online or at a local store, ensure that the merchant or retailer is an establishment you trust. This will minimize risk of your card being misused.

4.0 CONCLUSION

Credit cards can help you build credit and are source of mini credits for limited days for the card holders, but they can also work against you if you use them incorrectly. When comparing cards, be sure you understand what you'll pay in interest and fees, as well as what you stand to gain from any rewards and other card benefits. Once you begin using a credit card, check your free credit reports periodically to make sure your account activity is being reported correctly. That can also be a good way to spot potential fraud or identity theft if your card is ever lost or stolen. Pay your debts on time, pay full amount if possible, for interest free usage of the money given by Credit Card Company. You need to be smart about the repayment of the money and use the card only at your trusted sites and partners. Spend only that much so that you can repay the money from your income otherwise you may end up in the debt trap because interest when you do not pay on time is by far more than taking a loan from bank and is levied on monthly basis. Spend responsibly and develop the skills to manage income and expenditures.

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CHAPTER 14

ONLINE BANKING SYSTEM IN INDIA: PROS AND CONS

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ABSTRACT

Since 1991, innovation in the banking sector in India has begun with the implementation of liberalization and globalization processes as a result of Online Banking. This information technology is revamping the banking industry as a whole. Online banking changed the way of customer banking dramatically and quickly, banks began to provide various services related to cash deposits, cash withdrawals through electronic means. Online banking or e-banking, which many banks are currently providing in India, is one of the key features in this regard. Online Banking or e-banking refers to a system that allows individual clients to perform different banking activities via internet-based secured networks from different sites such as their home, office and other locations. One of the main challenges for the banking sector is security problems and other related aspects (Prema C, 2011). It is therefore a primary challenge for banks to convince customers of this, which will further increase the use of online banking.

Keywords: Online Banking, ATM, Online banking Services, Digital payment.

1.0 INTRODUCTION

Since 1991, innovation in the banking sector in India has begun with the implementation of liberalization and globalization processes as a result of Online Banking. This information technology is revamping the banking industry as a whole. Online banking changed the way of customer banking dramatically and quickly, banks began to provide various services related to cash deposits, cash withdrawals through electronic means. The number of electronic transactions is rising day by day due to this IT revolution and the world has emerged as a virtual world where everyone and everyone are connected through the internet. Online Banking has made it possible to mobilize international funds and investments that have transformed the world into a global economy, and this market is rising so exponentially that the effects of national borders have almost been removed. It is not wrong to say that in countries such as India, this IT innovation in the banking sector in the form of online banking has introduced a new business paradigm.

The operational efficiency of Indian banks has increased to several folds over the past three decades, now the time taken by banks to execute various transactions has been reduced, with this advancement of competition among banks also increasing. In order to facilitate its clients, each bank is trying to use as many new technological innovations as possible. Online banking or e-banking, which many banks are currently providing in India, is one of the key features in this regard. Online Banking or e-banking refers to a system that allows individual clients to perform different banking activities via internet-based secured networks from different sites such as their home, office and other locations. Traditional banks allow customers to perform all routine transactions through the Internet or online banking, such as account transfers, balance inquiries, bill payments and stop-payment requests, and some even offer online loan and credit card applications. Internet banking is a web-based service that allows banks to access their account information from authorized clients. It helps customers to log in to the banks website with the help of identification and personal identification number provided by banks (PIN). The banking system verifies the customer and gives access to the services requested, the product range and the services provided by each user.

Internet banks vary greatly in their material. ATMs, telebanking, online banking, mobile banking, anywhere and anytime banking etc. are the common services offered by online banking. The introduction of technology in banks has moved banking from a labor-intensive, variable cost industry to a more capital-intensive, fixed cost industry. To date, the idea of online banking has grown, still involving a lot of creativity that takes place every day. Online banking is characterized by the use of electronic technology to provide bank services to a customer at his or her office or home. Finland was the world's first nation to take the lead in e-banking. ICICI bank was the first bank in India that began e-banking under the brand name Infinity as early as 1997.

Cyber banking, home banking, and virtual banking are often referred to as banking or e-based banking and include different banking operations that can be done from anywhere. Online banking helps clients to make financial transactions on an institution's safe platform, which may be a retail bank, a virtual bank, a credit union, a construction business, like RTGS, NEFT, ECS, credit cards and debit cards, Cheque truncation, ATM, telebanking, internet banking and mobile banking. According to Daniel, electronic banking can be simply described as the delivery to customers of bank information and services by banks through various delivery platforms that can be used with various terminal devices, such as a personal computer and a mobile phone with browser or desktop software, telephone or digital TV.

Online banking, also known as Electronic Funds Transfer (EFT), is essentially the use of electronic means, rather than by cheque or cash, to transfer funds directly from one account into another. Electronic transfer of funds can be used for:

Get your paycheck deposited directly into the checking account of your bank or credit union.

At your convenience, day or night, withdraw money from your checking account from an ATM machine with a personal PIN identification number. To automatically pay those monthly bills from your account, such as your car loan or your mortgage payment, advise your bank or credit union. Have the bank or credit union move funds to your mutual fund account from your checking account each month. Get your government social security insurance check deposited directly into your bank account or your tax refund.

2.0 ONLINE BANKING VARIOUS FORMS

Internet Banking helps you, through your personal computer, to manage many banking transactions. You can use your computer, for example, to monitor your account balance, request transfers between accounts, and electronically pay bills. The Internet banking system and the mechanism by which a personal computer is connected directly to a bank's host computer system by a network service provider so that customer service requests can be handled automatically without the need for customer service representatives to intervene.

The system is capable of differentiating between those requests for customer service that are capable of automatic fulfillment and those requests that need a customer service representative to manage. The system is incorporated with the bank's host computer system so that the remote banking client can have access to the bank's other automated services.

2.1 Global Perspective of Online Banking

An electronic revolution in the global banking sector has been triggered by the advent of the Internet. This contact channel's dynamic and versatile nature as well as its pervasive scope has helped to harness a number of banking activities. As a result of innovative e-business models, new banking intermediaries offering entirely new types of banking services have arisen. The Internet has emerged as one of the major distribution channels for banks in the US and European countries for banking products and services. Banks initially promoted their core capabilities, i.e., online products, services and advice. Then, as providers/distributors of their own goods and services, they entered the e-commerce business. More recently, as a result of advances in the security of the Internet and the advent of relevant protocols, banks have discovered that they can play their primary role as financial intermediaries and facilitators of complete commercial transactions through electronic networks, particularly via the Internet. Some banks have chosen a way of having a direct online presence, while others have chosen either to be the owner of the electronic marketplace centered on financial services or to be part of the electronic marketplace centered on non-financial services. The trend towards the electronic distribution of banking products and services is due in part to consumer demand and in part to a growing competitive environment in the global banking sector. The Internet has altered the behavior of customers who demand a lower price for more customized products/services. Furthermore, the profitability of even existing brick and mortar banks has been placed under pressure by new competition from pure online banks. Very few banks, however, have succeeded in developing successful strategies to fully leverage the opportunities that the Internet provides. There is a need for a straightforward and succinct Internet commerce strategy for conventional banks to identify what niche markets to serve and determine what products/services to sell.

By 1995, banking transactions had already begun to take place across the Internet The Internet has promised an ideal commercial trading network to help banks achieve new levels of financial transaction efficiency by improving consumer relationships, encouraging price discovery, aggregating spending and growing scope. Electronic finance provided banks with tremendous opportunities to grow their customer base and rationalize their business, while customers gained value in the form of time and money savings.

3.0 WORLDWIDE ONLINE BANKING INDUSTRY

The following four sections cover the worldwide Online banking industry

I. Online banking Scenario

Addresses the current situation, prospects and issues of e-banking in Asia, with an emphasis on India, the United States and Europe. It also deals with the effect of e-banking on the structure of the banking industry.

II. Online banking transactions

It addresses how the Internet has changed banking transactions dramatically. The segment focuses on cross-border transactions, B2B transactions, payment and display of electronic bills, and mobile payments. E-banking has been a non-starter in many nations, in spite of all the publicity.

III. Online banking strategies

It shows the key strategies that banks need to execute across the online channel in order to extract full value. It also offers advice for those banks who are preparing to establish online companies.

IV. Online banking benefits

All the benefits of online banking are closely linked to each other; we list various net banking benefits from ease to effectiveness.

i. Better Rewards

Many online banks give their clients more incentives and rewards that not only benefit the bank, but also benefit their clients. Online banks are able to provide their customers who use online banking regularly with higher interest rates and improved payment facilities. This is partially due to the fact that while servicing online customers, banks have to bear reduced expenses. Therefore, the overall banking experience is clearly better than visiting and handling the same transaction at a physical bank branch.

ii. Alerts and Updates

Customers are informed or told immediately of new system modifications. From policy updates to new system logins, consumers receive instant notifications and warnings. However, if you are affiliated with a real bank, you will usually receive a text message or you will be called by a customer service agent to inform you of significant changes.

iii. Quicker Transactions

To switch money, you don't have to wait for your turn-you can do it with a single tap of your finger or a single mouse click. In a matter of a few seconds, funds from one account can be moved to another. With the assistance of online banking, something involving fast payments can be achieved. For example, you are expected to pay your child's school fees immediately. You can do it via the app or website of the bank or you can go to the bank physically to withdraw money and then go to the school to deposit the fees. You would probably end up spending half a day to complete this transaction that could have been completed in a matter of minutes with the help of the app.

iv. Easy and Quick Access

By simply entering in the log-in credentials, clients can enjoy convenient access to online accounts. Customers can also manage many accounts at a time, in addition to that. Because the internet remains the means of connection, users can also access multiple accounts from a single computer in different banks. Without all the hassle of being in the queue on a sultry afternoon, you can comfortably manage your account transactions. The website can be accessed from anywhere without ever having to visit the bank. If your banking needs do not require the support of any member of staff or a manager, the best choice for you is online banking.

v. Security

With Online banking, you can always monitor the activities of your account. Not only does this function as a history of all purchases, but it also helps you detect threats and fraudulent activity before your account can be compromised seriously. Online accounts are encrypted with encryption software that provides the user with full protection.

vi. **Pace and Performance**

In a rush to apply for an academic loan? Or the need to pay bills quickly? Or carry out some banking operation without having to waste half your day? Via the internet, do it.

vii. **Smaller constraints**

Traditional banks have some drawbacks, such as working hours, the bank branch's physical location, holidays, etc. You don't need to worry if it's an online banking weekend, or what long it takes to make a purchase. Be it Sunday or the middle of the night, and through their app or website, you will always be able to do anything (and even more) as twenty-four hours a day, across the year, is available.

viii. **More Functionality**

In addition to being versatile, some banks go out of their way to please their customers by not penalizing deposit certificate withdrawals, allowing customers to hold accounts without a minimum balance, etc. In addition, banks typically provide more credit and debit card deals and discounts used by clients who have online accounts.

ix. **Better Support for Customers**

In order to address customer questions, banking websites and apps come with personalized web pages and also have a dedicated 'Frequently Asked Question' (FAQs) section that helps answer basic customer queries. When you need more assistance, you can speak with a customer service representative or call them. This not only saves customers' time, but also that of bank workers who can turn their attention to more significant items.

4.0 DISADVANTAGES OF ONLINE BANKING

Online banking has a number of benefits but it has certain disadvantages too:

i. **Difficult for novices**

In trying to get the hang of online banking, newbies frequently face difficulties. Customers are initially terrified of losing their cash and are therefore reluctant to explore all the choices and functionality available on the website or on the app. New users often give up and stick to conventional banking if it is not provided with timely assistance.

ii. Confidence and Responsibility

In this age of technology, fake websites and phishing sites are frequent. Can all websites really be trusted? With all your money, is it wise to trust an online site? What if it folds up the website and all your money is gone? In a real bank, this wouldn't happen. There is trust between the bank and its customers because they take responsibility for your money. You know that your money is secure with the bank. True banks, while some websites are not, are permanent and secure.

iii. Discomfort

Of course, online banks are open throughout the year, but in some situations, they are a significant cause of inconvenience. For example you'll be unable to conduct any banking transactions if you get locked out of your account. In a real bank, however, you build relationships with employees who know you on a personal level and are prepared to assist you in such cases. You wouldn't have to be on the phone to an anonymous customer service agent discussing the case, which could also take several days; by the way. A few online banks still do not authorize cash deposits. You may be forced to email a check and transfer money from another account or bank, or use their e-check deposit service, in order to deposit cash.

iv. Failure to manage complex transactions

You can't make complicated transactions online though you can easily pay bills and pass money. Instead of doing it online, it is best to visit a real bank and work it out in person when a large amount of money is involved. Some financial transactions often require verification of a document, such as purchasing a home.

v. Issues of Defense

Of course, most banks are well-reputed and founded, and there are times when you face security problems. The possibility of real and/or identity fraud is still present. Unauthorized access to your account via stolen or hacked log-in credentials can also be obtained.

vi. Issues with Technology

If you don't have a strong link or there are software glitches, or say, there's a power cut or maybe the servers have gone down, websites are likely to crash and you're probably going to face a lot of technical problems. Although you may get different kinds of customer service at the moment, you may get irritated sooner or later.

vii. Digital Assistance

Your question is normally delegated to an anonymous customer support representative when you need assistance during e-banking, who is unlikely to identify you. When you're in a fix, wouldn't you rather speak to a personal banker than to an anonymous agent? A personal banker will also understand your history of purchases, your personal information, and will be in a stronger position to support you.

5.0 CHALLENGES IN Online BANKING

In the Indian scenario, the problems linked to online banking are discussed below:

i. Security risk

One of the main challenges for the banking sector is security problems and other related aspects (Prema C, 2011). A significant proportion of customers refuse to accept online banking facilities that resolve safety and security issues (Kuisma T, Laukkanen T and Hiltunen M). 43% of internet users in India still do not accept the use of internet banking due to security threats, according to the IAMAI Report (2006). It is therefore a primary challenge for banks to convince customers of this, which will further increase the use of online banking.

ii. Risk of privacy/confidentiality

One of the key factors that limit customers when opting for online banking services is the risk of disclosure of not to be revealed or sensitive details & identity theft warning. Significant numbers of customers find this to be a challenge to their identity by embracing internet banking services. According to the report, consumers are worried about their privacy (Andrews S and Shen A., 2000) in the manner in which banks can enter into their confidentiality by using their information without customer permission for marketing and other consequential purposes.

iii. The Confidence Issue

For most clients, trust is the big barrier to online banking. Owing to the lack of confidence in online bank transfers, conventional banking is mostly used by clients. They think there is a risk in online banking transactions that leads to various frauds and scams (Ingle A and Pardeshi R, 2012). Although customers use online banking services, there is often a question or uncertainty in their minds about the successful completion of the transaction before a confirmation message is received.

iv. Customer awareness

In the Indian sense, knowledge or understanding of online banking among customers is still at the junior level. Banks are not in a position to advertise full details on the use, advantages and capabilities of online banking. Therefore, one of the most significant barriers to the growth of electronic banking is the lack of knowledge among customers of emerging technologies. (Karimzadeh M and Alam D,2012, respectively).

v. Weak infrastructure

Oline Banking requires continuous support for successful implementation of efficient infrastructure and extended geographical scope. Due to weak infrastructural facilities in terms of indecent setup, electricity access, poor satellite, internet and broadband connectivity, e-banking has been restricted from extending itself to semi-urban and rural areas.

vi. Operational Conditions

India is a multi-cultural and multi-language country (National Conference Proceedings, 2014), but this makes online banking operating methodology a bit complicated because it is a cumbersome job to view instructions or guidance in various languages. A solution to this, however, has been found by technology, but Illiterate individuals are still not protected under this solution and ATMs can still guarantee identical operating standards from all individuals resulting in high wear & tear.

vii. Technological illiteracy

In the case of mobile banking, many mobile users in the lower class do not understand the technical rules and regulations and, as a result, find them difficult to function. In general, customers buy handsets in view of their budget, and these handsets often provide features that are unsupportive as far as mobile banking is concerned, and this becomes a weakness in e-banking execution.

viii. Training of employees

In the case of private sector banks, training given to bank employees is an easier task because they have young dynamic computer literate employees, whereas in the case of public sector banks, training of employees is a complex task, since current employees are comparatively less computer literate. Despite this fact, they have been able to do well for more than a decade now after working on it.

ix. Customer education

In the case of private banks, e-banking facilities have been made available to customers since the early days. However, it is quite difficult to persuade their clients about the usefulness of this program in the case of old public sector banks. It is a difficult task to formally impart education to clients with regard to e-banking. In view of this, banks chose to provide monetary inducements such as a Free Debit Card, Free Net Banking facilities, to provide customers with constant and timely information on the monthly statement of their e-mail accounts, etc., to switch customers to these increasing banking services.

x. Technology Expense

Initial Investment costs are large in terms of the cost of personal computers and other equipment needed for electronic banking transactions to take place. The maintenance costs of all these devices, such as modems, routers and entire IT setup, are also heavy.

6.0 INITIATIVES TAKEN BY THE GOVERNMENT OF INDIA FOR THE GROWTH OF ONLINE BANKING SYSTEM

In order to facilitate and enable e-Banking applications, RBI and the Indian Government have taken various initiatives .GOI w.e.f. 17 October 2000, which paid attention to the legal recognition of electronic transactions and supplementary means of electronic commerce, granted IT ACT 2000.Continuous review of the legal requirements of e-banking by RBI to further ensure that e-banking problems do not impact the financial strength of the country.

- Vision Document 2011-17, was framed by Dr. K.C. Chakrabarty Committee including members from IIM, IDRBT, IIT and Reserve, which presents an analytical road map i.e. strategy to enhance the relevance of IT in the banking sector [RBI (2011), IT Vision of Reserve Bank of India 2011-2017]

- RBI allowed India's National Payments Corporation (NPCI) to increase the number of mobile banking services and to increase IMPS (Immediate Payment Service) channels such as ATMs, internet, mobile, etc. In addition, NPCI is making efforts to take on more mobile network operators with the goal of making mobile banking services available via a shared platform. Annual Report for RBI(2013)

The Basel Committee on Banking Supervisions (2001) has enlightened the principles of electronic banking risk management. They mainly highlight the expansion and adaptation of the current risk management strategy to the structure of electronic banking.

7.0 CONCLUSION

Online banking in India is in a nascent phase. There is no doubt that Indian banks are making sincere efforts to implement advanced technology and install e-delivery platforms, but the idea still differs in mass. Banks are making sincere attempts to make online banking services and products famous. Younger generations are starting to see the convenience of online banking and its advantages. In years to come, online banking will not only be acceptable mode of banking but will be preferred mode of banking. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Electronic banking has emerged from such an innovative development. The objective of the present paper is to study and analyze the progress made by Indian banking industry in adoption of technology. The paper also highlights the challenges faced by Indian banks in adoption of technology and recommendations are made to tackle these challenges. The paper concludes that in years to come e-banking will not only be acceptable mode of banking but preferred mode of banking.

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CHAPTER 15

ONLINE BANKING: A STUDY WITH RESPECT TO CUSTOMER AWARENESS FOR SOME SELECTED AREA IN SOUTH 24 PARGANA DISTRICT WEST BENGAL

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ABSTRACT

Online banking isn't out to change your money habits. Instead, it uses today's computer technology to give you the option of bypassing the time consuming, paper-based aspects of traditional banking in order to manage your finances more quickly and efficiently. Online banking may be known as adoption of various emerging and useful technologies by the banks to provide solutions to bankers for their short term and long term business and technological requirements. In the present condition of market, factors like enhancing of customer satisfaction, unified customer experiences, faster output, infinite banking volumes, financial inclusion, operational efficiencies, scale of economy etc. are being sought by using Online banking technologies. In this paper researcher try to show the awareness of online banking among the people of some selected rural area of south 24 pargana district in west Bengal. It was found that salaries people, male customer, educated customer prefer online banking mostly. Though online banking is our future more awareness should be developed among rural people to develop this banking system.

Keywords: Online banking, development, technology, economy, awareness etc.

1.0 INTRODUCTION

E-Banking is a process that has evolved because of the development of technology over the years. So before going into detail on the e-banking we should have an overview of it birth. Information technology (IT) is the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications, IT (information technology) is a term that encompasses all forms of technology used to create, store, exchange, and use information in its various forms (business data, voice conversations, still images, motion pictures, multimedia presentations, and other forms, including those not yet conceived). It's a convenient term for including both telephony and computer technology in the same word. It is the technology that is driving what has often been called" the information revolution. IT is the area of managing technology and spans wide variety of areas that include but are not limited to things such as processes, computer software, information systems, computer hardware, programming languages, and data constructs. In short, anything that renders data, information or perceived knowledge in any visual format whatsoever, via any multimedia distribution mechanism, is considered part of the domain space known as Information Technology (IT). IT provides business with four sets of core services to help execute the business strategy. These four core services are broken into business process automation, providing information, connecting with customers, and productivity tools. IT professionals perform a variety of functions (IT Disciplines / Competencies) that ranges from installing applications to designing complex computer networks and information databases. A few of the duties that IT professionals perform may include data management, networking, engineering computer hardware, database and software design, as well as management and administration of entire systems. Information technology is starting to spread further than the conventional personal computer and network technologies, and more into integrations of other technologies such as the use of cell phones, televisions, automobiles and more, which is increasing the demand for such jobs.

1.1 What is online banking?

If you're like most people, you've heard a lot about online banking but probably haven't tried it yourself. You still pay your bills by mail and deposit checks at your bank branch, much the way your parents did. You might shop online for a loan, life insurance or a home mortgage, but when it comes time to commit, you feel more comfortable working with your banker or an agent you know and trust. Online banking isn't out to change your money habits. Instead, it uses today's computer technology to give you the option of bypassing the time consuming, paper-based aspects of traditional banking in order to manage your finances more quickly and efficiently.

1.2 Origin of online banking

The advent of the Internet and the popularity of personal computers presented both an opportunity and a challenge for the banking industry. For years, financial institutions have used powerful computer networks to automate millions of daily transactions; today, often the only paper record is the customer's receipt at the point of sale. Now that its customers are connected to the internet via personal computers, banks envision similar economic advantages by adapting those same internal electronic processes to home use. Banks view online banking as a powerful value added tool to attract and retain new customers while helping to eliminate costly paper handling and teller interactions in an increasingly competitive banking environment.

1.3 Brick-to-click banks

Today, most large national banks, many regional banks and even smaller banks and credit unions offer some form of online banking, variously known as PC banking, home banking, electronic banking or internet banking. Those that do are sometimes referred to as "brick-to-click" banks, both to distinguish them from brick-and-mortar banks that have yet to offer online banking, as well as from online or "virtual" banks that have no physical branches or tellers whatsoever. The challenge for the banking industry has been to design this new service channel in such a way that its customers will readily learn to use and trust it. After all, banks have spent generations earning our trust; they aren't about to risk that on a Web site that is frustrating, confusing or less than secure. Most of the large banks now offer fully secure, fully functional online banking for free or for a small fee. Some smaller banks offer limited access or functionality, for instance, you may be able to view your account balance and history but not initiate transactions online. As more banks succeed online and more customers use their sites, fully functional online banking likely will become as commonplace as automated teller machines.

1.4 Features of Online Banking

- **a.** Bill Pay Service.
- **b.** Electronic Bill Notification.
- **c.** Online Check Images:
- **d.** Online Deposit Slip Images.
- **e.** Reporting Tools.

- **f.** Linked Accounts.
- **g.** Convenient Deposit Method.
- **h.** Low ATM Fees and Convenient Locations.
- **i.** Free Money Transfer.
- **j.** Security Balanced with Convenience etc.

2.0 REVIEW OF LITERATURE

- **Nedumaran & Kaleeswaran (2017)** focuses that, digital banking is having enormous potential to change the landscape of financial inclusion. They also found that, with the features as low cost, easy use Online banking can accelerate the integration of unbanked economy to the mainstream.
- **Chakra. S (2018)** found that, to attract the customers the bank has emerged in a significant strategy that is online banking.
- **Santiago Carbo - Valverde (2017)** attempted to discuss the impact of digitalization on banking activities and challenges that imposes for financial stability. They also found that, digitalization is an opportunity to reduce marginal costs and increase productivity in financial services.
- **Kuiry (2017)** analysed that with the help of digitalization Indian banks are now not only getting more customers but also delivering top-notch services, as efficiency counts as well.
- **Hema Divya and Suma Vally (2018)** focused on their analysis of the adoption level of the digital payment systems by customers and also found the deployment of technology for digital payments have improved the performance of banking sector and able to achieve the motive cash less country.
- **Rahul Golden S. (2017)** explained that banks always try to adopt latest technologies to enhance customer experience. He further explained that due to the adoption of this digitalization, the banking sectors in India face some remarkable changes as well as hurdles.
- **Rao et.al. (2003)** explained with his theoretical analysis of internet banking in India and also compared to abroad bank and found that there is still have a long way to go for the

Indian bank for offering online service and to reach at a critical mass there are sufficient infrastructure in place and also sufficient number of users.

2.1 Objective of the Study

The primary objectives of the study are -

i. To know the concept of e banking and its features.

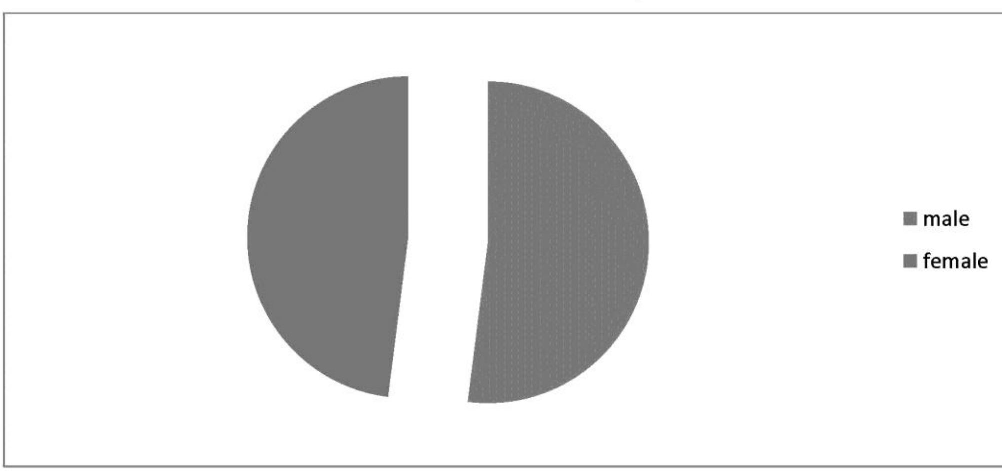
ii. To find out the awareness of e-banking to the user of south 24 pargana district.

3.0 RESEARCH METHODOLOGY

The paper performs an extensive research on the basis of the data and information obtained from both primary and secondary sources. Researcher has collected 130 responded from Bishnupur I, Bishnupur II, Sarisa, Amtala, Vidyanagar Block in south 24 pargana District in West Bengal. After careful scrutiny 30 responses were no taken due to some insufficient data. Total 100 samples were taken for this study. Samples were taken in the month of October and November 2020. It also involved the use of journal, research paper, and various reports of RBI and authenticate bank website and online resources etc. for the collection of secondary data needed in the analysis.

4.0 DATA ANALYSIS

Chart 1: Distribution of Respondent

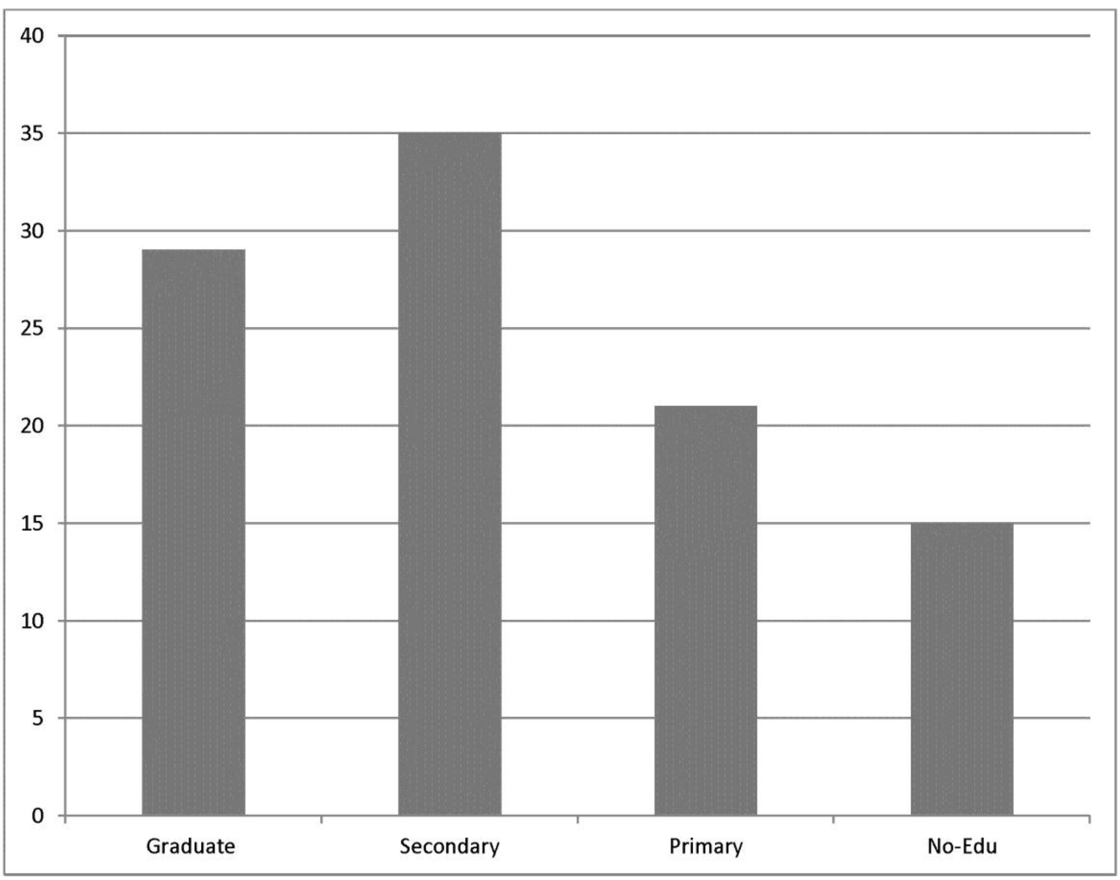


Source: Author's compilation from collected data

Out of 100 respondents 52% of the respondent students are male and 48% are female.

Table 1: Educational Qualification

Graduate	29
Secondary	35
Primary	21
No-Edu	15



Source: Author's compilation from collected data

4.1 Reliability Test

In order to measure the internal consistency of questionnaire, the reliability statistic Cornbach's alpha is used.

Table 2: Cornbach's Alpha

Cornbach's alpha	N of items
0.785	20

Source: Author's compilation from collected data

The above table shows that the value of Cornbach's alpha is 0.785 which is greater than 0.7. It means that the questionnaire is reliable and I continue the research using this instrument.

4.2 Chi-Square Test

- **To assess the relationship between respondents gender with awareness of online-banking.**

H_{01}: There is no relationship between the genders with awareness of online-banking.

Table 3: Chi-Square Tests

	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	173.295[a]	8	.000
Likelihood Ratio	176.134	8	.000
Linear-by-Linear Association	43.130	1	.000
N of Valid Cases	100		

Source: Author's compilation from collected data

The above tables give the result of Chi-Square test of association of attributes between genders with awareness of e-banking. Several Statistics are reported here but the most commonly used is the Pearson Chi-Square. In above Table the p-Value is less than 0.05 percent level of significance. Therefore, the null hypothesis is rejected. In other words, there seems to be a relationship between genders with awareness of online-banking.

- **To Assess the Degree of Relationship between online-banking and salaried people.**

  H_{02}: There is no significant relationship between online-banking and salaried people.

Table 4: Chi-Square Tests

	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	44.460[a]	16	.000
Likelihood Ratio	52.373	16	.000
Linear-by-Linear Association	5.082	1	.025
N of Valid Cases	100		

Source: Author's compilation from collected data

The above tables give the result of Chi-Square test of relationship between online-banking and salaried people. Several Statistics are reported here but the most commonly used is the Pearson Chi-Square. In above Table the p-Value is less than 0.05 percent level of significance. Therefore, the null hypothesis is rejected. In other words, there seems to be a significant relationship between online-banking and salaried people.

- **To assess the relationship between educational qualification of customer with banking system.**
- **H_{03}: There is no relationship between the educational qualifications of customer with banking system.**

Table 5: Chi-Square Tests

	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	80.277[a]	20	.000
Likelihood Ratio	62.023	20	.000
Linear-by-Linear Association	20.521	1	.000
N of Valid Cases	100		

Source: Author's compilation from collected data

The above tables give the result of Chi-Square test of association of attributes between the educational qualifications of customer with banking system. Several Statistics are reported here but the most commonly used is the Pearson Chi-Square. In Table 4 the p-Value is less than 0.05 percent level of significance. Therefore, the null hypothesis is rejected. In other words, there seems to be a relationship between educational qualifications of customer with banking system.

5.0 FINDINGS AND CONCLUSION

The data analysis and its interpretation lead to the following findings and conclusions:

iv. People are not confident enough to whether to rely completely on online banking. There is hesitancy in their minds with regards to preference. So they use both the techniques of banking i.e. Online and Traditional.

v. Because of the complexity and unawareness in the people regarding the online banking, there is less utilization of the online banking services provided by the banks.

vi. People are not sure whether their account is completely secured in online banking. Security concern is the main and the core reason why people do not tend to use online banking.

vii. People with higher educational qualification prefer online banking than people with less or nil educational qualification.

viii. Most of this population is salaries employees who do not have that volume of transaction that can be used for online transaction.

ix. Generally Male customer uses mostly in online banking system compare to female customer believe in traditional banking system.

6.0 RECOMMENDATIONS AND SUGGESTIONS

After analysing the entire study of online banking with respect to both the primary and the secondary data, the following recommendation can be put forth:-

i. The infrastructure for the development is not being implemented in way that could be beneficial.

ii. There are various obstacles in the banking scenario with regards to guidelines and issue for functioning. This has led to decline in the usage of the online banking services of banks.

iii. The people having account can be urged to take up an internal banking facility. They should be motivated rather than just being told that there exists a service or online banking.

iv. There are some people who are not actually aware of all the benefits that they reap out of the transaction of online banking. They should be proper awareness.

v. Most of the people not count online banking due the problems of security concerns. Proper security software should be developed and people should be convinced that their accounts are secured on online transactions.

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CHAPTER 16

MOBILE BANKING: A POTENT TOOL FOR GROWTH OF BANKING SECTOR IN INDIA

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ABSTRACT

Mobile banking is one among the areas of mobile commerce that has extensive communications with other areas of mobile commerce. Mobile banking is an electronic system that provides most of the basic services available in daily, traditional banking, but does so using a mobile communication device, usually a smart phone. The one hand, mobile banking is related to customers and on the opposite hand, is capable of other firms that are active within the field of electronic commerce, provide effective financial services. During this paper we describe the definition of mobile banking, Evolution and eventually to explain number of advantages for users of those services.

Keywords: Mobile Banking, Customer, Mobile Technology, E- Banking

1.0 INTRODUCTION

In recent years, market orientation has changed to customer orientation. After understanding the importance of the simultaneous use of various channels of banking and financial companies we specialise in mobile banking, especially when it involves maintaining a relationship with the customer (Sangle & Awasthi, 2011). Research on data system, has been created a replacement wave of mobile computing research efforts that seek to know the relationship with business and community organizations in terms of computing services. In this case studies focused on aspects of mobile technology, like usability, ubiquity and context awareness, interaction and adoption. In these aspects, adoption may be a fundamental because without it, none of the opposite aspects are often clear or significant without it. Access to mobile data services are often a definite part counting on technology or performance type. For example, Wiredu (2007) mobile computing models on the service information type which will be obtained from the portable ICT and claims that this service, To factors like technology, nature of duties, and provide conditions in terms of your time , space and context that the user is using mobile ICT is artificial effect. This suggests that Understanding the acceptance of mobile services like mobile banking and mobile commerce requires attention to a good range of parameters.

2.0 DEFINITION OF MOBILE BANKING (MOBILE BANKING)

Mobile banking has emerged as a wireless channel for creating value by customers in banking transactions. Today, the most focus has been the sector of recent methods of banking services, Supply of banking and financial services using mobile phones, it is a couple of years the utilization of mobile phones for banking and financial affairs, but within the short term, significant progress has been made during this field. It might be tons of promise during this new way of banking future. Another definition may be a service which will enable customers Information, such as your checking account balance and be told of through your telephone. This is often done with high security. Like common banking services, mobile banking services that are offered through the mobile network. Factor that the bank has focused heavily on the issue; could unique mobile services at reduce cost banking services.

2.1 Services in mobile banking industry

The main services of this technique are often considered as follows:

- **i.** Possible to get a spread of data associated with customer accounts
- **ii.** Observation of the stock exchange and transfer of shopping for and selling securities via Mobile Web
- **iii.** Check and replace services;
- **iv.** The likelihood of paying bills through mobile phones form mobile banking

3.0 RESEARCH DESIGN

The data have been collected from secondary data. The secondary data have been compiled from newspaper, journals, magazines, and web links and also research papers

3.1 The evolution of mobile banking

For the primary time, in 1999, U.S. bank to use SMS banking services, it had been not unique to bank. in order that same year the U.S. the post office using SMS technologies to remember of the position of the customer letter .Since, consistent with the law Klein Cohen many organizations and governmental agencies America so as to wont to reduce the value of Internet and mobile services. WAP system was introduced to the business world in 1999, and led to the reduction within the cost of data technology to develop use and innovation new methods, and cause reduction and control services (Farnood, 2008). Within the past, the utilization of Internet banking by providing access to the bank at any time, have an excellent impact on the bank services to Customer. Therefore, those customers were ready to review the status of your checking account, carry out other transactions like deposit accounts, and pay bills from home or office easily. Major restrictions of this model electronic banking are computer and internet access. Therefore, mobile banking has been introduced as a model of e-banking provides customers who need only a mobile. The explanations for the prevalence of this approach to banking with internet banking are not any restrictions in space, using the minimum facilities and another reason is that the great growth of mobile use among users. this manner has provided the development of mobile banking.(PoorniCk,2010). The evolution of mobile banking continues as the following:

- The introduction of GPRS technology in late 1999 and in 2000
- The introduction of private Office Mobile Services
- The introduction of mobile money(In 2000)

The introduction of Third Generation Mobile(In late2001) Mobile banking beginning within the late 1990s, has experienced five distinct stages: The first stage, mobile banking are going to be summarized in simple banking operations, especially pays bills and send SMS from the bank to the purchasers and the other way around . The second stage is to add a number of the accounts of depositors and related services to mobile banking services. In the third stage, were used banking services via mobile network, other media like the Internet and telephone, this phase was completed with this phase was completed with the emergence of intelligent mobile phones. The fourth step is to continue, development has been made as of JP Phone and Android, and this progress has led to the providing of services such as mobile Internet access and connection to the operating systems of bank. Within the fifth stage, this is starting; technologies are used like frequency identification chips for mobile payments, and Banking Network Connection to Visa Card and MasterCard systems. Qualitative and quantitative development of those technologies are often connected to form chips for mobile devices like mobile , watches, TV and IPad even connected sunglasses.

4.0 BENEFITS OF MOBILE BANKING

i. **Always on:** Mobile are often always or is usually portable thanks to inherent design, allow users to interact in activities like travel or meeting people, while transactions via mobile devices are equipped with Internet.

ii. **Location-centric-** Not only is mobile altogether places, Global Positioning System (GPS) may be created to acknowledge phone and tries to personalize supported existing services. Identifying the situation of Internet users, provides a special advantage for mobile commerce over wired e-commerce. Using this technology, the mobile commerce providers will enable to receive and send information to a specific place.

iii. **Convenience-** People aren't limited by time or space, access tom electronic activities. for instance , people that are stuck in traffic or waiting within the queue are going to be enable to buy their favorite Internet-based activities or managing their daily transactions through mobile commerce applications .Consumers can know a special comfort which will improve their quality of life. By making services easier , the customer are going to be more loyal. As a result, Communication facilities with mobile commerce applications to supply a comfortable.

iv. **Customization:** Mobile is far higher influence than personal computers. Therefore, mobile commerce producers to style more creative and more customized lifestyle tool. For instance, using demographic data collected by wireless service providers, and information on the present location of the mobile users can do more targeted advertising. Advertising messages are often customized supported the knowledge provided through consultation with the user's initial or previous users' shopping habits.

v. **Identify ability**: Mobile provides to support the secure mobile transactions where personal computers are almost unknown (no name). One person always uses mobile devices and it's ideal for private -based target marketing ,through the technology of worldwide Positioning System (GPS), service providers can recognize a user carefully Personalize opportunity to deliver messages to different parts of space and time through sound and look

vi. **Simplicity and Usability:** The m-payment application must be user friendly with little or no learning curve to the customer. The customer must even be ready to personalize the appliance to suit his or her convenience.

vii. **Universality:** M-payments service must provide for transactions between one customer to a different customer (C2C), or from a business to a customer (B2C) or between businesses (B2B). The coverage should include domestic, regional and global environments. Payments must be possible in terms of both low value micropayments and high value macro- payments

viii. **Interoperability:** Development should be supported standards and open technologies that allow one implemented system to interact with other systems.

ix. **Cost:** The m-payments shouldn't be costlier than existing payment mechanisms to the extent possible. A m-payment solution should compete with other modes of payment in terms of cost and convenience.

x. **Speed:** The speed at which m-payments are executed must be acceptable to Customers and merchants.

5.0 CONCLUSION

It is well recognized that mobile phones have immense potential of conducting financial transactions thus leading the financial growth with lot of convenience and far reduced cost. For inclusive growth, the advantages of mobile banking should reach to the commoner at the remotest locations within the country. For this all stakeholders like Regulators, Govt, telecom service providers and mobile device manufactures got to make efforts in order that penetration of mobile banking reaches from high-end to low-end users and from metros to the center towns and rural areas. Inclusion of non-banking population in financial main stream will benefit all. There is also got to generate awareness about the mobile banking in order that more and more people use it for his or her benefit.

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CHAPTER 17

AN OVERVIEW OF THE IMPACT OF COVID 19 ON DIGITAL BANKING IN INDIA: A POST PANDEMIC ANALYSIS WITH CONSUMER BEHAVIOR

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ABSTRACT

Today technology has become very popular in every field. Currently modern techniques are widely used in every field. One of the most important technologies is the power of digitization. Everyone can communicate globally through digitalization. Digitization is also an important concept for the banking sector. The Indian Central government launched Digital India program for digital transformation of the country. The Digital India program is a major initiative in the digitization sector of the Government of India whose main objective is to make the society and economy fully digital. Cashless is most important tool of the Digital India programs that promotes digital payment. Demonetization is a big contributor to the growth of the Indian economy.This paper helps to understand about digital India programme. The need for Ecash transactions and digital transactions has increased during Covid 19.The purpose of this paper is to analyze the impact of Covid-19 on consumer behavior in digital banking in the banking sector. The paper based on information retrieved from internet via articles, research papers, expert views on that subject. To achieve the objective with the help of a survey among consumers in digital banking, field survey based on questionnaire has been used as a research method. The paper also explains on the impact of Covid-19 on digital banking.

Keywords: Digital India, Digital Banking, COVID-19, Consumer Behavior

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1.0 INTRODUCTION

Banking sectors are playing an important role in our daily lives. This field helps in accepting the latest technologies to enhance the education of the customers. There is a major revolution in the banking denomination in India for the caching economy. Many services like UPI (Unified Payment Interface), Aadhaar Pay, Debit Cards and Immediate Payment Service (IMPS) have been digitized. In the present scenario, factors to increase customer confidence, provide better services, use digital service are the main objectives of this sector. The COVID-19 epidemic has severely affected the global economy and all sectors, as well as the banking sector. Banking sectors provided all facilities and offered public guarantees on banks' loans to help their customers in liquidity shortages and in the event of an epidemic. The impact of COVID-19 on the banking sector includes the use of digital channels and digital payments.

2.0 REVIEW OF LITERATURE

To fulfill the purpose of the study, a brief literature review has been done. Some of them are presented after reviewing the literature:

Dr.V.Sornaganesh (2019) Study is explained the changes in buying behavior of consumers. It shows the impact on paper money and Ecash. The study also explained the use of digital banking is increased after the demonetization, used through the payments app, Internet Banking, etc.

K. Hema Divya and K. Suma Vally (2018) the study explained that the deployment of digital technology for digital payments has enhanced the performance of the banking sector and promoted cashless systems.

G.Sudha and M.Thangajesu Sathish (2020) study is explained that consumers will adopt digital payment methods after demonetization. The study spoke about the effects on payment methods for the pre and post demonetization periods. Various payments app

2.1 Research Gap

The above study does not focus on Covid-19 as this epidemic has come to light recently. A limited amount of studies have been done to limit this topic. But, as there is no vaccines for this critical situation so far, certain studies are needed which will suggest what measures or methods are there for economic development as well as advancement in digital banking.The information given by the respondents might be biased because some of them might not be interested in providing correct information. Respondent tried to escape some statement. This was one of the most important limitations faced, as it was difficult to analysis and come at a right conclusion.

2.2 Objective of the Study

The study aims to fulfill the following objectives.

- To explore the concept digital India
- To analyses the effect of Covid-19 on Digital banking
- To analyses the mode of payment done by the consumers before and Post Covid-19.
- To find the online payment apps used by the consumers.

3.0 METHODOLOGY

The study is both explanatory and descriptive in both natures. The data is been collected from secondary sources. The secondary sources used are like internet journals, research papers, books, mainly websites of related this concept etc. For this study, data has been collected by questionnaire. A self-structured questionnaire has been used for this purpose. The questionnaire was compressed with a sample size of 100 respondents selected by applying a simple random sampling method.. The study is mainly based on primary data. Secondary data has also been collected from various sources such as journals, newspapers, magazines and websites. Regulatory statistical tools such as t-test, chi square test and ANOVA test have been used for data analysis.The present study is based on descriptive type by considering both primary and secondary data. Primary data collected from Students from different districts of Haryana. Simple random survey conducted through questionnaire, telephonic interactions with the students. Sample size is 100 respondents.

3.1 Statistical tools for Data Collection

To fulfill the objectives of the study, both the primary and secondary data have been applied. The primary data was gathered through the questionnaire. One set of questionnaire schedule was prepared for the respondents who were the students of the different district of Haryana including General information and attitude towards digital banking. The statistical tools such as 5 Likert scale, percentages, Anova have been used to compute the findings. To fulfill the objectives of the study, both the primary and secondary data have been applied. The secondary data are utilized to understand the overall concept of the consumer behavior collected from various published books, journals, periodicals, reports. The primary data was gathered through the questionnaire schedule. One set of questionnaire schedule was prepared for the respondents including General information and Buying Behavior of digital banking during covid 19. The simple statistical tools such as, percentage, frequency has been used to compute the findings. The budget for Digital India program has increased by 23 percent to Rs 3,958 crore for 2020-21.This intention development to promote electronic manufacturing, research and development, cyber security and IT and IT enabled services.

3.2 Advantages of Digital Banking

i. It is helpful for decreasing crime.
ii. It is helpful for decrease documentation.
iii. It is provides many facilities like Digital Locker, e-education, e-health, e-sign and nationwide scholarship portal.
iv. It provides High speed connectivity and high speed internet.
v. This programme provides wide area.
vi. It provides Transparency.
vii. Corruption free with transparency as IT official can track records easily.
viii. It is Convenient and easier.
ix. It Improve the quality of service.
x. More employment in IT corporations.

3.3 Challenges of Digital India Program

There are several challenges, which are faced by the Digital India program. These challenges relate to implementation, network connectivity and cyber security, the role of private sectors and Internet user awareness. There are different views about this here.

Illiteracy about digitization: This is a major problem in the implementation of complete digitization in rural areas of India. Better implementation requires administration steps in this regard.

- **Internet connectivity:** The problem of connectivity is a big issue as every state has different laws, rules and laws.
- **Cyber securities issue:** Internet and cyber-crime are major challenges before it. There is a cyber-threat all over the world and digital India. A strong cyber-crime team is needed to maintain the database and protect the softies.
- **Implementation Finance Requirements:** Large capital is required to implement this program. There is a need to encourage startups to develop last mile infrastructure and local services and applications.
- **Awareness in people:** Awareness is required for the success of this program. So that users have a secure experience on the Internet.
- **Exchange of information:** The stored information should also be used by other government offices. India is a diverse country in terms of language, culture, laws, which varies from state to state. Therefore full integration is a difficult task. The government should try to make additional spectrum available to telecom service providers for deployment of high speed data networks.
- **Poor private sector participation:** Government-issued proposals (RFPs) are not being taken up by the competent private sector.
- **Infrastructure:** Digital India program faced slow or delayed development of infrastructure

4.0 DATA INTERPRETATION DATA ANALYSIS AND FINDINGS

4.1 Demographic Profile of the Respondents

Demographic profile has been obtained from the responses and it was found that responses were taken from both the Males and females of the different district of Haryana. Which are quite obvious since the target populations are the students in the study. Gender wise we received 53% male and 47% female's responses.

4.4.1 Graphical Representation of Total Number of Respondents

- **Gender:** It is evident from the given pie chart that 53 (50%) were male and 47 (47%) were female respondents.

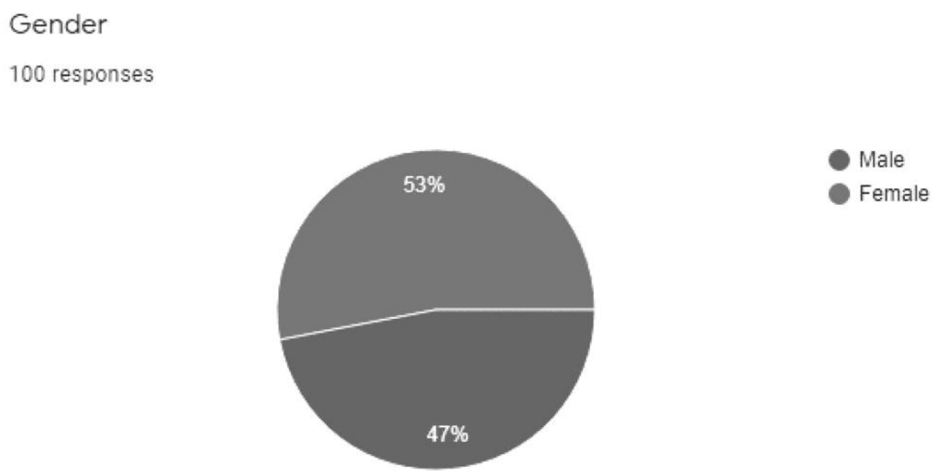

Figure 1: Gender Wise Composition of Respondents

- **Age:** Below figure shows that 93%respondents were between 18-25 years old so this shows that the age group 18-25 does more use digital banking.

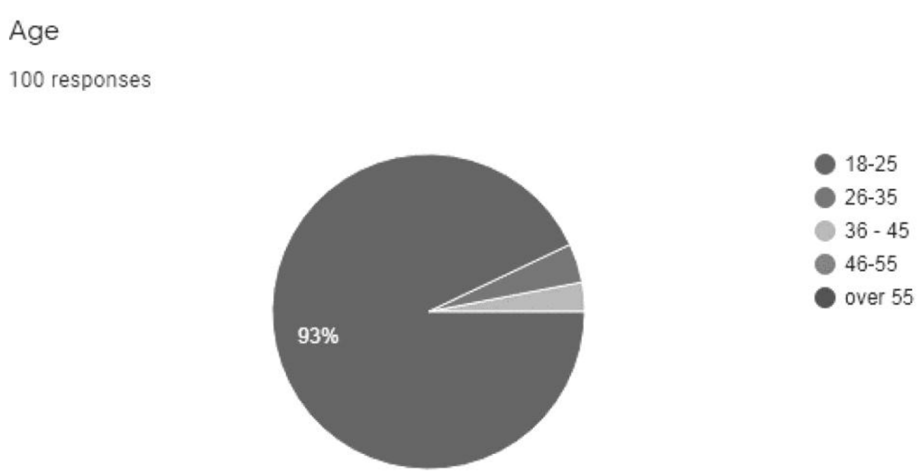

Figure 2: Age Wise Composition of Respondents

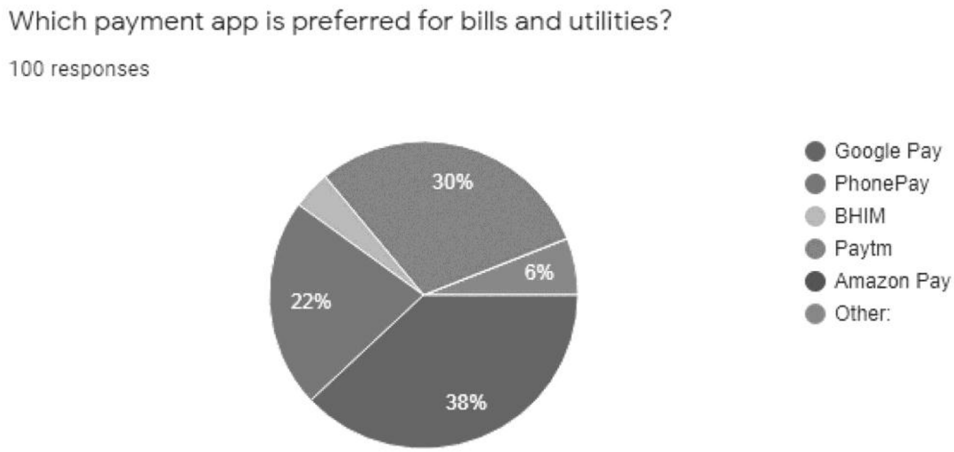

Figure 3: APP preferred by customer

The above pie chart shows that the respondents used various payment apps digital banking. 30% BHIM app 33% Google pay and 22% Phone Pay is used by the respondents. It shows also respondents aware about all aaps and used it.

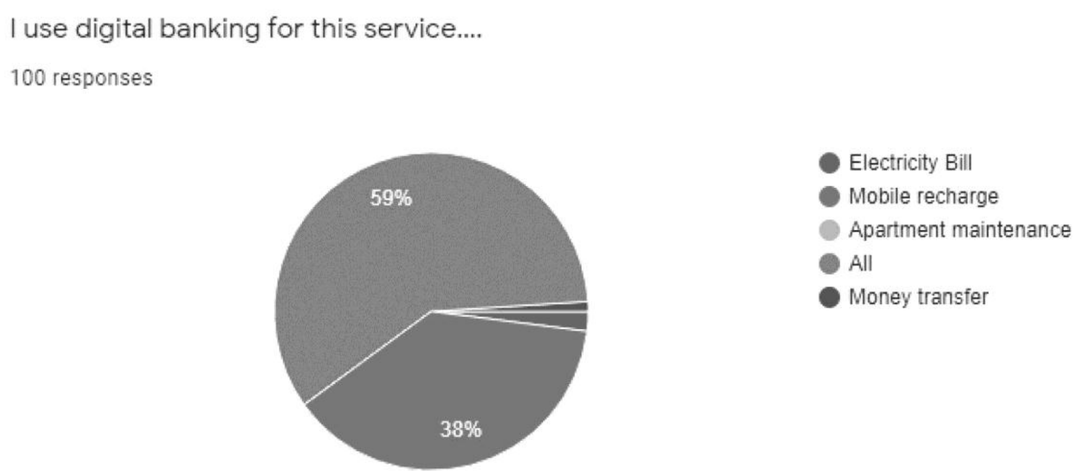

Figure 4: Respondents Used Various Digital Services

The above pie chart shows that the respondents used various digital services like Electricity bill, mobile recharge, apartment maintenance and money transfer. 59% respondents are used all these services like electricity bill, mobile recharge, apartment maintenance and money transfer.

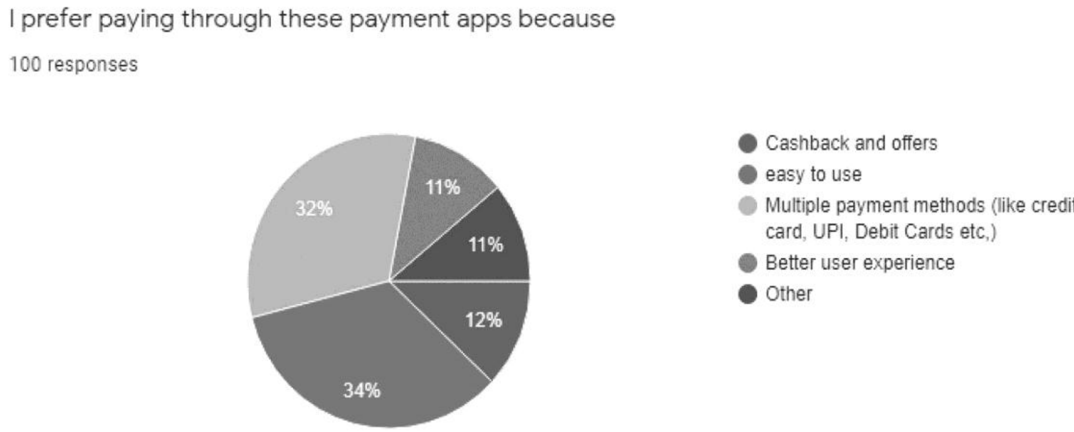

Figure 5: Respondents Used Various Payment Apps

The above pie chart shows that the respondents used various payment apps for digital banking because provides many services like cash back and offers, easy to use, multiple payment method (like credit card, UPI, Debit card etc.), better user experience and other services. 34% respondents agree to easy to use and 32% and multiple payment method (like credit card, UPI, Debit card etc.)

4.4.2 Descriptive Statistics

Table 1: Descriptive Statistics

Sr. no	Particulars	N	Mean	SD deviations	Minimum	Maximum
1.	The use of digital banking services is useful during the COVID 19.	100	3.98	1.355721	1	5
2.	The use of digital banking services will increase the quality and efficiency of my banking services even after the COVID 19 epidemic	100	3.77	1.354789	1	5
3.	My confidence in banking	100	3.82	1.234029	1	5

	institutions and their online services has increased during the COVID 19.					
4.	I think that the use of digital banking services is easy.	100	3.99	1.298756	1	5

5.0 INTERPRETATION

i. The above table shows that the use of digital banking services is useful during the COVID 19 as its approximate mean value are more than 3, with minimum and maximum of 1 and 5 respectively and standard deviation 1.355721. Hence, many of the respondents agree to this concept.

ii. The above table shows that Respondents are the use of digital banking services will increase the quality and efficiency of my banking services even after the COVID 19 epidemic.as its approximate mean value is more than 3, with minimum and maximum of 1 and 5 respectively and standard deviation 1.354789. Hence, many of the respondents agree to this concept.

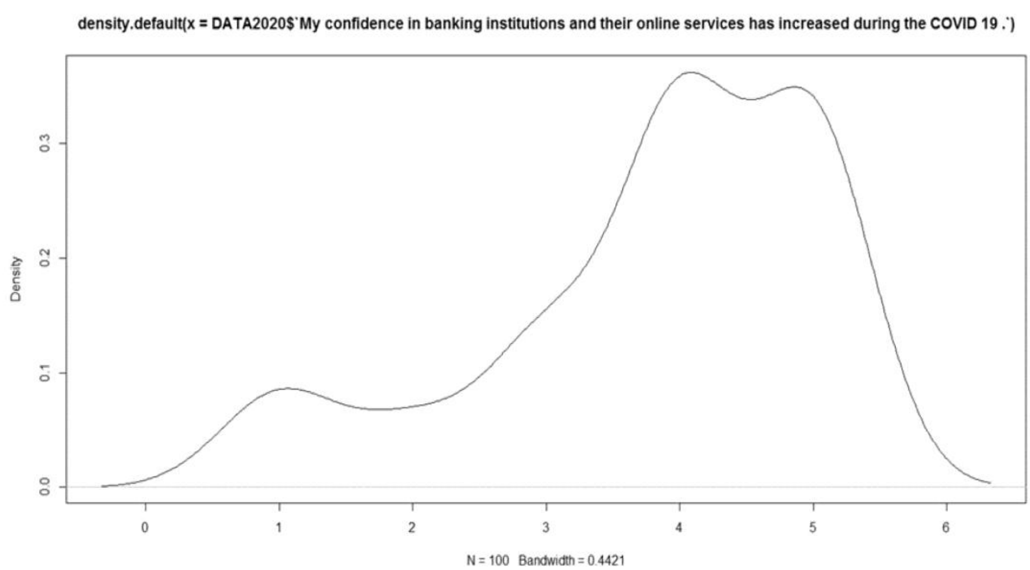

Figure 6: Quality and Efficiency of Banking Services after COVID 19 Epidemics

The above figure -6 showing that respondents are the use of digital banking services will increase the quality and efficiency of my banking services even after the COVID 19 epidemic.

iii. The above table is evident that the confidence of respondents in banking institutions and their online services has increased during the COVID 19**.** As the mean value is approximately more than 3.5 and the standard deviation is 1.234029.

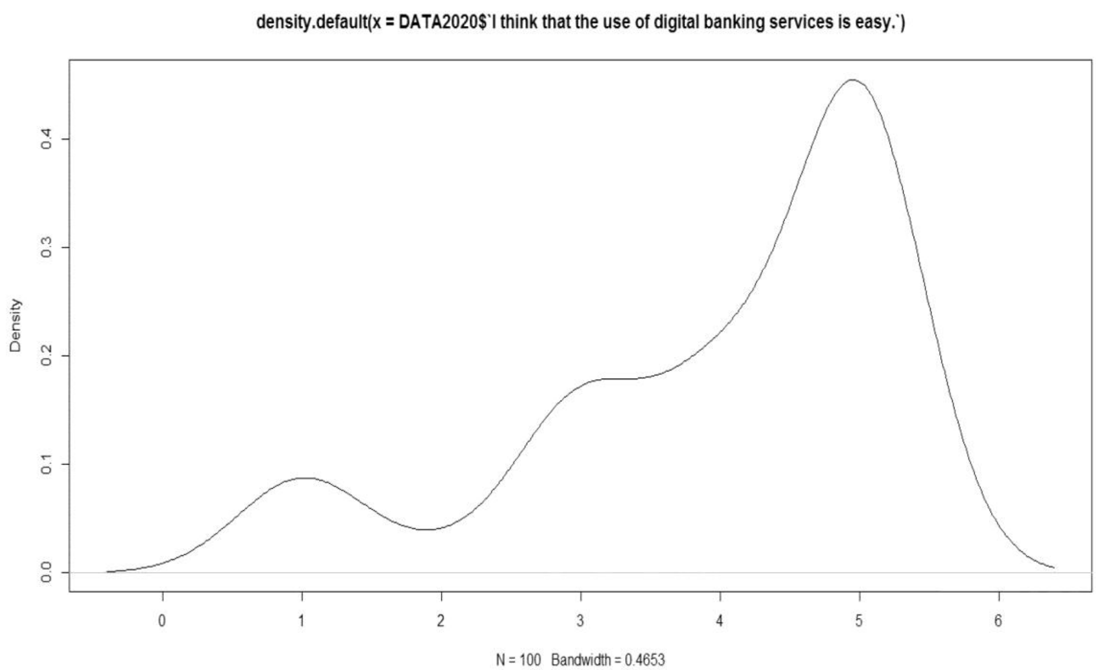

Figure 7: The Use of Digital Banking Services

iv. The above table showing the mean value approximately 4 and standard deviation 1.298756 statistically prove that the use of digital banking services is easy it is agreed by most of the respondents. The above figure -7 also is showing that the use of digital banking services is easy.

v. Digital banking has played great role in this pandemic situation. Easy use of digital banking help to face lockdown and when less of paper money was using.

vi. The digital banking system performs electronically. So banks have all the data and they can use it for dynamic decisions. It is useful for both customers and banks.

vii. Many respondents consider it safe to pay via credit, debit card or online wallet.

viii. Confidence levels have increased during Covid 19. However socio-economic development we considered the importance of digital banking in India. Digital banking is a safe option to deal with financial transaction crime and corruption.

ix. The digital record is helpful for generating reports and analyzing data and making useful decisions.

x. Digital banking reduces costs and increases profits for bank and costumer both.

6.0 SUGGESTIONS

i. HDFC Bank is the largest credit card issuer as per RBI data. 1.49 Crore cards have been issued by this bank and 179.5 million UPI transactions have been done with this bank.

ii. RBI has advised the bank to temporarily stop all digital launches and new credit card service to customers. . The RBI order also states that the lender board needs to determine its responsibility.

iii. Better Internet facility should be provided in rural areas.

iv. Training camps, seminars and workshops should be organized by banking professionals and experts on the use of digital services for illiterate individuals.

v. Digital services should be the easiest way that all people can use according to their needs and expectations. Some of the steps have been taken by the regime by the Lunching Digital Program.

vi. Banking sectors also focus on website, e-banking, net banking and mobile banking etc.

vii. Banks should feel safe for their costumer regarding cyber risk.

viii. According to the World Social Report 2020 published by the United Nations Department of Economic and Social Affairs (DESA), India describes how India exploited the potential of digital technologies for greater economic growth.

ix. In the report, the U.N. stated that other digital technologies need to be supplemented to reduce inequality in access to financial services. So there is need to enhancement in digital service.

x. Digital banking is popular in urban areas, but it has failed to accelerate in rural India. Many people in rural areas do not use it due to lack of internet literacy and digital literacy. Therefore some programs need to be organized by the students as well as the experts who help to face this challenge help to make successful this program with achieving goal.

xi. The digital revolution in financial services requires reducing government intervention on the one hand and raising consumer awareness on the other.

xii. Recently in a meeting in Washington, the needs for efficient development of cyber security were discussed and both the countries joined hands to robust collaboration on cyber activities.

7.0 CONCLUSION

Digitalization in the banking sector has increased the use of smart phones. With the increasing use of smart phones, the digitization of banking sector is inevitable to capture the rising expectations of the world. It also increased the trust on digital services with the help of digital banking. Now the persuasion can transact at any time without any excuse. There are many transactions such as paying bills or making regular payments banking platforms. Digital banking has played great role in this pandemic situation. Easy use of digital banking help to face lockdown and when less of paper money was using. So that this system can save time as well as reduce costs. It is possible to access and analyze data anytime for decision making. Internet connection is required to fulfill this purpose. Digital services should be the easiest way that all people can use according to their needs and expectations. Some of the steps have been taken by the regime by the Lunching Digital Program. The digital revolution in financial services requires reducing government intervention on the one hand and raising consumer awareness on the other is required for successful this program. Confidence levels have increased during Covid 19. However socio-economic development we considered the importance of digital banking in India. Digital banking is helpful to remove crime and corruption. There is a need to deal with the cyber criminals and to boost the cyber security for better digitalization. We can conclude that covid-19 is challenging the situation and digitization of payments has increased in this period. The goal of the Reserve Bank of India at that time is increasing digital transactions from around 10% to around 20% of GDP by 2021. The government aims to develop the smart phone market for one billion digital transactions per day as the world. The government also encourages banks to encourage their customers to use digital payment methods as a precautionary measure against coronavirus outbreaks.

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CHAPTER 18

MARKETING STRATEGIES IN BANKING SECTOR: A REVIEW

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ABSTRACT

Indian banking sector growth has accelerated in the last two decades. The growth in banking sector has mainly derived from the participation of private banks and foreign banks, though the role of public sector banks cannot be undermined. Now, the banking industry has become more competitive due to the entry of foreign banks and new licenses released by RBI for domestic players. At that time, it is imperative for banks to deploy sound marketing strategy not only to operate in an environment where service quality and financial returns are perceived as the essential criteria from customers' viewpoint, but also to compete with conventional banks which are known to have better experience and expertise in the banking business. Now, banks work as a firm with a belief that effective marketing strategies not only satisfy the client alone but also assure the future of banking business. So, this paper tries to bring out various insights into the different strategies adopted by different types of banks and thus help the banks to re-orient their strategies according to the requirement of circumstances. In order to maintain a strong hold in the competitive market, every bank has to develop effective market and concrete marketing strategies so that they can get a share of increasing market demand.

Key Words: Various Marketing Strategies, Bank sector, marketing of Services, Financial products

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1.0 INTRODUCTION

A bank as a financial institution plays a crucial role in the economic development though the increase in national output and the level of employment. Indian banking sector's growth can be categorised into five stages: pre-independence, post-independence, pre-nationalization, nationalization and post-liberalization stages. In ancient times, banks have been referred to as lenders and creditors. However, organizing banking in India took shape only during the 18th century, with Bank of Hindustan being established in 1770 under the European Management in the city of Calcutta. Indian banking sector growth has accelerated in the last two decades. The growth in banking sector has mainly derived from the participation of private banks and foreign banks, though the role of public sector banks cannot be undermined. This sector has been growing rapidly in India not only in the terms of its size but also in terms of the services being provided. Now, the banking industry has become more competitive due to the entry of foreign banks and new licenses released by RBI for domestic players. To cope with stiff competition, banks are forced to adopt various marketing techniques and strategies. Marketing strategy means the broad principles through which the business unit can achieve its marketing objectives in a target market, also marketing strategy involves of basic decisions on total marketing expenditure, marketing mix and market allocation. Marketing strategy is a specific plan of a business unit for allocating marketing resources to reach the marketing objectives. In order to get a share of increasing market demand, majority of the banking institutions are now putting substantial investments in its marketing efforts. The role of marketing strategies in the banking industry never remains the same. Firstly, bank marketing strategies primary focussed on public returns after that it shifted to advertising and sales promotion. Today, the marketing strategies of banks are customer oriented as customer plays a key role in banking sector. Banks are coming up with surprising and impressing ways to lure the customers and retaining their customer base. In order to retain the customers banks are creating various strategies. For any business to be successful, customers must be regarded as kings whose needs and wants must be satisfied most efficiently at a profit. The effective marketing strategy firstly identifies the users of its product and tries to use efficient distribution system to deliver the goods or service at the right time and place. The purpose of all the techniques and strategies of marketing is to induce the people to do business with the particular bank. In this competitive era, it is very important for a bank to create and keep a customer by doing all those things which people like otherwise they will shift to the competitors. To stay in market, it is necessary for a bank to attract and hold enough customers, no matter how efficiently it operates.

2.0 BANK MARKETING CONCEPT

Presently, the Indian banking system is in a transition phase from a regime of "large number of small banks" to "small number of large banks." Further liberalization, deregulation and intense competition have brought tremendous transformation in the Indian banking system sector from a seller's market to a buyer's market. Now, the customer is "king" for the bank and his satisfaction is the basic purpose of marketing. Customer satisfaction is important so that banks are building many strategies emphasis on customer relationship management in order to retain the customers. To efficiently develop the integrated marketing concept, the banks should identify the future needs and wishes of the customers and should use their services to satisfy them. The bank marketing involves the complex study of the customers in order to know better their preferences and demands so that customer can be satisfied. Bank marketing as marketing of services is complex and abstract because most of the customers do not easily understand what the financial services are provided by banks. Bank marketing concept means the attainment of the bank objectives by creating the needs and wants among the target customers and the supply of the needed satisfaction in a more efficient manner than their competitors. Marketing as an important tool, helps in achieving organizational objective of the bank. Marketing concept consists of the following few points which contribute to the bank's success:

- ✓ Bank cannot survive without customers.
- ✓ Bank has to study the customer behaviour in order to create and retain them.
- ✓ Bank should confirm that services are performed and delivered in such a way that satisfies customers
- ✓ Bank should design products and Services in such a way that they confirm with the convenience and requirements of customers as much as possible.
- ✓ Ultimate objective of the bank is to deliver the total satisfaction of the customers and fulfill his/her expectations.

2.1 Objectives of the Study

The general objective of the study is to find out the various strategies adopted by the banks and the impact of these strategies on banks performance.

The specific objectives are: -

i. To study the concept of marketing and its relevance and significance in the banking industry.

ii. To recognize the various types of the marketing mix elements adopted by the banks

iii. To evaluate the impact of the marketing strategies on the performance of the banks.

iv. To suggest suitable marketing strategies for enhanced competitiveness of banks.

2.2 Significance of Study

Today, all the banking strategies are focused on customers because the success of any business is dependent on the satisfaction of customers and their sustainability. Banks should learn market segmentation, consumers' behaviour and the factors affecting their behaviour. In this competitive era, it is very difficult for a bank to get new customers and to retain existing customers. Due to no switching costs, customers can easily switch to other banks whenever they find better services and products. In this scenario, customer-oriented marketing strategies are beneficial because banks who can create their relationship with customers in an effective manner and in quick time are successful in the market. The significance of the study can be viewed as a means of knowing the tremendous development marketing strategies and its importance in banking sector. This study suggests that how these marketing strategies can be used for effective and efficient performance. It also helps in the measurement of the effectiveness of marketing strategies of banks as compare to its competitors.

3.0 FORMULATION OF BANK MARKETING STRATEGY

In order to expand its business an industry has to plan its marketing activities. The company should consider its internal growth opportunity and plan its strategies accordingly. Formulation of marketing strategies is the basic responsibility of top management because, it is management that decided the missions, objectives and goals and the policies and strategies to reach them. Thus, top management explains not only where to go but also the way to go the terminal point. In the marketing of bank products, there are five broad steps which are briefed below: -

i. Selection of the Target Market

First step in formulating the marketing strategy is to identify the target market. It involves the study of who exactly are their customers and what exactly are psychographic and demographic profiles of the potential customers in the given target market. In order to identify the target customer, firstly every bank needs to analyse its environment and the environmental variables acting upon it then the market is segmentized on the basis of different psychographic and demographic parameters, such as age, sex, trade, profession, lifestyle, geographical location, income group etc. After that the bank has to decide about marketing strategy for selected target market. Selection of marketing strategy depends upon the type of target market, it potential, the competitors and the external environment. Ideally every customer segment should be covered so that we give no scope for others to enter into competition. It may be noted that banks have to follow various regulations. So, all the marketing strategies of free market are not applicable in case of banks.

ii. Estimation of Sales

Second step in formulation of marketing strategy is to estimate the sales. Bank's potential sales depends on what product to sell, when to sell and to whom to sell. Banks offer so many financial products to their customers like loan, deposit products and services, current account with Internet banking facility, ECS, EFT, NEFT/ RTGS and other CBS products etc. Banks provided their services by various modes like tele calling, billboards, direct mailers and meets. Banks have to take decision whether it will provide a standardised service or a customised service or a mix of both. standardised service means a single product for a large number of customers and customised means a single product/service as per the requirement of a single customer or high customer value.

iii. Selection of Communication Mix

After taking decision about products, the next step of formulating strategy is to take decision about communication mix. Communicating with customer is very important for creating the brand/image. Without communicating no banks can influence the behaviour of the customers. Banks have to decide which element will be more effective whether to go for advertising or publicity. If they go for advertising then they will choose media vehicle to use- TV, Print-Newspaper or Magazine, Radio, Outdoor, etc.

iv. Selection of Delivery Channel

In fourth step, bank has to take decision about the delivery channels e.g., tele-selling, personalised selling through which it provides services to its customers. Different form of selling methods can be adopted by the bank depending upon the products, the objective of the organisation and the target customers. For example, if the product is to be targeted at high value customers like portfolio management service then personalised selling is most effective way but in case of student loan tele-calling can be more effective. In case of services sector mostly personalised selling and branch walk-in are treated as the most effective form of selling.

v. Customer Satisfaction

Last step in formulation of marketing strategy is the customer satisfaction and after-sales service. The success of marketing strategy is depended upon the customer satisfaction because a satisfied customer can bring many prospective customers through his 'word of mouth'. Banks should always carefully sort out complaints of customers because those customers who are complaining wants to remain with you and they expect to get their problems resolved and once their complaint is resolved they are bound to remain with the bank but most of the dissatisfied customers doesn't complaint and they gradually change their bank. To satisfy the customers, banks should feedback mechanism and proactive approaches like using of marketing intelligence, market research tools like ghost shopping, online feedbacks of service, toll free number for feedback. These steps help the banks in building brand image and also helps in development of new products and understanding the market in more effective way.

4.0 MARKETING OF BANK PRODUCTS–SOME STRATEGIES

In view of the preceding discussions, there are some suggested pragmatic strategies for effective marketing of bank products in the ongoing reforms era characterized by fierce competition. While all banks are using various strategies in more effective way in order to get a competitive edge in the market. Using different marketing strategies for a bank can help to differentiate itself from competitors and move past them by offering new technologies, offering the same services in different ways, or otherwise targeting new people in new ways.

i. Adoption of New Technologies

Banks should adopt top of technology trends to stay competitive and keep its marketing plans fresh. Bank should, at the least, offer strong digital banking and an app to cater its customers. By use of ICT, banks can market their services in form of 24-hour banking using virtual banking concept where there is no involvement of any human and the customer is able to avail banking services round the clock. Such type of steps will be very effective in marketing of banks services in future.

ii. Digital Apps and Services

In this new era, many individuals are moving towards digital banking, which is convenient, easy to use, and often significantly faster. Bank should have a quality digital app or web portal or mix of both and make them part of its marketing strategies for banking products and share them with its clients. These services can also be utilised to market different bank products to the customers like sending selective SMS. Such effective tools can be used by banks to target the customers in a much better way.

iii. Focus on Customer Outreach

Today, many banks are focusing on digital and social media marketing so that customer outreach is becoming increasingly important as a marketing strategy for banks. Connecting with consumers on a one-to-one basis can do significantly more for customer relationships than any amount of online marketing for banks. It's also important that bank's representatives provide helpful advice and assistance without selling its products and services. Outreach marketing strategies for banking products are always used for building good relationships with clients.

iv. Use of Innovative Techniques

Today's customer is highly demanding and the banking sector where competition is increasing day by day, it is need of the hour for the banks to evolve accordingly. This may mean that bank should review and revamp its services, cutting old products that are no longer delivering for customers, and streamlining its processes and services to improve what it offers to its customers. In this competitive scenario, the success of marketing of banks services is dependent upon constant and continuation innovations not only of products but also the processes and service delivery.

v. Use of Alternate Delivery Channels

Due to the technological innovations, bank can used alternate delivery channels to market bank's product and services. Various delivery channels like ATMs, Kiosks, Internet, Phone calls are used to market bank's products. ATMs are not being used just as cash distributors but can be used by the customers in respect of various other services offerings by the bank. Similarly, Kiosks are used to publicize information and offer different services to the banks.

vi. Building Loyalty

Relationship marketing means building relationship with customers not just up to the business level but at every level. CRM tools can be used by banks not only to track the past relationship of the customer with the bank. It can also be used in offering better products, services and offerings to the customers who are loyal to the bank. For example, bank can offer customer discounts in the form of free ATM usage, reduced loan and mortgage interest rates, and even slightly increased interest rates on CDs and savings accounts etc.

vii. Creating Good Customer Experience

Modern marketing and consumerism are done for creating good experience among customers. If a bank through its digital platform and its physical bank branches can't offer a quality experience to its customers then it won't succeed. Marketing for banks should always be focussed on creating a positive, helpful, and quality experience for each customer. Every time, when the customers interact with the bank, it should provide all possible efforts to make them satisfied. It doesn't necessarily mean that bank has to exceed expectations or delight the customers, it only means that it has to offer strong, stable, and quality solutions to the customer and should focus on being there for the customer first.

5.0 CONCLUSION

With the liberalization of the financial sector, the banking industry has become more competitive. Banks are introducing new instruments and ways to attract the customer as we know customer plays a key role in banking sector. Banks are building long-term relationships to retain the customers by offering customized services.

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CHAPTER 19

CROSS-SELLING: A SECONDARY STUDY

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ABSTRACT

Today's consumers are WiFi-enabled, socially connected and bind to their mobile and PC devices. They want control over their financial transactions, delivered in the form of effortless, direct and immediate interactions that don't disrupt their lives. Consumers that utilize digital banking channels are more prone to adopt other financial products. Current study shows that marketers will find fertile ground targeting this audience for cross selling through cloud computing.

Keywords: Cross-Selling, Banks, Products

1.0 INTRODUCTION

In today's world development of any banking business depends upon how effectively it ensures that its customers are engaged in the various products being offered by the bank. This engagement is often done through cross selling of multiple products to the existing as well as new customers of the bank. In other words cross selling determines the customer engagement and proves as a vital instrument in defining the banks revenue generation which in turn leads to its profitability. Cross Selling is in fact persuading customers or sometimes pushing customers to purchase additional products and it becomes the prime objective of any banking company to achieve its cross sell numbers. In order to achieve this, banks often define the numbers of products which for that matter should be owned by any customer depending upon their suitability and customer need .These numbers differ from one bank to the other.

According to a 2011 report from Forrester Research, the average bank owns 2.1 financial products out of the approximately seven owned per-household .This need of cross selling has also been understood by many other businesses also. For example if you go to buy a car you would end up purchasing not only a car you desired but also many such products as music system, car covers , car insurance ,alloy wheels etc . These additional products bought or sold were a part of companies cross selling objectives. Similarly when you open a bank account ,you will not only have a simple savings accounts but linked debit cards , credit card offers, fixed deposit, Recurring deposit and many loan offers depending upon your individual profile . Sometimes banks even go up to an extent of going through the individual account statements for understanding customers profiles, their life styles and accordingly persuade customers to buy well suited products matching their life style.

Not only in the banking industry but the need of Cross – selling is also seen in other industries like accounting, airlines, financial services, retailing, health care and telecommunication. The real challenge being faced is to enhance the cross sell numbers firstly and then the repeated usage of the product being cross sold. For example in banks it would be most important to cross sell credit cards, demat and trading accounts however on the other hand the focus from just increasing the cross sell numbers must get changed to developing the strategies wherein the repeated usage of these cross sold products can get enhanced. Thus banks often tend to launch various campaigns for this purpose by way of mailers, phone calls or at personal touch points.

Apart from the Banks perspective we also find that cross selling helps individuals meets their various requirements under one umbrella only. A good banking history helps individual get credit card or loan offers which in turn fulfil their specific needs. It increases the customer loyalty and reduces the chances of shift. The more the products get sold the more is the customer loyalty and also more is the cost of switching thereby leading to customer retention.

Having said that cross selling is the back bone of business it sometimes undermines the customers interests and needs and is being pushed to a level where persuading becomes so aggressive that customers are pushed with unwanted products which perhaps are never needed by them. This flip side of cross selling is not only dangerous but also can prove fatal for the existence of any organisation in terms of the loss of reputation and business. This has been seen in the case of American wells Fargo bank which drove worldwide criticism.

1.1 Present Scenarios

Banking companies have come up with the concept of cross buying by offering convenient, easy to apply and buy products online. In this system approach banks usually help educate their customers on internet banking and then guide them to have a easy access to their accounts . While making available all the required information which may be needed by the account holder banks have started floating soft loans, applications for credit cards , insurance products etc. online . The availability of such soft loans at the hands of the customer ultimately prompts the users to buy these online. It adds to the time saving at the customer level and also cross-selling automatically happens in the shape of cross-buying by the customers.

1.2 Role Sonflicts

With the ever increasing and rapidly changing banking scenarios there is often role conflicts on the part of employees .On the one hand they are given the task of satisfying the customer needs which translates into efficient and accurate transaction processing of the lobby customers and on the other hand they are under tremendous pressure of their managers to generate cross sales. This often put employees in a very stressful situation and employees find it difficult to strike a balance.

1.3 Mis-selling

Cross-selling is a part of customer service however in today's scenario it has come on the forefront even putting the basic services behind. "**Any customers who walk over must be cross sold** "is the cry of the present day managers. This confuses the front line managers and they keep on wandering if cross selling is a result of customer service or customer service is the result of cross-selling so as to reap more and more products thus creating a thin line of difference between Mis-selling and cross-selling. Mis-selling is an outcome of the pressure cooker cross-sell scenarios developing in the banking industry. Cross-selling otherwise is an outcome of better service and increase in the tendency of cross-buying behaviour of the trusted customers.

John G Stumpf-Chairman and CEO, Wells Fargo well includes cross-selling in the banks Vision and Values and defines it as "The result of serving the customers extraordinarily well, Understanding their financial needs and goals over lifetimes, and ensuring the bank innovate its products, services, and channels so that it earns more of their business and help them succeed financially"

The consumer Financial Protection bureau (CFPB), The Office of the Comptroller of the Currency (OCC) and The Los Angeles city Attorney did not think on the similar footing and slapped fine to the tune of $185 million on Wells Fargo for its alleged fraudulent Cross-selling practices and defined these as improper in its 8Sep, 2016 consent order.

1.4 Scope of Cross-Selling

The scope of cross selling is just not limited to the Banks in today's world. The same has been incorporated by all business houses across industries. To quote a few we see following industries indulging in high cross sell when engaging their customers.

i. Banking
ii. Insurance
iii. Consumer durables
iv. Automobile Industry
v. Tour and travel
vi. Hospitality
vii. Footwear industry
viii. Garment Industry

The list given above is not exhaustive but is ever increasing and is spread across all industries literally. Off late all these industries have well understood the significance of cross selling and have put various measures into practice to engage their customers starting from customer on boarding to the making of their preferred customer and owning their needs by understanding them better.

1.5 Objectives of the Study

The present study will keep a focus on the various benefits of cloud banking in cross-selling.

1.6 Research Methodology

This study is based on secondary data collected from the magazines, websites and other sources like internet, published reports and the fact sheets.

2.0 CLOUD BANKING

In this rapidly changing world, where non-traditional competition prevails and even dominates, latest technologies are required either in banking system or in a market to satisfy the consumer who, too have become complex in the complicated world society.

Source:
https://int.search.tb.ask.com/search/AJimage.jhtml?&n=7848e162&p2=%5ECRB%5Exdm129%5ES26573%5Ein&pg=AJimage&pn=1&ptb=0D103C4E-B2ED-4D9D-A022-DB14F2DE040D&qs=&searchfor=cross+selling+and+cloud+banking&si=%22%22&ss=sub&st=sb&tpr=hst&ots=1539043847103&imgs=1p&filter=on&imgDetail=true

Now a days regulator are coming up in the modern set up and banks are required to make necessary technological changes to survive in this nontraditional competition. **Cloud computing** can help the banking sector to introduce the unconventional business model for delivering the better services, better data security, reduced operating cost. Under this model various noncore applications and business operations such as recruiting, billing and organization wide travel management are easily moved to cloud. Because of its own computing power, it can store the information about users preferences which can enable product and service customization. It is internet based system whereby shared resources, software and information are provided to computers and other devices on demand. Banks using this system are able to develop new customer experience, effective collaboration to earn maximum profits and respond to current economic uncertainties. Public cloud services offer rapid provisioning, flexibility, simplification, agility and cost savings. Globally, 89% of banks used at least one cloud application in 2015 (57% in 2009), but only 1% were running "core" banking applications in-cloud, while most banks were hesitant to move customer or financial data to cloud (Temenos & Capgemini 2015). There is, however, great interest in banks' secure use of cloud, to which end the Cloud Security Alliance (CSA) established a Financial Services Working Group in 2015.1 According to an adviser we interviewed, "They [banks] are going to have to do it [use cloud]", but the biggest problem is a "lack of understanding, inertia, and confusion about what the restrictions are" (Kuan and Millard, 2018).

3.0 CONSUMERS CAN BE SEGMENTED BY VARIOUS DIGITAL BANKING BEHAVIOURS

i. Online Banking

Consumers who view their account activity, transfer money between accounts or pay bills on a financial institution's website.

ii. Financial Institution Bill Pay

Consumers who pay bills from their financial institution's website.

iii. Financial Institution e-Bill

Some bank and credit union bill pay services allow consumers to receive and view online versions of bills in addition to being able to pay them online. Electronic bills are online versions of the paper ones you receive from billers, but are sent directly to the user's bank or credit union bill pay service.

iv. Mobile Banking

Consumers who access their bank or credit union accounts, pay bills and manage your finances from their mobile device.

v. Personal Payments Service (or P2P)

Consumers who send/ receive money electronically to/from anyone they know, donate money to a charity or pay a local business (e.g., for lawn services or rent), using either their bank's website or mobile device.

3.2 Understanding the Lives of Today's Digital Consumers

Broadly speaking, adoption of digital financial services continues to increase. Fiserv says online banking is in the late stages of the adoption cycle, while mobile banking continues gaining steam. Online banking continues to grow, with 86 million households now using the service. Also according to Fiserv, someone is now using online banking in eight out of every ten households in the U.S. that have internet access. Roughly half (48%) of respondents with smartphones reported using mobile banking.

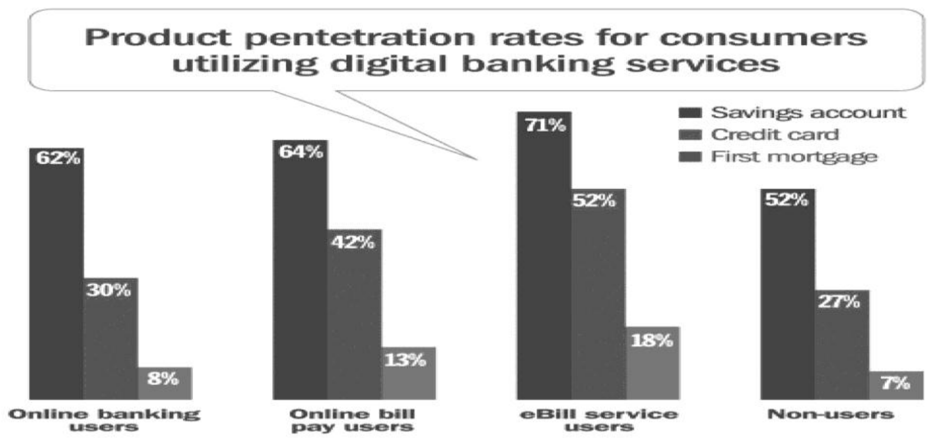
Consumers clearly value the role these digital services play in helping them to manage household finances. For example, more than half of online banking users say a reason they use the service is because it "helps me keep track and manage my household finances," while 57% of those who receive bills electronically through their financial institution say the same thing. And mobile banking users who access via smart phone cite the ability to access their bank account from anywhere as the top benefit of the service (73%).

83% of consumers believe that receiving and paying bills is a pain in the neck, requiring somewhere between a medium-to-high amount of effort (i.e., it's a tedious chore). What concerns them most? Missing due dates and making late payments. In fact, 36% confess they've paid a bill late because they had problems managing their cash flow (https://thefinancialbrand.com/53373/digital-consumers-ripe-with-cross-selling-pportunities/).

3.3 Digital Bankers Hold More Products

Fiserv in his study mentioned that the relationship between digital banking services and other revenue generating services is becoming clear. According to his findings, online banking, online bill pay and e-Bill strongly correlate with other revenue generating services like savings accounts, loans and credit products.

For example, users of online bill pay use an average of 33% more services than non-users while bill pay services are associated with significantly higher rates of savings account and credit card adoption. In addition, eBill is one of the strongest predictors of revenue generation, with recipients having an average of 1.3 more services than customers who do not use online banking.The implication is that users of digital banking and payments are among a financial institution's most valuable customers. Use of these services often predicts the use of other revenue-generating services and offers a critical opportunity to deepen relationships with customers. The results of his study are shown below in the diagram.



Source: https://thefinancialbrand.com/53373/digital-consumers-ripe-with-cross-selling-pportunities/

The findings also suggest that mobile banking use is driving adoption of other services, include credit and debit card use. In fact, mobile banking options are actually driving the increase in credit card and debit transactions. This is evidenced by Fiserv's findings, where 60% of credit card users and 66% of debit card users reported that they have increased transactions because they can make payments using a mobile device.

3.4 Digital Bankers Are More Satisfied

Online banking usage is high, with the customers accessing accounts through online banking an average of 10 times per month. Nearly one quarter (24%) of users access their accounts every other day or more.

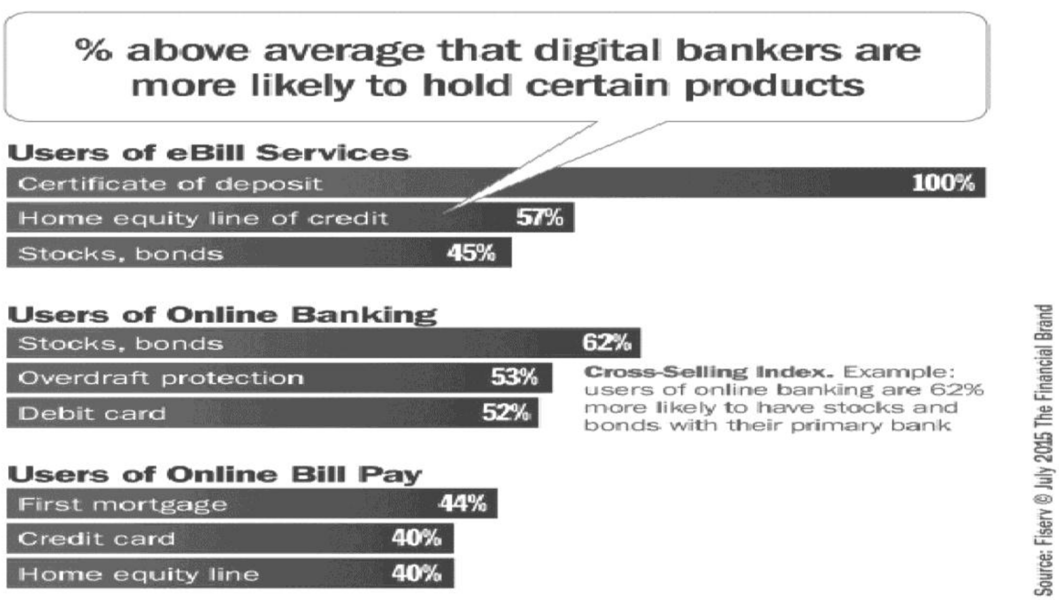
Overall, 92% of users reported they are satisfied or very satisfied with online banking. When asked to compare their online banking website to the retail site they used most in the past three months, nearly two-thirds (61%) indicated the two sites were equally good, while 21% said their online banking site is better than their most frequently used retail site.

Mobile banking continues to grow steadily with a 17% increase in adoption between 2013 and 2014 (from 30 million households to 35 million). Not surprisingly, increases in smart phone ownership are driving increases in mobile banking usage, with 48% of smart phone-owning households using mobile banking in the month prior to the survey.

Satisfaction with mobile banking is comparable to that of online banking, with 92% of users indicating they are either satisfied or very satisfied with the service. These figures are also consistent across generations. For example, 88% of Millennials respondents report being satisfied or very satisfied with their mobile banking service, while 87% of seniors say the same.

3.5 Marketing, Enhancements & Education Will Drive Adoption

To succeed with today's digital consumers, Fiserv outlines three key areas where financial institutions need to focus their attention (https://thefinancialbrand.com/53373/digital-consumers-ripe-with-cross-selling-pportunities/).



Source:https://thefinancialbrand.com/53373/digital-consumers-ripe-with-cross-selling-pportunities/

i. Cross-sell services to current customers with high potential

Understanding consumers' motivations and preferences for digital financial services provides an important basis to help financial institutions drive adoption and strengthen relationships with consumers. For this year's survey, Fiserv used the data to create an index of cross-selling opportunities. For instance, the use of online banking and bill pay was indexed against the presence of other revenue- generating services. Users of online banking are 53% more likely to have overdraft protection and 62% more likely to hold investments with their primary institution.

ii. Drive adoption through marketing and education

To those of us working in the financial industry, it seems improbable that anyone could still be confused about services like online banking — it's been around now for over a decade. But there is a significant opportunity to better educate consumers on how eServices work. For example, 25% of those who are not interested in online bill pay say it is because they don't want payments automatically withdrawn. This suggests significant confusion since bill pay does not require automatic withdrawal. And in a previous Fiserv study, 40% of check users said some billers only accept checks, but they were not aware that online bill pay does not require billers to accept electronic payments. Among those who say they are not interested in using mobile banking, the majority (52%) say they don't use the service because they are concerned about the security of their financial information. It is hugely important that financial institutions focus on educating consumers about their mobile security features.

iii. Consumers desire an on-demand, just-in-time experience

Same day posting of online banking transactions is the most desired enhancement for all respondents. Similarly, Millennials want same-day posting of electronic bill payments and the ability to view bills electronically on their smart phones. Given that many people are living paycheck-to-paycheck, the popularity of these desired enhancements do not come as a surprise. In mobile banking, security alerts, bill reminders and balance alerts were all among the enhancements smart phone users hope to see. Likewise, the addition of identity protection services is among the most desired enhancements to online banking. If your institution provides services like these, you should emphasize that fact in your marketing.

4.0 CONCLUSION

Thus we can say that cross-selling has both positive as well as negative aspects effecting consumers, employees and organisations and hence there is great need to strike a relationship amongst these so as to draw results which may prove beneficial to the society. Banking firms have many of the same IT challenges of any other industry, infrastructure scalabity requirements, the need for application modernization and a pressure to use data to build better customer experiences. At the same time, banking firms also face some of the most stringent security and compliance standards of any industry. Cloud technology can be a powerful tool for meeting these demands simultaneously. To successfully make a transition to cloud-based core banking, bank IT leaders need to educate themselves, find the right technology partners and be open to a new way of doing business.

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CHAPTER 20

BANCASSURANCE: ENTRY OF BANKS IN INSURANCE BUSINESS

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ABSTRACT

The Insurance Companies are using the banking channels for selling their insurance products effectively and making Bancassurance a viable source of additional fee-based income for Commercial Banks. The emergence of this concept has also been one of the best developments in the financial sector of India. It provides the insurance companies a well-established broad distribution network with a huge client base of commercial banks for selling their insurance products. The concept of providing all financial services under one roof by commercial banks can also be achieved through this channel in India. This paper makes a modest attempt to find out the models and future of bancassurance. The study highlighted that bancassurance primarily rests on the relationship that customer has developed over a period of time with the bank. Pushing risk products through banks is a much more cost-effective affair for an insurance company compared to the agent route, while, for banks, considering the falling interest rates, fees income coming in at a minimum cost is more than welcome.

1.0 INTRODUCTION

Bancassurance is a French term referring to the selling of insurance through a bank's established distribution channels. In other words, we can say Bancassurance is the provision of insurance (assurance) products by a bank. The usage of the word picked up as banks and insurance companies merged and banks sought to provide insurance, especially in markets that have been liberalised recently. It is a controversial idea, and many feel it gives banks too great a control over the financial industry. In some countries, bancassurance is still largely prohibited, but it was recently legalized in countries like USA when the Glass Steagall Act was repealed after the passage of the Gramm Leach Bililey Act.

Bancassurance is the selling of insurance and banking products through the same channel, most commonly through bank branches. Selling insurance means distribution of insurance and other financial products through Banks. Bancassurance concept originated in France and soon became a success story even in other countries of Europe. In India a number of insurers have already tied up with banks and some banks have already flagged off bancassurance through select products.

Bancassurance has become significant. Banks are now a major distribution channels for insurers and insurance sales a significant source of profits for banks. The latter partly being because banks can often sell insurance at better prices (i.e., higher premiums) than many other channels, and they have low costs as they use the infrastructure (branches and systems) that they use for banking.

2.0 HISTORY OF BANCASSURANCE

Bancassurance as a term first appeared in France in the 1980s. At first, many countries believed that the practice of bancassurance would give banks too much control over the financial products in the market. As a result, it was restricted. Today, many countries allow the practice, demonstrating notable growth around the world. It is most successful in Europe. In bancassurance, banks provide the distribution channel, and insurance companies remain product developers. It allows two sectors to leverage the existing network that banks have.

For banks, they can earn extra income by providing its platform to insurance companies. They can also get an opportunity to provide more products to customers. More-rounded services will help banks to enhance customer loyalty. As a result, they can become the centre of financial products for the individual customer. For insurance companies, they can achieve more sales through the distribution network of banks. Insurance companies also have access to customers of partnered banks. This helps in developing their products. Customers' financial needs can be satisfied through bancassurance. They can save time and energy because they have access to two different financial services at once. Moreover, they are more familiar with their financial advisors from the bank, smoothing the product reviewing and selecting process. In bancassurance, the bank's customer relationships play a vital role.

3.0 BANCASSURANCE PRODUCTS

Banks, through bancassurance channels, typically focus on selling life insurance products because they generally command a higher price than non-life insurance products. Moreover, banks can find and promote the most suitable life insurance for customers based on their credit and personal needs

4.0 VARIOUS MODELS FOR BANCASSURANCE

Various models are used by banks for bancassurance.

i. Strategic Alliance Model

Under this Model, there is a tie-up between a bank and an insurance company. The bank only markets the products of the insurance company. Except for marketing the products, no other insurance functions are carried out by the bank.

ii. Full Integration Model

This model entails a full integration of banking and insurance services. The bank sells the insurance products under its brand acting as a provider of financial solutions matching customer needs. Bank controls sales and insurer service levels including approach to claims. Under such an arrangement the Bank has an additional core activity almost similar to that of an insurance company.

iii. Mixed Models

Under this Model, the marketing is done by the insurer's staff and the bank is responsible for generating leads only. In other words, the database of the bank is sold to the insurance company. The approach requires very little technical investment.

5.0 ENTRY OF BANKS INTO INSURANCE BUSINESS - INSURANCE AGENCY BUSINESS/REFERRAL ARRANGEMENT

The banks need not obtain prior approval of the RBI for engaging in insurance agency business or referral arrangement without any risk participation, subject to the following conditions:

- **i.** The bank should comply with the IRDA regulations for acting as ‘composite corporate agent’ or referral arrangement with insurance companies.
- **ii.** The bank should not adopt any restrictive practice of forcing its customers to go in only for a particular insurance company in respect of assets financed by the bank. The customers should be allowed to exercise their own choice.
- **iii.** The bank desirous of entering into referral arrangement, besides complying with IRDA regulations, should also enter into an agreement with the insurance company concerned for allowing use of its premises and making use of the existing infrastructure of the bank. The agreement should be for a period not exceeding three years at the first instance and the bank should have the discretion to renegotiate the terms depending on its satisfaction with the service or replace it by another agreement after the initial period. Thereafter, the bank will be free to sign a long term contract with the approval of its Board in the case of a private sector bank and with the approval of Government of India in respect of a public sector bank.
- **iv.** As the participation by a bank’s customer in insurance products is purely on a voluntary basis, it should be stated in all publicity material distributed by the bank in a prominent way. There should be no ’linkage’ either direct or indirect between the provision of banking services offered by the bank to its customers and use of

the insurance products.

v. The risks, if any, involved in insurance agency/referral arrangement should not get transferred to the business of the bank.

6.0 STATUS OF BANCASSURANCE IN INDIA

Reserve Bank of India (RBI) has recognized "bancassurance" wherein banks are allowed to provide physical infrastructure within their select branch premises to insurance companies for selling their insurance products to the banks' customers with adequate disclosure and transparency, and in turn earn referral fees on the basis of premia collected. This would utilize the resources in the banking sector in a more profitable manner.

Table 1: Bancassurance tie -ups in India

Joint Venture	Between companies
Canara HSBC Oriental Bank of Commerce Life Insurance Co Ltd	Canara Bank, HSBC Insurance (Asia Pacific) Ltd and Oriental Bank of Commerce
India First Life Insurance Company	Bank of Baroda, Andhra Bank and Legal and General
SBI General Insurance Company Limited	State Bank of India and Insurance Australia Group (IAG)
ICICI Lombard General Insurance Company Limited	ICICI Bank Limited and the Fairfax Financial Holdings Limited
ICICI Prudential Life Insurance Company (ICICI Prudential Life)	ICICI Bank and Prudential plc
IDBI Federal Life Insurance Co. Ltd	IDBI Bank, Federal Bank and Ageas
HDFC Life	HDFC and the Standard Life plc.
HDFC ERGO General	HDFC and ERGO International

Insurance Company	
Star Union Dai-ichi Life Insurance Co. Ltd. (SUD Life)	Bank of India, Union Bank of India and Dai-ichi Life
Liberty Videocon General	Liberty Mutual Insurance Group and Videocon Industries
EGON Religare Life Insurance	AEGON, Religareand Bennett, Coleman & company
Tata AIG General Insurance Company Limited	Tata Group andthe American International Group (AIG)
Cholamandalam MS General Insurance Company (Chola MS)	Murugappa Group and the Mitsui Sumitomo Insurance Group (MSIG)
Magma HDI General Insurance Co Ltd	Magma Fincorp Ltd and the HDI-Gerling Industries Versicherung AG.
IFFCO Tokio General Insurance	Farmers Fertiliser Cooperative (IFFCO) and the Tokio Marine and Nichido Fire Group
Aviva India	Aviva plc. And Dabur Group
Bharti AXA General Insurance Company Ltd	Bharti Enterprises and AXA
Max Life Insurance	Max India Ltd and Mitsui Sumitomo Insurance Co. Ltd.
Edelweiss Tokio Life Insurance	Edelweiss Financial Services and Tokio Marine Holdings Inc.
Max Bupa Health Insurance Company Limited	Max India Limited and Bupa Finance plc.

Cigna TTK	Cigna and the TTK Group
Birla Sun Life Insurance Company Limited (BSLI)	Aditya Birla Group and the Sun Life Financial Inc
Exide Life Insurance Company Limited	ING Vysya Bank and Exide Industries Ltd.
Bajaj Allianz Life Insurance Company Limited	Bajaj Finserv Limited and the Allianz

Source: https://www.helloscholar.in/list-of-joint-venture-insurance-companies-in-india/

There is enormous potential for insurance in India and recent experience has shown massive growth pace. A combination of the socio-economic factors is likely to make the insurance business the biggest and the fastest growing segment of the financial services industry in India. However, before taking the plunge in to this new field, banks as insurers need to work hard on chalking out strategies to sell risk products especially in an emerging competitive market. However, future is bright for bancassurance. Banks in India have all the right ingredients to make Bancassurance a success story. They have large branch network, huge customer base, enjoy customer confidence and have experience in selling non-banking products. If properly implemented, India could take leadership position in bancassurance all over the world. Government of India Notification dated August 3, 2000, specified 'Insurance' as a permissible form of business that could be undertaken by banks under Section 6(1)(o) of the Banking Regulation Act, 1949. Then onwards, banks are allowed to enter the insurance business as per the guidelines and after obtaining prior approval of Reserve Bank of India.

7.0 CONCLUSION

The Bancassurance global market is growing. Asia-Pacific is the most significant region in the world. Europe is a major contributor to the growing global Bancassurance market due to increasing investment from European banks. The United States is anticipated to exhibit a higher compound annual growth rate (CAGR) from 2018 to 2025 because of superior product bank portfolios and increasing use of the internet in the region. Latin America and Africa are also expected to show significant growth in the upcoming years. Bancassurance primarily rests on the relationship that customer has developed over a period of time with the bank. Pushing risk products through banks is a much more cost-effective affair for an insurance company compared to the agent route, while, for banks, considering the falling interest rates, fees income coming in at a minimum cost is more than welcome.

In India, the signs of initial success are already there despite the fact that it is a completely new phenomenon. The factors and principles of why it is a success elsewhere exist in India, and there is no doubt that banks are set to become a significant distributor of insurance related products and services in the years to come. The success of bancassurance greatly hinges on banks ensuring excellent customers relationship; therefore, banks need to strive towards that direction. Regulators could explore the possibility of allowing banks having tie-up arrangements with more than one insurance company, giving wider choice for the customers. In addition to acting as distributors, banks have recognised the potential of bancassurance in India and will take equity stakes in insurance companies, in the long run. Going by the present pace, bancassurance would turn out to be a norm rather than an exception in future in India. Adequate training coupled with sufficient incentive system could avert the banks' staff resistance if any. In sum, bancassurance strategy would be a 'win-win situation' for all the parties involved - the customer, the insurance companies and the banks.

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CHAPTER 21

AN INTRODUCTION TO PORTFOLIO MANAGEMENT

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1.0 INTRODUCTION

Most of the investors spend their whole life in earning and spending money. Sometime the investors save their part of income while reducing their expenditures and on the other side they may spend more than their income to satisfy their desires. It's true that their currents income rarely matches their consumption desires. When the consumers' income is more than their consumption desires in that case they opt for saving their money to meet the future contingencies. One of the best methods of investing the money is making portfolio of investment. Portfolio helps investor to manage their investment and at same time ensure better return on it. A portfolio refers to a collection of investment tools such as stocks, shares, mutual funds, bonds, and cash and so on depending on the investor's income, budget and convenient time frame. Following are the two types of Portfolio:

i. **Market Portfolio**: In this type of portfolio every type of investment is included which is available in financial market.
ii. **Zero Investment Portfolios:** It is a financial portfolio which comprises of completely or mainly by securities that cumulatively result in a net value of zero.

Before understanding the concept of portfolio management it is important to know the five basic of Investment i.e. What, Why, Where, How, Who.

1.2 What is Investment?

It is essential for every individual to keep aside some amount of his income for a secure future. The art of assigning some amount of money into something, which would benefit the individual concerned in the near future, is called as investment.

1.3 Why Investment?

i. Investment helps an individual to save money for the times when he would no longer be able to earn.

ii. Investment makes an individual's future secure and stable.

1.4 Where to Invest?

An individual can invest in any of the following:

i. Gold/Silver
ii. Mutual Funds
iii. Shares and Stocks
iv. Bonds
v. Property (Residential as well as commercial)

1.5 How to Invest?

An individual should not invest just for the sake of investing. One should understand as to why he needs to invest? Don't just invest in any plan available in the market. Decide the best plan for yourself as per your income, age and financial requirements. One must go through the terms and conditions before investing in any market plan.

1.6 Who decides where to invest?

How would one come to know where to invest and where not to invest?
How would an individual decide which organization's share would yield him the best results in the near future and which should be sold off immediately?

Here comes the role of a Portfolio Manager.

2.0 PORTFOLIO MANAGEMENT

Portfolio management entails managing a group of investments under an overall umbrella called a portfolio. A portfolio can be comprised of one or two different investment vehicles or a collection of various investments. These investments may be held in one account or in several, for example, a retirement account and a taxable investment account.

- The art of selecting the right investment policy for the individuals in terms of minimum
  risk and maximum return is called as portfolio management.
- Portfolio management refers to managing an individual's investments in the form of bonds, shares, cash, mutual funds etc so that he earns the maximum profits within the stipulated time frame.
- Portfolio management refers to managing money of an individual under the expert guidance of portfolio managers.
- In a layman's language, the art of managing an individual's investment is called as portfolio management.

Portfolio management is a process of choosing the appropriate mix of investments to be held in the portfolio and the percentage allocation of those investments. Asset classes could include a mix of stocks, bonds and cash. These might be held in some combination of individual stocks and bonds, or via mutual funds or ETFs. Additionally, the portfolio might include alternative investments such as real estate, private equity or precious metals.

3.0 KEY ELEMENTS OF PORTFOLIO MANAGEMENT

Portfolio Management is need of hour as it involves managing funds under the guidance of fund or portfolio managers. Some key elements of portfolio management include:

i. Diversification

Diversification refers to having a mix of investments that are not all highly correlated to one another. The reason for having investments with a low correlation to other holdings in the portfolio is to try to ensure that the entire portfolio doesn't suffer a large loss whenever the stock market, or a certain sector, moves downward.

For example, stocks and bonds have a low and some cases a negative correlation to one another. This means that the market and economic factors that cause price movements in stocks will have little or no impact on the price movement in bonds. Alternative assets such as real estate, gold, hedge funds, private equity, currencies, futures, commodities and others can be used to diversify a portfolio away from more traditional asset classes like stocks and bonds and well.

ii. Asset allocation

Asset allocation refers to how an investor divides up the eggs in their investment basket, so to speak. Proper asset allocation is a key element in portfolio management. Asset allocation is about risk management. The mix of assets in a portfolio can help reduce risk in line with the risk tolerance of the investor.

Over the years, several studies have pegged asset allocation as the key determinant of both the return of a portfolio and the volatility of that portfolio.

iii. Rebalancing

Asset allocation is a good start, but a key part of portfolio management is rebalancing the portfolio periodically back to the target asset allocation. Over time the actual performance of investment holdings in the various asset classes within the portfolio will perform at different levels relative to each other. Perhaps small cap stocks will lead the pack for a couple of quarters, but then international stocks will experience a period of relative outperformance.

Over time differing returns will cause the asset allocation to deviate from the investor's target allocation. (For example, if you originally placed 10% of your portfolio in small cap stocks, over time the holding might have grown to become 15% of your portfolio.) This can cause the portfolio to assume more or less risk than desired.

Periodically the portfolio should be rebalanced back to the target allocation. This can be done by buying and selling holdings as needed. It can also be done by using new money added to the portfolio if applicable.

iv. Asset Location

If an investor's portfolio includes investments in both tax-deferred (or tax-free in the case of a Roth account) retirement accounts and in taxable accounts, asset location should be a consideration. Asset location refers to which types of assets are held in which accounts. This is a tax-driven issue.

Long-term capital gains taxes as well as those on qualified dividend payments are often less for many investors than taxes on ordinary income from sources including interest. Investments held for more than a year qualify for preferential long-term capital gains rates on any gains from the sales of these investments. These factors may favor holding more equity related investments in taxable accounts with a heavier concentration of interest generating investments, such as bonds and other fixed income vehicles, in tax-deferred accounts.

The concept of asset location should be integrated with an investor's asset allocation as part of the portfolio management process.

4.0 MAIN OBJECTIVES OF PORTFOLIO MANAGEMENT

The goal of portfolio management is to manage this collection of investments in a fashion that is consistent with the investor's goals, their time horizon for needing the money and their tolerance for downside risk in their investments. Portfolio management should comply with the investor's overall financial objectives. These could include saving for retirement, for the education of the investor's children or saving for a goal like buying a home. Often an investor will have multiple financial objectives that may be tied to their investments.

Some of the core objectives of portfolio management are as follows –

i. Capital Appreciation
ii. Maximizing returns on investment
iii. To improve the overall proficiency of the portfolio
iv. Risk optimization
v. Allocating resources optimally
vi. Ensuring flexibility of portfolio
vii. Protecting earnings against market risks
viii. Favorable Tax situation

These objectives of portfolio management are appropriate for all the financial portfolios. If portfolios are framed after giving due weight age to these objectives then this would lead to growth and consistency in returns of the investor. Nonetheless, to make the most of portfolio management, investors should opt for a management type that suits their investment pattern.

5.0 TYPES OF PORTFOLIO MANAGEMENT

Investors are wise to take a portfolio management approach to their investments, whether they do these themselves or hire professional help. In a broader sense, portfolio management can be classified under 4 major types, namely

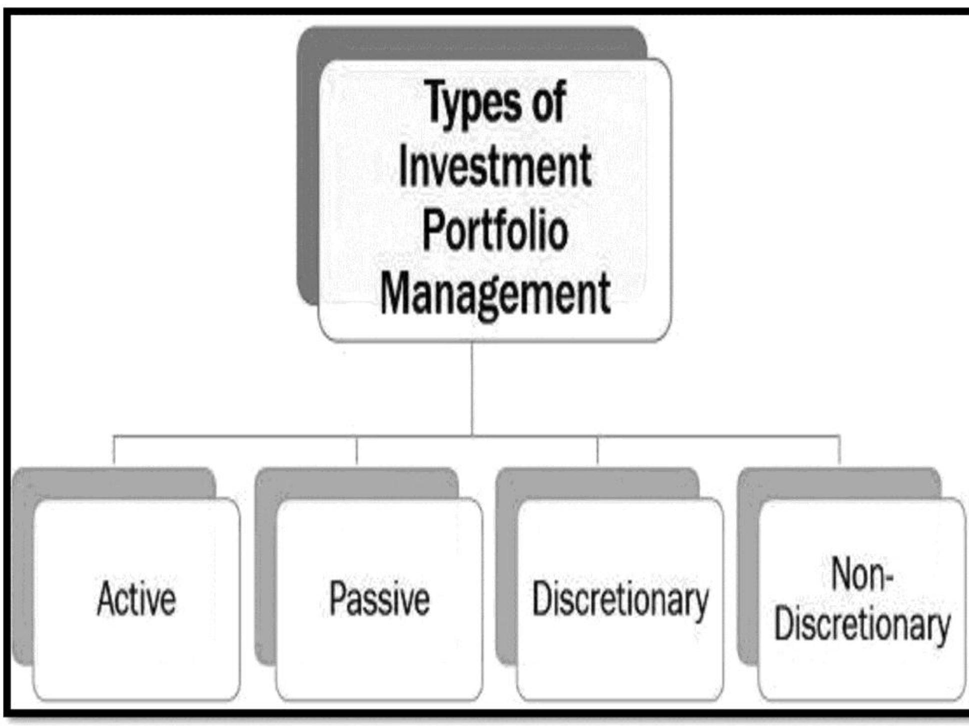

Figure 1: Types of investment Portfolio Management

i. Active portfolio management

In this type of management, the portfolio manager is mostly concerned with generating maximum returns. Resultantly, they put a significant share of resources in the trading of securities. Typically, they purchase stocks when they are undervalued and sell them off when their value increases.

ii. Passive portfolio management

It is the contrast of active portfolio management. This particular type of portfolio management is concerned with a fixed profile that aligns perfectly with the current market trends. The managers are more likely to invest in index funds with low but steady returns which may seem profitable in the long run.

iii. Discretionary portfolio management

In this particular management type, the portfolio managers are entrusted with the authority to invest as per their discretion on investors' behalf. Based on investors' goals and risk appetite, the manager may choose whichever investment strategy they deem suitable.

iv. Non-discretionary management

Under this management, the managers provide advice on investment choices. It is up to investors whether to accept the advice or reject it. Financial experts often recommended investors to weigh in the merit of professional portfolio managers' advice before disregarding them entirely.

6.0 PROCESS OF PORTFOLIO MANAGEMENT

Portfolio management's meaning can be explained as the process of managing individuals' investments so that they maximise their earnings within a given time horizon. Furthermore, such practices ensure that the capital invested by individuals is not exposed to too much market risk. The entire process is based on the ability to make sound decisions. Typically, such a decision relates to achieving a profitable investment mix, allocating assets as per risk and financial goals and diversifying resources to combat capital erosion.

Table1: Processes of Portfolio Management

Steps	Process of Portfolio Management	Description
Step 1	Identification of objectives	For a capable investment portfolio, investors need to identify suitable objectives which can be either stable returns or capital appreciation.
Step 2	Estimating the capital market	Expected returns and associated risks are analysed to take necessary steps.

Step 3	Decisions about asset allocation	To generate earnings at minimal risk, sound decisions must be made about the suitable ratio or asset combination.
Step 4	Formulating suitable portfolio strategies	Strategies must be developed after factoring in investment horizon and risk exposure.
Step 5	Selecting of profitable investment and securities	The profitability of assets is analysed by factoring in their fundamentals, credibility, liquidity, etc.
Step 6	Implementing portfolio	The planned portfolio is put to action by investing in profitable investment avenues.
Step 7	Evaluating and revising the portfolio	A portfolio is evaluated and revised regularly to evaluate its efficiency.
Step 8	Rebalancing the composition of the portfolio	Portfolio's composition is rebalanced frequently to maximise earnings.

The fact that effective portfolio management allows investors to develop the best investment plan that matches their income, age and risks taking capability, makes it so essential. With proficient investment portfolio management, investors can reduce their risks effectively and avail customized solutions against their investment-oriented problems. It is, thus, one of the inherent parts of undertaking any investment venture.

7.0 IMPORTANCE OF PORTFOLIO MANAGEMENT

Investing is not a set-it-and-forget-it proposition. Portfolio management doesn't mean watching and monitoring the portfolio constantly, but it does mean monitoring things on a regular, consistent basis. Investor circumstances can change. Their goals and objectives can change with the passage of time and life changes. These changes might call for a portfolio adjustment.

Individual holdings might need to be replaced from time to time. An actively managed mutual fund might undergo a change in the fund's management. This might lead the portfolio manager to make a change to another fund holding. Apart from this there are many benefits of portfolio management some of them are listed below:

- Portfolio management presents the **best investment plan** to the individuals as per their income, budget, age and ability to undertake risks.
- Portfolio management **minimizes the risks** involved in investing and also increases the chance of making profits.
- Portfolio managers understand the client's financial needs and suggest the best and unique investment policy for them with minimum risks involved.
- Portfolio management enables the portfolio managers to **provide customized investment solutions** to clients as per their needs and requirements.

8.0 PORTFOLIO MANAGER

An individual who understands the client's financial needs and designs tailor made investment solutions with minimum risks involved and maximum profits is called a portfolio manager.

A portfolio manager invests money on behalf of the client in various investment tools such as mutual funds, bonds, shares and so on to ensure maximum profitability. It is the responsibility of the portfolio manager to choose the best plan for his client as per his financial requirements, income and ability to undertake risks.

9.0 HOW TO CHOOSE THE RIGHT PORTFOLIO MANAGER?

Portfolio managers charge a good amount of money from their clients for their services. One must be careful while selecting the right portfolio manager.

- Make sure the portfolio manager you choose has complete market knowledge and knows about the existing investment plans and the various risks involved. Taking the assistance of someone who himself is not clear about the market policies does not make sense.
- A portfolio manager should be trustworthy. You will find all types of portfolio managers in the market - cheat, dishonest, unprofessional. An individual must hire the best portfolio manager who understands the market well and can guide him correctly. Don't give money to someone who does not have a good background. You never know he might run away with all your hard earned money. Ask for his business card. Check his reputation in the market.

- An individual must not blindly trust his portfolio manager. Make it a point to read the related documents carefully before investing. A/C payee cheques must be issued and one should never sign any blank document.
- A good portfolio manager should be transparent with his client. One should not try to confuse his client by using complicated terminologies and professional jargons. The various plans must be explained to the client in the easiest possible way.
- Select a portfolio manager who does not have any personal interests in your investing in any particular plan. He should be able to help you decide the best plan available in the market.

10.0 KEY POINTS TO REMEMBER

- ✓ A portfolio refers to a collection of investment tools such as stocks, shares, mutual funds, bonds, and cash. It has two types Market Portfolio and Zero investment Portfolio.
- ✓ Portfolio management is a process of choosing the appropriate mix of investments to be held in the portfolio and the percentage allocation of those investments.
- ✓ Portfolio Management has four key elements like Diversification, Asset allocation, Rebalancing and asset allocation all components are necessary in portfolio management.
- ✓ Portfolio management should comply with the investor's overall financial objectives. Some main objectives are Capital Appreciation, Maximizing returns on investment, Risk optimization, protecting earnings against market risks.
- ✓ Portfolio management can be classified under 4 major types, namely Active portfolio management, Passive portfolio management, Discretionary portfolio management, Non-discretionary management.
- ✓ The Process of Portfolio management follows eight crucial and continuous steps such as Identification of objectives, Estimating the capital market, Decisions about asset allocation, Formulating suitable portfolio strategies, Selecting of profitable investment and securities, Implementing portfolio, Evaluating and revising the portfolio, Rebalancing the composition of the portfolio
- ✓ An individual who understands the client's financial needs and designs tailor made investment solutions with minimum risks involved and maximum profits is Known as a portfolio manager. One must be careful while selecting the right portfolio manager.

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CHAPTER 22

RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES AND S&P BSE BANKEX PORTFOLIO

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ABSTRACT

The macroeconomic variables and sector-specific index are inter-linked. The objective of this chapter is to investigate the relationship between S&P BSE BANKEX and macroeconomic variables. This study uses monthly data to find the inter-relationship between S&P BSE BANKEX index returns and selected macroeconomic variables by applying Cointegration and VECM techniques.
Keywords: APT, CAPM, S&P BSE BANKEX Index, Macroeconomic Variable, Returns, Cointegration and VECM.

1.0 INTRODUCTION

There are interlinkages between macroeconomic variables and sector-specific index. The sectoral index is based on basket of stocks and average price movement of basket of stocks indicates the movement in sectoral index. The value of indices is calculated and disseminated on real time basis during the trading time. The calculation is based on the prices at which trades in index constituents are executed. Sector-based indices facilitate investors to scale the performance of stocks grouped by specific sectors. It allows investors to make more selective choices to invest in the companies or banks on the basis of the performance of sectoral index. Understanding the influence of macroeconomic variables on BSE sectoral index is useful for sector-specific investors as well as policy makers.

The performance of the sectoral index summarizes the performance of stocks grouped by specific sectors. The movement of sectoral index can be linked to the changes in macroeconomic variables. It depends on several factors like global factors, economic factors, political factors, scrip-specific factors, market news, human emotions, and stochastic factors. Assuming that other factors remain the same, i.e., ceteris paribus, this study investigates the impact of macroeconomic variables on the stock market returns with reference to S&P BSE Bankex in India.

2.0 PURPOSE OF THE STUDY

In literature, generally many studies have examined the relationship between macroeconomic variables and composite stock index but there are few studies which analysed the impact of macroeconomic variables on sectoral indices. Some studies (Maysami et. at. 2004, Kalyanarayan 2015) analyzed the relationship between macroeconomic variables and sector-specific indices using cointegration and VECM techniques.

This study tries to fill the research gap by examining a long-run relationship between the macroeconomic variables and sectoral index in India with reference to S&P BSE BANKEX by using cointegration and VECM method. This study uses monthly data from January, 2004 to March, 2016 to establish the relationship.

3.0 S&P BSE BANKEX

S&P BSE Bankex index is the sectoral index representing banking sectors. The base year of BSE Bankex Index is 1st January, 2002 and the base value is 1000. This Index was launched on 23rd June, 2003 following the free-float market capitalization methodology. S&P BSE Bankex Index represents 10 banks which are listed below in the **Box 1**.

Box 1: Banks Represents by S&P BSE Bankex Index	
• AXIS Bank	• INDUSIND Bank
• Bank of Baroda	• KOTAK Bank
• FEDERAL Bank	• Punjab National Bank
• HDFC Bank	• State Bank of India
• ICICI Bank	• YES Bank

Source: BSE.

3.1 Description of Variables

Description of variables is depicted in following **Table 1**.

Table 1: Description of the Variables

Abbreviations	Construction of Variables	Data Source
LNBANKEX	Natural logarithm of the monthly average of S&P BSE Bankex Index	BSE
LNIIP	Natural logarithm of the monthly Index of Industrial Production	RBI
LNWPI	Natural logarithm of the monthly Wholesale Price Index	RBI
LNM3	Natural logarithm of the monthly Broad Money Supply (M3)	RBI
LNEXCH	Natural logarithm of the monthly average Exchange Rate of the Indian Rupee	RBI
LNTBILL	Natural logarithm of the Month-end Rate of the 91-day Government of India treasury bills	RBI

Source: Author Estimated

4.0 METHODOLOGY

VECM requires investigation of stationarity properties of the series. The widely-used tests for stationary are ADF, PP and KPSS.The unit root test is conducted to test whether data series in the model are stationary or non-stationary. In a multivariate context, if the variable under consideration are found to be integrated I(1) but the linear combination of the integrated variables is I(0) (i.e. stationary), such variables are said to be cointegrated (Enders, 2004).

The Vector Error Correction Model has been estimated by the following procedures:

4.1 Pre-test for Stationary

As a preliminary exercise, it is required to pretest all variables to assess their order of integration. Cointegration requires the variables to be integrated of the same order. ADF test has been applied to check stationarity in data series of S&P BSE Bankex. The results are presented in **Table 2** below. Based on the ADF test, the series are found to be non-stationary. Further, after taking the first difference these series are found to be stationary at 1 percent level. So Bankex sectoral index has the same order of integration 1, i.e., I(1).

Table 2: Unit Root Test for Stationarity of Sectoral Indices

Variables (Sectoral Indices)	ADF Test H_0 : Variable is non-stationary	Order of Integration
LNBANKEX	-1.58	1
Δ LNBANKEX	-10.96***	0

Source: Author Estimated

Δ represents first difference, *** implies significant at 1% level, ** implies significant at5% level and * implies significant at 10% level, ^ without constant.

Further ADF test has been applied, PP and KPSS tests to check the stationarity of macroeconomic variables. The results are reported in **Table 3**. Based on these three tests, all macroeconomic variables are found to be non-stationary. However, after taking the first difference, these series are found to be stationary at 1 and 5 per cent level.

Table 3: Unit Root Test for Stationarity of Macroeconomic Variables

Variables	ADF Test H_0 : Variable is non-stationary	PP Test H_0 : Variable is non-stationary	KPSS Test H_0 : Variable is stationary	Order of Integration
LNIIP^	-4.72	-2.48	0.31***	1
Δ LNIIP^	-3.93***	-21.06***	0.08	0
LNWPI	-1.47	-1.59	1.42***	1
Δ LNWPI	-7.55***	-7.46***	0.33	0
LNEXCH	-0.31	0.04	1.15***	1
Δ LNEXCH	-8.74***	-8.68***	0.24	0
LNM3^	-0.13	0.37	0.34***	1
Δ LNM3^	-2.89	-12.73***	0.13	0
LNTBILL	-2.26	-2.22	0.61**	1

Variables	ADF Test H_0 : Variable is non-stationary	PP Test H_0 : Variable is non-stationary	KPSS Test H_0 : Variable is stationary	Order of Integration
ΔLNTBILL	-12.93***	-12.96***	0.07	0

Source: Author Estimated

Δ represents first difference, *** implies significant at 1% level, ** implies significant at 5% level and * implies significant at 10% level, ^ with constant and trend.

4.2 Pre-test for Lag-length Criteria

In the Johansen cointegration methodology, it is important to identify correctly the lag structure to be used so that the residuals of the estimated model are not auto correlated. For selecting appropriate lag-length, VAR model has been applied on undifferenced data. VAR lag order selection criteria, selects 1 and 2 lag by the SC and AIC criteria. However, at lag 1 and lag 2, Trace test and Max- eigen value test indicate no cointegration at the 1% level. Therefore, relation has been established at lag 3 for Bankex sectoral index.

4.3 Testing for Cointegration (Johansen Methodology)

As in the case of the overall indices, the Johansen procedure has been applied to establish cointegration by using lag 3. Specifically, trace statistic and the maximum Eigen value have been used to test for the number of cointegrating vectors. It has been identified that there exists one cointegrating vector. The normalized cointegrating coefficients for S&P BSE Bankex sectoral index are reported in **Table 4**.

Table 4: Multivariate Johansen Cointegration Test Result

Sectoral Indices (Y_t)	$LNIIP_t$	$LNWPI_t$	$LNEXCH_t$	$LNM3_t$	$LNTBILL_t$
$LNBANKEX_t$	-1.97	3.61	-0.57	-1.11	-0.58

Source: Author Estimated

4.4 Vector Error Correction Model

Based on the Johansen Cointegration methodology, assuming one co- integrating vector, the Vector Error Correction Model has been estimated to check the variables that respond to the magnitude of the disequilibrium. The results of VECM for long-run relationship are presented below in **Table 5.**

Table 5: Vector Error Correction Estimates (Long-run Relationship)

Long-run Rel.	LNIIP	LNWPI	LNEXCH	LNM3	LNTBILL	C
	-1.97	**3.61**	**-0.57**	**-1.11**	**-0.58**	**-1.68**
LNBANKEX	(0.45)	(1.68)	(0.58)	(0.73)	(0.21)	
	[-4.36]	**[2.15]**	[-0.98]	[-1.53]	**[-2.72]**	

Source: Author Estimated, Standard errors in ( ) & t-statistics in [ ].

5.0 RESULTS AND INTERPRETATIONS

The cointegration relationships between S&P BSE BANKEX and selected macroeconomic variables can be re-expressed in the equation form as:

$$\mathbf{LNBANKEX_t = 1.68 + 1.97LNIIP_t - 3.61LNWPI_t + 0.57LNEXCH_t + 1.11LNM3_t + 0.58LNTBILL_t \quad \ldots\ldots\ldots\ldots\ldots\ldots (1)}$$

It is observed that S&P BSE BANKEX sectoral index is cointegrated with macroeconomic variables. As expected, industrial production and inflation are turning out to be in the right direction for S&P BSE Bankex. Industrial production is positively related while inflation is negatively related. Furthermore, exchange rate, money supply and short-term interest rate have positive signs for the same.

6.0 CONCLUSIONS

This study establishes cointegration relationships between S&P BSE Bankex sectoral index and macroeconomic variables. This method shows different sectoral indices have different relationships with macroeconomic variables. This study found that this banking sectoral index shows a positive relation with IIP in the estimation. It indicates that chosen sectoral index returns are positively related to the level of real economic activity as proxied by the industrial production index. Inflation has negative and significant relation with S&P BANKEX. Exchange rate, broad money supply and short-term interest rate are also positively related to the same.

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CHAPTER 23

IMPACT OF DEMONETIZATION ON THE BANKING SECTOR

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I.0 INTRODUCTION

Banks are core part of any economy. They channelized the money to the smooth functioning of different sectors. Initiatives of Green Banking, made the banks to transform conventional banking services into modern banking services. The products and services are offered through electronic devices with the help of internet. Now a day, bank services are catered at the finger tip of customers. Surgical Strike on Black Money called 'Demonetization' brought enormous changes in all the sectors of the countryc. Day to day operations of Banks are affected and found tough in Management of liquidity and Employees. It made greater influence on Management of liquidity and its demand raised by customers in exchanging of their banned currency notes while minimizing risk and maximizing quality of service. At the same time meeting the guidance of Reserve Bank of India was challenging. Demonetization has disturbed the bank operations and made the employees to work under unconditional stress in extended working hours of a day. Most of the banks were not able to discharge other banking services while exchanging the banned currency notes. Hence, the present study is made to figure out the influence of demonetization on banking sector. It showcases post demonetization effect on banks and its operations.

1.1 Reasons for demonetization in India

In a single master stroke, the government has attempted to tackle all three malaise's plaguing the economy, a parallel economy, counterfeit currency and terror financing. The main reasons for demonetization are:

i. To tackle black money in the economy.

ii. To lower the cash circulation in the country this "is directly related to corruption in our country,

iii. To eliminate fake currency and dodgy funds which have been used by terror groups to fund terrorism

2.0 REVIEW OF LITERATURE

Nithin and Sharmila (2016) studied demonetization and its impact on Indian Economy. They opined that demonetization has short term negative impact on different sectors of the economy and such impacts are solved when the new currency notes are widely circulated in the economy. They also argued that the government should clear all the problems created due to demonetization and help the economy to work smoothly.

Nikita Gajjar (2016) deliberated a study on Black Money in India: Present Status and Future Challenges and Demonetization. She described the framework, policy options and strategies that Indian Government should adapt to tackle with this issue and the future challenges to be faced by the Government.

Vijay and Shiva (2016) examined demonetization and its complete financial inclusion. They felt that the rewards of demonetization are much encouraging and the demonetization is in the long-term interest of the country. They expressed that it had given temporary pain but it taught financial lessons. It influenced banking industries to do considerably investment on digitalization of banking services.

Manpreet Kaur (2017) conducted a study on demonetization and impact on Cashless Payment System. He said that the cashless system in the economy has many fruitful benefits less time-consuming, less cost, paper less transaction etc. and he expected that the future transaction system in all the sectors is cashless transaction system.

Lokesh Uke (2017) researched on demonetization and its effects in India. He studied positive and negative impact of demonization in India. The study was based on secondary data available in newspaper, magazines etc. The main purpose of demonetization is to eradicate the black money and diminish the corruption. He expressed that Government of India has become success to some extent. Demonetization had negative impact for a short duration on Indian financial markets. But he said that the real impact will be shown in future. **Sweta Singhal (2017)** carried out research on Demonetization and E Banking in India. It was a case study to check the awareness level of people of rural areas in India about e-banking facilities and how much it has increased after demonetization. A sample size of 100 was used with ANNOVA test to show that rural people differ much with urban people in their awareness level as well as usage level of e-banking. It was found that urban male youth have higher awareness and usage of e-banking. She felt that the study shall also helpful for banks to improve their e-banking facilities.

2.1 Objectives of the Study

i. To study the influence of demonetization on Banks operations.

ii. To find out positive and negative results of post demonetization on Bank operations.

3.0 METHODOLOGY OF THE STUDY

The study is based on Secondary Sources of data. It includes available published literatures such as books, journals, newspapers and relevant government websites. The study tries to look at the extent of demonetization influence on normal banking operations.

4.0 DEMONETIZATION AND BANK OPERATIONS

Demonetization has brought plethora of challenges in additions to the challenges which are already facing by Banks. The influences were short-term and long-term views. In short-term, it disrupted the banks and stressed strongly to carry out bank operations and in long run it helped the banks to pool the deposits without incurring of any cost. Here are four influences of demonetization on Banks.

i. Increase in Deposits

Demonetization has increased the deposits in Banks. Unaccounted money in the form of Rs.500 and Rs.1000 were flowing to the Banks and the sizes of deposits have been increased. It helped the banks to grab the deposits and increase their deposits.

ii. Fall in cost of Funds

Over the past few months, the deposits are increased. It led the banks to keep a major part of deposits in the form of cash deposits. PSU Banks have a lion share (over 70%) of the deposits and biggest gainers of the rise in deposits, leading to lower cost of funds.

iii. Demand for Government Bonds

After sharp rise in deposits on post demonetization, banks started lending such surplus deposits to the RBI under the reverse repo options. PSU Banks, particularly, deployed excess funds in government bonds. The return on bond investment is likely to add 15 to 20 per cent increase in the earnings of banks.

iv. Sagginess in Lending

Lending growth of the banks is considerably less even after demonetization and its impact of growth in the amount of public deposit. Banks have tried to lend the money to the needy group by reducing their interest rates, but it shrunk over the last few months.

5.0 RESULTS OF POST DEMONETIZATION ON BANK OPERATIONS

There are positive and negative results of Post Demonetization on Bank operations. Both have influenced Banks' liquidity and profitability and employees too.

5.1 Positive results of demonetization

The following are positive results of demonetization.

i. Free flow of deposits

Banks have gained deposits substantially after demonetization which they can invest for improving their liquidity and profitability.

ii. Improved digital Interface

Improvement in digital tools and equipment to execute bank transactions has avoided cash loss for various reasons like theft, dacoits and misappropriations.

iii. People's surplus at Bank

Cash is an idle asset which does not yield any income unless kept in a bank. So, demonetization made the people to keep their surplus money in a bank to earn some sort of income.

iv. Increased number of Customers

Demonetization has influenced public to come and execute transactions with banks. It made even a non income group people to visit bank and have an account. It increased number of account holders in banks while increasing deposit corpus.

5.2 Negative influences of Demonetization

Similarly, Demonetization has brought some operational issues to Banks. It disturbed Banks' Employees, Operational Costs and Profitability. The following are negative influences of Demonetization.

i. Cash Reserve Requirement

100% CRR on incremental deposits meant that banks did not earn any interest on Rs. 3 Lakh crore of deposits for nearly a fortnight.

ii. Waived off ATM Charges

ATM charges were waived off during banned note exchange and banks incurred a loss of Rs. 20 in every transaction.

iii. Waived off Merchant Discount Rate

Banks incurred loss of 1% discount charges from merchants on using of every card transaction.

iv. Non Selling of Loans

Banks were focused on exchanging currency notes and they were not able to sell any loan products. This made banks to curb their lending activities.

v. Reduced SMEs's Sale and influence on NPAs

During demonetization, some SME businesses had seen their sales drop by 50-80 percent and could default in their installments to banks. This led the banks to consider it as NPA and affected its level in banks.

vi. Stress on Employees

Bank Employees were put under pressure and overtime work environment. It depressed them and kept imbalanced life style. Few cases were found where the employees committed suicide due to work pressure. So there is great stress on employees due to undesired target too.

6.0 CONCLUSION

Demonetization is a tool used by central government to fight against corruption and black money. In the same path, it influenced and brought changes in all the corner of the economy. Banks are major institutions affected by demonetization. Banned denominations were ploughed back and allowed the citizens to exchange with the banks. While exchanging, it disturbed temporarily and influenced its regular operations. Though it affected badly to major extent of bank operations, it helped the economy to find growth and development of the country through financial institutions like Banks.

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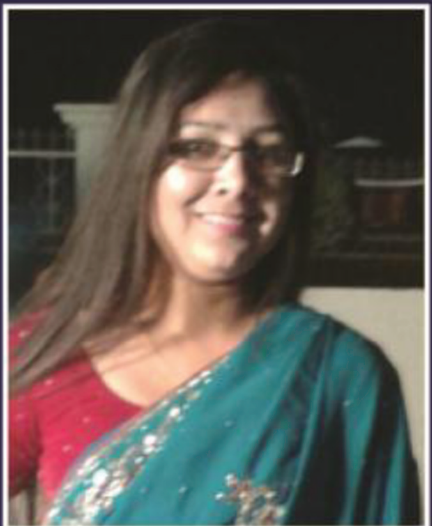

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