

ISSN 2277 - 5730
AN INTERNATIONAL MULTIDISCIPLINARY
QUARTERLY RESEARCH JOURNAL

AJANTA

Volume - XIII

Issue - II

April - June - 2024

ENGLISH PART - IV

Peer Reviewed Referred
and UGC Listed Journal

Journal No. 40776

Single Blind Review/Double Blind Review



ज्ञान-विज्ञान विमुक्तये

IMPACT FACTOR / INDEXING

2023 - 7.428

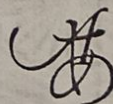
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Ajanta Prakashan

Aurangabad. (M.S.)

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13. Role and Importance of Technology in Banking Sector in Respect of Co-Operative Banks in India

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Abstract

Indian economy is one of the fastest growing economies in the world which need efficient finance system for its consistent and sustainable growth. Today in era of technology the digitalization is happening everywhere banking sector is also not the exception for it. In recent periods advance technology makes the banking transaction more convenient, fast and easy. Cooperative banking is one of the important segments of banking in India. Cooperative bank branch network is very much wide in rural areas. It is been observed by the numerous financial reports that people are turning towards the digitalization in respect of payments and preferring cashless transactions over the traditional paper currency. Now a day 'Fin-tech' concept is also getting more popular day by day and the people getting more easy and convenient ways of handing the financial transactions. There are many opportunities as well as some challenges before the digitalization of banking sector. In this study we will evaluate the role of technology in cooperative banking sector in India.

Key Words - Cooperative banking, Technology in banking, Fin-tech, Digital payment

Introduction

We are living in Information age which is alternatively known as Digital age also. Today in 21st century information technology is the aspect which is very significant and crucial for any activity. Information technology use is generalize at every sector not only commercial but even in social life we use so many application and software frequently. After the innovation of smart phone whole world just come across on our fingertips. There are considerable technological growth is been observed in banking and finance sector also. Digital payment we do with the help of technology and wide spread internet network very easily without visiting to the banks. Most of

the banking transactions are happened online which is very fast and hassle free also it is cost as well as time effectively.

In India also people now prefer the cashless transaction through digital payments and fund transfer over the traditional methods of using hard cash. In India commercial banks grown up very rapidly since last decade of the 20th century with the help of information technology. Although there is considerable growth is seen due to the technology still there is very much scope for the further development as compare to the developed countries. We have to focus on our fundamental and infrastructural facilities to be developing as such which can cope up with the latest technology. Hence there are so many opportunities ahead.

Using technology and its fruitful results are the one side of the coin on the other side the safety, security, integrity, confidentiality are the common issues which have to be tackle otherwise there may be adverse effects of the technology will happened. These challenges need to be handling with care so it will not threaten to system. In banking where money and financial transactions are happened there is quite chance of frauds.

Methodology of the Study

The study is basically based on secondary data. The data required for the study has been collected from RBI publications and annual reports then Journals and reports on trend and progress of banking in India.

Objective of Study

This paper seeks

1. To understand the digitalization across the banking sector especially cooperative banking
2. To explore the overall opportunities and challenges regarding digitization

Cooperative Banking and Rural Development

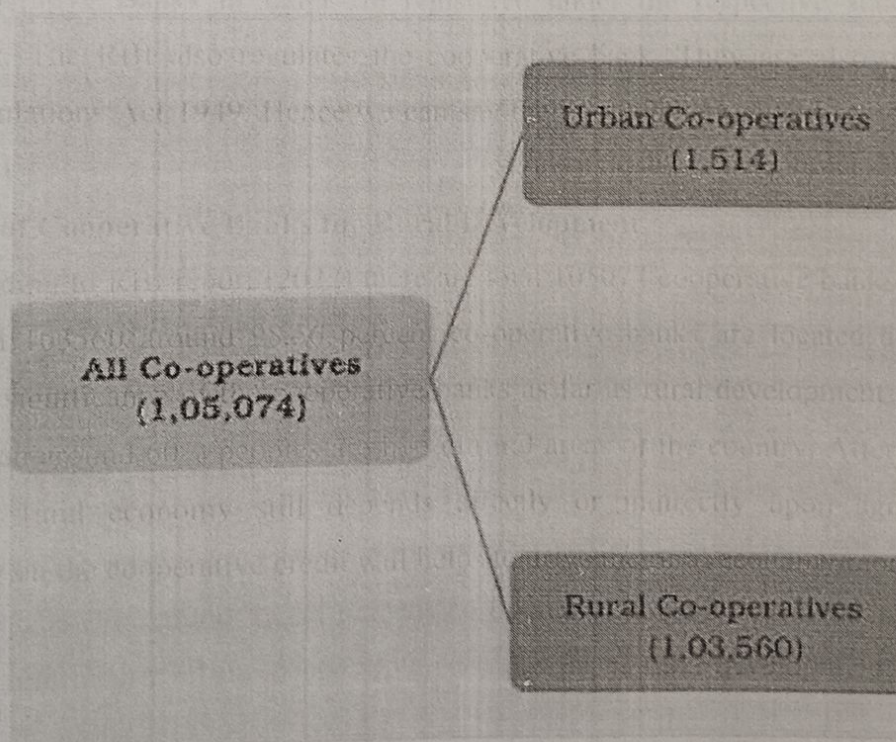
Cooperative banks are the banks which are run on the principle of cooperative. In India there are various types of banks in financial systems such as nationalized banks, commercial banks, foreign banks and so on. Cooperative banking is divided in three level, top level is State Co-operative Banks (SCB) are the federal cooperatives and its objective is to serve the all small primary level members of cooperative credit both urban and rural. However some states in the country have unitary structure with state level co-operative operating with their own branches and in one state an integrated structure prevails. Middle level banks are District central co-

operative banks (DCCB) which function as a link between primary societies and State Co-operative Apex Banks that is SCB. Third and bottom level contains Urban Co-operative Banks in the big and small cities and towns, whereas in rural area there are Primary Credit Societies includes Primary agricultural Credit Societies and Primary non-agricultural Credit Societies.

Co-operative Banks in India are registered under the respective states Co-operative Societies Act. The RBI also regulates the cooperative bank. They are also governed by the Banking Regulations Act 1949. Hence we can say there is double regulation by state legislative as well as RBI.

Significance of Cooperative Banks for Rural Development

According to RBI report (2022) there are total 105074 cooperative banks in India, out of which around 103560 around 98.56 percent co-operative banks are located at rural areas. It shows us the significance of the cooperative banks as far as rural development concern. Out of total population around 60% peoples are live in rural areas of the country. After the 75 years of independence rural economy still depends directly or indirectly upon agriculture sector. Concentrating on the cooperative credit will helps to drive the rural economy more effectively.



Source:- Reserve Bank of India, Publication: Developments in Co-operative Banking,
Dated- Dec 27, 2022

Reasons of Popularity of Co-operative Banks in India

Co-operative Banks work on the principle of cooperation which is meant for self-help and mutual help. Co-operative Banks in India protect the rural people especially farmers from the clutches of money lenders and from exploiting the economically backward population. They have a better local network and reach as they are intimately familiar with the local area at grassroots level. Cooperative banks have in-depth knowledge of the local areas, their conditions and problems existing there as the management is elected amongst the members only. They have a very strong personal relationship with their customers as they make a personal interaction with their customers and try to resolve their queries on priority basis as per principle of cooperative applies which commercial banks fail to do. They work on the principle of "no profit-no loss" as there serving and supporting to the members is the main intention. The interest rates offered by them are very competitive either on deposits or on loans.

Digital Payment in India

Total digital payments have increased tremendously by 216% and 10% in terms of volume and value respectively for the month of March 2022 when compared to March 2019 as per the Reserve Bank of India (RBI) reports. Below given table represents the overall payment system indicator which gives rough idea about how and by which mode of payment system both in terms of volume and value the digital payment growth been observed in India.

Table IX.1: Payment System Indicators - Annual Turnover (April-March)

Item	Volume (lakh)			Value (₹ lakh crore)		
	2019-20	2020-21	2021-22	2019-20	2020-21	2021-22
1	2	3	4	5	6	7
A. Settlement Systems						
CCIL Operated Systems	36	28	33	1,341.50	1,619.43	2,068.73
B. Payment Systems						
1. Large Value Credit Transfers - RTGS	1,507	1,592	2,078	1,311.56	1,056.00	1,266.58
Retail Segment						
2. Credit Transfers	2,06,297	3,17,868	5,77,632	285.57	335.04	427.23
2.1 AePS (Fund Transfers)	10	11	10	0.005	0.01	0.01
2.2 APBS	16,747	14,373	12,298	0.99	1.11	1.33
2.3 ECS Cr	18	0	0	0.05	0	0
2.4 IMPS	25,792	32,783	46,625	23.38	29.41	41.71
2.5 NACH Cr	11,100	16,465	18,730	10.37	12.17	12.77
2.6 NEFT	27,445	30,928	40,407	229.46	251.31	287.25
2.7 UPI	1,25,186	2,23,307	4,59,561	21.32	41.04	84.16
3. Debit Transfers and Direct Debits	6,027	10,457	12,222	6.05	8.66	10.38
3.1 BHIM Aadhaar Pay	91	161	228	0.01	0.03	0.06
3.2 ECS Dr	1	0	0	0	0	0
3.3 NACH Dr	5,842	9,646	10,788	6.04	8.62	10.31
3.4 NETC (Linked to Bank Account)	93	650	1,207	0.002	0.01	0.02
4. Card Payments	72,384	57,787	61,786	14.35	12.92	17.02
4.1 Credit Cards	21,773	17,641	22,399	7.31	6.30	9.72
4.2 Debit Cards	50,611	40,146	39,387	7.04	6.61	7.30
5. Prepaid Payment Instruments	53,811	49,743	65,812	2.16	1.98	2.94
6. Paper-based Instruments	10,414	6,704	6,999	78.25	56.27	66.50
Total - Retail Payments (2+3+4+5+6)	3,48,933	4,42,557	7,24,451	396.38	414.86	524.07
Total Payments (1+2+3+4+5+6)	3,50,440	4,44,149	7,26,530	1,697.94	1,470.86	1,810.65
Total Digital Payments (1+2+3+4+5)	3,40,026	4,37,445	7,19,531	1,619.69	1,414.59	1,744.14

Source of table: RBI Annual Report, Dated May 27, 2022

The payment systems recorded exceptional growth of 63.6 per cent in terms of volume during the financial year 2021-22 on top of the increase of 26.7 per cent in the previous year. In terms of value the growth was 23.1 per cent. The share of overall digital transactions in the total volume of non-cash retail payments increased to 99.3 per cent during 2021-22, up from 98.8 per cent in the previous year which means almost doubling itself every year it reveal the speed of people are transforming towards digitization.

State of Internet and Digital Literacy in India

India is one of the fastest economies in the world today. Still there is need of strong infrastructure and fundamental facilities to develop. All digital services are rendered through the online platform with help of internet network. In recent period after introduction to 4G- fourth generation of broadband cellular network technology launched in 2012, speed of digitalization is increased and 5G services are also in queue to launch throughout the country it will further boost the digitization. Below given table shows the number of subscribers using different telecom services. If we consider the overall Indian population roughly 1350 million the overall telephone subscribers are 1197.75 million which around 88.72 percent of total population. Out of the total telephone subscribers 666.40 (55.63 percent) are urban and 531.35 (44.36 percent) are rural subscribers.

Highlights of Telecom Subscription Data as on 29th February, 2024

Particulars	Wireless	Wireline	Total (Wireless+ Wireline)
Broadband Subscribers (Million)	877.31	39.46	916.77
Urban Telephone Subscribers (Million)	636.11	30.29	666.40
Net Addition in February, 2024 (Million)	2.14	0.54	2.68
Monthly Growth Rate	0.34%	1.80%	0.40%
Rural Telephone Subscribers (Million)	528.53	2.81	531.35
Net Addition in February, 2024 (Million)	1.79	0.03	1.82
Monthly Growth Rate	0.34%	1.00%	0.34%
Total Telephone Subscribers (Million)	1164.64	33.10	1197.75
Net Addition in February, 2024 (Million)	3.93	0.56	4.49
Monthly Growth Rate	0.34%	1.73%	0.38%
Overall Tele-density* (%)	83.27%	2.37%	85.64%
Urban Tele-density* (%)	128.03%	6.10%	134.13%
Rural Tele-density* (%)	58.61%	0.31%	58.92%
Share of Urban Subscribers	54.62%	91.50%	55.64%
Share of Rural Subscribers	45.38%	8.50%	44.36%

Source of table: TELECOM REGULATORY AUTHORITY OF INDIA (Press Release No.43/2022), Dated April 8th, 2024

As per the RBI Report Payments Vision 2025, Department of Payment and Settlement Systems

Reserve Bank of India, Central Office, published in June 2022 having 'Vision – Provide every user with Safe, Secure, Fast, Convenient, Accessible, and Affordable e-payment options' Having its 'Core Theme E-Payments for Everyone, Everywhere, Every-time (4 Es)'. Central government of India is also putting efforts on overall cooperative sector to uniformity and easy governance it started separate ministry for cooperative and going to launch a national software platform, which will be available in local languages, will link primary agricultural credit societies (PACS), district cooperative banks, and the National Bank for Agriculture and Rural Development (NABARD), potentially creating an integrated financial grid said by the union minister at a conference of cooperative societies.

Overall Challenges before Digitisation Cooperative Banking

There are some challenges face by the cooperative banking sectors like lack of infrastructure, lack of professional management, operating at small scale, restriction by the RBI many such financial services are not allow to the cooperative institutions e.g. dealing in shares and marketable securities like bond, debenture, etc. Hence the most of the cooperative banks are still dealing in only traditional primary functions of banking accepting deposits and granting loans. Although RBI has taken steps towards updating the urban cooperative banks through technical support and backing up with credit and infrastructure but still there need to be more specific and dedicated mechanism which will lead to connect and update all the small institution nationwide.

Conclusion

As per the above information we can understand that effective use of technology is the need of the time. There is still very huge scope for up gradation to explore the opportunities in finance market. While exploring the opportunities we have to be care full about safety and security for committed quality of services. Other side the cooperative sector is crucial for the growth especially in rural areas of the country. RBI should concentrate on urban and rural cooperative credit societies and need to form and universal apex institute which become a pool to connect all small cooperative institution at one big portal which will help to develop and compete with commercial banks. It is been observed there are many challenges which have to be faced and find the appropriate solution for further extension of cooperative banking services.

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