Core Banking Solutions in District Central Co-operative Banks–Issues and Challenges

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Abstract

Core Banking Solution (CBS) stands for Centralized Online Real-time Exchange (CORE) based banking solution and transformed itself from only a deposits taking, loan providing system to an institution which provides an entire extent of products and services under a wide umbrella. It refers to a centralized system established by a bank which allows its customers to conduct their business irrespective of the bank's and branches. CBS new terms to determine of IT has led to new methods of successively the banking transactions. The co-operative movement in India has a long history of a century with more than 5.49 lakhs total co-operatives, but throughout India have 372 DCCBs. In that we have 23 total numbers of DCCBs in Tamil Nadu we have 749 branches of DCCBs throughout Tamil Nadu. The leading co-operative banks in India have brought about changes in rural life. Co-operative banks have faced over challenges of CBS and to make financial inclusion a realty the National Information Centre (NIC) has developed this web based banking software. This study purely based on secondary data only. The study main objectives for identified feature, main application areas of CBS, proses and cones of bankers and customers with use of CBS, different types of challenges faced by the DCCBs, various demotions used for the CBS in DCCBs and problems associated with use of CBS in DCCBs. DCCBs is proper to exception reports as a part of their daily process and return through CBS. DCCBs must be crated user ID through the CBS and which used audit, inspections, work class purpose and statutory reports to NABARD. DCCBs should be maintained to User Access to CBS and it's essential for safeguarding the user of the transactions as well as prevention of frauds and CBS may fully generalised in the DCCBs at the time very easy calculation any amounts. The study was conducted to understand and challenges the working of CBS in DCCBs and it is made a significant impact on the working of the baking transactions. This system, there is a need providing very better and cost efficient banking services to the customers. The main aim of the study is to create more awareness about the CBS and encourage them to use CBS in DCCBs. It is now great time for the decision makers in DCCBs to realize the need to extend the base of computerization or IT.

Key Words*: *CBS in DCCBs, Information Technology (IT), Main application areas of CBS, Proses and Cones of CBS, Challenges focused by DCCBs with use of CBS.

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Introduction

Core Banking Solution stands for Centralized Online Real-time Exchange (CORE) based banking solution and transformed itself from only a deposits taking, loan providing system to an institution which provides an entire gamut of products and services under a wide umbrella. All such activities commenced by a bank is called core banking. It helps the banks in keeping a single set of books of accounts in electronic system, located at Data Centre. This electronic set of books of account are easily reached to customers of the bank as well as other banks, who transact business with the bank. Reserve Bank of India (RBI) made CBS implementation mandatory for all banks including Regional Rural Banks (RRBs) as well as Cooperative Banks under the STCCS.

Today banks provides different type of new activities and other than retail banking customers, core banking is now also being extended to address the requirements of corporate clients and provide for a comprehensive banking solution. As per the instructions, District Central Cooperative Banks (DCCBs) have adopted CBS. Mostly unlicensed DCCBs numbering around 25 are yet to implement the CBS. The word Core Banking solution is used to represent the variety of services given by the banking system to its customers and this is completed by the whole banking core branches. This competence makes it achievable for the banks to get transfer their funds and other transactions to other core branch offices in a very effortless and speedy manner. Now, there is no need to get deposit and withdrawal of your cash in the same branch. You can deposit from any branch and get it withdrawal easily from the other branch. This capability of core banking has been developed few years back and had led to the remarkable transformation in the banking system arrangement. It gives the liberty of preference to the customer to get done the transactions accomplished in his/her individual way. The person is not restricted to anyone. Thus CBS is a step in the direction of pleasing to the eye of the customer convenience from beginning to end anywhere and anytime banking system. It is one of the addition total of all the information technology (IT) components that allow a bank to administer its hub business actions in a centralised form. This system activities embraces round the clock processing of all the products, services and information of a bank.

Core Banking Solution

Core banking refers to a centralized system established by a bank which allows its customers to conduct their business irrespective of the bank's and branches. CBSs make this possible with centralized data centres and continuous merging of back office data and self-service operations. Additionally banks also need to incorporate changes in government monetary and regulatory policies. CBS is an enterprise banking solution that enables banks to provide full range of banking services and content to customers with different user profiles, efficiently and reliably. It is one of the flexible feature configuration approach. CBS deployment targets best balance in functions, performance, stability, integration and usability, on the highest security level of banking activities.

Core Banking Solution (CBS) new terms to determine of IT has led to new methods of running the banking transactions. It is amalgamation of Information Technology (IT), Information and Communication Technology (ICT). IT has cut down the transactions cost, quick time and increasing efficiency of the banking activities. CBS computer software is installed at different branches of the banks and then interconnected by telephones, satellite, internet etc.

District Central Co-operative Banks an Overview

In India, co-operative banks have been operational since more than a century. Co-operative banks most important financial institution in our country. These banks play a vital role in rural financing. These banks are registered under the Co-operative Societies Act and are regulated by RBI. The co-operative movement in India has a long history of a century with more than 5.49 lakhs total co-operatives, but throughout India have 372 DCCBs. In that we have 23 total numbers of DCCBs in Tamilnadu we have 749 branches of DCCBs throughout Tamilnadu. The leading co-operative banks in India have brought about changes in rural life. The future development of DCCBs will depend upon the proper and effective communication planning and ICTs. India among the developing nations has always adopted innovative approach in the adoption of new ICTs. ICTs can be used as an effective tool for rural development through co-operative banks at rural level. These banks are particular to the delivery of payments and credits to rural citizens on various social sector schemes those have led to the development of Cooperative Core Banking Solution (CCBS).

CBS in DCCBs

Co-operative banks have faced over challenges of CBS and to make financial inclusion a realty the National Information Centre (NIC) has developed this web based banking software. This banks provides a product and services has been customized for short term as well as long term credit structure facilities. NIC has been provides various schemes such as financial

support, payments, scholarships of the co-operative banks. It facilities easy transfer of funds disbursement to the target beneficiaries of their accounts and maintains the updated position of funds their accounts. CBS in all DCCBs spread across the Tamil Nadu. This solutions deployment will provide a unique and comprehensive on-lending software integrating the DCCBs operations with the Primary Agricultural Co-operative Societies (PACS) the Tamil Nadu. The solution with shared infrastructure facilities costs will reduce the total cost of banks. This will enable DCCBs to generate independent reports and at the same time received from PACS consolidated report whenever needed. The solution will also enable the DCCBs to expanded their branches network with ease and cover even in the remotest area in their operation. This multi-entity deployment with facilities for online addition with PACS will be the first of its kind implementation in India.

NABARD, the apex development bank in India, has brought India's Cooperative Banking sector onto a Core Banking Solution (CBS) platform, giving the country's rural sector access to basic banking facilities such as Any Branch Banking, NEFT, RTGS and access to ATMs. A total of district level Central Cooperative Banks with 6914 branches from 16 states and three union territories of the country have joined the 'NABARD initiated Project on CBS in Co-operatives.' Currently, 200 banks and 6913 branches are on the CBS platform. These banks were operating either in a manual recording or partially computerized separate environment leading to the use of multiple technology platforms for their banking needs. In order to drive faster transactions and simplified banking working systems and to fulfil with the regulatory requirements stipulated by the RBI, NABARD found it imperative to bring all the co-operatives onto a technology platform in a way which would be cost efficient and work efficiency. With CBS, the cooperative banks are now in a position to offer the latest banking products to their customers. By adopting the CBS platform, the co-operative banks have saved substantial amounts of money and are now on par with commercial banks. Even the smaller banks that could not afford to have their own core banking solutions are now able to access the network. Cooperative banks leverage banking software with a prefixed monthly cost eliminating the need to purchase the banking software or make huge investments for setting up datacentres. Cooperative banks are responsible for the infrastructure facilities within their branches and head office.

Structure of Co-operative Banks

The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three tier federal one as follows,

i. A State Co-operative Bank works at the Apex level (i.e. works at State Level).

ii. The Central Co-operative Bank works at the Intermediate Level.(i.e. District Co-operative Banks Ltd. works at District Level) and

iii. Primary Co-operative Credit Societies at Base level (At Village level).

Key Feature of CBS

- Centralised database which can be accessed universally
- All banks responsibility accounts such as savings bank account, fixed deposits, current accounts etc.
- All banks assets and liabilities accounts such as various loans, different types of mortgages and credit facilities.
- Report generalisation through Management Information System (MIS) for Assets Liability Management (ALM)
- To various e-payment systems, NEFT and RTGS
- Transactions take place at different places through alternate channels banks and its branches activates.
- Customer data files with all the non-dynamic data about the customer, business entity or cluster and relationships.
- The centralised data base is updated or online on real time basis and its different users.
- Bank all the ledger, financials statement and audit trails and reports
- Card systems, EFT, ATM and other e-payments and transaction controlling systems.
- Different type of reporting and compliance with regulatory requirements.

Objective of the Study

i. To know the main application areas and proses and cones of CBS in DCCBs

ii. To identifies the key features and technology used for CBS in DCCBS

iii. To recognise the challenges and problems associated with use of CBS in DCCBs.

Scope of the study

The present study focused on various demotions used for the CBS in DCCBs.

Research Methodology

This present study purely based on secondary data. The secondary data collected from the books, journals, magazines, articles, research paper, newspaper, online sources, bank websites, coop net, RBI reports and bulletin,

Main application areas of CBS in DCCBs

IT or Computer software is developed to perform the daily routine work of DCCBs such as

- ✓ Balance of payments and amount of withdrawal

- ✓ Current Accounts, Saving accounts, fixed, recurring, other term deposits
- ✓ Transactions of all the records
- ✓ Loans, advances, cash credit and inter branch transactions
- ✓ Operational Management Information System (MIS), report day by day, cash book balance sheet, voucher, statement ledgers etc.
- ✓ Calculations of interest on loans and deposits
- ✓ Customer records kept
- ✓ Maintenance passbook
- ✓ ATM's integration, RTGS, NEFT and ECS.
- ✓ Internet Banking
- ✓ Mobile banking
- ✓ Statutory reports and compliances in Management Information System (MIS) for NABARD, RBI, SCD and other Govt. agencies.

Proses of core banking solution

This benefits to the both banker point of you and customers point of you

Proses of core banking solution

Banker **Customers**

Banker point

i. Currently and accurately in each transaction and minimisation of errors this transaction
ii. Retaining of customers with the better customers services
iii. Effortlessly can submission of various reports to the Government as well as RBI board
iv. Very easy convenience in opining various accounting processing, cash, calculating interest, servicing loans changing interest rate,
v. Centralisation and standardisation banking process within deferent branches.
vi. Developed management system and all the records centralised data based result in quick time of data.
vii. Improved to through Management Information System (MIS) reports bank and its and others branches.

Customers Point

i. Very fast payment processing through IT such as online banking, internet banking, mobile banking.
ii. Upgraded operating services to the customer demands and industry consolidation
iii. Anytime anywhere banking through IT such as cards systems ATM, debit and credit cards.
iv. Providing of banking services through IT 24 hours*7days. (24*365= 8760 hours).

v. Quick services at the bank and branches counters for routine various transactions processing.
vi. CBS is very useful to customers and his received any amount through IT or e-payment in his account directly.
vii. Errors due to multiple entries eliminated
viii. Customer's transfers of funds from one place to another it's very easily done.
ix. All branches access (network) applications form central servers and data centre with connected banks and others branches throughout the world for IT.
x. Anywhere banking services used by the customers, at the time customers avoiding branches banking services.

Cones of Core Banking Solution

i. Any problem or failure in computers can cause whole network to go closed and this situation the waste time for bankers and customers.
ii. Disproportionate reliance of IT
iii. Some time they can't protected properly of data and if proper care is not taken.

Challenges

i. They are not use standard banking practices with the every DCCBs keen on retaining their present practices.
ii. Multiple legacy software having different platforms and databases resulting in migration challenges
iii. One of the regional languages barriers and widespread geographical
iv. Lack of well know IT expertise for DCCBs side
v. Lethargy to move over to cloud based core banking system in DCCBs.

Problems associated with new IT

i. DCCBs employees for used low or middle level operational of IT but not very well known in making use of IT to its full extent in their day to day activities which is also main reason for the gap in implementation of IT.
ii. Growth and development of IT in DCCBs is not an easy task to the management because of the non-availability of qualified professional employees and non-competency of the existing employees to make use of IT to various banking activities.
iii. High cost of implementation for core banking system but there are not sufficient cash flows
iv. To adoption of IT or ICTs are very high rick in DCCBs, because of new risk operations, security, new password systems and maintenance.
v. The IT solution to the banking activities needs should be user-friendly without much third-party. DCCBs need to redesign their new banking strategies to plans to promote

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

vi. DCCBs is not provides IT or ICTs training programmes to the employees frequently and there are lack of new modelling delivery system at a lesser cost.

vii. However, the extension of IT adoption must be go together with by a minimum level of essential security features and continued compliance with established covenants of DCCBs and transaction of customers confidence in the mobile banking, internet banking, and online banking by controlling the fraudulent transactions.

Suggestions

- ✓ Statutory Reports of DCCBs is prescribed form or returns were produced for the NABARD check-up purpose.
- ✓ Data is migration process from legacy system to CBS and its audit as discussed earlier the banks were advised various accounts, tally all the accounts by NABARD before migrating the accounts to CBS.
- ✓ DCCBs is proper to exception reports as a part of their daily process and return through CBS.
- ✓ Migration Account is also known as suspense account, which holds amounts for tallying the General Ledger account heads at the time of migration of data from legacy system to the CBS.
- ✓ DCCBs must be crated user ID through the CBS and which used audit, inspections and work class purpose
- ✓ DCCBs should be maintained to User Access to CBS and it's essential for safeguarding the user of the transactions as well as prevention of frauds.
- ✓ CBS may fully generalised in the DCCBs at the time very easy calculation any amounts and creating various reports required for Audit and Inspection as well as for statutory inspection to high authorities.
- ✓ Coding is observed that the implementation of the CBS in all the DCCBs is not uniform with respect to even the codes allocated e.g. work class of users.
- ✓ DCCBs very urgent need for special software in the nature of Decision Support System (DSS) to their various banking transactions activates.
- ✓ Core banking solution may fully implementation in DCCBs and its technical officials were not provided enough training employees.
- ✓ The solution proper must be DCCBs is provided to the Inspecting officers of NABARD in the "Approach Paper on Conducting Inspection under CBS environment", which was submitted to NABARD, DOS,

Conclusion

The study was conducted to understand and challenges the working of CBS in DCCBs and it is made a significant impact on the working of the baking transactions. This system, there is a need providing very better and cost efficient banking services to the customers. The CBS would further development of the banking system and increase training programmes, information security lack should be given to the bank employees as well as awareness level increase to the customers. The study conclude that the concept of CBS has made an important effect on bank and customers. The main aim of the study is to create the awareness in the CBS and encourage them to use CBS in DCCBs. It is now great time for the decision makers in DCCBs to realize the need to extend the base of computerization or IT and that the real benefits are delivered at all the levels of the customers. The decision makers have to work out a complete time frame for IT advancement in their respective banks with complete involvement in monitoring, controlling and evaluating the progress with set CBS in DCCBs.

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