

CORE BANKING SOLUTIONS (CBS) AS A TOOL OF DIGITAL BANKING IN INDIA

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*Digitization is forcing banks to undergo the most
extensive transformation in their history*

----- Holger Spielberg

Abstract:

Digital India campaign launched by our honorable Prime minister, Sri Narndra Modi on 1st July 2015 intends to ensure that government schemes are made available to citizens electronically by online infrastructure by increasing internet connectivity across the country. And today digitalization is a necessity and a topic of utmost relevance in every field of the economy including the banking sector. Banks are the part and parcel of human life and they play a significant role in our daily lives. There are many people who cannot end up their day without a banking transaction. Hence banks have been updating their technology everyday to provide ecstatic services. Today, Digitalization in Banking popularly called Digital banking is not an option but it is inevitable for banking industry. Core banking Solutions serve as a powerful instrument to visualize the concept of Digital banking and Green Banking. Core banking channels are used not only by customers who are millionaires but also by customers from all generation, income groups and countries who want to bank whenever and wherever they want, irrespective of the branch location or business hours. Core Banking Channels like ATMs, Internet Banking, Mobile Banking, NEFT etc. are commonly used by the customers. And one day a customer may use online banking, and another day, for some other transactions he may use ATM, or Mobile banking. That means these multi channels ensure flexibility to customers.

Since we are in the era of digitalization, an attempt is made in this paper to explain how Core Banking channels support digitalization, what are the opportunities and challenges in the usage of Core Banking channels and what would be the complex of next scenario of Indian Banking. This paper is purely conceptual and based upon secondary data.

Key words: Core Banking Solutions, Digital Banking, ATMs, Internet Banking, Mobile Banking, NEFT, Future Banking Sector scenario.

Introduction:

Digital India campaign launched by our honourable Prime minister, Sri Narndra Modi on 1st July 2015 intends to ensure that government schemes are made available to citizens electronically by online infrastructure by increasing internet connectivity across the country. And today digitalization is a necessity and a topic of utmost relevance in every field of the economy including the banking sector. Banks are the part and parcel of human life and they play a significant role in our daily lives. There are many people who cannot end up their day without a banking transaction. Hence banks have been updating their technology everyday to provide ecstatic services. Today, Digitalization in Banking popularly called Digital banking is not an option but it is inevitable for banking industry. Core banking Solutions serve as a powerful instrument to visualize the concept of Digital banking and Green Banking. Core banking channels are used not only by customers who are millionaires but also by customers from all generation, income groups and countries who want to bank whenever and wherever they want, irrespective of the branch location or business hours. Core Banking Channels like ATMs, Internet Banking, Mobile Banking, NEFT etc. are commonly used by the customers. And one day a customer may use online banking, and another day, for some other transactions he may use ATM, or Mobile banking. That means these multi channels ensure flexibility to customers. Reserve Bank of India directed the banks to introduce Core banking Solutions in their branches so as to have interconnected network among the branches and among different banks.

Technology, particularly Core Banking Solutions undeniably brought about a change, hitherto unseen, unimagined by the people. The changes brought about by Core Banking Technology in the field of banking are only for better. But certain difficulties and challenges are experienced by both the bankers and customers in their utilisation. Provided proper measures are taken to overcome them, they will produce desired results.

Objectives:

1. To explain how Core Banking channels support digitalization,
2. To describe the opportunities and challenges in the usage of Core Banking channels
3. To focus on what would be the complex of next scenario of Indian Banking.

Significance of Study:

Today several debate issues are tickling the minds of many researchers and scholars in the field of Banking. Digitalization in Banking through introduction of Core Banking Solutions by Bankers is the most relevant debate topic for discussion, considering the requirements of the day. Detailed knowledge of this topic is an absolute necessity on the part of bank employees and customers. The information provided here will be a source of information for both bankers and customers.

Review of Literature:

David Imhonopo and Ugochukwu Mose Urim (2013) in their article on “ICTs and Digitisation of the Banking Industry in Nigeria: A Sociological Appraisal” analysed the effect of ICT s and Digitisation on Nigerian Banking Industry. They found from their study that customers of banks benefit due to increased competition, improved integration, and safe ICT-enabled bank instruments. According to them, Nigerian banks have to focus more on enlightening the customers regarding ICT-enabled banking services. They stressed need for favourable business climate, in which the government takes initiative in the areas of education, health, employment and others so that issues of illiteracy, unemployment and ill health can be reduced to the minimum and all Nigerians can participate in the Banking Industry. No reference is made by them, about digitalisation of banking Sector in other countries of the world including India.

Mohit Mehrotra (2014) in his article on “Digital Transaction Banking Opportunities & Challenges” opined that Digital natives will account for 40% of total spending power across all generation in the near future and the wave of digitisation will blow rapidly among large corporate business houses, and the government. He noticed increasing demand for digitisation in the field of banking and analysed several technological advancements which have created a significant impact on bank clients.

Richa Shukla (2014) in her article on “Banking Digitalization-Revolution- A way forward”, observed rapid shift from traditional banking to digitalization in the banking sector around the globe. According to her massive investments on digital initiatives are being made by banks of all sizes across all regions in order to maintain competitive edge over other banks and to ensure maximum services to customers. She opined that Digitalization is an absolute necessity on the part of the bankers to get closer to customers.

Vincent Bastid ,Aubrey Hawes, andTushar Chitra (2016) in their article on “Digital transformation : The challenges and opportunities facing banks” opined that digital experience brings change in usage of banking channels by the customers, and hence banks should think about the types of digital channels which are more appropriate for customers to interact with bankers. According to them, banks must be fully prepared for the digital future which may pose certain challenges and bring about exciting opportunities.

No specific studies are made on “Core Banking Solutions as a Tool of Digital Banking in India”. Hence this attempt is made.

Methodology:

This paper is purely conceptual in nature and based upon secondary data. Information incorporated in this paper are from renowned books, Journals, White Papers, Newspapers and Internet.

Limitations:

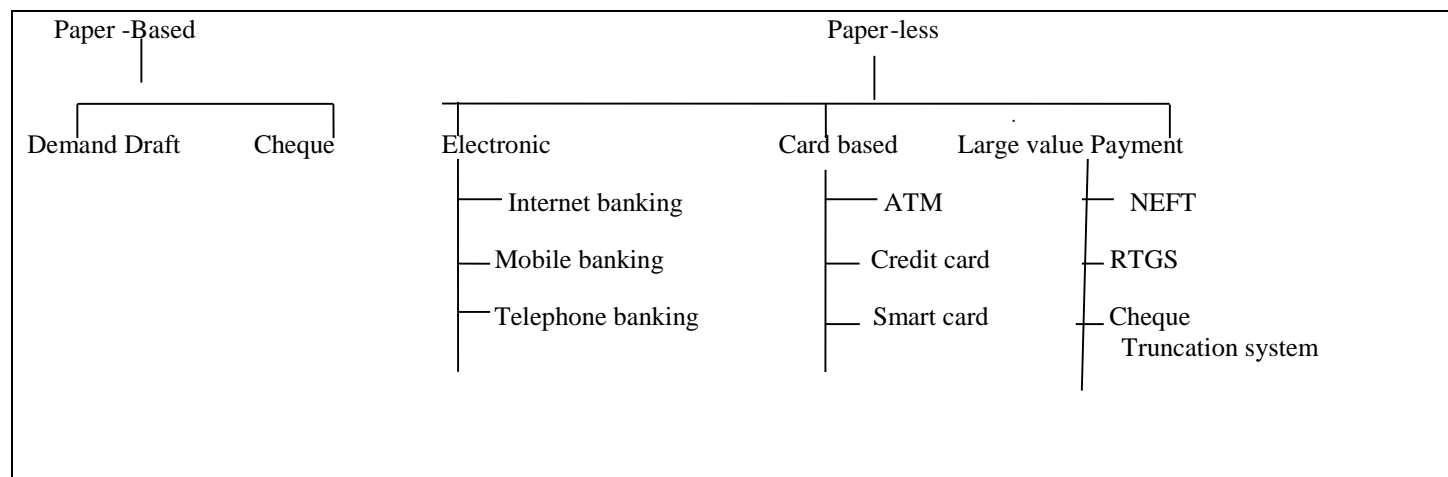
The paper does not contain first had data. No survey is conducted either among bank employees or among bank customers to study their opinions regarding the opportunities and challenges in the use of Core banking channels. Detailed study by collecting Primary data may give us better results.

Opportunities and Challenges in the usage of Core Banking Channels:**Opportunities:**

A study conducted by Financial inclusion consulting firm MicroSave in partnership with Bill &Melinda Gates Foundation revealed that transactions through Core Banking technology have seen 400 percent spike in 2017. Initially with the introduction of standalone PCs, banks began to use information technology in banking and then shifted to Local Area Network (LAN) connectivity. With further developments in 1970's banks in India introduced Core Banking Solutions. Adoption of Core Banking Solutions brought highest convenience to customers by facilitating Online Banking, Anywhere Banking through ATMs, Mobile Banking, Telephone Banking and Facility for transferring the funds through NEFT, RTGS, etc.

Through Core Banking System, today banks provide quick, accurate and quality banking services to their customers. Adoption of Core Banking Solutions enables the banks in India to gain from digitalization.

Payment systems via Core Banking Solutions in India :



RBI report 2016-17 states that there are 2,22,475 Automated Teller Machines (ATMs) and 25,29,141 Point of Sale devices in India. Report also shows that, NEFT (National Electronic Fund Transfer), ECS (Electronic Clearing Service), RTGS (Real Time Gross Settlement), Cheque Truncation System, Mobile banking system, Debit cards, Credit Cards, and Prepaid cards are widely accepted by Indian banks. Noteworthy transformation in the field of banking brought about by Internet Banking has changed the face of banking. As per this report, the most commonly used electronic payment method for transferring money from any bank branch to another bank in India is National Electronic Funds Transfer (NEFT). Real Time Gross Settlement (RTGS) is used for transferring amount exceeding rupees two lakhs.

Banking business through Core Banking channels show an increasing trend year after year. RBI report 2016-17 reveals the following data.

Volume of business (in Million Rupees)				
Year	RTGS	Retail Electronic Clearing (ECS/NEFT/IMPS)	ATM Debit/Credit cards	Mobile banking
2015-16	98.4	3141.5	10,038.7	389.5
2014-15	92.8	1687.4	8424.0	171.9
2013-14	81.1	1108.3	7,219.1	94.7
2012-13	68.5	694.1	6174.5	53.3
2011-12	55.1	512.4	5731.6	25.6

Source: RBI data

Data published by the RBI in its reports clearly reveals that, digital services offered by banks through Core Banking channels are gaining more popularity in India. Moreover, Government of India is aggressively supporting and promoting digital transactions. Transformation of manual processes of banks into digital services is taking place at a rapid pace in entirely innovative ways across our country. Today, Digital era resulted in the expansion of mobile internet, which enables billions of people to have internet access at any time and place.

Benefits gained by the banks through the adoption of Core Banking Solutions are many. Core Banking has resulted in reducing the costs radically, and helped to earn more revenue through its various channels. According to the information available from RBI, the cost of a bank transaction on Branch banking is estimated to be Rs70 to Rs.75, while it is around Rs.15 to Rs.16 on ATM, Rs.2 or less on Internet banking and re 1 or less on Mobile banking. Number of customers for Anywhere Banking (ATMs) is increasing considerably day by day fetching more and more income to the bankers. Digitalization reduces human error. It is possible to access and analyse the data at any time.

Digital banking through Core Banking Technology offers the following benefits to the customers as well.

- Customers experience more delightful and ecstatic services.
- No scope for discrimination among customers while using technology, because technology is non discriminatory. All customers are treated equally.
- Fake currency note threat can be reduced through digital payments.
- Transparency in banking transactions is ensured.
- Customer can conduct banking transactions by sitting at home or when he is on move to some other places by using electronic devices like computers, mobile phones, tablets etc.
- Mobile apps help customers to check the balance available in their accounts at any time. and they can conduct their routine banking transactions at any time.
- Core banking channels save the time money and efforts of the customers in dealing with the bankers.
- Customers need not be at the mercy of the bankers, waiting for their turn in a long queue in bank counters.

- Flexibility and convenience in their usage are the added factors for their popularity.

Challenges:

- Attaining App perfection while using smart phone is a tedious task, because smart phones are more personal in nature.
- Digitalisation requires banks to make huge investments in digital capabilities and in formulating effective digital strategies.
- Developing and testing the software before installing them and updating them from time to time is a big challenge.
- Security issues such as hacking, sniffing and spoofing expose banks to security risks. There is scope for internal risks to banks, especially due to frauds by employees.
- Lack of knowledge amongst customers to use Core banking facilities is the major constraint in India.
- The fear of losing money is another factor restricting the older generation customers from using online banking.
- Another major deterrent for Core Banking is lack of adequate knowledge and skills of employees to deal with innovative and changing technologies in banks. Adequate training to the employees is the need of the day.

Future Banking Scenario in India:

A glimpse ahead in the field of banking shows more emphasis on new and innovative technologies. Business Analytics and Artificial Intelligence (AI) are expected to bring a major change. Robotics enabled by AI may be the future game changer in the banks. Growing competition in the field of banking may lead to major transformation leading to the survival of some banks and emergence of new banks which are highly competitive. Banks will deploy Robots for customer service, investment advisory and credit –approval process to enhance their customer base and to gain more from ecstatic services. Digital banking through highly advanced CBS will be the most preferred form of banking in the coming years.

Conclusion:

Indian Banking is prospering and growing at a very rapid pace, facing various challenges internally as well as from global bankers. It is a very happy sign that Indian Banks are coping up with the changes taking place in the financial sector of the economy by adopting innovative technologies. There are a large number of customers who have widely accepted the changes, accustomed to the usage of technologies, and found them more appropriate and suitable.

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