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Core Banking Solutions In India: An Overview

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ABSTRACT:

This paper gives an overview of Implementation of Core Banking Systems (CBS) in the Indian Banks. This study is based on Secondary data. A bank is a financial institution which accepts deposits and lend money to customers, other individuals and business Organizations. Core banking solutions are pivotal in modern banking as they improve efficiency and customer satisfaction. It is often associated with retail banking and many banks treat the retail customers as their core banking customers. Core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform basic transactions from any of the member branch offices. With the advent of computer and telecommunication technology Core banking allowed information to be shared between bank branches quickly and efficiently. CBS can execute and update transactions in real time, ensuring up-to-date account information. Moreover, modern technology allows CBS to securely manage and process vast data volumes while delivering a remarkable customer experience. Emerging technologies like AI, machine learning, block chain, and cloud computing offer new avenues for innovation in CBS.

Key Words: CBS, AI, Block Chain.

Introduction:

Core banking solutions are pivotal in modern banking as they streamline operations and improves customer satisfaction. It is the foundation of modern-age banking. One can easily conduct transactions and make use of banking services at any bank branch, irrespective of where they opened the bank account. Nowadays, most banks use core banking applications to support their operations where CORE Banking may stand for "centralized online real-time exchange". The following are the three Core Banking Software used by banks in India.

1. Finacle
2. BaNCS
3. Flexcube

Objectives of the Study

1) To understand the Core banking solutions and its importance.
2) To analyse the transformation of Indian banking business with CBS.

Core Banking System in India

The concept of bank automation started in the year 1981, but it was during the period 1984-1987 banks in India started the branch level automation. This initiative was taken by the banks on the basis of "First Rangarajan Committee report" on bank computerisation submitted in the year 1984. This paved way to the implementation of multi-user Total Branch Automation (TBA) packages running on a LAN (Local Area Network), either on a Netware or a UNIX operating system. Banks started to offer the facilities of exclusive Customer Terminal, Single window transaction, on-line and off-site ATMs, Tele-Banking etc. Improved telecommunication facilities and reduction in hardware as well as networking cost changed the mindset of the banks in India to try the CBS option. This also equipped them with the required technology leverage to compete in the Indian market by offering the similar technology products and services, as those offered by their new generation competitors.

The largest bank, and the oldest still in existence, is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955. The Indian government intervened to modernize core banking systems of public-sector banks. In 2000, to address competition and government requests, SBI hired KPMG to create a technology strategy and modernization plan. SBI is India's largest public sector bank and boasts 1/4th market share, serves over 48 crore customers through its vast network of over 22,405 branches, 65,627 ATMs/ADWMs.

The State Bank of India (SBI) uses a number of software systems to manage its banking operations. Some of the software systems used by SBI include:

1. Finacle: Finacle is a core banking solution offered by Infosys that is used by SBI to manage its banking operations. It includes deposit accounts, loans, and wealth management.
2. Flexcube: Flexcube is a banking software solution offered by Oracle that is used by SBI to manage its banking operations, like customer management, account management, and loan management.
3. SAP: SAP is a large-scale enterprise resource planning (ERP) solution that is used by SBI to manage its financial operations, such as accounting, procurement, and payroll.
4. T24: T24 is a core banking solution offered by Temenos that is used by SBI to manage its banking operations, including deposit accounts, loans, and wealth management.

   It's worth noting that large banks like SBI often use a combination of different software systems to manage their operations, and they may use different systems for different areas of the business.

Benefits of Core Banking Solutions

The Core Banking System in India has brought numerous changes to the banking system that has multiple advantages.

I. The technology-driven core banking system provides enhanced security for banking transactions as well as consumer data.

II. The time taken for the execution of transactions has significantly reduced enabling enhanced customer experience.

III. Core Banking System allows customers to access their accounts in real-time on multiple devices through their single secure login.

IV. The automated banking processes more cost-effective in terms of reduced operations costs, storage costs, transportation costs and more. .

Improved and Revised Processes

- ♦ Multiple Postponements of Clearing
- ♦ Recording of Post Dated Cheques
- ♦ Drill-down facilities on Customer Ledger
- ♦ Internal Reconciliation of Fund Accounts
- ♦ Future Date Standing Instruction Schedules

Special Facilities for Loan

- ➢ Deferred installment Loans
- ➢ Rescheduling of NPA or Bad Loans
- ➢ Special or Discretionary Interest Rates
- ➢ Interest Application based on Credit Ratings
- ➢ Multiple Commodity Pledge and Release

Reports for Decision Support

- Performance monitoring of Cash Credits
- Term Loans Recovery Performance for Rebates
- Graphical Analysis of Trial Balance and P&L Account

Advance Facilities

• Any Branch at par Payment and Collections

• Interfacing of ATMs with different protocols

• Mobile Banking with SMS based alerts

• Touch Screen or Keyboard based Kiosks

• RF based remote Extension Counters

Back End Handling

- Consistent Performance due to well defined objects
- ANSI Standard queries hence backend independent
- Direct capture of Image data - Signature/Photo
- Snapshot Backups at user defined intervals
- Automated Audit Trails and alerts mechanism

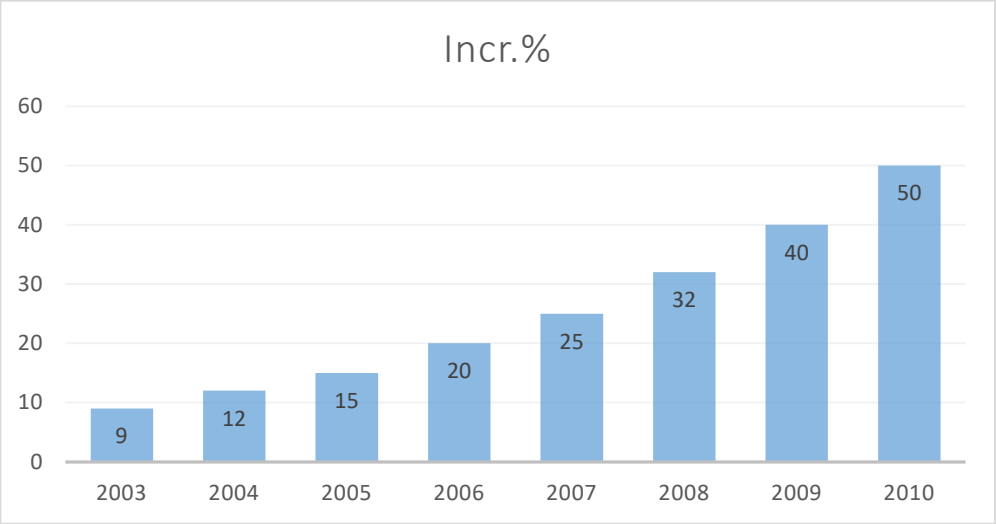
Challenges for the Bank

The bank faced several extraordinary challenges in implementing a centralized CORE processing system.

1. First challenges was in finding a new CORE banking system that could process approximately 75 million accounts daily — a number greater than any bank in the world was processing on a centralized basis.
2. Another challenge was meeting SBI's special product needs, which meant making significant changes to a new CORE banking system. These products include gold deposits (based on weight), savings accounts with overdraft options, and a large number of passbook savings accounts.
3. Additionally, the bank didn't have much experience with centralized systems, and many employees were proud of their ability to handle complex transactions on local in-branch systems. This made some doubt whether the employees would adapt well to the new system.

Use of Core Banking in India from last few years

Year	2003	2004	2005	2006	2007	2008	2009	2010
Incr.%	9	12	15	20	25	32	40	50



It is clear in the above table that continuous progress has been observed over the years. The use of CBS in Indian banks increased from 9% in 2003 to 50% in 2010. Now a days many banks using CBS to provide better services to customers.

Conclusion

The implementation of the core banking system in the country revolutionised the banking sector and brought it to par with the global world. It has become an essential part of the banking industry in India, and it has helped banks to streamline their operations, reduce costs, and provide better customer service. The implementation of the Tata Consultancy Service (TCS) BaNCs system at the State Bank of India (SBI) represents the largest core systems project ever undertaken. The success of this project should encourage other large banks to begin projects to modernize their core systems. The use of a UNIX – based platform to process more than 100 million accounts daily demonstrates that tier I banks can use a mainframe alternative for their core processing. SBI′s achievement demonstrates that attention to critical factors is crucial in implementing new core systems.

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