

CBS Adoption by Cooperative Banks:

A theoretical review

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Abstract

In today's era of technology online banking services are playing vital role in our life. as every other field, banking industry also adopting these technological changes rapidly. Core banking solution is playing the most significant role in today's changing environment. cbs service has been accepted by almost every type of banking industry.

According to RBI's circular 100% adoption of CBS is mandatory for all banks. Public and private sector banks have adopted these changes almost 100 % but yet so far cooperative banks in our country still juggling for the adoption of CBS technology.

Cooperative banks in India are increasingly going for core banking solutions (CBS) and are introducing new technologies of banking in order to improve customer services. While many banks have already adopted CBS, and some more are in the process of automation. In this paper we are trying to understand the problems behind non adoption of CBS by Cooperative banks.

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I. INTRODUCTION

The banking sector in today's era of globalization plays a vital role in every walk of the life. Particularly, in the last few years, there is a tremendous change in finance sector all over the world. To survive in this competition Information and Communication Technology significantly contributes to the growth and productivity of the banking sector. The Indian banking sector is in the process of transition and adopting the contemporary ICT practices, for executing most of its key transactions.

Cooperative banks that are registered under the cooperative societies act and are regulated by RBI's Banking regulation act 1949. These are mostly credit based institutions in rural and urban areas that mostly cater to different types of businesses and conduct most of the secondary functions of State Cooperative Bank's (SCB's).

As per the data of RBI, in India there are 27 public sector banks, 20 private sector and 82 regional rural banks and 1589 cooperative banks, out of which almost all private and public sector banks and more than 60% banks have adopted Core Banking Solution(CBS). RBI want to build 100% CBS implementation in all type of banks.

According to the RBI, Core Banking Solutions (CBS) essentially helps in integration of the range of services that can be offered by all the bank's branches from centralized data centers. It also helps the banks, apart from providing better customer service, in generating MIS reports for the top management and in submission of various reports to the regulators and the Government. [7]

In India at present there are 31 state cooperative banks and 1589 Urban Cooperative Banks (UCB's). However, Maharashtra has highest number of UCB's (523) followed by Karnataka (266), Gujarat (237), Tamil Nadu (129), and Andhra Pradesh (103). [3]

RBI has advised Urban Cooperative banks (UCB's) to adopt CBS in a graduated framework: large UCBs by Dec 31, 2013, tier I banks by June 30, 2014 and unit banks by Dec 31, 2014. In future, Reserve Bank will definitely look forward to more technology-savvy ucbs competing with commercial banks for customer spaces. [7]

II. CORE BANKING SOLUTION

The term core can be depicting as Centralized Online Real time Exchange. Core Banking Solution (CBS) is the most challenging but at the same time most useful gift from 20th century to the 21st century. CBS is nothing but a facility in which a person having account with a particular branch may access his account from any other branch of the same bank at any time. Due to a computerized, unique account no it is possible for the bank to maintain track of their every customer. The prime features of the CBS are, that it facilitates banking operations like ATM's, Electronic Fund Transfers, Tele banking, and Internet Banking etc. Successful deployment of CBS is dependent on computer and network technology used.

There are many Benefits of CBS: There are multiple benefit for both banks as well as their customers. Benefits for the customers can be : can avail banking facilities (transactions) 24x7, its time saving, convenient and efficient and the most importantly easy monitoring of the account. There are various benefits for the banks also viz are: Centralized software so highly secured, Provides Standardization to the process, greater customer satisfaction, it also reduces a bank's operational costs, Alternative for extended working hours and Reduces long queues in bank cash counters.

III. REVIEW OF LITERATURE

Munirajasekhar and Sudheer (2013), Author has concluded "It is now high time for the decision makers in cooperative banks to realize the need to enlarge the base of computerization and see that the real benefits are

delivered at all the levels, customers and stakeholders of the bank. The decision makers have to work out a definitive time frame for technological advancement in their respective banks with complete involvement in monitoring, controlling and evaluating the progress with set parameters." [1]

Uppal (2011), has studied about the present scenario which is concerned with the Indian banking industry with reference to Public and private banks, and exhibits growth of e delivery channels in various bank groups. The paper finds the share of each e delivery channels from total branches. Ultimately, suggests some strategies for the enhancement of technology in banks.

According to the author computerization has improved productivity of banks as well as customer satisfaction has also improved. Banks those have implemented CBS has improved their productivity. Author has stressed on the point of planning IT budget, so banks can adopt new technologies. [2]

Divekar (2013) in this paper author has done survey and analysis for pune cities Urban cooperative banks. Researcher has done the survey based on the technological advancements in banking. As per the RBI's direction Complete CBS implementation is mandatory before 31st Dec 2013 for all the UCB's. but still as per the survey conducted by the author till 2013 only 40 % banks have adopted CBS implementation.

Author has concluded, successful implementation of e channels is possible only after the complete implementation of CBS. Due to the poor financial reasons, if the banks are not opting IT Budget they must think and take assistance from govt agencies for the implementation of CBS. [3]

In a publication by RBI, Shri R. Gandhi, Deputy Governor, RBI, has mentioned the reasons behind the success of the co-operative banking sector in European banking industry. According to Mr Gandhi, In today's technology driven world, one cannot ignore the role of technology in providing competitive banking services and all urban cooperative banks (ucbs) must exhibit the keenness to adopt technology in a time-bound framework. Presently, in India only 32% (510 out of 1589 as on March, 2014) of ucbs have adopted Core Banking Solution (CBS). Delay in adopting technology has resulted in ucbs losing their customers to commercial banks. Cooperative banks also become vulnerable to frauds, due to use of applications that are outdated or lacking security features, etc. Also manual book-keeping system has led to arrears in reconciliation of accounts and made them vulnerable to frauds.

Mr. Gandhi has also mentioned, "RBI has advised ucbs to adopt CBS in a graduated framework: large ucbs by Dec 31, 2013, tier I banks by June 30, 2014 and unit banks by Dec 31, 2014. In future, Reserve Bank will definitely look forward to more technology-savvy ucbs competing with commercial banks for customer spaces".

From the above article we can conclude, 100% CBS implementation is needed for the success and survival of ucbs. But yet so far Indian ucbs have not adopted it completely. [4]

Mr. Nitin Arora, (2011), in his thesis studied advances in technology are set to change the face of banking business and have emphasized the importance of computerization of the banking sector. Researcher opine that a holistic approach to computerization will give banks an edge in customer services, better housekeeping in banks, better customer services and overall systematic efficiency all based on Information Technology. Technology has transformed both the delivery channels used by banks in retail banking. [5]

Manjushree S (February, 2014), has conducted study to understand the performance evaluation of Core Banking Solution in SBI. From her study she has concluded, in a country like India, there is a need for providing better and cost efficient banking services to public.

The above study clearly shows, the introduction of Core Banking Solution has made a significant impact and effectiveness of CBS implementation. So banks like SBI have understood the importance of CBS but the Cooperative banks are still lacking so it is necessary to create the awareness about the Core Banking Solution and encourage them to use CBS in cooperative banks also. [6]

IV. EVALUATION OF REVIEWED LITERATURE

Based on the review of literature on banking sector, it is evident that most of the researches in banking domain are carried out in the areas like customers satisfaction, the role of the behavioral factors on the growth of banks or the impact of technology on banking sector. Also the researchers had focused mainly on the private and public sector banks. Cooperative banks whether urban or rural are not covered by the researchers. So here is a huge need to pay attention on technical issues for non adoption of CBS by cooperative banks.

However, there is a paucity of research on the role of the technological issues related to the core banking systems and its implementation in cooperative banks. For example, hardware and software related issues, technology selection, delivery channels, network and security issues, database related issues, backend, frontend related issues etc. Some banks have partially implemented CBS, are changing the applications within short period of time, so waste of time and money.

Furthermore there are some management related obstacles observed in CBS implementation at cooperative banks.

- Higher IT cost, in the event that multiple solutions need to be replaced.
- IT budget, usually cooperative banks won't have specified budget for the IT. At the same-time those who are having it they must not have over budget for the IT.
- Technology selection, Non technical people are involved in technology selection so there are chances of wrong decision.
- Non availability of required qualified professionals. Technology changes frequently, so adoption and deployment of new technology for untrained staff is difficult.
- Data centers and technocrats are costly.
- The vendor's inability to deliver product as per the requirements of banks.
- Insufficient information collected during the requirement gathering phase resulting inappropriate CBS solution.
- Inability of banks to distinguish between "wish list" and "must-haves."
- The banking staff's preference for existing processes and their reluctance to adopt newer, out-of-the-box functionality/processes from new solutions.

Change in the project management team at the bank level, either at vendor level or staff level, will affect on the project, as the insufficient knowledge transfer takes place, which in turn results in requirements & key issues may be not being addressed properly.

V. CONCLUSION

In this context, the banks need to redesign their business strategies regarding adoption of technology. The technology solution to the bank needs should be user-friendly without much third-party or IT vendor intervention or support requirement for operating the same.

It has been observed that cooperative banks in India are trying to adopt CBS from last few years for performing better banking functions but yet they have not adopted it 100%. So here is a need to understand the reasons of delay in CBS implementation in cooperative banks. And also to understand and suggest some latest technological solutions to the banks which are more user and budget friendly for the non technosavy employees of the bank and can be easily adopted by the banks.

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