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Core Banking System and Customers' Challenges- A micro study in Mangaluru city

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Abstract

Globalisation has brought many changes in the Indian economy. Automation and technological developments are taking place at a rapid rate everywhere. Core Banking Solutions were built and architected in a product-centric way by the bankers. With the growth of technology, customers of today crave more and more services and convenience. Core Banking Solutions designed 30 years ago cannot respond to the increasing demands of customers. New banking products, flexible operating system, and a transparent relationship pricing system are the prominent demands of present customers. Installing customer centric core banking solution has become the need of the day. Customers expect bankers to treat them as individuals and banks that can treat customers as individuals will win their confidence and get more business than others who cannot treat them as individuals. Understanding the challenges faced by the customers is paramount for making improvements in the system. A survey of executives conducted in the year 2014 reports that majority of banks' systems are more than ten years old with many dating back thirty years. Only 10% have changed platforms in the last three years.

This paper is an attempt made to understand the challenges faced by the customers of Mangalore city in using the present Core Banking System. The study is both descriptive and exploratory in nature. Primary data is collected by conducting a survey among 50 customers of Mangalore city using a questionnaire. Secondary data is incorporated to corroborate the findings through reference to textbooks, journals and internet.

Keywords: *Core Banking system, relationship based transparent pricing, flexible operating system, Customer Centric Core Banking Solution.*

Introduction

Indian economy witnessed many changes due to globalisation. Rapid Automation and technological developments are the outcome of globalization. In the banking sector, Core Banking Solutions were built and architected in a product-centric way by the bankers. Implementation of Core banking system is a major decision point for a bank, since it impacts the entire bank and its business. The system has been introduced 30 years back in most of the banks to meet the requirements of diverse stakeholders. CORE Banking stands for 'Centralised Online Real Time Exchange.' It is a Computer software developed to perform core operations of banking like recording of transactions, pass book maintenance, interest calculations on loans and deposits, balance of payments and withdrawal etc. There was a time these banking operations were performed only at the base branch where customers had their accounts. Today customers can operate their account from anywhere they wish. Core Banking System enables customers to operate their accounts from any of its branch or from any bank which have installed Core Banking solutions. Under Core banking system varieties of services are made available to the customers through multiple channels like ATMS, Internet Banking, Mobile banking, and branches.

With the growth of technology, customers of today crave for more and more services and convenience. Core Banking Solutions designed 30 years ago are not able to respond to the increasing demands of customers. New banking products, flexible operating system, relationship based transparent pricing system are the prominent demands of present customers. Installing customer centric core banking solution has become the need of the day. Customers expect bankers to treat them as individuals and banks that can treat customers as individuals will win their confidence and get more business than others who cannot treat them as individuals.

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Understanding the challenges faced by the customers is paramount for making improvements in the system. A survey of executives' conducted in the year 2014 reports that majority of banks' systems are more than ten years old with many dating back thirty years. Only 10% have changed platforms in the last three years.

Objective of study:

1. To study the changing dynamics of the customers of Mangaluru city towards Core Banking system.
2. To find out the challenges faced by the customers in general and customers of Mangaluru city in particular in the present Core banking system which is paramount for the authorities to bring improvements in the system.

Research Methodology:

The study is both descriptive and exploratory in nature. Primary data is collected by using a well designed questionnaire consisting of the challenges relating to the usage of present Core Banking System. A convenience sample survey of 50 customers of Mangaluru city is conducted to understand their problems and challenges. Knowledgeable and potential respondents are consulted to answer the questionnaire Information is also collected by interviewing the customers directly. Secondary data is incorporated to corroborate the findings through reference to text books, journals and internet.

Hypotheses:

1. Ho: Customers of Mangaluru city do not face any challenges while using Core Banking system.
2. H1: Customers of Mangaluru city face many challenges while using Core banking system.
3. H0: Customers of Mangaluru city are fully satisfied with the existing Core Banking System.
4. H1: Customers of Mangaluru city are not fully satisfied and expect developed version of software for Core Banking system.
5. Ho: Bio- metric Core banking system will not solve the major problems of existing Core banking system, particularly problems arising on account of illiteracy of customers and other problems like safety of transactions and internet fraud.
6. H1: Bio- metric Core banking system will solve the major problems of existing Core banking system, particularly problems arising on account of illiteracy of customers and other problems like safety of transactions and internet fraud.

Analysis of Data:

To get meaningful information from the data collected through a survey conducted among 50 customers of Mangalore city by convenience sampling method, data analysis is carried out. Only simple statistical tools like percentage analysis, comparative Analysis with Ranking are done for the purpose of study. Responses obtained for Five- point Likert type scale questions are analysed and interpreted by using descriptive statistics. Mean levels of consent of the respondents for various statements were calculated. Weighted Average Scores have also been calculated between various statements about Core Banking System, regarding their level of consent and then ranking was done according to the priority of customers.

Table 1: Distribution of respondents on the basis of occupation

Occupation	Number of Respondents	Percentage
Profession	10	20
Business	02	04
Employment	12	24
Student	20	40
Others	06	12
Total	**50**	**100**

Source: Survey data

As shown in Table: 1, majority of respondents, that is 40 percent of respondents covered under survey are students, 24 percent are employees, 20 percent are professionals, 4 percent are businessmen, and 12 percent are others.

Table 2: Distribution of Respondents on the basis of Education

Educational qualification	Number of Respondents	Percentage
Professional qualification	10	20
Post Graduation	02	04
Graduation	36	72
PUC	02	04
10^{th}	00	00
Below 10th	00	00
Total	**50**	**100**

Source: Survey data.

As shown in Table 2, majority of respondents that is 72 percent of respondents are graduates, 20 percents are professionals like chartered accountants and doctors, 4 percent are post graduates. It is evident from the above table that knowledgeable and potential customers are interviewed.

Table 3: Gender wise distribution of Respondents

Gender	Number of Respondents	Percentage
Male	26	52
Female	24	48
Total	**50**	**100**

Source: Survey data

Table 3 shows that among 50 respondents surveyed, 52 percent are male respondents and 48 percent are female respondents. More or less equal number of respondents are selected for study form both the genders.

Table 4: Age wise distribution of respondents

Age	Number of Respondents	Percentage
0-20	04	08
20-40	28	56
40-60	16	32
60 & above	02	04
Total	**50**	**100**

Source: Survey data

It is clear from Table 4 that, majority of respondents, that is 56 percent of respondents surveyed belong to the age group of 20-40, 32 percent are in the age group of 40-60, 8 percent are in the age group of below 20 and 4 percent of respondents are in the age group of 60 and above.

Table 5: Multi-Choice responses regarding the purposes for which Core-Banking System is used by the Respondents

Core Banking Services	Multi choice responses	Percentage	Rank
Withdrawal of Cash	50	23.6	I
Balance Enquiry	48	22.6	II
Pass Book updating	42	19.8	III
Cheque / Demand draft	18	08.5	V
Investment (RD/FD)	02	01.0	VIII
Bill Payment	34	16.0	IV
Money transfer	10	04.7	VI
Repayment of Loan	08	03.8	VII
Opening of account	00	00.0	IX
Total multi responses	**212**	**100.0**	

Source: Survey data

It is evident from table 5, that 23.58 percent of multi choice responses, being the highest is for Withdrawal of Cash and it ranks I among all other Core Banking services. 22.64 percent of multi choice responses indicate the usage of Core Banking system for Balance enquiry, ranking second in the customers' choice, 19.8 percent of multi choice responses indicate the usage of Core Banking system for Pass Book updating, 16 percent for Bill payment and hence they got III and IV rank in customers' preferences as regards their usage. Only 4.7 percent of multi choice responses indicate that Core Banking System is used for Money transfer, 3.8 percent indicate its usage for Repayment of loans, 1 percent for investment purposes and hence they got the consecutive lower ranks by the customers. The study revealed that nobody is using Core Banking system for opening new accounts. Hence it is given the lowest rank. The discussions with the respondents revealed that, respondents are more worried about the safety of the transactions, and they expect transparency in price fixations and are worried about internet frauds. They restrict the usage of Core banking System mainly for three different purposes as shown in the above table. Those three services backed first three ranks in the above table.

Table 6: Multi-choice responses regarding Core Banking Channels considered comfortable for use by the respondents

Core banking Channels	Multi choice responses	Percentage	Rank
ATMs	50	34.7	I
Internet Banking	42	29.2	II
Mobile Banking	34	23.6	III
Telephone Banking	10	06.9	IV
PC Banking	08	05.6	V
Total multi responses	**144**	**100**	

Source: Survey data

From Table 6, it is clear that, multi choice responses for ATMs are highest, that is 34.7 percent. ATMs are commonly used by all the customers and hence it ranks I in their preference as regards their comfortable level in their usage. Internet banking ranks II in customers preference based upon their comfortable level and multi choice responses for internet banking is 29.2 percent. Mobile banking is also preferred by the customers and it ranks III place as regards their comfortable level in its usage and multi choice responses for Mobile banking is 23.6 percent. Multi choice responses for Telephone banking and PC banking are comparatively lower and they rank IV and V rank based upon the comfort ability level of customers in their usage.

Table 7: Multi-Choice responses for major challenges faced by the Respondents using Core Banking System

Sl. No.	Nature of challenge	Multi choice responses	Percentage	Rank
1	Limited scope for personal advice on banking transactions	08	03.6	VIII
2	No direct communication with the bank	18	08.0	VII
3	Problematic for transactions	22	09.8	VI
4	Fear about security of the transactions	34	15.2	III
5	Lack of knowledge about core banking transactions	44	19.6	I
6	Technical problems	36	16.1	II
7	Internet fraud	32	14.3	IV
8	Lack of transparency in levying bank charges	30	13.4	V
	Total multi responses	**224**	**100.0**	

Source: Survey data

Table 7 shows the list of major challenges faced by the respondents while using the present core Banking system and multi choice responses for these problems. Lack of knowledge about Core Banking transactions received highest multi choice responses and it is 19.6 percent. Technical problems in the system received 16.1 percent multi choice responses, Internet fraud accounted for 14.3 percent of multi choice responses, Lack of transparency in levying charges received 13.4 percent multi choice responses. Problems faced by the respondents are given Ranks based upon the multi choice responses received by them. It is evident from the table that many problems are inherent in the existing Core Banking system.

Testing of Hypotheses:

Hypothesis 1: Customers' challenges in the present Core Banking System.

Ho: Customers of Mangaluru city do not face any challenges while using the Core Banking System.

H1: Customers of Mangaluru city face many challenges while using Core banking system.

From table 7, it is very clear that Customers of Mangaluru city face many problems in the existing Core Banking System. Hence null hypothesis is rejected and alternative hypothesis is justified. We therefore conclude that Customers' of Mangaluru city face many challenges in the existing Core Banking System and they expect the authorities to make improvements in the system.

Table 8: Customers' consent level regarding some of the statements about Core Banking system

Sl.no.	Particulars	Total Number of Respondents	Weighted Sum	Average Level of consent	Rank
1	Core Banking reduces the waiting time for transactions	50	230	4.60	2
2	Core banking enhances the safety and	50	224	4.48	4

	efficiency of banking transactions compared to manual banking				
3	Installation of developed version of software will ensure more customer friendly services in Core Banking system.	50	227	4.54	3
4	Bio metric Core Banking channels like Bio metric ATMs will ensure more safety & transparency in Core Banking and prevent internet frauds	50	234	4.68	1
5	Old generation customers cannot adapt themselves to Core banking technology, as age is a limiting factor to learn technologies.	50	210	4.20	5

Source: Survey data

Table 8 shows that consent level of respondents for all the statements made regarding Core Banking system is more than Agree level which is denoted by 4 in Likert type scale questions. Average level of consent is very high for Bio metric Core Banking Channels. It denotes that Customers expect certain improvements in the existing system. They expect the installation of developed version of software by the bankers for Core Banking.

Testing of Hypotheses:

Hypothesis 2: Customers expect the installation of developed version of software for Core Banking.

H0: Customers of Mangalore city are fully satisfied with the existing Core Banking System and do not expect developed version of Core Banking system.

H1: Customers of Mangalore city are not fully satisfied and expect developed version of software for Core Banking system.

From table 8, it is very clear that customers are not fully satisfied with the existing core Banking System. Average level of consent of respondents for the installation of developed version of Software is more than Agree level, and is 4.54. Hence null hypothesis is rejected. We therefore conclude that Customers are demanding improvements in the existing Core Banking software.

Hypothesis 3: Customers' perceptions about Bio-metric Core Banking System.

1. Ho: Bio- metric Core banking system will not solve the major problems of existing Core banking system, particularly problems arising on account of illiteracy of Customers and other problems like safety of transactions and internet fraud.

H1: Bio- metric Core banking system will solve the major problems of existing Core Banking system, particularly problems arising on account of illiteracy of Customers and other problems like safety of transactions and internet fraud.

From table 8, it is evident that, respondents are strongly favoring the installation of Bio –metric Core Banking Channels like Bio-metric ATMs. Their Consent level is very high for Bio-metric Core Banking System and it is 4.68 and it ranks I place in their priority. Hence null hypothesis is rejected. We therefore conclude that Customers are demanding the installation of Bio-metric Core Banking channels like Bio-metric ATMs.

Summary of Findings:

1. Core Banking System is used by people engaged in different occupations irrespective of their educational qualifications, gender, and other demographic factors.
2. Majority of Customers of Mangaluru city use Core Banking System for withdrawal of cash, balance Enquiry, Pass book up dating, and for Bill payments. Use of Core Banking System by the customers for other purposes is limited.
3. Customers of Mangaluru city found ATMs as the most comfortable channel for obtaining core banking services. Internet banking ranks second place in their priority, followed by mobile banking. Other Core Banking channels are limited in use in the study area.
4. Customers' of Mangaluru city face many problems or challenges in the existing Core Banking system. The study revealed that they lack proper knowledge about Banking system, they are more worried about technical problems, safety of transactions and Internet fraud.
5. The study revealed that customers expect certain improvements in the existing Core Banking system. They are insisting for certain new core banking channels. Bio-metric ATMs are in more demand.

Suggestions:

1. Benefits of Core Banking System must be brought to the notice of customers by educating them about the system.
2. Unless the software is updated from time to time, fruits of Core Banking cannot be reaped by any of the stakeholders.
3. Seminars and Conferences of eminent bankers must be held from time to time to discuss about the latest requirements of customers.
4. Customers of today cannot imagine even the condition of standing in a long queue in a bank

counter for conducting banking transactions. Without updating technology Bankers cannot meet their requirements.

Conclusion:

Core Banking system was introduced 30 years back to make banking easier for the customers. No doubt Core Banking has brought many revolutionary changes in the banking system and has been playing a dominant role in the success of banking. It is found from the study that majority of customers lack proper knowledge of Core Banking system. Many customers think that E-banking and Core Banking are one and the same. But in actual practice, E-Banking is made possible on account of installation of Core Banking Solutions, a Computer Software by the bankers. There is a need to educate people so as to create more awareness about Core Banking System. In the technological era, if technology is not updated from time to time, it will adversely affect the interest of banking industry and the economy as well.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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