CORE BANKING SOLUTIONS,
COMFORT OR HURDLE TO CUSTOMER
(WITH SPECIAL REFERENCE TO SBI)

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ABSTRACT

Core Banking Solutions are at the stage of implementation in all the banks. Core banking is a system in which an account holder can operate his account from any branch of his bank which was previously not possible. In the present study about 100 respondents of different type of accounts, age group, income group and gender were considered and there satisfaction level has been checked. Different types of questions were asked from the customers based on services and according to there responses, it has been concluded that majority of the customer (i.e. 93%) are satisfied with the services provided by the banks as core banking solutions.
1. Introduction

In the early 80s bank introduced Automated Ledger Posting Machines which was the genesis for introducing automation in banks. During the mid 1980s, banks computerized their operations on stand-alone computers for catering to the needs of the customers and at the same time improve the efficiency in the functioning of the branch. Through introduction of such a system, banks could render a particular service only at specified counters in the branch. For example, transactions relating to savings bank account or term deposits can be put through only at specific computers. Even though this marked the beginning of automation, it did not meet the expectations of the demands of the customers. However the branch functioning improved noticeably and the employees were exposed to the use of computers. In order to improve the customer service further, banks adopted the concept of ‘single window’, which meant that the branches move over to a ‘client-server’ environment. This led to networking with in the branch and the branches were classified as ‘Totally Automated branch’ (TBA) or ‘Partially Automated Branch’ depending upon the extent of computerization of the various business areas of a branch functioning. A major thrust to networked computing came about with the entry of new private sector banks in the later part of 1990s, which were mandated by the RBI to be totally computerized and networked banks right from day one of their existence. These banks were able to offer anywhere / anytime banking and also offered multiple delivery channels in the form of ATM, Internet banking, Mobile banking etc thereby weaning away the clientele from the PSBs. Today, if banks want to survive in their business they need to cater to the demands of the customers who dictate to a great extent the service that banks are required to offer. Core Banking offers an ideal platform to meet the challenges in the financial industry. It is heartening to note that all banks, especially the PSBs, with their constraints and compulsions have been able to adapt to core banking technology smoothly.

Customer satisfaction is an abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviours such as return and recommend rate. The level of satisfaction can also vary depending on other factors the customer, such as other products against which the customer can compare the organization's products.

Customers make decisions about products and brands. Decision-making is a matching of customer’s cognitive evaluation of expectations with the likely performance from the product. To make it simpler, when a customer buys a product, he has certain expectation out of it. In his evaluation of alternatives in the market, he places a particular brand, let us say X, higher than other brand because he expects that brand X will give him more value compared to others in the market and the cost of ownership matches his choice. Then the customer is likely to use the product and compare the value expected from it and the amount delivered by the brand. If the performance of the product matches with the expectation, then the customer is satisfied; if it exceeds the expectation of the consumer, then the customer is delighted; if it falls below the expectation, then the customer is dissatisfied.
Understanding Core Banking Solutions

Core Banking Solutions is new jargon frequently used in banking circles. The advancement in technology especially internet and information technology has led to new way of doing business in banking. The technologies have cut down time, working simultaneously on different issues and increased efficiency.

The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, interest calculations on loans and deposits, customer records, balance of payments and withdrawal are done. This software is installed at different branches of bank and then interconnected by means of communication lines like telephones, satellite, internet etc. It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions. This new platform has changed the way banks are working. Now many advanced features like regulatory requirements and other specialized services like share (stock) trading are being provided. Core banking solutions are very helpful to SME industries.

Core Banking Solution (CBS) is networking of branches, which enables customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account. The customer is no more the customer of a Branch. He becomes the Bank’s Customer. Thus CBS is a step towards enhancing customer convenience through anywhere and anytime Banking.

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The reason for calling it Core Banking System, after deployment, is the hart or the Core of the Bank / financial institution. All entities that form part of the eco-system of the bank / financial institution interact with. The entities are;

- Bank employees head office, regional offices, branches etc…
- Bank Management: executives / managers at respective locations head office, regional offices branches etc…
- Bank customers: Personal banking, corporate banking international banking etc.
- Bank Auditors, internal and external auditors who need to verify systems and procedures.
- Bank Regulators: mandatory reporting to central bank and other financial bodies.
Bank share holders: providing the desired return to shareholders from banking operations.

Bank / financial institutions the Core Banking system must address the Core Business of deposits and loans and the same time, address the work place needs of all above entitles at their respective locations.

2. REVIEW OF LITERATURE -

Previous studies have identified the benefits that customer satisfaction delivers to an organization. The longer a customer stays with an organisation the more utility the customer generates. Reichheld et al, (1990). In businesses where the underlying products have become commodity-like, quality of service depends heavily on the quality of its personnel. This is well documented in a study by Leeds (1992), who documented that approximately 40 percent of customers switched banks because of what they considered to be poor service. Leeds further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank. The study also showed that increased use of service quality/sales and professional behaviours (such as formal greetings) improved customer satisfaction and reduced customer attrition. Reichheld (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere. However, keeping customers is also dependent on a number of other factors. Fornell (1992), in his study of Swedish consumers, notes that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles. Ioanna (2002) further proposed that service quality is an imperative element impacting customers’ satisfaction level in the banking industry. To compete successfully in today’s competitive marketplace, banks must focus on understanding the needs, attitudes, satisfactions and behavioural patterns of the market. Kaynak et al, (1992). Consumers evaluate a number of criteria when choosing a bank. Kucukemiroglu's (1992) study of the Hong Kong banking market discovered that customers choose their banks because of convenience, long association, recommendations of friends and relatives, and accessibility to credit. Abratt et. al, (1999) The key factors affecting customer’s intentions in staying with a bank include the range of services, rates, fees and price charged. Johnson et al (2008) concluded that the influence of various dissatisfaction such as inefficiency, chaos, incompetence and isolation on online banking customer satisfaction is mediated by consumer performance ambiguity and consumer trust in the technology. They leads to the relationship between service quality and satisfaction. Yang et al (2004) found that ease of use and usefulness are important factors in evaluating service quality. Szymanski et al, (2001). Some widely reported determinants of customer satisfaction include service quality, performance, desires, effect and equity. Hull,( 2002) The banking industry is a highly competitive industry worldwide.

OBJECTIVES OF STUDY-

Bank’s are the institution that works foe the profit by providing various services to its customers. These services can be classified as

- Cash and cheque deposits
- Withdrawals
Core banking is an facility provided by various banks, through which banks provides its service from its any branch or office to its customers. Objective behind the study is to find the customer’s satisfaction / comfort towards “core banking solution” with an special reference to State Bank of India & its subsidiaries.

3. RESEARCH METHODOLOGY

A. The Study- The study is primarily based on finding out of satisfaction level of customer of a bank after implementation of core banking facility. Whether this facility is a step forward towards the customer ease or a step towards bureaucratic banking system. This system has made banking easy and any where for the customer or not.

B. The Sample -The survey is conducted on 100 persons so as to get effective results. The survey was conducted in certain areas of Indore.

C. Tools for Data Collection and Analysis- The report is based on primary data only. Primary data was collected through the Questionnaire using telephone calls, e-mails and also personally interviewing the respondents. To understand the savings preference, bank preference, services taken, time period since becoming customer, and to identify the information source of customer satisfaction through core banking system, a questionnaire was designed and the respondents were asked to mark their preferences on a ranking scale.

The questionnaire also contains factors that affect the customer satisfaction. These factors are based on service experience of customer towards its bank. Also the customers were asked to rate their overall satisfaction on a 4 point scale ranging from Highly Satisfied (1) to dissatisfied (4). These factors are as follows-

SERVICE EXPERIENCE
1. Timeliness of service delivery
2. Sharing of status while work-in-progress
3. Behaviour and mannerism of staff
4. Level of congruence between time taken to deliver the services and stipulated time.
5. Level of service quality vis-à-vis expectation.
6. Level of need fulfilment vis-à-vis expected
7. Quality of complaint resolution
8. Overall satisfaction

D. Duration of Study- The survey is conducted for a period of three months starting from October 2010 to November 2010. The profile of the investors is given below

4. RESULTS & DISCUSSION-

From the data collected through primary source (questioner) we come to the results which are as follows-
a. **Timeliness of service delivery** - this factor defines the time taken by the banks in respect of providing core banking facility to the customer.

From the question asked by the customer about the timeliness we found that, 40% customers are highly satisfied, 22% customers are satisfied, 23% customers are moderate, 15% customers are dissatisfied.

![Timeliness of service delivery](image)

b. **Sharing of status while work-in-progress** - updating status of service to the customer is covered under this factor.

From the question asked by the customer about the timeliness we found that, 27% customers are highly satisfied, 20% customers are satisfied, 23% customers are moderate, 30% customers are dissatisfied.

![Sharing of status while work-in-progress](image)

c. **Behaviour and mannerism of staff** - In this we have tried to find that what are the changes of staff behaviour towards the customer.
From the question asked by the customer about the timeliness we found that, 30% customers are highly satisfied, 25% customers are satisfied, 24% customers are moderate, 21% customers are dissatisfied.

d. **Level of congruence between time taken to deliver the services and stipulated time** - the difference between the stipulated time and actual delivery time.

From the question asked by the customer about the timeliness we found that, 32% customers are highly satisfied, 27% customers are satisfied, 24% customers are moderate, 17% customers are dissatisfied.

e. **Level of service quality vis-à-vis expectation** - this factor covers the quality of service provided in respect to time taken by them.
From the question asked by the customer about the timeliness we found that, 38% customers are highly satisfied, 29% customers are satisfied, 17% customers are moderate, 16% customers are dissatisfied.

f. **Level of need fulfilment vis-à-vis expected** - the requirement of any service is arises due to need here we tried to find weather core banking services are taking care of needs of the customer or not.

From the question asked by the customer about the timeliness we found that, 32% customers are highly satisfied, 41% customers are satisfied, 22% customers are moderate, 5% customers are dissatisfied.

g. **Quality of complaint resolution** - quality means allot in the service sector. In Quality of complaint resolution we tried to find out the customer comfort towards the quality provided by the banks.
From the question asked by the customer about the timeliness we found that, 33% customers are highly satisfied, 40% customers are satisfied, 18% customers are moderate, 9% customers are dissatisfied.

h. **Overall satisfaction**- this factors deals in the overall satisfaction level of customer towards bank.

From the question asked by the customer about the timeliness we found that, 43% customers are highly satisfied, 32% customers are satisfied, 18% customers are moderate, 7% customers are dissatisfied.

5. **LIMITATIONS OF STUDY**-
   1. Sample size was limited to 100 only. The sample size may not represent whole market.
   2. The study has not been conducted over an extended period of time considering both market ups and downs. The market state has a significant influence on the satisfaction level of customers. The study cannot capture such situations.
   3. This study is limited to the customers of Indore only. Therefore the inferences cannot be generalized.
4. A few respondents were not able to understand some of the terms of the questionnaire which may affect the study to a little extent.

6. CONCLUSION

Cumulative chart of responses

The chart above shows the responses from the respondents.

By going through we can go to the conclusion that their 34.40% of customers are highly satisfied with Core banking facility provided by their banks and 29.50% of customers are satisfied by which we can say that 63.90% of customers come under the satisfaction area.

Moderate respondents are 21.10% who are neither satisfied nor dissatisfied and 15% of respondents are totally dissatisfied by the Core Banking facility provided by their banks.

Overall graph shows that 75% of the customers are satisfied with the services, behaviour and efficiency of the banks only 7% of the customers are dissatisfied. Hence we can conclude that after the introduction of the core banking solutions customer are satisfied because they are getting efficient and smooth services.

Core Banking Solutions reason for emergence

The need for such a solution does not arise just because of one reason or the other but it requires a combination of driving forces to come into existence. Some of these forces being-

- To meet the intense competition and changing market dynamics in an over banked environment.
- To meet the regulations and compliance requirements (example in order to meet the Basel II norms banks must enhance their IT infrastructure).
- To meet the demands of customers who are better informed, more demanding and less loyal than ever.
- To enhance efficiency and effectiveness.
- Increasing customer satisfaction and convenience
- Freeing up time for branch staff to focus on sales and marketing
The challenges that confront today’s banker are as intense as they are varied. And technology, the banker’s trusted friend in the past few decades, has lately become an obstacle in the quest for market leadership. Stakeholders’ expectations continue to be whetted by their positive experience in other industries like retail and travel, of how technology can make a difference. Satisfying such expectations requires that banks make their vital systems customer-centric, cross-channel capable, multilingual and process-oriented. Not doing so in the near term could prove to be a costly gamble.

7. SUGGESTION & RECOMMENDATIONS

Typically these systems are confined to a specific business department within the bank. They are not Core because they do not affect all areas and entities of the bank.

* Trade finance
* Treasure
* Credit Card
* Mutual Funds
* Stocks, Bonds
* External System
* Payment gateways
* SWIFT
* Shared ATM network
* World Wide credit card networks, maestro, electron etc
* World wide ATM networks plus, Cirrus etc and possibly other systems that the bank may want to deploy in specific departments.

The banks should adopt above facility by which they can attract the customers which are under dissatisfaction area. Banks should also provide the education to the customers who are not aware of core banking facility. Bank should also try to make them selves’ customer friendly by behavioural change in employees.
8. REFERENCES


