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## **CORE BANKING SYSTEM AND DEVIANCE**

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# Core Banking System and Deviance

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**Abstract – Core banking in simple terms, is a highly efficient "customer accounting" and transaction processing engine for high volumes of back office transactions. The purpose of a core banking system is thus to give banks the ability to process large transaction volumes in a fast and efficient way. This paper mainly focuses on aspects of core banking system.**

**Keywords: Core Banking, Transaction, Processing**

## INTRODUCTION

A core banking system [2] is a transaction processing engine with customer-level accounting and reporting of the deposit and loan products processed in the bank. Core banking also handles transactions such as interest and fee calculation, pre-processing for statement printing, end-of-day processing, and consolidation of daily individual transactions as "accounting entries" which are posted into the bank's GL system according to its chart of accounts structure for the daily trial balance sheet preparation.

The increasingly networked world is changing the boundaries of traditional industries. Forward-thinking companies are seeking competitive advantage with new approaches to their businesses. Banks are not immune to these changes and are rapidly evolving how they approach markets and customers and how they provide value and manage risk. To remain relevant and win against new, more nimble competitors, banks need to move to a more streamlined and agile operating environment. A significant barrier to addressing their current needs and future challenges is the inflexibility of their core banking systems, which cost banks in mature markets approximately US\$200 billion annually<sup>1</sup> while increasing operational complexity.

Banking system [3] occupies an important place in a nation's economy. It plays a vital role in accelerating the rate of economic growth by mobilizing the existing or potential savings and by making the disbursement of credit to commercial undertaking and priority areas.

Banking industry is marked by aggressive competition and ever changing customer demands. As a result, banks need to adopt themselves to the changing environment. It is essential for the banks to adopt appropriate various strategies to merge as the

preferred bank of customers. Timely introduction of various products to suit the diverse needs of customers is a functional necessity to the banks. Technology gives the cutting edge to come out with customer centric products and delivery channels in time.

## REVIEW OF LITERATURE:

Presently, the branches of banks are using software under distributed environment by having data servers at the branch itself. The branches are not able to give round the clock service to the customers as the branches are closed after the business hours. To limited extent some branch customers are serviced through ATMs based on the balances updated by the branches after the day end. This has necessitated the banks to go in for alternate technology Viz, the core Banking.

The implementation of core banking will facilitate to meeting the customers various needs, providing them the facilities they need at the right time, 24 hours a day and 7 days a week. Thus core Banking is an integrated application that supports real time multi-Banking and Multi-Channel strategies. In early days, all the banking activities were carried on by the bankers manually. It involves a lot of clerical work (i.e) paper work. All the transaction was recorded in the account books maintained by the bank for the purpose. The detail of every customer is recorded in those books and the bankers had to spend a lot time for verification of the customer's account. As a result, the customers had to wait for a long time. Thus it is a time consuming process.

Indian banking sector [5] has evolved significantly from the days of back office mechanization to today's online, centralized and incorporated solutions. Ten years ago, most of the advanced banks had branch automation software with 'online' passbook printing

amenities. At the branch level, banks were moving away from product-specific counters and trying any-counter service for all products. Most of the time, the biggest enticement for using technology was to improve internal housekeeping by virtue of automating interest applications, accruals, standing orders and processes. Many banks took the lead in branch computerization, but this competitive advantage was not significant since it did not have significant impact on customer service. Also, banks could really not use the infrastructure for introducing new products and services.

Then came the second wave of technology change in banking, when banks realized that they needed to move to centralized core banking solutions for offering services such as anywhere banking. This was a significant change from the Indian perspective, since centralized core banking solutions required banks to invest huge amounts of money towards building infrastructure. Once this infrastructure was in place, banks started venturing into newer opportunities in the area of ATMs, debit cards and internet banking, which in turn raised the expectations from core banking solutions. Additionally, banks started diversifying their product and service portfolios by offering mutual funds, insurance products and cash management services.

### **CORE BANKING:**

*CORE BANKING's* out-of-the-box system includes the entire suite of applications and modules to allow you to begin processing with the "base" system. Additional special service modules and interfaces can be purchased to extend functionality, but these add on address very specific needs, and are not required to allow you to perform your core processing functions.

CORE-BANK is an enterprise banking solution that enables Banks to provide full range of banking services and content to customers with different user profiles, efficiently and reliably. CORE-BANK features banking as main module but can also integrate to heterogeneous and independent additional subsystems such as Call Center (IVR and live agent), Distribution channels (SMS, e-mail, fax), Online Banking (E-BANK) and Mobile into a component solution based on uniform security infrastructure, common administration and shared access to Bank's core financial information systems. The solution offers complete set of banking functionality covering services for retail, private, small and medium businesses and corporate customers.

CORE-BANK offers flexible feature configuration policy. The Bank may select and configure any combination of features. Software Oriented Architecture (SOA), Open application framework and custom development options allow implementation of specific functional requirements. Every Core-bank deployment project targets best balance in functions, performance, stability, integration and usability, on the highest security level.

Core banking [4] is another way of saying the core functions of a bank. These functions represent the essential (core) business of banking. Because of the plethora of services banks now provide, it is easy to forget that the root of banking is accepting deposits and lending money. The definition of core banking may have been muddled by the emergence of packaged computer solutions which combine core banking functions with other elements of a bank's operations but at the most basic level core banking manages financial transactions and their impact on the accounts of its customers. To achieve this it is obviously necessary to hold details of the bank's customers (often called customer static data - their names and addresses, for example) or to link into another database that holds that data. Therefore a core banking system will often offer a basic customer database function, often referred to as a Customer Information File or CIF. Often, a core banking system will maintain linkages between accounts and customers. A banking system that holds a single instance of a customer's record and then relates all of that customer's accounts to that record is said to be 'customer centric'. By looking at the customer a banker will then be able to see all of that customer's accounts – which enable the bank to manage across the entire customer relationship (CRM or customer relationship management). A core system that holds a list of accounts without linking them back to a single instance of a customer is said to be 'account centric'. In this day of integrated banking services and cross-selling there is little scope for account centric systems, although these may exist in other, more specialized areas of the bank.

A core banking theory [6] will often provide other routine maintenance activities. Such necessary activities as opening and final accounts, calculating interest processing customers' standing orders, providing account statements and interfacing to outside systems for making and receiving payments are all considered to be part of the core business of banking and therefore the legitimate functions of a core banking system.

### **CONCLUSION:**

Core banking functions differ depending on the specific type of bank. Retail banking, for example, is geared towards individual customers; wholesale banking is business conducted between banks; and securities trading involves the buying and selling of stocks, shares and so on. In this paper we found that Core banking systems are often specialized for a particular type of banking. Products that are designed to deal with multiple types of core banking functions are sometimes referred to as universal banking systems.

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