

Impact of Core Banking Solutions in Public Sector Bank comparison with HDFC Bank.

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Abstract - A study has been analysed the "Impact of core banking solutions in public sector bank comparison with HDFC bank." There is no significant relationship between customers perception towards dimensions of service quality of core banking solutions offered by public sector and private banks. A method was used to random sample was conducted on 2 respondents selected from Bhagalpur district and the primary data was collected from 60 respondents (customers) of core banking solutions, public sector and HDFC banks selected from Bhagalpur district. In order to draw the conclusion, the primary data collected through interview schedule from the customers of core banking, public and sector banks comparison with HDFC bank and analysed with the help of statistical tools. The study reveals the respondents positively view about the core banking services offered by public and HDFC bank respondents positively view about the customers using selected channel of core banking services towards public bank and HDFC bank.

Keywords - Core banking system, P public sectors bank, HDFC bank and customers.

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INTRODUCTION

The banking industry is one of the essential sectors in the economy of the nation. This banking sector has undergone lot of changes due to technological revolution. One such significant change is implementation of core banking technology due to the arrival of internet in the banking industry. Core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform the functions of banking very effectively. Software application based platforms make core banking systems user-friendly and more efficient. It helps to cut down the operational costs considerably, ensuring lesser manpower and enables greater accountability of the customers. The benefits of core banking systems are multi-faceted keeping pace with fast-evolving market, simplifying banking processes and making it more convenient for the customers, and expanding the outreach of the banks to remote places. Further, it facilitates to provide number of innovative banking services through multiple channels such as online banking, mobile banking, telephone banking, integrated branch banking and ATM, etc. Since it is an important milestone of the banking industry and moreover it is a new phenomenon in the financial sector which leads to the growth of economy.

We understand that core banking refers to a centralized system established by a bank which allow the impediments of geo-specific transactions. In fact,

CORE is an acronym for Centralized Online Real-applications from centralized data centres.

Core Banking Solution (CBS)- Core Banking Solution (CBS) is centralized Banking Application software. It has several components which have been designed to meet the demands of the banking industry. Core Banking Solution is supported by advanced technology infrastructure. It has high standards of business functionality.

These factors provide the banks a competitive edge. it is rely on computer and Internet technology to deliver the kind of financial service experience. The core banking solution is the software used to the-scenes engine that processes customer data daily banking transactions, deposits, payments, loans, and posts updates to accounts and other financial records.

Core Banking describes the banking services provided by a group of networked bank branches. A branch in a Core Banking Solution environment is very different from a branch in a total branch automation system, as explained in detail earlier. Branches in a Core Banking Solution do not have independent operation in the sense that a copy of the application software or a copy of the data base of the customer is not separately available in the branch. Branches are connected to the central data centre, wherein there are separate servers housing the application software, data base as also antivirus

software. Users at the branch have to be created by the System Administrator at the central data centre after due authorisation by the Branch Manager. Even a Branch Manager will not be able to create his own user access rights as everything is centralised. At the Branch all operations that take place normally in a banking environment do take place; however, all master data are parameterised at the central office. Suppose fix diopside rates for various time periods, penalty, interest payable for premature closure, rates for different loans, interest rates applicable for staff members for loans and deposits, rates applicable to senior citizens etc., are to be decided centrally and parameterised at the central office. There is no possibility of any changes being made at the Branch as they have no rights to do so. There are certain account level parameters like preferential rates, addresses etc. can be controlled at branch level.

Core banking system- This system is the networking of different bank branches, with the help of which a customer can operate their accounts from any part of the world and avail banking services from any branch of the CBS network. This relies on the notion that the customer is not the customer of the branch, but of the bank.

- (a). **Internet Banking-** Internet banking implies a banking service that allows the customers to conduct the financial transactions electronically, with the use of internet. Internet banking is an electronic payment system, that allows the bank account holder to execute the monetary and action, such as bill payments, fund transfer, stop payment, balance enquiries, etc.
- (b). **Mobile Banking-** Mobile banking refers to an internet based facility provided by banks that enables the customers to execute bank transactions, via cellular devices. Mobile banking can be performed with the help of mobile telecommunication devices.
- (c). **Telephone Banking-** Telephone banking is a service provided by a bank or other financial institution that enables customers to perform a range of financial transactions over telephone without the need for a customer to visit a bank branch in person.
- (d). **ATM-** An automated teller machine is an electronic banking outlet for completing basic transactions without the aid of a branch representative or teller. A machine that processes current and savings account withdrawals and deposits, credit card, cash advances and some type of payments (bills).

Integrated Branch Banking- Branch banking is a system in which a bank delivers banking services through an extensive network of branch offices. Account-holders can choose a nearby branch to make deposits, withdrawals, and other services if a bank has

ten or more branches in a city. It makes banking more convenient by removing geographic boundaries.

Service Quality- Service quality is the customer judgment of overall excellence of the service or perceived.

Tangibility- It means physical appearance of the facility which includes materials, equipment and personnel. This enhances the image of the company and provides a more positive image in the way the customer perceives the service.

Reliability- This refers to service reliability which is different from product reliability and involves the service provider to be able to perform the services accurately and dependably. This means that the company fulfils its promises with regard to the delivery of the service, the price and solves.

Responsiveness- This refers to the readiness of the service provider to provide timely services to their customers. This includes paying attention to the customers and dealing with the implants and problems in a timely manner. Responsiveness is being flexible the service without delay.

Assurance- Assurance means the ability to deliver services at a professional level. This Having trust and confidence in the employee leads to the customer having more trust in the banking company itself.

Empathy- It means the ability to understand customer needs and to give personal attention.

This includes the ability to show the customer that the service provider cares about him/her because the bankers know how valuable he/she is to the business. It is being able to build a relationship with the customers, understanding their needs and providing them with personalized services.

Perception- It is mental process of becoming aware of or recognizing banking offers and transactions. They are primarily cognitive rather than affective or conative. Perception allows banking customer to take the sensory information and make it into something meaningful.

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. Core banking services will include maintaining transaction accounts, loans, mortgages, balance of withdrawal & payment, interest calculations on deposits & loans, credit processing capabilities, interfaces to general ledger systems, reporting tools, Credit card, Debit card, Electronic Clearing Service (ECS), National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Dematerialization etc. In this study core banking services consists of those banking services available

across multiple channels like automated teller machines, internet banking, mobile banking and integrated branches.

HDFC bank – HDFC was incorporated in August 1994 by Housing Development Finance Corporation Ltd. (HDFC), India premier housing finance company. It was among the first company to receive in the principal and to approval from the reserve bank of India (RBI) to set up a bank in the private sector. It is headquarter in Mumbai. The bank commenced its operation as a Scheduled Commercial Bank in January 1995 with the help of RBI liberalization policies.

In a milestone in the Indian banking industry times bank Ltd. (Promoted by Bennett Coloman & Co./ times group) was merged with HDFC Bank Ltd. In 2000. This was the first merger of two private banks in India. Then in 2008 HDFC Bank acquired Centurian Bank of Punjab taking its total branched to more than 1000.

HDFC bank has 1,412 branches and over 3,295 ATMs in 258 cities in India and all branches of the bank are linked on an on-line real time basis. As of the September 30,2008, the bank had total assets of INR 1006.83 billion. for the fiscal year 2008-2009. The bank has reported net profit of Rs. 2,244.90 Crores up 41%from the previous fiscal. A total annual earning of the bank increased by 58% reaching Rs. 19,622.80 Crore in 2008-2009 HDFC bank deals with keys business segment wholesale banking services, treasury. HDFC bank provides correspondent bank services to co-operative bank, private bank, foreign bank & RRB's bank can leverage HDFC bank branch network. Technology and product capability. It has a wide range of products engineered to suit the needs of the banking sector. This is backed up by a dedicated relationship management team and dedicated servicing department.

The concept of development banking originated during the post-Second World War period. Many countries of Europe were in the stage of industrial development and special financial institutions known as development banks were set up to foster industrial growth.

HYPOTHESIS

There is relationship between customers perception of core banking solutions offered to comparison with public sector and HDFC Bank.

METHODOLOGY

Primary data were collected from customers using selected channel of core banking services namely ATMs, Internet Banking, Mobile Banking, and integrated branch banking through a well-structured interview schedule prepared by the researcher in consultation with the experts in the field. The finalized

interview schedule was pre-tested as to its contents and wordings through a pilot study.

Sample size- the sample respondents for the study were drawn from the services from the selected public and HDFC sector banks in Bhagalpur district. The researcher adopted disproportionate stratified convenience sampling method to draw the sample respondents meant for the study. From each strata 60 sample respondents were selected which consists of core banking services and 2 public sector banks and 2 HDFC banks. On the whole, 80 respondents were selected as sample size. The pilot study was conducted on respondents selected from Bhagalpur district and the primary data was collected from respondents selected by using disproportionate stratified convenience sampling technique.

Hypothesis: There is relationship between customers perception of core banking solutions offered to comparison with public sector and HDFC Bank.

RESULTS

In order to test the hypothesis that there is no significant relationship between perception towards service and quality of core banking services offered by public sector and HDFC banks. The public sector banks and HDFC banks were taken and t ratio was computed and significant of the differences between Mean scores of CBS. The data has been compare between table-1 below:

Table-1

Comparison between customers perception to CBC public sector banks and HDFC banks to their relationship between customers perception of core banking solutions offered to comparison with public sector and HDFC Bank.

Banks	N	Mean	SD	t	Sig. Level
Public Sector	CBS			2.83	p<.01
	30	24.52	3.36		
HDFC	30	23.11	3.79		

It is evident from table-7(vii) that public sector banks and HDFC banks to their relationship between customers perception of core banking solutions offered to comparison with public sector and HDFC Bank. (t=2.83, df=58, p<.01). The results support hypothesis. The Mean scores public sector was 24.52, While the HDFC customers groups has found 23.00. So core banking solutions offered to comparison with both banking.

CONCLUSION

The banking industry is one of the essential sectors in the economy of the nation. This banking sector

has undergone lot of changes due to technological revolution. One such significant change is implementation of core banking technology due to the arrival of internet in the banking industry. Core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform the functions of banking very effectively. Software application based platforms make core banking systems user-friendly and more efficient. It helps to cut down the operational costs considerably, ensuring lesser manpower and enables greater accountability of the customers. The benefits of core banking systems are multi-faceted keeping pace with fast-evolving market, simplifying banking processes and making it more convenient for the customers, and expanding the out reach of the banks to remote places. Further, it facilitates to provide number of innovative banking services through multiple channels such as online banking, mobile banking, telephone banking, integrated branch banking and ATM, etc. Since it is an important milestone of the banking industry and moreover it is a new phenomenon in the financial sector which leads to the growth of economy. Hence the researcher has chosen the core banking, public sector and HDFC Banks in Bhagalpur District. In order to draw the conclusion, the primary data collected through interview schedule from the customers of core banking, public sector and HDFC sector banks and analyzed with the help of statistical tools. The study reveals the respondents positively view about the core banking services offered by both public and respondents positively view about the core banking services offered by core banking, public sector and HDFC banks.

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