

# Core Banking System & Solutions

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By

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# Unit 1 Core Banking System and Solutions

## B. A. IInd year ( 3<sup>rd</sup> Semester)

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- Points to be covered.....
  1. System of CORE Banking in India.
  2. History, Meaning.
  3. Objectives and Need.
  4. Features of CORE Banking.
  5. Advantages to customers and Bank

# CORE Banking System and Solutions

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- Full Form - **Centralized Online Real-Time Environment.**
- The customers can experience the bank as a single entity, regardless of their location with the aim to provide more independence for the customers in terms of using their accounts and conducting transactions from any location in the world.

# History of CORE Banking

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- Core banking system developed in the 1960s and 1970s provided basic functionality for processing core banking transactions.
- The system introduced in 1980.
- Primarily product centric and developed in silos, with limited extensibility.
- In 1990s, Core banking system was introduced with more open, flexible and customer-centric.

# History... ..

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- The major objective of bank automation are better customer service, flowless book keeping and prompt decision-making that leads to improved productivity and profitability.
- The concept of bank automation started in 1981, but it was during the period 1984-87 banks in India Started the branch level automation making use of the then available MS-DOS based stand alone computers.
- This initiative was taken by the banks on the basis of "First Rangarajan Committee Report" on bank computerisation submitted in 1984.

# History... ..

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- Advanced Ledger Posting Machines (ALPMS) were in fashion in those days.
- After entering private sector banks in India, during 1994-1996, anywhere and anytime banking facilities were started to its customers.
- In 2988, the Deputy Govenor of RBI, Dr. C. Rangarajan implemented the concept of core banking with the help of Total Branch Automation Package that ran on a LAN or UNIX operating systems.

# Meaning

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- Core banking is a back-end system that connects multiple branches of the same bank together to deliver operations like loan management, withdrawals, deposits and payments of real-time.
- Core banking is a centralised system or a network made by a bank and its branches. It allows the customers to access their bank accounts to manage and perform basic transactions from any branch of the bank where they hold an account.
- Core banking is accounts management back end and front end process.

# Objectives

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- Primary objective is to improve the customers experience.
- Provide convenient banking to its customers anytime anywhere.
- To make informed decisions with facts and figures.



# Need of Core Banking

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- The need of core banking is significant because it can satisfy the needs of the market and customers.
- It is needed as it can improve and simplify the process of banking and provide convenience to customers and banks.
- It can help in expanding the banking facilities to the remote and rural areas of this country.

# Features of Core Banking

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- Processing and recording deposits of money and withdrawals of cash.
- Calculates loan interest.
- Processes loans.
- Helps in opening new accounts in the bank.
- Cheque and payments clearance.
- Manages customers information.
- Banking analytics and
- Availability of mobile banking, internet banking.

# Benefits/ Advantages of Core Banking

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- Quicker Services at banks for transactions.
- Banking can be accessed from anywhere thus eliminating branch banking.
- Provision of 24×7 banking services.
- Quicker processing of payments through internet banking and mobile banking.
- All branches access application from central servers. Therefore, deposits made in any branch is shown immediately, and the customer can withdraw money from any branch throughout the country.

# Advantages... ..

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- Banks can retain customers through better service.
- Accuracy in transactional minimisation of errors for banks.
- Efficiency of operations.
- Enhanced Security.
- Better integration and access for customers.
- Cost-effective banking operations.
- Improve management and documentation of records.
- Easier to submit various reports to the government and to the RBI and
- It provides convenience in opening accounts, processing cash, calculating interest and in implementing changes.

# Disadvantages/Limitations of Core Banking

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- High initial investment cost.
- Technical and cyber security risks.
- Dependence on technology for connectivity
- Constant updation to technological advancements.

# Components of the Core Banking System in India

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- The key components in the Core Banking System are.....
  1. Accounts Management component- Responsible for the opening-closing and maintaining of customer accounts.
  2. Deposit Management Component- Responsible for the management of all types of deposit accounts offered by the banks.
  3. Loan Management Component- Responsible for the Management of all types of loans offered by the banks.

# Components... . . . .

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4. Customers Relationship Management Component- Responsible for the management of all the customer related information.
5. General ledger Management Component- Responsible for managing the financial transactions of the bank and it's reconciliation.
6. The payment and settlement system Component- Responsible for managing all payments and settlements routed through the bank and received by the banks.
7. Risk Management Component- Responsible for managing the overall risk exposure of the bank.
8. ATM Management Component- Responsible for managing the ATM network of the bank and it's Security-related issues.

**Thank you**