

Core Banking Solutions and Reformation of Banking Sector- A Study Based upon the Perceptions of Bank Employees of Dakshina Kannada District

Malathy.K.

Assistant Professor, Dept. of Commerce,
G.F.G.C. Haleyangadi
&Research Scholar,
Department of commerce
Mangalore University, Mangalagangothri

Dr. Subhashinisrivatsa

Associate Professor, Dept. of Commerce
University College, Mangaluru.
(A Constituent College of Mangalore University)

Introduction

We are living in a world of great uncertainty. Scientific and technological innovations are creating uncertainty and bringing about unforeseen changes in every segment of the economy, significantly in the banking sector. Banking Industry being highly influenced by digital transformation, is trying to embrace new technologies to manage the risk created by digital economy. Up-skilling of existing banking staff has become an absolute necessity on the part of bankers. According to KPMG's recent Global CEO survey report, 99 percent of CEOs were taking actions to develop existing or future talent. 50 percent of CEOs reported that there is some level of skill gap emerging in their business on account technological transformation. Technology is expected to revolutionise the entire banking practices in the 21st century. Technology will have a great impact on bank workforce, while it may not lead to reduction in workforce, but staff performance will undoubtedly enhanced by supporting technology. Core Banking Solutions and its innovative customized products are instrumental for bringing massive changes in the banking sector. Customised products of CBS have created unprecedented opportunities to change and improve banking services. People are using Core Banking channels regularly, due to which their bank visits, have been reduced drastically. More over approximately 50% of Indian population represents youngsters and hence their behaviours and preferences will have a deep impact on the future of banking industry in the 21st century. The era of rethinking and reformation of banking sector has been already started and receiving greater momentum in recent times. Fire of innovation is being fuelled by Core Banking Solutions.

Objectives of Study:

To study how and to what extent Core Banking Solutions have contributed to rethinking and reformation of banking sector in 21st century in Dakshina Kannada District.

To study the challenges faced by the bankers in 21st century due to transformation brought about by CBS

To identify the most customised innovative products of CBS Era in Dakshina Kannada District

To analyse the parameter that how CBS products are perceived as profitable by the bank customers and employee category.

Significance of Study:

The survival and prosperity of banks in 21st century depends upon how do they respond to the transformation taking place in the banking field.

For this they need to rethink, redesign and reform their strategies. This study focuses mainly on Core Banking Solutions and its implications on bank customers and employees in the 21st century, which is more relevant considering the momentum that CBS is providing to the banking sector at present.

Literature Review:

·Philip Strahan (2008) in his article on “Liquidity Production in 21st century Banking” opined that in 21st century, banks' deposits are less important, but funding liquidity from lines of credit and loan commitments have become more important. According to him banks dominate in producing funding liquidity when compared to many other institutions because of their comparative advantage in managing funding liquidity risk due to their access to government guaranteed deposits and central bank-liquidity.

·Dr. A .Jayakumar, G. Anbalagan (2014) in their research article on the topic “Banking In 21st Century: Challenges of Innovative Banking Technology of the Banking Industry – Modern Approach” explained the various services provided through advanced Core Banking techniques like Magnetic Ink Characters Recognition, Any Time Banking, Electronic Fund Transfer, Debit and Credit cards, Smart cards etc. Their study was mainly aimed at understanding the network system nature of smart cards and challenges of smart cards as a system innovation in the banking industry.

·Dr. Jitendra K. Sharma (2017) in his research paper on the topic “A Study on Innovation in Banking and its Impact on Customer Satisfaction” attempted to compare the impact of innovative technology on customers satisfaction of public and private sector banks in Bhopal city and found that private sector banks have an edge in terms of success in innovation when compared to public sector banks.

·David T. Llewellyn(2018) in his article on “Banking in the 21st Century: The Transformation of an Industry” opined that banks will retain their powerful core competencies in 21st Century. But they may be required to radically review, rethink and reform the businesses before they get into them. How core competencies can be exploited for their competitive advantage will depend upon the tactics adopted by them for restructuring of banking firms.

Several research studies were undertaken by eminent scholars about innovations in the field of banking in 21st century and its impact on bank employees and customers. But no research work is undertaken regarding the role of CBS in rethinking and reformation of banking sector 21st century. Hence this study is undertaken by considering the opinions and perceptions of 100 bank employees of

Dakshina Kannada District.

Research Methodology:

The study is both empirical and descriptive in nature. 100 Bank employees of Dakshina Kannada District are surveyed with the help of a questionnaire to collect primary data. Convenience sampling method is used for selecting the employees. Both public sector and private sector bank employees have been considered for the purpose of study. Secondary data is incorporated from working papers, newspapers, journals and internet.

Hypotheses:

Literacy level, Education and awareness of the respondents in Dakshina Kannada District does not have any bearing on CBS Contribution towards rethinking and reformation of banking sector

There is no significant degree of relationship between gender of the respondents and their perception regarding contribution of CBS towards reformation of banking sector in 21st century.

There is no significant relationship between public sector and private sector bank employees and their opinion regarding the contributions of CBS in bringing out rethinking and transformation in banking sector.

There is no significant degree of differences between male and female employees as regards their understanding towards profitability of CBS to customers and bankers.

Limitations of Study:

Employees were asked to give general opinions regarding various aspects of CBS and its impact on their working style, on bank profitability and about the changes noticed by them in the preferences, likes, dislikes and attitudes of the customers. Detailed study on this topic can be undertaken by including specific questions on market trends, technology infrastructure design and about the recent developments taking place in the field of banking.

Data Analysis:

Data collected by conducting a survey among 100 bank employees of Dakshina Kannada District is analysed by using statistical tools to derive meaningful information. SPSS (20 version) is used for statistical purpose. To know the opinions and perceptions of bank employees about the impact of Core Banking Solutions on Rethinking and Reformation of banking sector, 5-point Likert type scale questions were included in the questionnaire. Statistical tools like percentage analysis, Mean, Standard deviation, % Mean, Chi square tests and ANOVA are used for the purpose of interpretation of results.

Table 1: Demographic profile of Respondents

Demographic factors	Classification	Number of Respondents	Percent
Gender	Male	56	56
	Female	44	44
Age group	20 to 30 years	22	22
	30 to 40 years	48	48
	40 to 50 years	19	19
	50 years to 60 years	11	11
Designation of respondents in banks	Clerk/ Office Assistant	30	30
	Officers	54	54
	Assistant General Manager	08	08
	Manager	08	08
Years of experience	Less than 5 years	10	10
	5 -10 years	30	30
	10 – 15 years	35	35
	15 and above	25	25
Number of hours respondents work on computer	Less than 5 hours per day	04	04
	5 – 8 hours per day	80	80
	More than 8 hours per day	16	16
Type of Bank where serving	Public sector bank	58	58
	Private sector bank	42	42

Source: Primary data

Table 1 reveals that both male and female employees of both public sector and private sector Banks have been surveyed and male employees form 56 percent of total respondents. 58 percent of respondents are working in public sector banks. 48 percent of respondents belong to the age group of 30 to 40 years. 54 percent of respondents are officers. 35 percent of respondents have 10 to 15 years of work experience. And 80 percent of respondents work on computer for 5 to 8 hours per day. 16 percent of respondents

work on computer for more than 8 hours per day. It means that Banking operations are fully computerised and manual entry system is vanished from the banking floor after the adoption of CBS.

Table 2: Distribution of respondents on the basis of their perception regarding the contribution of CBS towards Rethinking and Reformation of Banking sector in 21st century

Perception of respondents regarding contribution of CBS towards rethinking & reformation of banking sector in 21 st century	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	Mean/SD	%Mean
	00 (0%)	00 (0%)	00 (0%)	68 (68%)	32 (32%)	4.32±.46883	86.4%

Source: primary data

Table 2 clearly reveals that, none of the respondents disagree or strongly disagree, 68 percent of respondents agree and 32 percent of respondents strongly agree that CBS has contributed to the Rethinking and Reformation of Banking sector in 21st century. The percentage mean shows

that 86.4% (4.32±.46883 Mean and Standard Deviation) respondents strongly opine that CBS is responsible for Rethinking and Reformation of Banking sector in 21st century.

Table 3: Perceptions of respondents about factors leading to Rethinking & Reformation of Banking sector in 21st century brought about by CBS

Sl No	Statements	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	Mean/SD	%Mean
1	Literacy level, education and awareness level of customers have a bearing on the contribution of CBS in rethinking & reformation banking sector in 21 st century	00 (0%)	00 (0%)	08 (8%)	75 (75%)	17 (17%)	4.09±.49431	81.8%

2	Long queues of customers in the bank counters for dealing with the Banks are not found	00 (0%)	00 (0%)	11 (11%)	68 (68 %)	21 (21%)	4.1±.55958	82%
3	Generic customer services offered by the bank employees are no longer preferred.	00 (0%)	00 (0%)	00 (0%)	87 (87%)	13 (13%)	4.13±.33800	82.6%
4	Customers are less willing to take the advice of the bankers for secondary products like mortgages and investments, instead they prefer to research themselves.	00	00	05	45	50	4.45±.59246	89%
5	Customers expect a more tailored and personalised experience, when they rarely need to contact their banks in person at branches	00 (0%)	00 (0%)	00 (0%)	13 (13%)	87 (87%)	4.87±.33800	97.4%
6	Because of cyber security issues, keeping financial information safe has become a biggest challenge for both bankers and customers	00 (0%)	00 (0%)	03 (03%)	27 (27%)	70 (70%)	4.67±.53286	93.4%
7	Banks make huge investment on data protection.	00 (0%)	00 (0%)	00 (0%)	37 (37%)	63 (63%)	4.63±.48524	92.6%
8	Information technology is playing a dominant role in Banking	00 (0%)	00 (0%)	00 (0%)	5 (5%)	95 (95%)	4.95±.21904	99%
9	Globalisation has opened up the banking horizon very wide, leading to severe competition among domestic and foreign banks.	00 (0%)	00 (0%)	00 (0%)	79 (79%)	21 (21%)	4.21±.40936	84.2%

10	Many new players with strong muscle powers are entering into Indian banking Industry with their own innovative products	00 (0%)	00 (0%)	00 (0%)	02 (2%)	98 (98%)	4.98±.14071	99.6%
11	Because of complete automation, banks are giving preference to domain experts and technology specialists in their recruitment	00 (0%)	00 (0%)	00 (0%)	14 (14%)	86 (86%)	4.86±.34874	97.2%
12	Employees without technical knowledge are already trained or are being trained.	00 (0%)	00 (0%)	00 (0%)	16 (16%)	84 (84%)	4.84±.36845	96.8%
13	Employees sitting with large bound ledger books in Banks are out of scene now.	00 (0%)	00 (0%)	00 (0%)	2 (2%)	98 (98%)	4.98±.14071	99.6%
14	Complexities of banking have risen, there is a paradigm shift from “conventional banking” to “convenience banking”, and from “mass banking” to “class banking.”	00 (0%)	00 (0%)	00 (0%)	30 (30%)	70 (70%)	4.70±.46057	94%
15	Submission of MIS reports to the top management and various other reports to the RBI, other regulators and Government is done online to ensure efficiency and to reduce the cost of operations.	00 (0%)	00 (0%)	00 (0%)	11 (11%)	89 (89%)	4.89±.31447	97.8%

16	Banks recruit more number of officers with high computer and technical knowledge & less number of clerks at banks as CBS has reduced clerical works	00 (0%)	00 (0%)	00 (0%)	18 (18%)	85 (85%)	4.82±.38612	96.4%
17	Adoption of CBS is profitable to both bankers as well as customers	00 (0%)	00 (0%)	00 (0%)	20 (20%)	80 (80%)	4.8±.40402	96%

Testing of Hypothesis:

Literacy level, Education and awareness of the respondents in Dakshina Kannada District does not have any bearing on the amount of CBS Contribution towards rethinking and reformation of banking sector

From table 3, it is very clear that, 8 percent of respondents neither agree nor disagree, 75 percent of respondents agree 17 percent of respondents strongly agree and none of the respondents disagree and strongly disagree that Literacy level, education and awareness level of customers have a bearing on the contribution of CBS in rethinking & reformation of banking sector in 21st century. The percentage mean shows that 81.8% (Mean and Standard Deviation 4.09±.49431) respondents strongly opine, that Literacy level, education and awareness level of customers have a bearing on the contribution of CBS in rethinking & reformation banking sector in 21st century as it falls in

the category of 81% to 100%.

Hence null hypothesis is rejected and alternative hypothesis is justified. We therefore conclude that Literacy level, Education and awareness of the respondents in Dakshina Kannada District have an impact on the amount of CBS Contribution towards rethinking and reformation of banking sector.

Table 3 reveals Mean, Standard deviation and Percentage mean calculated on the perceptions of respondents on various factors leading to Rethinking & Reformation of Banking sector in 21st century. Percentage mean on each factor falls in the category of 81% to 100% which clearly shows that respondents strongly opine that CBS is responsible for Rethinking & Reformation of Banking sector in 21st century. Mean and Standard deviation presented in table 2 on various factors also justify the same.

Table 4: Gender-wise Opinion of respondents regarding the contribution of CBS towards rethinking and Reformation Banking sector in 21st century

Gender	Opinions of respondents regarding the contribution of CBS toward rethinking and Reformation Banking sector in 21st century			Pearson Chi- square value
	Neither agree nor disagree	Agree	Strongly agree	
Male	00	24	32	36.975
Female	00	44	00	

Source: Primary data

Testing of Hypothesis:

There is no significant degree of relationship between gender of the respondents and their perception regarding contribution of CBS towards rethinking and reformation of banking sector in 21st century.

Table 4 reveals that the calculated value of chi square is 36.975 which is greater than the table value, that is 13.816 in the 0.001 level of significance in the chi-square table, so we reject null hypothesis and accept the alternative hypothesis. Table 4 also reveals that, majority (32) male respondents and no (0) female respondents strongly agree,

while only 24 male respondents, but all 44 female respondents agree that Core Banking Solutions contribute towards rethinking and reformation of banking sector in 21st century. Male respondents strongly agree, while female students just agree that Core Banking solutions play an important role in the reformation of banking sector. We therefore conclude that there is no significant difference in the opinion of male and female respondents regarding the role of Core Banking Solutions in the reformation of banking sector.

Table 5: Perceptions of public sector and private sector bank employees regarding the contributions of CBS in bringing out rethinking and transformation in banking sector

Type of Bank	Opinions of respondents regarding the contribution of CBS toward rethinking and Reformation Banking sector in 21st century			Pearson Chi- square value
	Neither agree nor disagree	Agree	Strongly agree	
Public sector	00	26	32	34.077
Private sector	00	42	00	

Source: Primary data

Testing of Hypothesis:

There is no significant relationship between public sector and private sector bank employees and their opinion regarding the contributions of CBS in bringing out rethinking and transformation in banking sector.

Table 5 reveals that the calculated value of chi square is 34.077 which is greater than the table value, that is 13.816 in the 0.001 level of significance in the chi-square table. So, we reject null hypothesis and accept the alternative hypothesis. Table 5 also reveals that, majority (32) respondents of public sector banks strongly agree and 26

respondents agree that CBS is responsible for bringing out rethinking and transformation in banking sector. But all respondents (100%) of private sector banks agree that Core Banking Solutions contribute towards rethinking and reformation of banking sector in 21st century. Respondents of public sector banks strongly agree, while respondents of private sector banks just agree that Core Banking solutions play an important role in the reformation of banking sector. We therefore conclude that there is significant difference in the opinion of public and private sector respondents regarding the role of Core Banking Solutions in the reformation of banking sector.

Table 6.1: Gender-wise Opinion of respondents regarding their understanding towards profitability of CBS to customers and bankers

Gender	Opinions of respondents regarding their understanding towards profitability of CBS to customers and bankers.			Pearson Chi- square value
	Neither agree nor disagree	Agree	Strongly agree	
Male	00	20	36	19.643
Female	00	00	44	

Source: Primary data

Table 6.2: Gender wise opinion of respondents regarding their understanding towards profitability of CBS to customers and bankers.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.143	1	3.143	23.956	.000
Within Groups	12.857	98	.131		
Total	16.000	99			

Source : Primary data

Testing of Hypothesis:

There is no significant degree of differences between male and female employees as regards their understanding towards profitability of CBS to customers and bankers.

From table 6.1 it is clear that calculated value of chi square is 19.643 which is greater than the table value, that is 13.816 in the 0.001 level of significance in the chi-square table, so we reject null hypothesis and accept the alternative

hypothesis.

From table number 6.2, it is very clear that The Sig. value in this study is 0.00. This value is less than .05. Because of this, we may conclude that null hypothesis stating that there is a statistically no significant difference between male and female employees as regards their understanding towards profitability of CBS to customers and bankers is rejected. ANOVA (0.005) shows that there is relationship

and significant degree of differences between male and female employees as regards their understanding towards profitability of CBS to customers and bankers.

Findings:

- Banking operations are fully computerised and manual entry system is vanished from the banking floor after the adoption of CBS
- The percentage mean shows that 86.4% (4.32 ± 4.6883 Mean and Standard Deviation) of respondents strongly opine that CBS is responsible for Rethinking and Reformation of Banking sector in 21st century.
- Percentage mean on each factor leading to Rethinking & Reformation of Banking sector in 21st century falls in the category of 81% to 100% which clearly shows that respondents strongly opine that CBS is responsible for Rethinking & Reformation of Banking sector in 21st century.
- Literacy level, Education and awareness of the respondents in Dakshina Kannada District have a bearing on the amount of CBS Contribution towards rethinking and reformation of banking sector
- There is a significant degree of relationship between gender of the respondents and their perception regarding contribution of CBS towards rethinking and reformation of banking sector in 21st century.
- There is a significant relationship between public sector and private sector bank employees and their opinion regarding the contributions of CBS in bringing out rethinking and transformation in banking sector
- There is relationship and significant degree of differences between male and female employees as regards their understanding towards profitability of CBS to customers and bankers.

Suggestions:

- There is a need to create more awareness among customers, particularly among illiterate customers of rural areas regarding the usage of CBS channels.
- It is found from the study that, among various Core Banking channels, ATMs alone are most commonly preferred and used by the customers. There is a need to create more awareness about other channels like, Internet Banking, Mobile Banking, UPI etc.
- Rethinking and reformation of banking sector should be in line with the requirements of customers. Unless customers accept the changes positively, bankers rethinking strategy would be a big failure.

Conclusion:

CBS is instrumental for changing the banking industry by contributing to digitalisation of banking sector. Banks which support innovation and adoption of new technologies have unprecedented opportunities to change and improve their financial services. Restructuring the business model, Design thinking, making the customers focal point of the decision making process would bring novel approach to the creation of financial products and services of tomorrow.

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