

# Provision of CBS plus Services in STCCS

## Opportunities and Issues from Supply and Demand Sides



Centre for Research on Financial Inclusion and Microfinance (CRFIM)  
**Bankers Institute of Rural Development (BIRD)**  
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## Foreword

The report on “*Provision of Core Banking Solution (CBS) Plus Services in STCCS - Opportunities and Issues from Supply and Demand Sides*” is based on sample survey conducted in 41 branches of 13 banks (9 District Central Cooperative Banks and 4 State Cooperative Banks) operating in six states i.e. Assam, Gujarat, Himachal Pradesh, Odisha, Telangana and Uttar Pradesh. The report provides a professional documentation of primary/secondary data collected on the status of CBS implementation in cooperative banks, issues being faced by banks as also the impact of computerization on the operation of banks.

The study has been conducted by Dr. Gyanendra Rout, Assistant General Manager and Dr. Yogesh Bandhu Arya, Research Officer, Centre for Research on Financial Inclusion and Microfinance (CRFIM), Bankers Institute of Rural Development (BIRD) Lucknow. We acknowledge their effort and record our appreciation for the efforts put by them.

This work has been guided and supervised by the then Director Dr. D.V. Deshpande, Shri Raj Kumar, Joint Director, Dr. Dharendra Kumar and Shri M.R. Gopal, both DGM / Faculty Member and In-charge, CRFIM without whose painstaking efforts, this work could not have been completed.

Shri Ramesh Chandra Rath, DGM / Faculty Member, BIRD has reviewed the report and his valuable suggestions have helped in bringing the report in present form. We record our appreciation for his contribution in this work.

We thank Micro Credit Innovations Department (MCID), Department of Financial Inclusion and Banking Technology (DFIBT) and Department of Economic Analysis and Research (DEAR) National Bank for Agriculture and Rural Development (NABARD), Head Office, Mumbai for their guidance.

We acknowledge cooperation and support received from the officials of NABARD, Regional Offices in Assam, Gujarat, Himachal Pradesh, Odisha, Telangana and Uttar Pradesh, as also DDMs of districts covered under the study, and thank them all.

We also acknowledge cooperation and support received from the officials of State Cooperative Banks of Assam, Gujarat, Himachal Pradesh, Odisha, Telangana and Uttar Pradesh, and the officials of District Central Cooperative Banks covered under the study in these states.

We wish to thank the employees of banks and customers who interacted with the study team during the field visit for their whole hearted support and providing necessary information to the team.

Suggestions and feedback on this report are welcome.

**Smt. T.S. Raji Gain**

Director

12 October 2018

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## Executive Summary

NABARD has facilitated the process of bringing the rural Co-operative Banks on Core Banking Solution (CBS) platform which is one of the biggest initiatives towards institution building. Core Banking Solution (CBS) in common parlance is computerisation of operation of banks, which enables customers to operate their accounts and avail banking services from any branch of the Bank on CBS network. A total of 201 State Cooperative Banks and District Central Co-operative Banks with 6,953 branches from 16 states & 03 UTs are on CBS with the support of NABARD. Besides, other cooperative banks in the country also have migrated to CBS platform either by their own or with the support of other agencies.

This study “Provision of CBS Plus Services in STCCS - Opportunities and Issues from Supply and Demand Sides” has been conducted in six states covering a sample of 198 customers, 139 employees, 41 branches, 29 PACS from 13 cooperative banks (including 4 State Cooperative Banks) in Assam, Gujarat, Himachal Pradesh, Odisha, Telangana and Uttar Pradesh. The main objective of the study is to assess the impact of CBS implementation and to explore opportunities and examine issues relating to technology banking in cooperative banks.

Out of the 13 cooperative banks covered under the study, 11 reported that they have managed to adapt to CBS environment, despite many problems. 7 banks have Internet banking and Mobile Banking facility. 7 banks reported network and connectivity problems. 12 banks have reported over dependence on outside service providers. 7 banks have reported lack of IT knowledge among the staff. 4 banks have reported that customers of cooperative bank being rural based are not using CBS/CBS Plus services as intended.

Out of the 139 employees surveyed in the study, 54% have got training on CBS software, 13% have got training on CBS hardware, 9% have knowledge of networking and 13% have knowledge of data handling.

Out of the 198 customers surveyed in the study, 63% have Debit Card or KCC, 39% have used RTGS/ NEFT services, 13% have Mobile Banking facility and 1% have online/ Internet banking access. Out of the card holding sample customers 42% use their cards regularly (reasons for not using the card are non-working of ATM, perceived insecurity in computerised transaction and lack of awareness about how to use the card) and 51% have experience of using POS machine at some point of time. A majority of customers (95%) find that number and quality of banking services have increased due to CBS implementation.

Out of 29 PACS, none was found to be fully integrated with the CBS of cooperative banks. Data migration have been completed in 9 PACS of which 4 PACS are linked to the

CBS platform. Most of societies are struggling with lack of computerisation skill, exposure and capacity building of their staff members.

The average level of deposits and loans of all the sample banks has been higher by 32% and 31% respectively during post CBS period. All the 13 sample banks have continued to maintain profits in both pre and post CBS period. However, the average level of profit during post CBS period has increased in case of 7 banks and decreased in case of 6 banks.

There has been varying trend across banks regarding the impact of CBS on their financial performance with a positive orientation. Further, interaction with bank staff, brought out that due to CBS implementation, the cooperative banks could retain their customers and business, which may be taken as a positive impact of CBS for cooperative banks.

Despite various constraints expressed by banks in implementation of CBS, the cooperative banks in general are of the opinion that quality of banking business has improved, reconciliation/reports/returns submission has become easier, work process has been simplified, delivery time has been reduced, accuracy has been improved, trust of customers has increased and transparency level has improved due to CBS implementation in cooperative banks.

Hence we may conclude that *CBS implementation had a positive impact on some parameters of financial performance of sample banks*. There are some sample banks who have realised better financial outcomes due to CBS implementation. Indeed, it is derived that due to CBS implementation the cooperative banks could retain their customers/business sense.

Different banks are following different models for integration of PACS with CBS system. However, progress of PACS integration with CBS of cooperative banks has been very slow across States. A time bound action plan needs to be prepared and executed by the respective banks to complete the process of PACS integration with the CBS system for better integration of all the tiers of cooperative banking in the light of recent Government of India initiative, as announced by the Hon'ble Union Finance Minister in his budget speech 2018.