



Core Banking at Deccan



Several larger cooperative banks are going in for core banking. Smaller banks face the issue of cost benefit justification.

One pioneer in this regard is Mumbai based Deccan Mercants Coop Bank which has only 9 branches. It is boldly going ahead with core banking.

Is there something that other smaller banks can learn from this bank?

Manoj Agrawal gives the details:

IN 1914, several merchants got together and set up the Deccan Merchants Association in Girgaum, Mumbai. In 1917, these same merchants set up Deccan Mercants Bank. K.D. More has been chairman for the last 5 years.

The bank has a wide variety of customers, but most of them are from the middle class. The bank gives loans ranging from Rs. 1000 upto Rs. 2 crores. It offers 16 types of loans including housing loans, personal loans, business loans, rickshaw loans, etc. The share capital of the bank is Rs. 3.78 crore. It has deposits of Rs. 153 crore and loans of Rs. 89 crore. The average number of monthly transactions across all the branches of the bank is over 200,000.

Members are also from various businesses - vegetable, gold, etc. The bank has more of savings accounts compared to current accounts. The branches of the bank are spread over southern Mumbai, western, central and harbour suburbs.

Computerization

Computerization in the bank started with a DOS based package from Trilogy. When Trilogy went out of business, this was replaced with a package from MGA. Then the MGA owner died and package support stopped. Then the bank selected a package from Infracsoft. After implementing in two branches, the bank decided to go for a Windows based package, and selected Zenith Infotech as its vendor. Before this could be rolled out further, core banking started becoming fashionable in cooperative banks. So the bank put a stop to further rollout of existing packages and instead started searching for a suitable core banking package.

12 packages were selected for study, of which 5 were shortlisted. Technology was the main criterion, especially a web based interface, so that the package would have a life of at least 10 years. Cost was a secondary criterion. Finally, Datamate from



Pune based NextStep was selected. As of now data conversion is in progress. Initially the branches at Dadar and Girgaum will be converted to core banking.

The database for the core banking package will be Oracle 10g and the operating system will be Windows. The bank has plans to set up a data center for the project and is searching for a suitable location in Mumbai.

Apart from core banking, the bank plans to also put up ATMs, internet banking, kiosks, etc. The bank has applied to RBI for permission to set up these alternate channels.

About 2 ½ years ago the bank started searching for a core banking package. It took about a year to evaluate. Simultaneously, the bank also tried to rope in some other banks to jointly do core banking. But this did not work out for several reasons. First was that the other banks did not have the same level of IT skills. Secondly, the banks had different requirements. Thirdly, Deccan was in a hurry and wanted to do this project faster, while others had planned a more leisurely pace.

Why Core Banking

As for the business reason for going in for core banking, More said, "We have observed that banks like ICICI Bank, HDFC Bank, etc are enabling their customers to transfer funds from one branch to another in minutes, using core banking technology. We too want to offer our customers similar facilities. We also want to attract the younger generation who is interested in banking facilities like ATMs, cards, etc. Hence we have decided to go in for core banking." This statement truly represents the challenges facing the cooperative banking sector.

In terms of benefits, More expects that business will grow as the bank offers better services. He also expects the bank to attract better customers.

The bank has budgeted Rs. 2.5 crore for core banking. Of this, over Rs. 70 lakh has already been spent.

Earlier the IT team was located at the Girgaum office. This made it inconvenient to provide IT service to the branches located in distant places like Dahisar, Navi Mumbai etc. Hence the IT team has shifted to the Dadar office. Dadar is a convenient railway junction for reaching any part of Mumbai and its suburbs. This shift has enabled the IT department to provide faster service to the branches. This is something that every cooperative bank should consider. The IT department needs to balance service to the branches and close liaisoning with the management.

Supporting Core Banking

The networking vendor has not been chosen, but considering that the bank is based in Mumbai and Navi Mumbai, MTNL is the likely choice. Mangesh Amale, Manager - IT, said that the network would be based on leased lines, with ISDN for back up. The bigger

branches would get 128 kbps bandwidth.

The bank has two consultants, Abhijit Gaikwad for technology and S.B. Adsul for business. The core banking project team comprises of 6 people, three from technology and three from business.

During the floods, some of the branches were affected and some of the stationery and papers were damaged. To prevent such losses in the future, Mangesh said that the bank would go in for a document management system once the core banking project was over, so that important documents such as loan papers would be saved in digital format.

The concurrent audit is outsourced. A couple of years ago the bank had an IS audit done by Sysman Computers.

People Development

As a part of its objective to strengthen human resources, this year the bank has instituted best branch awards. The first prize went to the Borivali branch. The Ghatkopar (W) branch came second and the Dahisar branch came third. The winners are given a cash award and a trophy.

The bank regularly sends its staff to training programs organized by VAMNICOM and similar institutes. The directors attend seminars and conferences. The entire staff has been trained on Windows and MS Office by CMS Institute.

Branch managers are authorized to sanction loans up to Rs. 2 lakh. The papers come for scrutiny later on to the board.

The bank has 31,000 members, over 1.5 lakh customers and 135 permanent staff. The bank also employs temporary staff for customer service, recovery, etc. Considering the need to control costs, the bank has stopped recruiting new people. There have been no fresh recruitments in the last 5 years.

Other Developments

Considering that banks have been targeted by thieves, the bank has tightened up its security. Only ex-military persons are hired as guards. Even the branch staff has been trained. And the people who have the keys to the branch and the locker are given first class railway pass and taxi allowances, so that they can avoid crowds.

A few months ago, the bank tied up with HDFC Bank for RTGS transactions. Once the bank has implemented core banking, it might go for an independent connection. The bank is also setting up its website www.deccanbank.com which is expected to be ready shortly.

With regards to further business development, More said: "To grow our non-interest income, we are planning to sell insurance, mutual funds, etc. We are talking to several companies in this regard, to understand their products and identify what would be most suitable for our customers." ❖

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