



# URBAN COOPERATIVE BANKS ADOPTING CORE BANKING ON CLOUD

ASSISTING URBAN COOPERATIVE BANKS WITH THEIR FIRST STEP IN DIGITAL JOURNEY

## CBS for UCB

### IFTAS

India's financial services sector has undergone a metamorphosis over the last couple of decades. Technology played a key role in this and timely adoption of the right technology has allowed a sizeable number of Banks to automate manual operations, reduce costs and minimize errors. Technology has paved way for innovative services and products which are delivered via variety of channels to the end customer. This has allowed institutions to increase their reach multi fold and customer bases have been growing exponentially.

While "Go Digital" is the Mantra, much of the technical advances have so far alluded the Urban Cooperative Banks who are struggling on this transformation journey due to lack of scale, limited discretionary budgets and lack of technology knowledge.

IFTAS, a section 8 (non-profit) company, setup by IDRBT ([www.idrbt.ac.in](http://www.idrbt.ac.in)), is at the forefront of this socio-economic transformation and chosen by Central Regulator to assist Urban Cooperative Banks in this transformation journey. The first step in this direction was to move away from Branch/ Manual Banking to Centralized Banking.

IFTAS provides "Core Banking on Cloud" as a tailored offering to cater to this specific segment. This SaaS service is hosted on IFTAS's Indian Banking Community Cloud (IBCC) - first of its kind cloud dedicated for banking and financial services industry.

### Urban Cooperative Banks (UCB's)

Urban Cooperative Banks were set up with the objective of promoting sustainable banking practices amongst a relatively specific target clientele viz., the middle-income strata of the urban population. While the larger Banks as well as large sized UCB's adopted technology early, a large set of UCB's were not able to keep pace with technological trends and continued to run their operations in the old-fashioned way – leading to multiple challenges such as:

- ▶ Customer attrition due to severe competition in the market
- ▶ High Operational Costs
- ▶ Extremely High turnaround time on critical market needs
- ▶ Non-compliance with respect to constantly evolving Statutory and Regulatory environment
- ▶ Limited discretionary budgets and lack of technology skills for taking up any transformation initiatives



## Indian Financial Technology & Allied Services

[WWW.IFTAS.IN](http://WWW.IFTAS.IN)

### An Initiative

Reserve Bank of India (RBI) acknowledged this gap in 2016 and devise a scheme to provide financial assistance to such UCB's in moving onto a Core Banking Solution (CBS) - first step in their digital journey.

RBI had a deep understanding of the UCB operations and realized that critical success factors (CSF) for this program were:

- ▶ Robust CBS Solution catering to the specific needs of this segment.
- ▶ Offsite/ASP model for reduced operational cost (TCO).
- ▶ Technology partner & Solution needs to exude trust factor to motivate & effectively engage these UCB's.

Consequently, RBI recommended UCBs to adopt CBS as a service on IDRBT/IFTAS cloud.

# Implementation

## IFTAS Solution

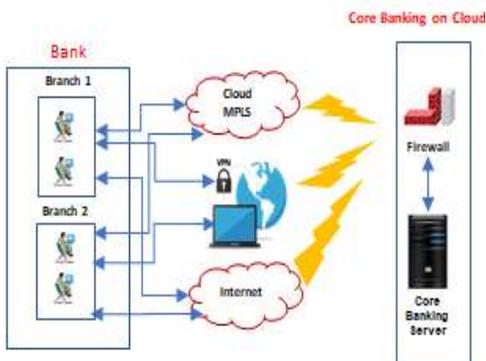
One of its kind, IFTAS' Core Banking on Cloud provided a tailor-made low-cost solution to the UCB's in question. The solution armed the UCB's with a huge feature list out of the box and additionally provided them a glimpse of all that can be achieved in future as part of their digital journey.

The solution included a Security Component installed on User Desktops; Security Component installed on IFTAS Cloud; Core Banking service component hosted on IFTAS cloud that provides backbone of the solution. The Security components at both User desktop and IFTAS Cloud level allows the communication to happen securely over internet with bandwidth as low as 128 Kbps.

IFTAS Core Banking on Cloud solution can also be accessed via IFTAS MPLS Cloud or IFTAS VPN.

## Architecture

Multi-tier architecture based on MS .NET technology stack, secured by add-on security modules and hosted on one of the most secured and unique Indian Banking Community Cloud.



## Impact

Within 18 months of RBI initiating the scheme, IFTAS has been able to successfully onboard 15 UCB's on its Core Banking on Cloud solution.

What was considered to belong to exclusive group of large banks, is now proved to be possible for small banks such as UCB's also. That too, with a very low capex and fraction of Opex. Icing on the cake is that the solution is on Cloud! The Bank does not need to worry about day to day technology operation of such a complex system including security aspect. The complete 24x7 technology operations and support is taken care of by IFTAS's highly talented team.



UCB's onboarded on IFTAS's solution are spread across 6 States and some are even located in the remotest parts of their respective states. IFTAS ensured timely availability of local teams with good experience to proactively eliminate challenges linked to language etc.

On IFTAS' cloud, the UCB's are now able to avail multiple benefits:

- Enterprise Banking Solution allowing them to provide full range of banking services to its customers.
- System driven book balancing and EOD allowing them to Offer Banking services for extended hours
- Rich in Functionality and adhering to Standard Banking Practices
- Statutory and Regulatory requirements met out of the box

In this program IFTAS played an advisory role and worked with the UCB's to overcome the initial challenges with respect to product adoption. Positive feedback from UCB's who have been using our Solution for more than a year now is a testimony to this fact.

In addition to putting the CBS to best possible use, most of the onboarded UCB's are now looking at IFTAS for next set of innovative solutions to propel them forward on their Digital Journey.

## Challenges

Key challenges encountered during this implementation were:

- Lack of Standard Banking Practices with each UCB keen on retaining their current practices as is.

*IFTAS leveraged its deep domain acumen and advised UCB's on such matters. Also proposed alternate solutions, wherever applicable, without compromising on regulatory compliance.*

- Multiple legacy software's having different platforms and databases resulting in migration challenges

*IFTAS leveraged its technical expertise to source data from existing system. For manual UCB's or the ones where data could not be extracted, specific templates were designed to source data from UCB's.*

- Wide geographical spread and Regional language barriers. *IFTAS ensured timely availability of local teams with good experience to proactively eliminate such challenges*

- Lack of technology expertise at UCB's side *IFTAS acted as technology partner to overcome this challenge.*

- Initial Reluctance or Inertia to move over to Cloud Based Core Banking System *IFTAS constantly worked with UCB's and engaged in multiple refresher trainings followed by handholding sessions.*