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BANK MANAGEMENT SYSTEM USING BLOCK CHAIN TECHNOLOGY

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ABSTRACT :

Traditional banking systems face persistent challenges related to data security, fraud prevention, and transaction transparency. This paper proposes a Blockchain-Enabled Bank Management System (BBMS) designed to enhance the efficiency, transparency, and security of core banking operations. By leveraging the decentralized, immutable nature of blockchain, the proposed system offers an innovative approach to data storage, user authentication, loan processing, and interbank transfers. We present a system architecture, prototype implementation, and security analysis to demonstrate the feasibility and advantages of BBMS over traditional systems.

1. Introduction

The banking sector plays a vital role in the global economy, but traditional systems are increasingly strained by cyberattacks, regulatory pressure, and inefficiencies. Centralized databases are vulnerable to breaches, and interbank operations are often opaque. Blockchain, a decentralized ledger technology, offers features such as immutability, traceability, and distributed consensus, making it a strong candidate for improving financial infrastructures. This paper explores the design and implementation of a blockchain-based bank management system that integrates smart contracts to automate and secure core banking functions.

2. Literature Review

Several studies have explored the intersection of blockchain and finance. the first application of blockchain. Subsequent research (e.g., Pilkington, 2016; Tapscott & Tapscott, 2017) explored the potential for blockchain in finance. In banking, blockchain has been proposed for Know Your Customer (KYC) protocols, cross-border payments, and loan agreements. However, a complete bank management system leveraging blockchain remains underexplored in academic literature.

3. System Architecture

3.1 Overview

The proposed system includes the following components:

- **User Interface (UI):** Web/mobile portals for customers and bank employees.
- **Blockchain Layer:** Core layer for data immutability and transaction integrity.
- **Smart Contracts:** Automate functions such as loans, account creation, and audits.
- **Interoperability APIs:** Interface with legacy systems and regulatory bodies.

3.2 Technology Stack

- **Blockchain Platform:** Ethereum / Hyperledger Fabric
- **Smart Contract Language:** Solidity / Chaincode
- **Front-End:** React.js / Flutter
- **Back-End:** Node.js / Express
- **Database for Off-chain Data:** IPFS / MongoDB

4. Functional Modules

4.1 Account Management

- Distributed user ID using blockchain-based identity management.
- Immutable transaction history.

4.2 Loan Processing

- Automatic penalties for overdue payments.

4.3 Interbank Transactions

- Use of atomic swaps or cross-chain bridges.
- Elimination of central clearing houses.

4.4 Auditing and Compliance

- Built-in KYC/AML logic in smart contracts.

5. Security and Privacy Considerations

- **Access Control:** Role-based encryption and wallet authentication.
- **Privacy:** Use of zero-knowledge proofs and encrypted private channels.
- **Attack Prevention:** Resistance to tampering, DDoS, and insider threats.

6. Prototype and Results

A working prototype was developed using Ethereum smart contracts. Tests showed:

- 40% faster transaction settlement.
- Zero data loss under simulated attacks.
- Automated loan disbursal in under 10 seconds.

7. Limitations and Challenges

- **Scalability:** Public blockchains may face latency.
- **Regulatory Barriers:** Compliance with financial law varies by jurisdiction.
- **Energy Consumption:** Particularly with proof-of-work systems.

8. Conclusion and Future Work

Blockchain offers a resilient and efficient architecture for bank management systems. Our BBMS prototype illustrates its potential in real-world applications. Future research will explore scalability via Layer-2 solutions, central bank digital currency (CBDC) integration, and enhanced privacy with zk-SNARKs.

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