'BFSI sector to invest $3.5 bn in IT by 2010'

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Banks and Financial institutions in India are expected to invest more than $2 billion (Rs 8,200 crore) by December end to upgrade their information technology (IT) infrastructure, an 18 per cent increase over last year's spend of $1.7 billion.

By 2010, this figure is expected to touch around $3.5 billion, according to a just-released Skoch Consultancy report.

The areas that will see investment include customer relationship management (CRM), human resources management (HRM), business intelligence (BI) and data mining, states the report.

The spend on core banking software packages, on the other hand, registered a slower growth in the last financial year.

It grew less than 10 per cent while still accounting for more than 50 per cent of the packaged software spending of $263 million (around Rs 1,080 crore) in 2006-07. The seriousness that banks have shown in enhancing their IT infrastructure can be seen from the fact that, while they spent about $1,764 million (around Rs 7,230 crore) in 2006, an estimated $2,078 million (Rs 8,600 crore) is expected to be spent by December 2007, a growth of 18 per cent.

Out of the total spend, about $863 million was spent on hardware, $263 million on packaged software and $820 million on services.

According to Sameer Kochhar, CEO of Skoch consultancy: "With enhanced mergers and acquisitions, middleware that is crucial to make heterogeneous systems in the banks work together will become a growth driver in addition to security, mobility and non-core banking applications like CRM. We expect that by 2010 the investments in the areas of IT, IT applications and services could be crossing $3.5 billion in market size."

Further, as banks and financial institutions try to reach rural areas, they will have to depend heavily on partners as correspondents or facilitators, states the report.

Micro-credit institutions and non banking financial companies (NBFC) are expected to see a high degree of IT spending not just for automation but also to cut down transaction costs for taking financial services to the hinterland.