

Banks to invest \$2 bn in IT this year

Investments in tech upgradation to cross \$3.5 bn by 2010

Mahalakshmi Hariharan & Priti Bajaj
Mumbai/New Delhi

Indian banks and financial institutions are expected to invest more than \$2 billion this year as a part of their technology upgradation plans.

"We expect investments in IT application and services to cross \$3.5 billion by 2010," said Sameer Kochhar, CEO of Skoch Financial Consultancy, Technologies. He said, as compared to traditional core banking software, areas like customer relationship management (CRM), human resources management (HRM), business intelligence and data mining kind of

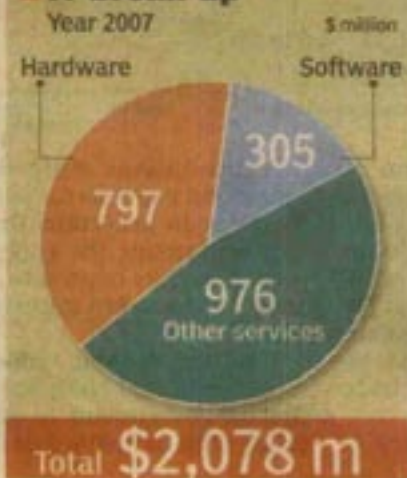
applications and services were showing a higher growth rate.

"With most core-banking packages offering similar functionality, one of the reasons for higher growth rate in applications like CRM, HRM, business intelligence and data mining is that they are now considered critical for cross selling, avoiding customer churn and differentiating brand and product offerings," Kochhar added.

"Technology is developing a vital place in today's banking. At least 80% of the business processes depend on IT. We'll see more investments from banks on this front," said Kapil Jain, vice-president, HP services, HP India.

However, while Indian banks will invest heavily in the IT sector, they still seem reluctant to embrace the latest technology. "Indian banks are still lagging behind in terms of technology. Core bank-

IT break-up



ing has still not grown well within them," said Anil K Khandelwal, chairman and managing director of Bank of Baroda.

"Although Indian banks say they are well-versed with core

Core thrust

As compared to traditional core banking software, customer relationship management, human resources management, business intelligence and data mining showing a higher growth

While Indian banks will invest heavily in the IT sector, they are still reluctant to embrace the latest technology

banking systems, in actual terms, we still have a long way to go to compete with their global peers. They need to get into automated processes and change their working style in order to reduce their cost of operations and increase profits," he added.

Bankers bet that core banking systems would help banks manage their daily transactions, which

would help them attract more customers. While, they feel core banking is a must, it is necessary to educate the customers and employees. "Education is the key. We have decided to train all employees and our customers on technology and related issues. This will also help frequent interaction of the IT departments with other departments. Technology needs to be exploited in a big way," said M S Sundararajan, CMD of Indian Bank.

While private sector banks and foreign banks are in a better position in comparison to public sector banks in terms of technology adaptation, Sundararajan points out that public sector banks, as a whole are concentrated in rural areas where there are network and connectivity issues. "Collecting MIS from every branch is a painful procedure. Moreover, collecting accurate data is even more difficult," he said.