



From left to right : Neeraj Swaroop, CEO, Standard Chartered Bank, Ranjit Pandit, MD, General Atlantic, Prof Kumar Parakala, global head, sourcing, KPMG and Neil Isford, VP, Worldwide Information Management, IBM Inc.

From left to right : VK Ramani, ED, technology and business process, Axis Bank, Shailesh Dudani, business head, BFSI, Tata Teleservices Ltd, Akhilesh Tuteja, COO, IT Advisory Services, KPMG, Shymal Ghosh, chairman, Data Security Council of India, B Sambamurthy, director, Institute for Development & Research in Banking Technology and Anil Jaggia, CIO, HDFC Bank Ltd

Teching Banking Forward

AT a time when financial institutions all over the world are rethinking their business strategies in the aftermath of the global crisis, the one thing that has not taken a backseat is technology upgrade. On the contrary, the crisis has pushed banks to go ahead with technology to improve risk management, bring about cost efficiency and also create new markets by reaching out to the unbanked. This was evident at The Economic Times Banking Technology Conclave 2009, where top-ranking officials from banking, IT and consultancy sectors assembled to discuss the evolving scenario and the way ahead for the industry. The mega-congregation was supported by corporates associated with the sector – KPMG, Standard Chartered Bank, IBM, Allied Digital, NABARD, Times of Money and Tata Teleservices.

Opening the discussion at the conference, Neeraj Swaroop, CEO, Standard Chartered Bank, said, "The financial sector in the world has just been through – or is going through, as it is not completely over yet – a fairly traumatic experience. During this period, the sector has also gone through an accelerated learning process. We are now more cognizant of the need for better risk management and cost management. The crisis has enabled us to refocus on all pillars of what makes a good business, and not just the front-end." Terming the events in the last 18 months as a blip, he noted that in India particularly, the fundamental premise on which businesses are built – that there is an increasing opportunity to provide banking services to an increasing set of clients – has remained the same. He expressed hope that banks would continue to grow their top-line at an average rate of over 20% during the next decade.

Touching upon lessons from the downturn, Mr Swaroop observed that banks in India, till around a year ago, never thought liquidity could go out of the system, but for 30 days last September, there was no inter-bank liquidity. "For the first time in India, banks scrambled to make sure that they remained liquid," he recounted, adding that such events point to the need for becoming savvier at managing such risks. He said that going forward, there would be a greater need to align systems for regulatory compliance. "For banks now, it is primarily about getting back to growth, but with a greater consciousness of the regulatory framework and continuing emphasis on inclusiveness," he noted.

Mr Swaroop's address was followed by the release of The Economic Times – KPMG survey on 'IT Current Status: Overview of IT Trends in Indian Banking Sector'. Elaborating on the highlights of the study, Kumar Parakala, global head, sourcing, KPMG said, "We surveyed 15 leading banks. The research shows that cost optimisation is high priority and several banks are looking at their IT systems and applications consolidation and rationalisation, as well as strategic outsourcing. Also, technology for enhancing risk management and regulatory compliance is on the radar."



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NEERAJ SWAROOP, CEO, STANDARD CHARTERED BANK.

At a panel discussion on 'Value drivers for IT investment management in the light of the changed economic and financial scenario', Mr Swaroop and Mr Parakala were joined by General Atlantic managing director Ranjit Pandit and IBM's Neil Isford, vice-president, worldwide information management, to discuss the role of IT in banking services, post the financial crisis. On being asked whether banks – globally as well as in India – had slowed down their IT spends in response to the crisis, Mr Isford replied, "We clearly do see, as you'd expect, banking clients being much more careful about how they spend and really scrutinising the existing assets. But we also see continued investments in technology in markets like India and China and also across the world," said Mr Isford.

Noting that cost optimisation and control had become the top priority for any global bank, Mr Parakala said, "Indian banks have taken a bolder approach towards investing in technology compared to a conservative approach before. In India, technology adoption will continue to increase."

"In India, we are seeing that the demand for services of IT outsourcing companies is unrelenting. Also, what we see in terms of outreach is a tremendous push into serving the under-privileged sections, like in villages. This apart, banks are tending to focus on their core operations rather than trying to do a full suite of things and keeping it in-house. This creates a lot of opportunities for technology vendors and service providers," added Mr Pandit.

that is scalable and can reach out to different markets, which are at different levels of maturity," he explained.

Elaborating on the changes that the banking sector prompted by the aftermath of the financial crisis, A Rajan, group head, operations, HDFC Bank noted, "Every turmoil is followed by some action and this crisis will stimulate more control. We also need to learn lessons from it. Going forward, we have to look at technology for risk management," said.

Giving his perspective on technology's role in securing various channels used by bank customers, Sunil Bhatt, CTO, Allied Digital, said, "In today's scenario, where different service channels like Internet banking, mobile banking and ATM are available, managing security risk is becoming very important. Banks have recognised the need to put in efforts to take care of customers' information." Added Bishwaroop Ghosh, head, strategic alliances, TimesofMoney, "Adoption of technology with a clear understanding of what business tools I am going to apply to the technology is important in ensuring a relatively risk-free environment."

When outsourcing technology-related services to specialised firms, monitoring becomes a critical aspect and the panel dwelled on this issue at length. "The level of diligence that needs to be maintained is not dramatically different for outsourced and in-house technology," pointed out Pravir Vohra, executive director and group chief tech-

nology officer, ICICI Bank, adding that Indian banks were more secure than banks overseas. Recounting his bank's experience, Mr Rajan said, "We are passionate about outsourcing non-core activities. We follow it up with monitoring how secure it is. We have spent money on technology prudently and have succeeded in managing quite a bit of risk."

Next session – moderated by Akhilesh Tuteja, COO, IT Advisory Services, KPMG – focussing on the importance of ensuring data privacy served as a platform for experts from banking and IT to air their views on the subject. Giving a background of privacy laws in India, Shymal Ghosh, chairman, Data Security Council of India, the organisation assigned the task of self-regulation, said, "Perception of privacy differs from country to country. There is a challenge for India as to how you perceive privacy. There is no separate law/regulation in India on privacy at the moment; the IT (Amendment) Act 2008, section 43(A), is yet to be operationalised. It is in this context that the initiative of self-regulation came in."

Elaborating on the issue, the two bankers on the panel – HDFC Bank CIO Anil Jaggia and Axis Bank

executive director VK Ramani – spoke about the concerns faced by banks and measures taken to address the same. "A lot of information on customers is available and how to ensure this is not misused is the biggest challenge. Therefore, we are tackling these issues at the highest level," Mr Ramani asserted.

"Protecting data is imperative for us. We ensure that data is not allowed to leave the bank's premises without proper authentication. Also, we keep educating and re-educating our employees on protecting information pertaining to customers," Mr Jaggia said.

Shailesh Dudani, business head, BFSI, Tata Teleservices was of the opinion that the building block in data privacy starts with people, and then processes; network and adoption of technology play a critical role in determining how strong the organisation is against misuse of data. B Sambamurthy, director, Institute for Development and Research in Banking Technology (IDRBT) stressed on the need to raise awareness about identity thefts, while listing hacking, insider negligence and malicious employees as three of the factors responsible for such incidents. "Banks need to address these issues," he said.

An initiative by:



From left to right : Amita Sharma, joint secretary, ministry of rural development, Deepali Pant Joshi, CGM, RBI, George Cherian, banking editor, ET NOW and UC Sarangi, chairman, NABARD

Reaching Out To The Bottom Of The Pyramid

AT a time when gigantic global corporations were dwarfed by the unprecedented financial crisis, Indian companies – retail, banking and insurance alike – started recognising the potential of rural India. However, a lot of work remains to be done on this front, which calls for involvement from individuals, corporates and administrators, along with effective use of technology.

These issues came up for discussion at a key session on financial inclusion at the ET Banking Technology Summit. Amita Sharma, joint secretary, ministry of rural development and Umesh Chandra Sarangi, chairman, NABARD and Deepali Pant Joshi, chief general manager, Reserve Bank of India, shared the dais to highlight, among other things, role that technology is capable of playing in bridging the gap between banks and the unbanked population in the country.

Though having a bank account in itself does not mean financial inclusion, it is good beginning nevertheless, said Ms Pant Joshi, while pointing out that many co-operative banks and regional rural banks had not yet implemented core banking solutions in totality. "Till we leverage technology to the optimum level, we cannot reach the unbanked sections in the country," she added.

Technology plays a key role in sustaining the entire framework of National Rural Employment Guarantee Act (NREGA), which guarantees a minimum level of income for poor households, thus reducing their dependence on loans from money lenders. The wages are transferred to post office and bank accounts, with the help of a hand-held device. "If the system collapses and the money transfer gets delayed, they will be forced to go back to the money lenders. That is why we are looking at technology to ensure that the transfer takes place within 15 days," said Ms Sharma.

Mr Sarangi stressed on the need for reducing the distance between a branch and the customers. "This is not possible without the right tools. Technology can come to our aid in reaching the unreached – those who stay far away from the branches as well as those who are too poor to afford banking services. Now is the time to make the effort," he said.

Continuing with this line of thought, at the concluding session of the conference, Nachiket Mor, president, ICICI Foundation for Inclusive Growth, made a presentation on how technology could become an enabler for financial inclusion.

GURU



SPEAK



NACHIKET MOR, PRESIDENT, ICICI FOUNDATION FOR INCLUSIVE GROWTH

The key problem banks face today is that of establishing customers' identity. Signature is not a perfect identification tool and hence, a lot of paraphernalia is needed to support you. Biometrics, with fingerprints, is certainly a more secure route.



UMESH CHANDRA SARANGI, CHAIRMAN, NABARD

Technology can come to our aid in reaching the unreached – those who stay far away from the branches as well as those who are too poor to afford banking services.



KUMAR PARAKALA, GLOBAL HEAD, SOURCING, KPMG

Indian banks have taken a bolder approach towards investing in technology compared to a conservative approach before. In India, technology adoption will continue to increase.



NEIL ISFORD, VICE-PRESIDENT, WORLDWIDE INFORMATION MANAGEMENT, IBM INC

While we have seen banking clients being much more careful about how they spend, we have also seen continued investments in technology in markets across the world.



SHAILESH DUDANI, BUSINESS HEAD, BFSI, TATA TELESERVICES

The building block in data privacy starts with people, and then processes; network and adoption of technology play a critical role in determining how strong the organisation is against misuse of data.



SUNIL BHATT, CTO, ALLIED DIGITAL

Managing security risk is becoming very important - you have to take care of your customers' information.

150 years in India

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