"Banking Business Unit – Challenges and Achievements"
Girish G. Vaidya,
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P. R. Ganapathy: Welcome back, ladies and gentlemen. The next and last presentation for the day is on a unit that has set a scorching phase last year and continues to do so this quarter – the Banking Business Unit and its suite of banking products. To walk us through their achievements and some of the trends in the banking industry is Girish Vaidya, Senior Vice-President in-charge of the Banking Business Unit. Girish is an engineer by training from Bombay, and as an MBA from IIM Calcutta, Class of 1975. He joined Grindlays bank straight from campus in 1975 and was with them for a long 24 years before he joined Infosys in 1999 to head up the Banking Business Unit. During his 24-year career in Grindlays, he saw pretty much every aspect of the bank operations, account management, retail, credit, and merchant banking. His involvement with technology in banking and systems started very early with an implementation in Singapore in 1981. Then, in 1988, he headed an in-house team to develop a mainframe-based management information system for Grindlays. In 1991, he was appointed Head of Technology for all of Grindlays in South Asia, and he held a number of important positions till he joined us in 1999. He has also served on an important banking related technology committees, the most recent of which was the RBI committee on Y2K compliance of Indian banks, which was a committee headed by the deputy governor of the RBI. So, to take us through the Banking Unit, its challenges and its achievements – Girish Vaidya, Senior Vice-President in-charge of the Banking Business Unit.

Girish G. Vaidya: Thanks Ganapathy and good afternoon ladies and gentlemen. Basically, banking is one of those industries, which is at the moment undergoing a very interesting change. When Bill Gates said was it in 1994 or 1995 that the society will need banking, but may not need banks, that famous sentence of his. I don't think personally I really caught the import of what he had to say, but this is a very interesting concept. Basically, banking itself is undergoing a very major change. It is reinventing itself and in many respects the main force, which is shaping banking today, is really technology. I will just cover what our challenges are, what our achievement have been, and also look at the trends in banking as they manifest themselves.

Just to do some scene setting as it were, we basically got four products – Finacle, which is the core banking product; Banks Connect, this is a financial middle-ware which integrates delivery channels as well as can integrate back-end systems; Bank Away, which is the internet banking product; and Pay Away, which is the universal bill presentment and payment product. All of these four products, really Banks Connect is not sold separately, I mean, it is something which comes with the suite, so it is kind of an embedded product, the three products which we sell. This was been the numbers between financial year 2000 to 2001, a growth of a 102%. Last year's revenue at $10 million. This was the geographical distribution; about 54% of our revenue last year came from India, the balance from different parts of the world.

What have been some of the key achievements in the last few years? First, fully web enabled banking solution. Now, as far as I know, Finacle or Banks 2000 originally is the first fully web enabled core banking solution, but what is the import of that, why such a big thing about core bank web enabled solution. The way I see it is that Internet at the end of the day is all about pushing and pulling information. It is all about pushing and pulling intelligent information, and when you really say where banking is headed, it is really headed to **(blackout)**, making sure that people are going to deal in information.

Banking of tomorrow will be less about loans and deposits, and it will be more about pulling and pushing information. Information will really be the key resource. Now, this was a statement at some 30,000 feet. What does it mean at a practical level? What it means at a practical level is that the bank employees should be able to access information, should receive information, and not just any information, but intelligent information, intelligence being defined as relevant to the situation that the banker finds himself in.

Banking of tomorrow will be more about selling than banking. Banking of tomorrow will be more about getting the greater wallet from the customer, get a share of the wallet from the customer, but again what does it mean at a practical level. At a practical level, what it means is that the person, the banker, should be good at selling rather than just doing banking, and when he is selling he should get the right piece of information. So, the kind of information that can be pushed to him, is let us say a customer comes in and he is wanting to buy mutual funds, as we said right at the beginning, banking will be less about just loans and deposits, but will be about selling all kinds of financial products. So, when he wants to buy a mutual fund, the clerk there, the dealing assistant or the dealing officer should be able to get the information which could be pushed to him or he can pull it about the kind of mutual funds that are available, which his bank is selling, may be kind of different discounts that are being given, the kind of NAVs at which the costumer can go in, the kind of risk profile those particular mutual funds have. Now, all that information can either be pushed to him, or can be pulled by him, accessing through the intranet over which the systems will run. So effectively, this integrates the transaction space with the information space.

Again, to give a concrete example, lets say a customer walks in when he wants to deposit a third party cheque. Now, whether you are a salesman or not, at the end of the day banking will still about managing risk, I mean, if you deposit a third party cheque incorrectly you are liable. How do you make sure that your salesperson, who will be otherwise an extremely good salesperson, is aware of that risk? In the past, the banks managed it by having a lot of experienced staff around, so the inexperienced person could always go to the experienced person and get this information, as to how to deal with a third party cheque. In tomorrow's scenario with 6-7 people and all hotshot 25-year-old sales people, how does he deal with that situation? All he has to do is to, when he is trying to transact, when he is actually trying to post the transaction, he realizes the third party cheque, he can go and enquire by using the search engine, as to what that third party cheque implies. What are the issues involved in dealing with a third party cheque, as well as trying to get expert opinion which could be available within the bank about this how to deal with it. So, I think there is a tremendous advantage in this web enabling and going forward, I think that is one of those paradigms, which will probably come to rule the environment.

The other is **COBIT** compliant solution. Now, COBIT stands for Control Objectives for Information Technology. This is a framework for evaluating banking software in terms of or any software not necessarily banking software alone in terms of its security features. So, this particular framework has been, there are couple of other frameworks also, but this framework has been nominated or accepted or mandated by the Federal Reserve Board, as the framework to be used for evaluating banking software with regard to its security features. We have added 14 new named customers for **Finacle** within the first year of launch. We launched **Finacle** in July 2000, and within one year, July 2001, 14 new customers have been added. Nine of these 14 are already live.

Now, this is another important point I would like to make, because when you are changing a core banking solution you are actually changing the engine room of a ship, and the last thing the captain wants is that, because it is a messy business, I mean changing an engine room is truly a messy business, and changing a core banking solution is also a very messy difficult business. To get them live within short timeframe is another competitive advantage. It is not only about having a product with a lot of functionality, it is about making sure that is implemented quickly, effectively, efficiently, so that the bank can get on with its business of doing banking rather than just getting involved in system implementation.

We have a dominant position in India, as of today; we won eight of the nine-core banking deals finalized during the last 12-14 months. Outside India also the hit rate is around 50%, so whichever deals we have participated in, one in two we have won. We won key strategic accounts like ABN Amro, Punjab National Bank, and Kenya Commercial Bank, which happens to be the largest commercial bank in whole of East Africa, not only Kenya, the whole of East Africa. Bank Away has been rated as 10 best-in-class internet banking products in the world by Meridian Research, USA. This is the only solution from Asia Pacific to make it into the list, and when I say Asia Pacific it includes Australia and New Zealand. Internet banking offering of ICICI Bank has also won recognition. Now, there is a lot credit to the bank because they have really developed that site and developed all the features as well as the perception that the customer gets, but the engine behind that site is very much Bank Away, which is a product of banking business unit.

Let's just quickly look at key global banking and IT trends, and see what kind of products would be required and how **Finacle** fits in there, or what kind of products are required today, and how does **Finacle** fit into them. These are quickly the global banking trends, growing customer expectation. I mean, today customer is really the king, customer is able to move from one bank to the other, customer has the power to say no, which is something new that is happening. Generally, across the economy but more so in banking, and when I say that banking all over has not exactly been responsive to customer needs. I am not talking India, I am talking even outside India, because banking traditionally has been focused more on process, making sure that the value is protected, I mean, there was a very good reason why it was like that, so the customers tended to be not treated with the greatest of importance. In fact, when I began my career in Calcutta in 1976, my senior clerks used to firmly believe that the word customer, the root of the word customer is in the Sanskrit or Hindi word "kasta" which means the fellow who gives you pain, so even my sitting arrangement, one of the senior clerk came to me and said your sitting arrangement is all wrong. I said, why? He said, "You are too accessible to the customer, they will drive you mad." The best is you sit in a place where the customer just cannot approach you. Hopefully, if he can't complain, he will learn to live with the reality, he will understand a little bit of philosophy and get on with life. But, those things have changed; those things have very clearly changed. No bank today can afford not to look at customers, he has to look at customers, and he has to meet, so truly today the customer is the one who gives your custom and not a pain only.

Focus on risk management: Risk management has become extremely important today because of the volatilities across the financial markets. The whole lot of risks which existed, I mean, banking – let's take even India and quite a few other countries where we operate in, the banking used to be controlled by the Central Bank, so you could go through your banking career without ever worrying about the input cost or what you charged for your output, because everything was set by the Reserve Bank of India. To set it yourself and to understand the implications is itself a new thing, but again at a practical level what does it mean. The system should be able to give you all that. At 30,000 feet you can say, yes, there should be a focus on risk management, but then you need actual numbers, you need actual gaps, you need to understand and do a little bit of modeling to understand how if the interest rates change, how are you exposed, how is your balance sheep exposed. Intensifying competition, partly growing customer expectations intensifying competition. Convergence, no longer banking is separate. Banking today is seen as one part of where you put your money, your mutual funds, your insurance, and all kinds of products are there, so there is a lot of convergence which is happening and banks are trying to position themselves by being offering all those services and those products to the customers. Internet and the m-commerce paradigm is also there, so the system should be able to really handle the Internet, by m-commerce I mean mobile commerce paradigm.

What are current IT trends? Continuing with current IT trends. If you see the current IT systems in banks, they are product centric and not customer centric, partly derived again because of history, but as I said now, the customer centricity is going to be much more important than just product centricity or process centricity. In a banking scenario, a product centricity really meant process centricity because fixed deposits how you process became more important.

No unified delivery channel view. Now, this is another major weakness, and this is not a weakness only in developing markets, in fact, in some respects the developing markets are better. As late as 1996 in Melbourne you could not get a unified delivery channel view, because again there were whole lot of silos of computing operating in these countries and they did a lot of smart intelligent work to make sure that the silos operated as one whole. But at the end of the day, it was all broken up into various silos. So whatever bridges you built, whatever interconnecting plumbing you did, the fact of the matter is that information flow tends to be uneven.

Interoperability. As we said, tomorrow banking is going to be more about selling all other financial products. So, you need to have a system in place, the system in place your core banking solution needs to be able to operate with other systems like the mutual fund system or the insurance system that the bank may need to have to provide other products to the customers.

Customizability: Every bank wants to appear different. Every bank wants to appear to be different to the customer, so if you got 8 out of 9 in India, how are we assuring the banks that they can still make our look product quite different. Now, this is a big challenge, when you really look at it because I am giving the product to 1, 2, 3, 4 ...8 of them, why should the 9th one buy it from me, or the 10th one buy it from me because he will say there are 8 other people exactly offering the same thing, so I must prove to him that yes I give you the core but customizability is something which is your idea and you can actually see that in practice. Because, let us take the new private sector banks, 5 out of 8 are using Finacle, and each ones perception in the minds of the people with regard to their techno-savvy ness is different, because each one has been able to position in differently, which is an important feature of the product, because if it looks the same, then it is going to run out of its attraction to the market.

They are often based on archaic technology, biannual intervention required and many different packages to run the bank, hence updates, updates become a big issue. With Finacle, first and foremost about Finacle is that its features and functionality wise it encompasses completely retail, corporate, and trade finance services, so this is an important feature because quite a few of our competition either only has retail or trade finance. Having one package, you know, can control everything or can manage everything, are certainly a competitive advantage. Customer centricity, the design is more and the customer orientation rather than on the product or process orientation. Powerful flexibility and extensibility, which enables the customer to extend the usage of the product by integrating it with surround environments. One very good example is the ICICI Direct, where the ICICI Bank transactions go through our product, Finacle, and they have all been able to integrate pretty effectively.

COBIT compliance we have already talked about. **Unic** 24/7/365 capability, our architecture is such that there is a stand-in server, which takes over when the main server has to shutdown its database for the end of day run. Now, an end of day run is an important part of any banking process because banking is all about at the end of the day paying interest, and you have got to draw a line at some stage, whether you do it manually as we used to do in the manual ages, or in a computer environment that is a very basic requirement, when you say day has ended, you owe me so much interest or I pay you so much interest, if it is a loan or a deposit, but what happens during that time, the stand-in server takes over. Now, quite a few software do offer what appears to be a 24/7 capability, but that is not entirely correct because that 24/7 capability is offered thorough an ATM switch which downloads what is called a positive balance file and does it in an off-line mode. Here, you get into a quasi on-line mode.

Straight process, now, this is another important feature. Let me explain what I mean at a practical level what it would mean as regards to straight through processing, lets say you come through an internet banking channel into the computer system and you want to set up a fixed deposit, what most of the software offer is just an ability for the customer to send in a request and then it is acted upon by the bank. What our software deployed with internet banking solution can offer is the ability of the customer to get on to the site, to actually check the interest rates being offered, to check the balance in his account, and actually set up a fixed deposit in this or else, you know, joint names. He will get the fixed deposit number, everything, the transaction is complete, or let us say if you want to put stop payment cheque, again if it is all the features are enabled then the request would come in. Typically, what happens in other software is that the request comes in, then there is a drop on the floor, somebody picks it up and then search up the stop payment. Here, what it can do is actually go and put the stop payment, get a confirmation that the cheque has not been paid so far because the bank has to check the earlier transactions to see whether the cheque has already been paid or not. So, this is another very strong feature, which with the complete deployment of the suite you can get. This is just a quick summary; the important thing about this particular drawing or this particular thing is the different type of delivery channels that we are looking at in the future.

If you see the branches, which used to be the main delivery channel, that is just one small part here. But the entire range of delivery channels coming on Internet, coming through the mobile commerce mobile devices, connections to other external interfaces. Now, some of these are not in place in many countries, because it will be a while before we get all these things in place. But, basically the core banking solution of today must be able to satisfy these kind of requirements with of course the capability to interact data warehousing, the business intelligence, CRM type of products because that is what is going to become very important.

So, we see the core banking solution of tomorrow or core banking solution for the banking of tomorrow to be a platform, a platform which will drive delivery channels, a platform which will interact with other systems, a platform which will allow other delivery channels to interact effectively with it, a platform which will interact with other business intelligence and data warehousing type of products.

Just quickly on the organization, we have a domain and technology focus. As you can see, to make a success of it, you need people who understand banking, who understand banking technology and as well as technology. So, all these three people are really required and we have that focus, we have got domain experts with rich experience from the banking industry, not only from foreign banks or not only from Indian banks, but from both foreign and Indian banks. Then the next challenge is deploying contemporary technologies in our product suite. I think we demonstrated that when we enabled our product a few years ago. The products themselves have the latest features like VAP and SMS enabling for our Internet banking. The power of e-commerce paradigm is very much there to be leveraged by the bank as and when the situation changes and the e-commerce becomes far more important than what it is today. We also leverage on corporate strengths, we do not believe in reinventing the wheel. SETLabs, the presentation was made earlier, we work closely with them so that we understand how the technologies are moving and then try and incorporate those technologies. We also have an architecture group within ourselves, which looks at the immediate features and making sure that the new developments are actually fitted in to the product for its enhancement. Just giving some more information, we have got 45 customers spread across 14 countries, some of these are more important banks, Standard Trust Bank, one of the major banks in Nigeria, Kenya Commercial Bank, very recently signed, National Bank of Abu Dhabi, again one of the major banks in Middle East, Punjab National Bank, India, ABN Amro India.

Sales and marketing: We have a completely dedicated sales and marketing unit within **BBU** who plan out our strategies, who plan out our positioning, who plan out the advertising and the promotional material. We also, outside India, operate through channel partners, who only resell our products. We have got three types of partners, the service partners who come in by providing us or helping us implement the products, and business alliance partners, who basically do both, who resell our products as well as offer product related services.

Who is our competition? We have got global players like Capiti, Iflex, Kindle, Sanchez, and Globus. Sanchez is a company from US. Then there are local players who actually interact within a particular country and there are in-house teams and projects, which also because there are these systems, which are, there and often there are a lot of commitment made on those systems, so we are often competing with them also. Basically, we have worked towards processes and product development. We work very closely with the rest of Infosys in this regard. The third party software, because there are some software components, so we make sure that that particular component is integrated, keeping in mind the best software processes. Our personnel have grown from 205 to 336 in last 12 months. That's the last slide. Thank you very much.

P. R. Ganapathy: Thank you Girish.