

## **Technology: Key Differentiator of Future Success\*** **VEPA KAMESAM**

Technology is the key word to success in the business world of today. The Banking sector, which is one of the largest users of Information Technology (IT) has reaped immense benefits out of the developments in technology not only the world over but also in India in particular; IT is now an integral part of the corporate plans of banks of the country. The role played by IT impacts the way of banking within the country; the greatest effect would, however, be in the area of emulating and surpassing global trends.

Traditionally, IT has been providing solutions to banks to take care of their accounting and back office requirements; this has now given way to large scale usage implementation in services aimed at the customer of the banks and as a delivery channel – in the form of Automated Teller Machines, Net Banking, Centralised data base solutions etc. Further, IT deployment has assumed such large levels that it is no longer possible for banks to manage their IT implementations – and more so in the context of the rapid rate of change in the IT industry. Yet another sector of banking which has significant linkages with IT relates to developments in payment and settlement systems of the country. I am happy to state here that the ambitious plans of the Reserve

Bank of India which are aimed at reforms in the payment and settlement systems – are all centred around large scale IT usage, and with the objective of risk reduction. Positive signs in this regard are already visible – in the form of increased volumes of electronic based funds transfers – which have been showing growth rates of more than 100 per cent per annum of late, the complete end-to-end network based processing of transactions in the Government securities segment, cheque truncation and the impending introduction of the Real Time Gross Settlement System. The Reserve Bank is also addressing the need for attendant legal requirements in all these areas of activity.

Many challenges are being faced by bankers in the IT plans, some of which relate to the following areas:

- Deciding the IT plan for the bank as whole;
- Working out the strategy for implementation of the plans;
- Standardisation of the various components of IT – including hardware, software, operating systems and application software platforms;
- Interfacing across banks – especially in the context of disparate systems across different banks;
- Security of the environment at banks and security during networked based transmission of messages;
- Training requirements for IT implementation;
- Data Warehousing, data mining and other related areas;
- Sourcing of the IT requirements; and
- Outsourcing of the various components of IT including maintenance

All the aspects listed by me would show that the future lies in organisation embracing better methods for improved performance. This could be achieved only if change is accepted as the key

word to a successful future. The changes staring at the face of bankers all relate to the fundamental way of banking – which is undergoing a rapid transformation in the world of today. Prime factors necessitating these changes relate to the forces of competition, productivity and efficiency of operations, reduced operating margins, better asset / liability management, anytime and anywhere banking.

One of the major challenges faced by banks is the impact of competition and the falling margins in the transactions undertaken by them. With hair thin profit margins being the order of the day, the solution to this would perhaps lie in increasing volumes so as to result in better operating results for banks. This is best achieved by exploiting the benefits of technology which facilitates handling increased volumes at higher levels of efficiency. It is in this context that there is an imperative need for not mere technology upgradation but also integration of technology with the general way of functioning of banks.

The competitive advantage in current day banking is technology and its effective usage by banks. A holistic approach towards computerisation would give banks an edge in respect of service provided to their constituents, better housekeeping, optimising the use of funds – and building up of MIS for empirical decision making which has a relationship with the critical aspect of Asset-Liability management which in turn has a direct impact on the balance sheet of banks as a whole. Solutions to all the above are available in the form of technology based implementations. Technology is, however, not a great leveler. It brings about in its wake, many key variations which offer themselves as differentiators, all of which are the keys to organisational effectiveness in the days to come. Banks and other financial institutions of the country have now to provide focussed attention in all these key aspects.

It is indeed a privilege to chair the Technology session which boasts of the best fields in their own fields of expertise. We have with us lead players from banks and a major software technology solution provider to provide inputs to us.

I have great pleasure in being present for this session and would look forward to highly informative deliberations between the speakers and the delegates, so that at the end of the session we could work out our strategies to use IT solutions as cutting edge tools for business excellence.

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**\* Remarks by Shri Vepa Kamesam, Deputy Governor, Reserve Bank of India on September 26, 2003 in the session on “Technology : Key Differentiator of Future Success”at the Conference on “Indian Banking : Global Benchmarks ‘03” organised by Federation of Indian Chambers of Commerce and Industry (FICCI) at Mumbai (September 25-27, 2003).**