

# A cost-effective option

Indian banks are increasingly outsourcing their businesses to cut on operational expenditure and technology costs

Outsourcing in India is moving to another level. At JP Morgan Chase, which employs nearly 12,000 people at its outsourcing outfit in India, the firm found that, in some business areas, hiring and firing needed to be done on a cyclical basis. So, the firm now outsources a few hundred jobs to another Indian outsourcing firm, thus bringing stability

will also help us focus on the core business at hand."

Players like Cashnet, a subsidiary of Euronet, have in fact, started to take this business to the next level. "We have developed software that allows customers to recharge their phones via the ATM network," says Sanjeev Borwankar, managing director, Euronet. Started in 2002, the firm is



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Even ATM services are outsourced by banks

to its own hiring policies. Today, even outsourcers in India outsource.

At the offices of IndusInd Bank, managers are zeroing in on a service provider, who will look after all operations and first-line maintenance of the bank's ATMs (automated teller machines) in India. The Reserve Bank of India does not allow independent operators to own ATMs – but since running them is not a bank's core business, many are outsourcing such tasks to players like Euronet, Fidelity and Prizm Payment Services. "We are in the evaluation stage and will soon zero in on a vendor," says Sumant Kathpalia, head (consumer banking), IndusInd Bank. "By outsourcing these services, we will bring down the cost of maintaining our ATM network. It

today the largest ATM outsourcing company in India and provides services to 10 banks.

In today's tough environment, Indian banks have increasingly been looking to cut costs and are outsourcing non-core businesses. With the economy slowing down, cutting down on operational expenditure has become a new mantra. ICICI Bank, for one, which posted dismal results this year, is looking to hive off its entire point of sales (POS) terminal business – used for swiping credit and debit cards.

The bank has 200,000 POS terminals, and the deal, being valued at around Rs500 crore (in which nearly a dozen private equity investors are eyeing a stake), is expected to con-

clude in a month's time. In POS services too, the Chennai-based Prizm Payments Systems has developed a niche in providing installation, maintenance, training, consumables and networking services for merchants identified by the bank.

Yes Bank, on the other hand, has gone a step ahead. The new generation private sector bank has outsourced its entire technology assets business to software services firm Wipro. Most banks in India are saddled under the high cost of obtaining technology assets like mainframe computers, which get obsolete in a few years' time. Instead, says Umesh Jain, Yes Bank's president and chief information officer, "We do not buy and maintain technology assets, and this is not a core function of the bank. The risk of assets turning obsolete is borne by our service provider. The services firm is able to raise funds for these assets at a much cheaper rate, and also set a better career path for the engineers and programmers involved in it."

## High technology costs

Since technology costs for a bank are difficult to do away with, more players are looking at outsourcing on this front. TechProcess Solutions, a service provider of transaction and payment processing services (an offshoot of ICICI Bank and which started the portal BillJunction.com) now has an 'Online Mutual Fund' platform. The web-based service offers data integration with asset management companies and registrars, thereby letting clients of a mutual fund distributor buy and redeem mutual fund units online.

For instance, in the past, HDFC Bank had offered online access to only single mutual fund policies to their clients – those that are developed in-house. TechProcess' platform makes the whole gamut of policies available to the customers of the bank. So far, 12 banks have outsourced this service and two more – Citibank and HDFC – are in integration phase. Instead of investments to build separate, fresh platforms, most players are now finding sharing a similar network to be a far better option.