

'Awareness is the first step towards improvement'

Dr A S Ramasastri, Director-Designate, IDRBT, talks about the core area of innovation in banking technology

You moved recently from Reserve Bank of India to IDRBT. What do you think are the important areas of banking technology to be focused upon?

There are several. For me the first and foremost area of focus is the technology for financial inclusion. The technology that can take banking to every nook and corner of the country. The technology that can reach banking services to all sections of people, especially to those who could not avail of such services earlier. There is a need to conceive, design and implement technology solutions for financial inclusion.

How far are we from achieving total financial inclusion?

From my perspective, financial inclusion has three components – funds, funds transfer and awareness.

Making the first component, funds, available is mostly the

responsibility of the government and other agencies.

The second component is funds transfer. Making available fast and convenient ways of funds transfer comes under the realm of banks. Technology certainly plays a major role in this regard. It can help in overcoming barriers relating to socio-economic factors, geography and language. Mobile technology is one such technology. It needs to be exploited.

Q & A

Awareness is the third component and it is perhaps the crucial component. There may be several technology-based products and services made available by banks for financial inclusion. But if the intended beneficiaries are not aware of such products or services, then they don't serve the cause of financial inclusion.

Surveys reveal that it is not only the intended beneficiaries who are not aware, but also the concerned staff of banks. Even if some of them are aware of such services, they are not aware of procedures for utilising them. Technology can play an important role in increasing awareness. Social networks, mobiles and interactive kiosks can help in enhancing the understanding of products and services.

Mobile technology seems to be the one that can break the barriers. What is happening on that front?

Mobile is a very handy device and is available with the owner even when he or she is on the move. It already has a phenomenal reach. It has all the features necessary for using it for payments. M-Pesa is a successful implementation of mobile technology for payments in Kenya. But there are a few concerns in adoption of mobile payments – the most important concern being security.

But is security not a concern for all payment systems?

It indeed is. Banks have to be concerned with information security as funds are stored and transferred in digital form. Protecting fund is no more a physical security concern. It is to be managed as part of information security. So, there is a need for firewalls and intrusion prevention systems. There is need for periodical penetration tests. With state-sponsored attacks, there is need for continuous evaluation and upgradation of security systems. I strongly feel that security should be the top-most concern of a bank. By security I don't mean either only physical or only information security. I mean comprehensive security, where there is a convergence of physical and information security. Emerging technologies that handle video analytics and pattern recognition are capable of handling, what is called, enterprise security management.

You used the word analytics. Has it become the buzzword in finance and banking?

I don't think it has become. But I think it should become. Banks in India have adopted core banking solution and other such solutions for various functional areas. In the process, they have started collecting and storing large volumes of data. As the next logical step, they built data warehouses and data-marts. Now is the time for analysis of data for meaningful conclusions. Analytics should help banks in crucial areas like customer relationship management, risk management and more importantly fraud analysis.

With state-sponsored attacks, there is need for continuous evaluation and upgradation of security systems. I strongly feel that security should be the top-most concern of a bank



>> DR. RAMASASTRI, DIRECTOR-DESIGNATE, IDRBT

Continued on page 2

'Awareness is the first step towards improvement'

Does building and maintaining systems for operations and analytics not involve cost? How is it possible to keep recruiting and retaining IT skills to manage such large and complex systems?

You raised two concerns – cost and HR skill-set. Cost is easier to understand and manage. Though not essentially for cost-reduction, cloud computing addresses the cost issue to a great extent. Banks can start sharing resources by providing services among themselves through the cloud mode. They can even collaborate and build cloud services from shared pools. It helps in cost reduction.

Cloud can also help in reducing dependence on internal tech experts, as banks source their requirements from cloud service providers. But it may not reduce need for specialised HR skill sets. In the new paradigm, banks need people who understand the complexities of cloud services and get the requirements met at reasonable cost. More importantly, banks have to learn to retain the control over data that no more resides in the bank's systems. I am refraining myself from discussing the HR skill-set issue as it is much more complex and complicated.

You talked about analytics in the context of risk management. Are risk models not highly data centric?

They are. If you need objectivity in decision-making, you need to rely on data. Not just data. But quality data. It is in this context, I would like to emphasize on data and information assurance. There is an interesting situation prevalent in the banking industry in India. As operations need to be given the top-most priority, data is not given its due. In this context, we need to distinguish between accounting data and soft data that is around the accounting data. Soft data pertains to characteristics of the customer and the relationship. It is essential for meaningful analysis. Quality of accounting data is very good though the soft data that is needed for analytics and decision-making is quite poor. A bank may have total credit figure correctly but not sectoral credit data. Data and information assurance technology is the need of the hour, I would say. There is an imperative need to do adequate work for deployment of right technology for this purpose.

You pointed out divergent issues like information security and data quality to be important. Why do you think

these issues are not being fully addressed by the banks?

If I am not misunderstood or misquoted let me say what I consider is the gap. It is governance. There needs to be appropriate structure in place in a bank to ensure that these important issues are discussed and deliberated. Gaps are identified and necessary systems put in place to close the gaps. Some top management person should take it up with missionary zeal. Having said that, let us also recognise that there has been greater awareness of these issues at the top management level. Awareness is the first step towards improvement.

Do you think these are getting adequate focus at IDRBT?

Yes, there is considerable research and development going in each one of the areas mentioned. Especially, in the area of mobile payments, cloud computing, analytics, information security and data assurance, there have been several initiatives. I expect much more to happen.

A few words to today's CIOs?

Not a few words, but I have a set of new words that are likely to engage today's CIOs - SecCoverage, TechKnowlogy and IntelliSense.