



**Press Release
For Immediate Publication**

BFSI sector investments in the IT & ITES sector to cross \$3.5 billion by 2010

Mumbai June 5, 2007: The Banks and Financial institutions in the country are expected to invest more than \$2 billion by December end, in information technology up gradation, with areas like Customer Relationship Management (CRM), Human Resources Management (HRM), Business Intelligence and data mining kind of applications and services showing a higher growth rate than the traditional core banking software.

Spend on core banking software packages grew lower than 10% while still accounting for more than 50% of packaged software spending of \$263 million in 2006.

"With most core-banking packages offering similar functionality, one of the reasons for higher growth rate in applications like CRM, HRM, Business Intelligence and Data Mining is that they are now considered critical for cross selling, avoiding customer churn and differentiating brand and product offerings," said Sameer Kochhar, CEO of Skoch Consultancy.

The seriousness that banks have shown in enhancing the IT infrastructure can be seen from the fact that, while they spent about \$1,764 million in 2006, an estimated \$2,078 million is expected to be spent by December 2007 - a growth of 18%.

Out of the \$ 1.7 billion, about \$863 million was spent on hardware, \$263 million on packaged software and \$820 million in services. While in this year the investments on hardware is estimated to be \$ 797 million and \$305 on packaged software and \$976 million on services, according to Skoch Consultancy, a leading analyst firm.

According to Sameer Kochhar, CEO of Skoch, "With enhanced mergers and acquisitions activity, middleware that is crucial to make heterogeneous systems in the banks to work together will become a growth driver in addition to security, mobility and non-core banking applications like Customer Relationship Management."

"We expect that by 2010 the investments in the areas of IT, IT applications and services could be crossing \$3.5 billion market size," he added.

Further, as the banks and financial institutions try to reach the rural areas, they will have to depend heavily on partners as correspondents or facilitators. Micro-credit institutions and non banking financial companies (NBFC) are expected to see a high degree of IT spending not just for automation but also cut down transaction costs for reaching financial services to the hinterland.

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