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## Power Growth by Using Technology Smartly, Says YES BANK CIO Amit Sethi

India's nine-year-old YES BANK has used technology smartly to avoid getting overshadowed by bigger and older banks. It has pursued flexibility and speed, and avoided large up-front technology investments. It has achieved these gains through outsourcing modular, off-the-shelf technology solutions that allow it to pace spending in line with growth. Large doses of creativity also are helping the bank to find novel ways to reach India's unbanked population and to bypass the limits of its branch network. Amit Sethi, the bank's Chief Information Officer, shares his strategies with Knowledge@Wharton.



As a relatively new industry entrant, nine-year-old YES BANK headquartered in Mumbai is used to getting outdone in size and reach by bigger and older banks. Yet, the institution has found ways to zip past the old guard with creativity and apply technology to create new customer bases that help drive profitable growth. In 2011, for example, it

launched an Internet-enabled money remittance facility that even tiny street shops like tobacco vendors or convenience stores could operate. It was a big hit among India's migrant laborers and others without bank accounts, who found it a cheaper and faster way to send money back home than postal money orders.

Amit Sethi, Senior President and Chief Information Officer (CIO) of YES BANK, says that the 'domestic remittance' money transfer service is an example of how his technology team infuses a business-development spirit in its work.

"The focus of the CIO has moved from keeping the lights on to business transformation," he says. CIOs these days are part of business strategy meetings at most companies, with the realization that technology is a key enabler for any business product or service.

Since its inception in 2003, YES BANK has grown rapidly to become India's fourth-largest private sector bank. Rana Kapoor, the bank's founder, heads it as CEO. With 412 branches, 723 ATMs and 6,532 employees, it had a deposit base of \$10.29 billion (Rs. 56,400.5 crore) and a loan book of \$8.6 billion (Rs. 438,568 crore) as of December 31, 2012. Sethi joined the bank in mid-2012.

Sethi's business agenda at the bank derives from a five-year program called Version 2.0, which Kapoor rolled out in 2010. The plan is to double the balance sheet to \$30 billion (Rs. 150,000 crore) by 2015. To achieve this, the bank aims to grow its deposit base to \$23 billion (Rs. 125,000 crore) and its loan portfolio to \$19 billion (Rs. 100,000 crore). Other targets include growing the number of branches to 900, the ATM network to 2,000 and the employee base to 12,750 by March 2015. Drawing from these Version 2.0 goals,

Sethi's IT strategy has '12 pillars' covering areas such as customer experience, service delivery and quality, process efficiency, scale, and stability and innovation.

In line with these growth goals, YES BANK has committed more and more funds for its IT projects. Spending has grown from 8.7% of operating expenses in 2010 to 10.7% in 2012. Only about 20% of the annual IT budget goes towards keeping the business running; 50% goes to new technologies that will radically change business processes and 30% is allocated for new products or features, says Sethi. The main focus is on 'transformational projects' across service areas, including core banking operations, Internet banking, mobile platforms and rural banking.

The bank's direct-remittance service came about in late 2011 as a result of the focus on business transformation, says Sethi. More than 40% of Indians have no access to a bank account. They typically use the postal system's money order facility for cash transfers, which can take days to reach beneficiaries. YES BANK set up online platforms that its network of 'business correspondents' can use to put through such money transfers. (India's banking regulator allows banks to use non-governmental organizations or retail chains as business correspondents to promote outreach to the unbanked populations.) "It has reached millions of people who don't have a banking relationship," says Sethi. At last count, the bank had some 7,000 business correspondents including a half-dozen retail chains, and they had put through more 1.3 million transactions totaling \$113 billion (Rs. 610 crore).

Sethi is using technology to pry open business opportunities on other fronts, too. One endeavor involves using cloud platforms to access technology at the pace and intensity the bank needs it. That helps it minimize up-front capital investments. It also gives the flexibility needed to

tap new technologies as they become available without being tied to legacy investments.

Sethi says his bank was the first to use a 'public cloud' platform for routine banking services like enabling customers to open new accounts online. The cloud platform brings flexibility and speed, and it is cheaper. The bank can access the necessary technology infrastructure from cloud platforms at the pace its customer volumes grow and avoid large up-front capital investments.

The bank launched its public cloud in October 2012 after seven weeks of preparation and with no initial investment, since it would incur costs on a per-transaction basis. At other banks that use conventional technology, such an effort would have consumed up to six months and nearly \$200,000 in initial investments, says Sethi. "Private clouds" are more common among Indian banks, and YES BANK uses one for centralized administrative tasks.

YES BANK is also the "first bank to have done total outsourcing [of routine IT requirements]," says Sethi. "IT teams in banks are focusing more and more on strategic issues. Business-as-usual things are getting more and more outsourced, and [internal] technology teams are focusing more on the transformational agenda. These teams are becoming leaner and there is a huge focus on building a flexible model with vendors and partners. The bank's partner in this collaboration is Wipro."

YES BANK is increasingly using new-age tools like social media and mobile platforms to generate new business. Social media enhances the delivery of retail services and improves customer relations. Mobile banking features enable customers to pay for purchases and request check books, statements and the like.

Within the bank, Sethi's team has optimized technology networks to support more effective



communications. He is especially proud of a 'dashboard' or a business intelligence platform that gives bank executives and branch front-desks real-time information on customer profiles, including pending complaints and investment patterns. "It's almost like being in the hospitality industry," he says of the level of service these dashboards allow the bank to deliver. A prime focus area is security of customer information, and the bank encrypts and stores all that at its data center.

Sethi has put together a separate innovation team that is constantly looking for "new ways of doing things." One of the team's ideas he is now toying with is to provide tablet PCs to the bank's sales force, instead of laptops. "It will make them context-aware with access to real-time data," he says.

In fact, the dashboard and tablet PCs are a part of the bank's wider response to an increasing demand for real-time information and insights from users within and outside the bank. Executives within the bank want their MIS (management information services) on tap, unlike in earlier times when a day's lag was considered okay, says Sethi. There is pressure on the bank to deliver results quarter on quarter, "and that pressure is shifting to the technology team." Also, many bank customers opting for personalized private banking are demanding similar speed in information and services. "It's the age of instant gratification."

### **Plug and Play for New Services**

To respond effectively to the new demands, Sethi has moved the technology function to a "service-oriented architecture," where solutions are procured as a service from multiple vendors. So if the bank needs a single billing or payment infrastructure, for example, it would just get that

off the shelf from a vendor, without having to go through the trouble of building it in-house. "I just have to plug in a channel, and what used to take months now takes days."

The bank also heavily outsources its needs, and that strategy is paying off in many ways, according to Sethi. For one thing, it allows it to shift management focus away from routine tasks to "business transformation" projects to drive growth. It also needs to make fewer investments in various kinds of technology infrastructure as much of that responsibility gets shifted to its vendors. It can also operate with smaller IT teams. Sethi considers his 65-member technology team as lean, since it is just about 1% of the bank's total work force. IT teams used to make up between 5% and 8% percent of a bank's staff in earlier days, he says.

One major business transformation project Sethi is busy with is an overhaul of systems for its core banking, asset management, treasury, trading and other functions. That is part of an industry-wide shift away from older systems to more agile and versatile web-based or other, advanced architecture. "Business cannot stop in the interim while the upgrade is going on ... it's an immense challenge," he says.

Securing the internal buy-in for those changes is not easy, but a couple of maxims help Sethi achieve that. First, he is convinced it is tougher to convert an IT executive's mind to business logic than it is to get a business executive to appreciate IT perspectives. So he packs his team mostly with people with the appropriate business orientation — not necessarily with IT experts. Second, before trying to secure approvals for any required investment, he talks to his business counterparts in the bank about the potential benefits of a technology project. "If you and your team are able to talk business and discuss the benefits, 80% of the battle is won," he says.

## Counting the Gains

Those strategies have paid off well. Sethi's team spends more and more of its time in business meetings, and is part of every consultation process before a new product launch. For example, the bank recently wanted to launch a "gold loan" program (where borrowers could pledge gold for cash). "We all worked together and got it up and running in September before Dussera (the beginning of the annual Hindu festive season a month later)," he says. Within the bank, the IT team commands more respect than earlier because of its business-centric approach. "A direct result is the drop in attrition," he adds.

Building a strong depositor base takes decades for banks. While YES BANK aggressively went about marketing itself to small and mid-size

depositors, its top challenge was to determine the optimum size of the technology infrastructure to serve that market. Now, the scalability its service-oriented architecture offers allowed it to phase in that infrastructure in tandem with deposit growth. The bank's current (or checking) account and savings account deposits are growing at a handsome 60%-70% annually, and Sethi says he is able to smoothly plan for the bank's tech platform upgrades.

Sethi draws inspiration from people like Bill Gates, N. R. Narayana Murthy and his bank's CEO Kapoor. "I am a big fan of first generation entrepreneurs who had no institutional backing," he notes. They should serve as useful beacons for the technology head of a relatively new and modest-sized bank in an industry where longevity and girth matter.

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