

**IT PROCUREMENT IN THE FINANCIAL SECTOR**  
A SPECIAL STUDY BY BANKNET INDIA

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Email: [info@banknetindia.com](mailto:info@banknetindia.com)

**Website: [www.banknetindia.com](http://www.banknetindia.com)**

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## **EXECUTIVE SUMMARY**

This special study on “IT Procurement Process in the Financial Sector” has been undertaken by Banknet India, to highlight a critical aspect of the technology adaptation by banks and other financial institutions that has not been adequately appreciated.

IT procurement unlike procurement of other materials, requires certain skills of selection, and entails huge costs, which could have effects on the future profile of transactions. Transparency practices require that the practices of IT procurement are the best and are subject to accountability. Tendering process help procure best of technologies at reasonable cost.

This study has been conducted to know the procurement practices that have been adopted by banks and other financial institutions in India. This study provides fascinating insights on guidelines for procurement, stages in procurement process, types of tenders being floated, operational areas being computerized and the type of work being outsourced by the financial sector.

Study has identified and segregated the requirements brought out by the banks/FIs into 16 broad areas. Study reveals an increasing preference by banks and other financial bodies to outsource some of their technology related work.

It also covers in detail the International norms for tendering process, with special reference to World Bank's Two-Stage Bidding.

*We will like to place our thanks to the support provided by CTO's of various organizations in understanding the procurement process in the financial sector. We are very grateful for the guidance & inputs provided by Banknet India's Board of Advisors, with special thanks to Mr A Vasudevan, former Executive Director of Reserve Bank of India.*

**The salient findings of the study include**

1. In India there is no central law or defined guidelines for public bodies to follow for their procurement. However to bring about greater transparency in the procurement and tendering processes, Central Vigilance Commission (CVC) has brought out some Guidelines.
2. The Indian commercial banks and other financial bodies normally follow a 3-stage procurement process.
3. The Top choice of financial sector for their IT procurement requirements is through Expression of Interest. RFI/RFP were preferred for 23% of the total requirements.
4. The percentage of closed tenders was only 11% reflecting the shift of public sector organizations to move towards a more transparent system
5. In terms of Hardware, after PCs, the second most popular category was related to note counting machines, kiosks etc.
6. In respect of software, the most sought after was operational software. After operational software, software relating to data warehousing, card management and web-based were most in demand.
7. An increasing preference by banks and other financial bodies to outsource their technology related work, resulted in 28% of the total tenders being for the outsourcing related requirements.
8. After hardware maintenance, ATM Management was the second choice and constituted 18% of the total outsourcing related tenders.

## **METHODOLOGY**

A total of 129 tenders, RFP, RFI, EOI issued during between 1st January 2003 and 31st December 2003, by the Indian Financial Sector were analyzed. Public Sector banks constituted 68% of the total tenders brought out during the year 2003. Co-operative and Rural banks come next and accounted for 14% of the tenders. Regulatory bodies and Financial Institutions accounted for 8% and 3% of the total tenders. The insurance companies brought out 7% of the total tenders.

CTO's/Senior IT professionals from 45 financial organizations were asked about procurement process for IT related products and services. Responses of these bankers were aggregated to arrive at the stages in the IT Procurement Process.

Banknet India's research team had also studied information & guidelines available online on websites of various major organizations and regulatory authorities worldwide. In addition, trends in recruitments in IT departments in the financial sector were discussed with personnel departments of few of the major banks & insurance companies.

**DISCLAIMER:** The findings of this special study are mainly based on the 129 tenders, and responses of the respondents. Banknet India has accepted these to be the representative of the industry. Banknet India, have studied information available online on websites of various organizations including regulatory authorities worldwide. Banknet India makes no claims about the correctness or accuracy of the information such collected for analysis.

## **Banknet India's Business mailer (Tender) service**

Banknet India is providing Business Mailer service to the clients for nearly 3 years. *Between 1st January 2003- 31st December 2003, Banknet India had advised to the subscribers of Business Mailers, about 129 Tenders from BFSI Industry, 34 Banking IT Reports, Studies, Policies & IT plans and 10 Global Opportunities.*

### **Business Opportunity Mailers- The Product**

Banknet India's Business mailers provide:

1. Information on IT-software/hardware Tenders/RFIs/RFPs from Banking, Insurance & Finance Industry.
2. Updates on technology plans of banks.
3. Studies and reports related to BFSI technology.
4. Information on guidelines of Regulatory bodies like RBI, SEBI, IRDA, Government of India impacting the technology initiatives in BFSI industry.
5. Information on Demand areas for technology in BFSI industry.
6. Trends and recent developments in technology industry in BFSI sector.
7. Information about major events related to IT & BFSI sector.
8. Business mailers also advise about Global opportunities- information/inquiries from global banks/ insurance Cos/FIs & consultants.

Objective of Banknet India's Business Mailers is to provide relevant & timely information, which helps IT Co's to get new business & clients and understand the demand trends in the Industry.

### **Business Opportunity Mailers- The Advantage**

A) Banknet India with strong network & access in the industry regularly tracks all the major deals, opportunities & developments in the banking, finance, insurance, & technology sector in India:

\* Apart from newspapers, our information is collected from relevant websites and our strong network in the industry.

\* Banknet India is regularly approached by Global- Banks, Financial institutions & Consultants for identifying suitable vendors from India. Banknet India provides such Global leads to the subscribers.

B) Banknet India provides detailed information about the tenders (including full tender documents in most cases) unlike other services where only the extract is made available. This helps the IT companies to understand the requirements in a better way.

C) Lot of importance is placed on the Relevance of the information. The subscribers are provided with the information relevant and useful to them. We believe in quality & not quantity.

D) The companies can now subscribe for 1 or 3 months to try out the service and look at the benefits themselves before committing resources for the long term.

E) Business mailer subscribers are eligible for:

- \* Special discounts & preference in sponsorship, speaker, participation opportunities in the associate events.
- \* Special discounts & sponsorship in publications & other Campaigns.

**NOTE:** We have been advised by our existing subscribers that they get 30- 40% more opportunities through our Business Mailers as compared to general tender information services offered by some firms.

### **Directory of IT Procurement Departments**

This directory has contact details of IT procurement related departments of more than 50 banks, FIs and insurance companies. These departments regularly bring out IT related tenders, RFP, RFI, EOI etc.

**Kindly note that this is an exclusive offer for Business Mailer subscribers and this directory is otherwise, not available for sale.** Subscribers opting for 6 or 12 months, will be eligible for a complimentary copy of this directory.

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For more details, please contact us at: [associate@banknetindia.com](mailto:associate@banknetindia.com)

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