

## Retail lending: The delinquency dilemma

### Going fast on a broken highway



Thanks to the retail thrust given by most of the banks there has been an unprecedented growth in loans – Home finance, autos, commercial vehicles, two wheelers, consumer durables, and personal loans

The market penetration is now extending the length and breadth of the country. Added to this challenge are the product variant requiring different service requirements of the customer such as variable interest rates, foreclosure, balance transfer, etc.

#### CEO's dilemma

- How do I develop the backend operations that can deal with the diversity and variety?
- How can I provide accurate and timely delinquent report?
- How can I reduce the reconciliation?

The sheer volume of customer base will throw up huge challenge in terms of collecting their processing fees, EMI, PEMI and then accounting them on a real time basis. It is a fact that the nature of the business calls for very intensive and close follow up for delayed and delinquent customers.

The risk of following a customer, who has already paid, will completely erode the image of the bank. Hence, the back end operation of the bank needs to be of high quality to provide accurate / online data to collections, to avoid any embarrassment.

The dispersed location of the customer base is likely to impact the time of receiving the money to reconciliation. Any error in this would not only impact customer satisfaction, but also impact the balance sheet of the bank given the stringent NPA norms.

The challenge is to design a process that takes care of all complex customer requirements, product variations, and compliance requirements and yet be very accurate to reflect the correct data. SIX SIGMA offers an opportunity to make this happen.

### ECS helps a market leader (private sector bank) to beef up backend operations

#### Benefits achieved

- Accuracy of data improved by 80%
- Data made available online
- Reconciliation removed
- Reduced customer complaints

A leading new generation private sector bank retained ECS to solve the problem of delinquency and reconciliation. In delinquency, bank was going to the customers who had already paid, or going late to the customers who had not paid. Reconciliation was never on time, and large numbers of open items were reflected at any time. The collection team demanded real time delinquency data to be provided to them.

#### Insights out of the experience

- It is possible to eliminate reconciliation altogether
- It is possible to drastically change the way PDCs are processed
- Capturing minimum required data at the front end so that the back-end operations can start
- Centrally controlled but regionally disbursed amount would ensure both speed and accuracy

ECS's assessment revealed the following opportunities:

- Improving the accuracy of delinquency data
- Reducing the time and open items in reconciliation
- Cohesiveness in the working of branches and central operations

### Online and automated reengineered process



The philosophy for designing the process that got implemented were:

- Increasing the use of the core banking software so the reconciliation process can be automated or eliminated
- Online capture of data wherever possible
- Centralising the activities that do not require customer interface or are not instant in nature
- Removal of multiple levels of reconciliation and databases

Apart from the tangible results, the confidence of the staff on the central operations increased many folds. The number of customer complaints drastically reduced and the branch people could spend more time for improvements, activities and helping the staff rather than managing customers and central operations.

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### Experience in Banking & Financial Services

ECS's pioneering work in the **Banking & Financial sectors** has resulted in significant improvements in **Turn Around Time and Customer Service** while substantially reducing **costs** in the areas of:

#### Retail banking

Account initiation, centralization of operations, secured and unsecured retail lending, depositories and branch transactions

#### Wholesale banking

Trade finance, asset management, corporate banking, cash management services, working capital loan, term loan & corporate Internet banking

We partner all our clients from concept to implementation. Typical results of implementation have been a significant reduction in Turn Around Time and cost along with increased productivity and reliability of business processes.

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