

## Payment At Par: Managing Dividend warrants process at a New generation bank

### Dividend warrants: Fraud detection



Today the number of banks offering Payment at Par facility for company issued warrants is many. These banks face many challenges in doing this business like coordination across the various branches for receipt of warrants and reconciliation with the branch debits to the physical warrant receipts.

This is compounded by the fact that this business deals with high volumes and it is 'fraud prone'. Hence, efforts are being put by banks on attacking their processes that will crash the time-taken between the receipt of the warrant and the verification of warrant master, as this factor determines the vulnerability of this service to fraud.

**Crashing the "Window of Fraud" and providing timely & comprehensive MIS -are the success mantras for Payment at Par business.**

The next dimension that the banks are focussing on is the comprehensiveness and the promptness of the MIS provided to companies. Processing cost also plays an important role, as this is a high volume business. The winners in this competition are those who process warrants with the lowest processing cost, who are able to offer timely and comprehensive MIS and who are able to reduce the 'Window of Fraud'.

This business also has the complexity of the customer not updating the 'warrant master' with the bank during additional warrant distribution. The challenge for the banks is to set up a process that takes care of the vagaries of this business and still is able to meet the customer's needs.

### Benefits achieved

The SIX SIGMA approach helped in crashing the process cycle time by 94%, cutting cost by 52% and building capability to handle ten times the current volumes.

ECS recently helped a progressive bank where the leadership had sensed the need to build capability in the warrant management business process (Payment at Par). The typical challenges, which the bank was facing, were:

The time taken between receipt of warrants at any branch and debit made to company's account after verification was 16 days leading to wide window of fraud

- MIS to the customers was delayed by a month's time, which led to a lot of customer complaints
- Reconciliation of account debits with the physical warrants took time and was done with errors
- There were many instances where the customer had not given the updated 'master' to the bank leading to warrants not in master cases
- The processing cost per warrant was very high compared to that of its competitors

A diagnostic study by ECS revealed many operational issues like delayed despatch of physical warrants from the branches to the central hub, unchecking of warrants against 'master' while payment is made, lack of communication between the customer and the bank on warrant master updation, manpower deployment for warrant processing at 'Hub level' was high.

The bank had to set this 'Warrant Management' process in order as their strategy projected this business to grow by multifold volumes.

## **A rigorous, data driven SIX SIGMA approach was used to refine the business process**

As the first step, ECS focused on understanding the issues that happen at the branch level and at the central hub level by mapping the current process to activity level details. During process mapping, ECS along with core team questioned each activity in the process and generated lots of change possibilities.

Process metrics were set for the process from the Customer's point-of-view (Measures of Excellence) and from Shareholder's point-of-view (Measures of Performance). Data collection and Analysis were done to understand the current status of the process against the metrics. As-Is costing was done to identify the cost driving activities. Targets were set with the 'steering committee' against each of the metrics in relation with the competition offering.

With the targets, issues and change possibilities, ECS generated 3-4 options of redefined process. Each option was shared to Steering Committee with the cost benefit analysis and the vulnerability of the process for 10x Volumes. This methodology helped the Steering Committee to take an informed decision on the final option.

To ensure smooth implementation, ECS worked out the anticipated implementation pitfalls and formed detailed action plans countering each pitfall. The existing software interface was redefined to suit the new process. Training manuals were created on the new process and a set of internal trainers was trained to cascade the process to the entire organisation.

### **Benefits achieved**

- Cycle time of the process crashed by 94%
- Processing cost per warrant crashed by 52%
- New process was capable to handle 10X volumes
- MIS became instantaneous as against a month's delay in the previous process.

### **Contact for details**

Harsh Bisht - Vice President  
[harsh\\_bisht@ecs-limited.com](mailto:harsh_bisht@ecs-limited.com)

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Offices:

#### **Mumbai office**

2 A, Wing A, 8<sup>th</sup> Floor, Prism Towers, Mindspace,  
Goregaon (West), Mumbai – 400 062  
Tel : 022- 40074600 / 40033400 - 1 Fax : 022- 40074700

#### **Gurgaon office**

804, Signature Towers  
Tower A, South City  
Gurgaon, Haryana – 122001  
Tel: 0124-2383301/02, 2383297 Fax: 0124-2383295

#### **Bangalore office**

Tel: 080- 40794128

#### **Chennai Office**

1st Floor, Mootha Centre  
23 Kodambakkam High Road  
Nungambakkam, Chennai – 600 034  
Tel: 044-42123471 /81 Fax: 044-42122190

**Web site:** [www.ecs-limited.com](http://www.ecs-limited.com)